

## The Contribution of Entrepreneurship Education in Improving Entrepreneurial Skills and Knowledge of SMME Owners and Managers

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**ABSTRACT** This study investigated the contribution of entrepreneurship education in improving entrepreneurial skills and knowledge of SMME owners and managers in the Buffalo City Metropolitan Municipality, South Africa. The study followed a quantitative research design and data was gathered using survey method by way of a self-administered questionnaire. The researcher concludes that entrepreneurship education contributes significantly to the improvement of entrepreneurial skills and knowledge of SMME owners and managers. Recommendations were provided to SMMEs, government and learning institutions.

### INTRODUCTION

The Small, Micro and Medium Enterprises (SMME) sector is globally regarded as the driving force in economic growth and job creation. Herrington et al. (2009) observed that SMMEs and entrepreneurship have in recent years become a key focus of research. These businesses are said to be crucial in creating employment opportunities and also wealth in economies. In South Africa, the contribution of this sector to the Gross Domestic Product (GDP) was estimated at 39 percent in 2009 with statistics of that same year showing that 74 percent of economically active South Africans were employed by SMMEs (Statistics South Africa 2010).

The government of South Africa realises the importance of developing entrepreneurship and supporting the SMMEs sector (O'Neill and Viljoen 2001). Fin mark Trust (2006) purports that one of the best ways to address unemployment is to improve the employment creation potential of small businesses and to promote the development of the SMME sector.

Von Broembsen et al. (2005) point out that despite the importance of SMMEs, 75 percent of SMMEs in South Africa fail within the first two years of operation. Fatoki and Garwe (2010) mention lack of education and training as one of the main reasons for the lack of entrepreneurial creation and the high failure rate of new ventures. Herrington and Wood (2003) maintain that it is the lack of education and training that has reduced management capacity in new firms in South Africa.

There is no doubt that the main challenge facing many countries is how to motivate individuals to become entrepreneurs and how to equip them with the right skills to turn opportunities into successful ventures (EntreNews 2004). Governments have introduced a range of policies to encourage educational institutions and private sector training providers to develop entrepreneurial education and training programmes.

Current literature on entrepreneurship education reveal the determinants of entrepreneurship, in order to focus entrepreneurship education and training programmes on what really matters (Dodescu and Badulescu 2010). However, it remains important to investigate the importance or impact of entrepreneurship education on improving entrepreneurial skills and knowledge of SMME owners and managers in South Africa.

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## Problem Statement

A high number of SMMEs fail during the first few years of operation (Nieman and Nieuwenhuizen 2009), especially due to challenges faced by SMMEs. According to Fatoki and Garwe (2010), lack of education is one of the primary reasons for the high failure rate of SMMEs.

Considering the importance of SMMEs to the South African economy and the high failure rate of these ventures, it is important to look at challenges facing entrepreneurs and SMMEs in order to overcome them. Nieman and Nieuwenhuizen (2009) state that the largest percentage of SMMEs fails during the first two years of their existence due to failure to manage growth.

The Eastern Cape Province or South Africa at large is facing challenges of unemployment and poverty, and SMMEs could play a significant role in reducing the impact of these problems. In order to solve these challenges, SMMEs need to be supported and they should also be able to access the resources necessary for survival and growth. Owners and managers of SMMEs also need to be equipped with the right skills and knowledge to be able to start businesses that survive. Taking all the above information into consideration, this research seeks to investigate the impact of entrepreneurship education in improving entrepreneurial skills and knowledge of SMME owners and managers in the Buffalo City Metropolitan Municipality.

Von Graevenitz et al. (2010) note that entrepreneurship education is ranked high on policy agendas of several countries, but little research is available to assess its impact, hence the impact emanating from entrepreneurship education is still poorly understood.

## Objective of the Study

The objective of this study is to investigate whether entrepreneurship education improves entrepreneurship skills and knowledge of SMME owners and managers.

## Hypothesis

$H_0$ : Entrepreneurship education does not improve entrepreneurship skills and knowledge of SMME owners and managers.

$H_1$ : Entrepreneurship education improves entrepreneurship skills and knowledge of SMME owners and managers.

## Literature Review

This section will provide a brief discussion on entrepreneurship, entrepreneurship education, the lack of education and training and also try to answer the question on whether entrepreneurship can be taught.

### *Entrepreneurship*

There has been a dynamic shift from a managed economy towards an entrepreneurial society (Audretsch 2001). Although there are various definitions and explanations of entrepreneurship, it remains the process of creating something valuable and new by devoting the necessary time and effort and reviewing the results (Hisrich et al. 2008). Schoeniger (2010) argues that the ability to select a proper response to circumstances is crucial to an entrepreneurship mind-set.

### *Entrepreneurship Education*

Alberti et al. (2004) define entrepreneurship education as the formal dissemination of entrepreneurial competencies, which in turn refers to the concepts, skills and mental awareness used by individuals during the process of starting and developing their growth-oriented ventures. According to Ghina (2013), entrepreneurship education is a program designed to develop creative and innovative people who will become entrepreneurs. Furthermore, entrepreneurship education is crucial due to the recognition that entrepreneurship can contribute to economic development (Szirmai et al. 2011). It is assuming relevance within academic programs all over the world (Alberti et al. 2004).

### *Lack of Training and Education*

In South Africa, lack of education is seen as one of the most significant barriers to entrepreneurial activity (Nieman and Nieuwenhuizen 2009). They also noted that education is positively related to entrepreneurial activity.

Lack of management skills by SMME owners and managers can also be attributed to lack of education and training. Education and training help develop management competencies which are necessary for the success of an enterprise. Hellriegel et al. (2008), define managerial

competencies as sets of knowledge, skills, behaviours and attitudes that can contribute to personal effectiveness. Management competencies are very crucial for the survival and also for the growth of a business venture. Herrington and Wood (2003) point out that in South Africa; it is lack of education and training that has reduced management capacity in SMMEs.

### *Can Entrepreneurship be Taught?*

A debate still exists on whether entrepreneurship can be taught. This debate emanates from another debate on whether entrepreneurs are born or they are made. Although some researchers claim that entrepreneurship cannot be taught and entrepreneurs are born that way, it is clear that entrepreneurship can also be taught. Entrepreneurship education and training programmes in various institutions across the globe also serve as evidence that entrepreneurial competencies can be acquired or improved through entrepreneurial education and training.

## RESEARCH METHODOLOGY

In this study, both primary and secondary data was used. A thorough literature review was conducted to obtain secondary data. Primary data was collected from a random sample of 201 SMMEs calculated using Raosoft sample size calculator from a database with a total of 420 SMMEs. The study followed a quantitative research design. Probability sampling method was applied and simple random sampling technique was used. Survey method by way of a self-administered questionnaire was used to gather primary data.

This study used SPSS as the statistical software for data analysis. According to Coakes (2005) SPSS is a software for performing statistical procedures in the social sciences field. SPSS is among the most widely used programme for statistical analysis in social sciences. It is a complete statistical package that is based on a point and click interface. SPSS has almost all statistical features available and widely used by researchers to perform quantitative analysis. Subsequently, the SPSS package, the Chi-square, cross tabulation, Pearson Product-Moment Correlation and descriptive statistics were used to analyse data. Validity tests and reliability tests were performed and are presented below.

## Reliability Test

The Cronbach's alpha indicator that was used to test for reliability, this alpha indicates the overall reliability of a questionnaire. According to Field (2009), the values around 0.7 and 0.8 are good for reliability tests. Reliability tests performed yielded the results that are presented in Tables 1 and 2. The Cronbach's alpha of 0.831, which is significantly above 0.7 and 0.8, was obtained in the reliability tests. According to Field (2009) the results are reliable.

**Table 1: Reliability test**

		<i>Number of items</i>	<i>%</i>
<i>Cases</i>	Valid	158	96.9
	Excluded <sup>a</sup>	5	3.1
	Total	163	100.0

a. Listwise deletion based on all variables in the procedure.

**Table 2: Reliability test**

<i>Cronbach's alpha</i>	<i>Number of Items</i>
0.831	28

## RESULTS AND DISCUSSION

Out of the 201 questionnaires distributed, 162 questionnaires were completed and returned.

SMME operators were asked to give their views on the extent to which entrepreneurship education could improve entrepreneurship skills. Market awareness, creativity and innovation, flexibility, risk taking, gathering resources, problem solving, technical skills, personal skills and business skills were assessed. The summarised results are illustrated in Table 3 and discussed in the next sections.

### Market Awareness

Respondents were asked to give their views on the impact of entrepreneurship education on the market awareness of entrepreneurs. Table 3 shows the results from the respondents.

The results show that the majority, which is 91 percent of the respondents agree that entrepreneurship education plays a critical role in improving the market awareness of SMME operators. Only 3 percent of the respondents dis-

agreed with this notion. About 6 percent were neutral and could not say whether it improves market awareness or not. It can safely be concluded that market awareness of SMME owners and managers can be enhanced through entrepreneurship education.

### Creativity and Innovation

Creativity and innovation are also important entrepreneurial skills that successful entrepreneurs possess. Respondents' views on the impact of entrepreneurship education on these skills were obtained and the summarised results are shown in Table 3.

Table 3 shows that 92 percent of the respondents agreed that entrepreneurship education improves their creativity and the ability to innovate. It is only 1.2 percent of the respondents that are not of the view that this type of education can improve creativity and innovativeness of individuals. It can thus be concluded that creativity and innovativeness of SMME owners and managers can be attributed to entrepreneurship education.

### Flexibility

The importance of entrepreneurship education in improving the flexibility of SMME operators was assessed. The results appear in Table 3.

The results summarised in Table 3 show that 68.5 percent of the respondents agree that entrepreneurship education can help to improve the flexibility of SMME owners and managers. An additional 3.7 percent indicated that they strongly agree that flexibility of SMMEs can be

improved through entrepreneurship education. Only 6.2 percent of the respondents disagreed with this notion with the remaining part of respondents being neutral. Since the majority agree that entrepreneurship education can improve the flexibility of SMME operators, it can be concluded that entrepreneurship education enhances the flexibility of SMME operators.

### Risk-taking

Since the ability to take calculated risks is another distinguishing feature of entrepreneurs, it was imperative to determine the extent to which entrepreneurship education can help improve the ability of SMME operators to take risks. The views of the respondents are depicted in Table 3.

From Table 3 it can be seen that 99.4 percent supported the notion that entrepreneurship education improves the ability of individuals to take calculated risks. On the other hand, 0.6 percent of the respondents were neutral in relation to the extent to which entrepreneurship education can improve risk-taking abilities of entrepreneurs. It can be concluded that entrepreneurship education improves the ability of SMME owners to take risks.

### Gathering of Resources

Resources such as human resources, financial resources and technology are very crucial in the operation and success of any business venture. The summarised results on the effect of entrepreneurship education on gathering of resources are depicted in Table 3.

Table 3 also shows that 86.4 percent of the respondents agreed that entrepreneurship education was very important in improving the skills

**Table 3: The extent to which entrepreneurship education can improve the entrepreneurship skills**

	<i>Strongly agree</i> (1)n (%)	<i>Agree</i> (2)n (%)	<i>Neutral</i> (3)n (%)	<i>Disagree</i> (4)n (%)	<i>Strongly disagree</i> (5)n (%)
Market awareness	99 (61.1%)	48 (29.6%)	10 (6.2%)	0 (0%)	5 (3.1%)
Creativity and innovation	25 (15.4%)	124 (76.5%)	11 (6.8%)	2 (1.2%)	0 (0%)
Flexibility	6 (3.7%)	111 (68.5%)	35 (21.6%)	10 (6.2%)	0 (0%)
Risk taking	1 (0.6%)	160 (98.8%)	1 (0.6%)	0 (0%)	0 (0%)
Gathering of resources	40 (24.7%)	100 (61.7%)	1 (0.6%)	21 (13%)	0 (0%)
Problem solving	28 (17.3%)	118 (72.8%)	12 (7.4%)	4 (2.5%)	0 (0%)
Technical skills	74 (45.7%)	83 (51.2%)	5 (3.1%)	0 (0%)	0 (0%)
Personal skills	65 (40.4%)	86 (53.4%)	2 (1.2%)	8 (5.0%)	0 (0%)
Business skills	29 (17.9%)	119 (73.5%)	7 (4.3%)	7 (4.3%)	0 (0%)

and ability to gather resources that are crucial to the running and operating of a business venture. It is only 13 percent of the respondents that disagreed with the notion that those with entrepreneurship education can have the ability to gather resources more easily than those without. It can thus be accepted that the ability of entrepreneurs to gather resources can be enhanced through entrepreneurship education.

### Problem Solving

The ability to solve problems is another entrepreneurial skill that was assessed. Table 3 shows the results on the impact of entrepreneurship education in improving the ability of SMME operators to solve problems.

Table 3 shows that entrepreneurship education can improve the ability of SMME owners and managers to solve problems. About 90.1 percent of the respondents agreed that entrepreneurship education is very important for SMME operators to make wise decisions in solving challenges and reaching solutions. It can be concluded that entrepreneurship education plays a critical role in improving the ability of SMME owners to solve the problems they face in business operations.

### Technical Skills

The extent to which entrepreneurship education improves the technical skills of SMME owners and managers was assessed. Table 3 depicts the results as obtained from the respondents.

Table 3 shows that 97 percent of the respondents agreed that entrepreneurship education can help improve the technical skills of SMME operators. Only 3 percent of the respondents were neutral and none of them disagreed with the notion that entrepreneurship education could improve these technical skills. This leaves no doubt that entrepreneurship education is crucial to the development of technical skills of SMME owners and managers.

### Personal Skills

Table 3 depicts the summarised results of the role of entrepreneurship education in improving personal skills of entrepreneurs and SMME operators. The results show that 93.8 percent of the respondents agreed that entre-

preneurship education improves personal skills of entrepreneurs.

### Business Skills

Table 3 depicts the summarised results of the views of respondents on the role of entrepreneurship education in improving business skills of entrepreneurs and SMME operators.

The majority, which is 91 percent of the respondents, agreed that entrepreneurship education improves business skills of entrepreneurs. Based on these findings, it can be concluded that the development of business skills can be attained through entrepreneurship education.

The findings of this study were in line with what was emphasised by Kunene (2008) that entrepreneurial, technical, business and personal skills can be developed through education. These findings are also supported by McClelland (1961), Hisrich and Peters (2002), Pretorius and Van Vuuren (2003), Timmons and Spinelli (2007) and Massey (2004) who maintain that the skills and knowledge of entrepreneurship can be developed in individuals through education and training.

### Hypothesis

The hypothesis for this study was tested using cross tabulation, Chi-square and Pearson Product Moment Correlation.

***H<sub>0</sub>: Entrepreneurship education does not improve entrepreneurship skills and knowledge of SMME owners and managers***

Table 4 shows the results of cross tabulation between entrepreneurship education and the skills and knowledge of SMME owners and managers. The majority of respondents, 98 percent who received entrepreneurship education, agreed that entrepreneurship knowledge and skills are necessary to people who want to start their own businesses. It was also noticed that 70 percent of the respondents who indicated that entrepreneurship education has nothing to do with the improvement of entrepreneurship knowledge and skills necessary to entrepreneurs and aspiring entrepreneurs, never received entrepreneurship education.

A Chi-square test of association was performed by cross tabulating two variables namely entrepreneurship education and Entrepreneur-

**Table 4: Impact of entrepreneurship education on skills and knowledge of SMME owners and managers**

		<i>Entrepreneurship knowledge and skills are necessary to people who want to start businesses</i>		
		<i>Yes</i>	<i>No</i>	<i>Total</i>
<i>Received Entrepreneurship Education</i>	<i>Yes</i>	148	3	151
	<i>No</i>	4	7	11
	<i>Total</i>	152	10	162

ship knowledge and skills that are necessary to people who want to start businesses. Table 5 shows the Chi-square test results for this hypothesis. From the results, a Chi-square value of 67.282 and 1 degree of freedom with a probability value of 0.000 was found. Since the p-value (probability) of 0.000 is less than 0.05, it therefore means that we *reject the null hypothesis* and conclude that entrepreneurship education improves entrepreneurship skills and knowledge of SMMEs owners and managers.

The results for the strength and direction of the relationship between entrepreneurship education and the improvement of entrepreneurship skills appear in Table 6. From Table 6, it shows that the Pearson product moment correlation denoted by  $r$ , is 0.644, which means that there is a *strong positive* correlation between Entrepreneurship education and the improvement of

entrepreneurship skills and knowledge of SMME owners and managers in the Buffalo City Metropolitan Municipality. This proves that the more entrepreneurship education is improved, the more the entrepreneurial skills and knowledge of SMME owners and managers are also improved.

The findings of this study are supported by Henry et al. (2003) who mentioned that entrepreneurship education enhances entrepreneurship skills and knowledge that is required by entrepreneurs to start their businesses. Alberti et al. (2004) also confirms that it is the objective of entrepreneurship education to equip entrepreneurs with entrepreneurship skills.

## CONCLUSION

Based on the study, it can be concluded that entrepreneurship education improves entrepre-

**Table 5: Chi-square tests**

	<i>Value</i>	<i>Df</i>	<i>Asymp. Sig. (2-sided)</i>	<i>Exact Sig. (2-sided)</i>	<i>Exact Sig. (1-sided)</i>
Pearson Chi-Square	67.282 <sup>a</sup>	1	<b>.000</b>		
Continuity Correction <sup>b</sup>	57.059	1	.000		
Likelihood Ratio	31.197	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	66.867	1	.000		
N of Valid Cases	162				

**Table 6: The Pearson product moment correlation**

		<i>Received entrepreneurship</i>	<i>Entrepreneurship knowledge education and skills necessary to people who want to start businesses</i>
Received entrepreneurship education	Pearson Correlation	1	<b>.644**</b>
	Sig. (2-tailed)		<b>.000</b>
Entrepreneurship knowledge and skills necessary to people who want to start businesses	N	162	162
	Pearson Correlation	<b>.644**</b>	1
	Sig. (2-tailed)	<b>.000</b>	
	N	162	162

neurial skills and knowledge of SMME owners and managers, not only in the Eastern Cape Province but in South Africa and the world over.

### RECOMMENDATIONS

This study recommends that the government should continue investing in entrepreneurship education and training programmes. Monitoring and evaluation of these programmes is also very important to ensure success. Learning institutions should also introduce entrepreneurship courses at lower levels of study, and encourage more students from diverse disciplines to enrol for such courses for they will help them in case they think of establishing a business in the future. SMME owners and managers should not be totally dependent on the government or on government agencies. Rather, they ought to be independent and also invest in skills development for its necessary for venture success.

### LIMITATIONS OF THE STUDY

This study was limited to SMMEs in the Buffalo City Metropolitan Municipality. In addition, participation focused on registered SMMEs only, which could limit the scope of the study. Furthermore, some of the SMME owners were illiterate, hence it was difficult to effectively communicate and respond to the questionnaires.

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