

INSTITUTE FOR LABOUR ECONOMICS RESEARCH MM-128

Skills training for small business development

Ros Hirschowitz
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Pretoria

Human Sciences Research Council

1989

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CONTENTS

Chapter		Page
1	BACKGROUND TO AND AIMS OF THE STUDY.....	1
1.1	Introduction.....	1
1.2	Background to the study.....	4
1.3	Aims of the study.....	7
1.4	Methodology.....	8
1.5	Layout of the report.....	12
2	LITERATURE STUDY AND THEORETICAL FRAMEWORK.....	14
2.1	Introduction.....	14
2.2	Factors influencing training approaches.....	15
2.3	Bridging the gap between the informal and formal sectors...	18
2.4	Entrepreneurship.....	20
2.5	Content of training programme.....	23
2.6	Strategies of training.....	26
2.7	Frameworks for the present research.....	27
3	PEOPLE IN BUSINESS AND THEIR VIEWS ON TRAINING.....	31
3.1	Biographical description.....	31
3.2	Description of the existing business.....	39
3.3	The origins of the business.....	48
3.4	The potential of small businesses to create employment and wealth.....	53
3.5	Skills needed for running the enterprises.....	59
3.6	Problems experienced by the respondents in running the business.....	72
3.7	The training needs that the respondents identified.....	77
3.8	The respondents' views on the success of the business.....	80
3.9	Summary.....	81
3.10	Training implications.....	83
4	PEOPLE INVOLVED IN TRAINING SMALL BUSINESS OWNERS AND THEIR VIEWS ON TRAINING.....	86
4.1	Biographical description of the sample.....	86
4.2	Present work situation.....	88
4.3	The trainers' views on who should learn about the functioning of small businesses.....	89
4.4	Who should receive more specific small business training?..	92
4.5	Skills needed to run a small business.....	95
4.6	Content of training.....	97
4.7	Methods of teaching and learning.....	106
4.8	Characteristics of the trainer.....	109
4.9	Other services that training organizations should offer...	116
4.10	Training standards.....	119
4.11	Funding of training.....	121
4.12	Co-ordination of training.....	124
4.13	Summary.....	125
5	SUMMARY AND RECOMMENDATIONS.....	127
5.1	Summary.....	127
5.2	Recommendations.....	130
5.3	Conclusions.....	138
	REFERENCES/BRONNELYS.....	139

LIST OF TABLES

	Page
3.1	TYPE OF BUSINESS ACCORDING TO SEX OF THE RESPONDENTS..... 33
3.2	LEVEL OF EDUCATION OF RESPONDENTS ACCORDING TO POPULATION GROUP..... 34
3.3	PREVIOUS WORK EXPERIENCE OF THE RESPONDENTS AS EMPLOYEES... 38
3.4	TYPE OF BUSINESS RUN BY THE RESPONDENTS ACCORDING TO ECONOMIC SECTOR..... 41
3.5	THE SITES FROM WHICH THE BUSINESSES IN THE SAMPLE WERE CONDUCTED ACCORDING TO SECTOR..... 45
3.6	NUMBER OF EMPLOYEES ACCORDING TO ECONOMIC SECTOR..... 56
3.7	NUMBER OF DEPENDENTS SUPPORTED BY THE BUSINESSES ACCORDING TO ECONOMIC SECTOR..... 58
3.8	RESPONDENTS' VIEWS ON TRAINING NEEDED TO SET UP IN BUSINESS, TO RUN THE BUSINESS AND TO EXPAND IT..... 79
4.1	HOW THE TRAINERS SPENT THEIR TIME AT WORK..... 90
4.2	BEST WAY TO ACQUIRE BUSINESS SKILLS ACCORDING TO THE RESPONDENTS..... 98
4.3	ADVANTAGES AND DISADVANTAGES OF VARIOUS METHODS OF LEARNING ABOUT SMALL BUSINESS..... 107

LIST OF FIGURES

	Page
2.1 THE FUNCTIONING OF A SMALL ENTERPRISE.....	29
2.2 THE TRAINING CYCLE.....	30
3.1 BUSINESS SKILLS.....	62
3.2 USEFULNESS OF TRAINING AND THE USEFULNESS OF ADVICE RECEIVED BY THE RESPONDENTS.....	68
3.3 PROBLEMS EXPERIENCED BY THE RESPONDENTS IN RUNNING THE BUSINESS.....	73
4.1 SKILLS NEEDED FOR RUNNING A SMALL BUSINESS.....	96
4.2 CONTENTS OF TRAINING FOR BOTH FORMAL AND INFORMAL SECTOR...	100
4.3 USEFULNESS OF LEARNING METHODS.....	110
4.4 SELECTION OF TRAINERS, CONSULTANTS OR INSTRUCTORS: CAN THIS GROUP BE USED FOR TRAINING?.....	114
4.5 OTHER SERVICES THAT TRAINING ORGANIZATIONS SHOULD OFFER....	118

1.1.2 Opportunities for small businesses

Yet not all small businesses have foundered. Some businesses have remained static, offering the same products or help to their customers over a time span of many years, while others have expanded and flourished; yet others have expanded to such an extent that they have become large ones.

It is this possibility of successfully developing a business, the possibility of a business expanding and growing, that constitutes the basis of job and wealth creation. Indeed, large numbers of informal businesses have expanded and grown and eventually entered the formal sector; by so doing they have gained legal recognition and status.

In the formal sector too businesses have succeeded and grown. The small businesses of the past have, in many cases, become the large corporations of modern times.

The important consideration therefore is that small businesses have the potential for growth. If they are well run, they are able not only to support the owner's family, but also to create jobs through expansion and to create wealth through introducing new goods, new ways of producing them, new markets and new sources of supply as well as through manufacturing surplus goods.

Indeed, small businesses create wealth and employment not only through expansion but also through replication (Dewar, 1987). Increasing numbers of similar small businesses stimulate competition and this can lead to better products and services being offered. A person who has learned carpentry skills, for example, by means of in-service training while working in a small business, can start out on his own. His or her original employer will need to find a replacement, and the new business owner in turn will also need to employ and train additional people, if he or she can start and run the business successfully.

Another important role that small business plays is the creation of further opportunities for entry into the mainstream market. People coming from disadvantaged communities who lack the necessary skills to find employment in the mainstream economy are more likely to start off working in small businesses, particularly in the informal sector. This sector can then provide them with at least some basic work skills and experience, facilitating entry into the formal sector. Informal small business experience can thus bridge the gap between being unable to find employment and having marketable skills.

For the enterprising person gaps can be found in those market aspects of business that are not economically viable propositions for larger businesses or for corporations. For example, a hawker can sell individual cigarettes to customers, whereas a supermarket is unlikely to do so.

In a small business a high level of technical innovation is possible at a low cost, since high overheads do not have to be paid for and bureaucratic structures do not have to be overcome. Silicon Valley in the initial development of personal computers is a case in point (Larson & Rogers, 1984).

1.1.3 The importance of training for small business development

Training to acquire the skills needed to start, to run and to expand a small business may play an important role in ensuring that failures are minimized and successes maximized. Although training is only one of the factors contributing to the successful functioning of small businesses, it is an important one. Indeed, one of the most exciting challenges facing the country today is that of finding ways and means of upgrading the skills of the population in general and the skills of those people who lack formal educational qualifications in particular. Training can contribute towards helping small businesses to expand and develop; it can indicate to businessmen how to go about creating jobs and thereby creating wealth. Training can also help small businesses to survive, partic-

ularly in the initial stages, since 50 % of businesses fail in the first year after starting (Harper, 1984a).

1.2 BACKGROUND TO THE STUDY

The National Training Board and the Institute for Educational Research of the HSRC have embarked on a joint investigation into skills training in the RSA which falls outside the scope of artisan training. A main work committee to oversee the investigation as well as seven project committees were established to give advice on the seven projects, each of which covers a different facet of skills training.

This project, which is one of the abovementioned seven, examines the skills required and training needed to encourage successful self-employment in both the formal and the informal sectors.

1.2.1 Definitions

For the purposes of this study, a small business is defined as an enterprise in either the formal or the informal sector which is run by the owner, and which gives employment to not more than 20 people.

The informal sector is characterized by ease of entry, the use of less sophisticated technology, high labour intensity because people, rather than sophisticated machinery, perform the various business activities, and smallness of scale regarding production and/or turnover. This sector operates outside the existing legal framework or administrative regulations, in that the businesses are not registered or licensed.

The formal sector on the other hand is characterized by its operation within the legal framework of the country. These businesses are fully registered and licensed. They comply with the various acts of the country such as the Health Act of 1977, the Licences Act of 1962, and the Basic Conditions of Employment Act of 1983.

They are also required to pay tax and comply with all the regulations and bylaws of the relevant provincial administrations and local authorities.

In practice it is not always possible to distinguish between a business in the formal and one in the informal sector. It seems as if many businesses comply with some regulations and not with others. Therefore they can be placed along a continuum, one pole representing the informal and the other pole the formal sector. Those businesses that are not fully part of the formal sector and yet are not fully informal may be regarded as being part of the semiformal sector.

By training is meant any learning intervention technique such as counselling, consulting, mentoring, focused discussion or classroom teaching, in which one person, the trainer, imparts a knowledge and/or skills base to an individual or to a group of people so that they can use what they have learned in carrying out small business activities.

1.2.2 Role of small businesses in the informal sector

Most economic estimates of income and expenditure are based on figures derived from business activities in the formal sector. The extent of the contribution of the informal sector to the economy of the country is however difficult to estimate. By its very nature, the informal sector is not subject to scrutiny as it functions outside the legal and administrative framework of any country. Nevertheless its contribution is significant and the report of the Committee for Economic Affairs of the President's Council (1985) indicates that this sector has grown rapidly in recent years as a response to inadequate growth of formal sector employment opportunities and a lack of alternatives in subsistence agriculture. Businesses in the informal sector help to cushion the effects of poverty.

An informal business sector is a feature of development. In a city that is in a continual state of development, the existence of the informal sector can be traced throughout its history. For example there is firm evidence of the existence of a viable informal sector in Johannesburg from its beginnings as a mining town. This sector is still flourishing today although some of the activities have changed. At the turn of the century there was an abundance of shoeblacks, washerwomen who laundered dirty washing at various points along the Braamfontein spruit and barrowmen selling a variety of wares in the centre city (Beavon and Rogerson, 1980). In Johannesburg today the informal sector is still a vibrant, dynamic feature of the city. Trading activities are evident in all areas, and in the city centre the selling of fruit, vegetables, trinkets, paper carrier bags and prepared food is a characteristic activity.

It would be interesting and highly relevant to know how many of these informal businesses enter the formal sector, but, as far as the author is aware, no figures are available. Nevertheless, it is postulated here that the informal sector in South Africa at the present time is the basic structure from which future entrepreneurs can emerge, particularly among developing communities. The entrepreneurial activity in the informal sector of the present time is the learning ground for business skills and as such it could make a significant contribution to the formal sector of the future.

In modern times the informal sector plays a vital bridging role. It bridges the gap between unemployment and employment for work seekers. It bridges rural and urban job opportunities in that it allows people who cannot find jobs or who are underemployed in rural areas, to escape rural poverty and to create jobs for themselves in the cities. It is closely connected with the formal urban sector in that the formal sector relies on the informal sector to supply needed goods and services for its workers. The informal sector in turn relies on the growth of the formal sector for its income and clientele (Todaro, 1985: 281-282). Promotion of the potential informal sector is thus of vital importance for future prosperity as well as for future social and economic stability.

Any study of training needs for small businesses should therefore focus, not only on the formal, but also on the informal sector. Opportunities should be created to enable small businesses in the informal sector to enter the formal sector. Not only does it seem highly likely that more jobs will, in future, be created in small, labour-intensive businesses rather than in large, capital intensive ones, but it is also essential that this is done. Large businesses are unable to meet present employment needs partly because of capital-intensive practices and partly because it is expensive for them to create new jobs. In future they are even less likely to be able to meet the employment needs of an expanding population than they are at present.

The encouragement of the development of successful small business ventures, in both the formal and the informal sectors, and the training of entrepreneurs to enable them to run these enterprises, are thus important considerations for future job creation and economic development.

1.3 AIMS OF THE STUDY

This study therefore aims

- * to explore the way in which a group of owners of small businesses in the formal, the semiformal and the informal sectors acquire the skills needed for running their businesses;
- * to ascertain their views regarding the role of training in small business development;
- * to determine how a group of people involved in the training (including consulting, counselling and mentorship) of practising and potential small businessmen view the role of training;
- * to develop guidelines regarding training policy that can be applied to small business development.

1.4 METHODOLOGY

1.4.1 Literature survey

A review of the research that has already been done both locally and in other countries regarding training for self employment was undertaken. This literature study will be discussed in Chapter Two. At the same time a theoretical framework on which this study is based will be developed and discussed in this chapter.

1.4.2 Respondents from whom data were collected

Data were collected by means of case studies using the following respondents:

(a) The entrepreneur/small business owner

Interviews were held with 80 entrepreneurs of small business owners operating a variety of businesses in both the formal, (N=29) the semiformal(N=28) and the informal sectors (N=23) in the Pretoria-Johannesburg-Witwatersrand areas.

The following types of business were included in the study:

- * Retail trading businesses such as hardware stores, cafes, butcheries, used car dealers and florists
- * Small manufacturing concerns such as carpentry, metalwork, clothing and upholstering businesses
- * Businesses offering personal services such as hairdressing and printing
- * Small building and construction businesses

- * Repair businesses such as panel beaters
- * Fast food and catering outlets
- * Businesses offering professional services, for example pharmacy services and undertaking
- * Hawking businesses

Suitable respondents in the above types of businesses were obtained from a variety of sources, namely from black townships near Pretoria, from a shopping centre in a Pretoria suburb, from industrial workshops run by small business development agencies in industrial areas near Johannesburg and Germiston, from people requesting financial assistance from a development agency and from people approaching a training organization. In an exploratory case study approach such as the one used in this project, the group obtained is not a representative one. Limited generalizations can therefore be made from the data, but if the findings support those of other studies, then the scope for generalization is increased.

(b) The trainer

A questionnaire was drawn up to be completed by trainers, counsellors, consultants or mentors working in small business development or training organizations countrywide. Tertiary educational institutions that offer a training service for small business development were also included. Twenty five of these organizations were contacted by telephone and 86 questionnaires were sent out by messenger or by post. Almost 50 % (N = 42) of the questionnaires were completed and returned by trainers in these organizations.

1.4.3 The fieldwork

Different data collecting techniques were used for the entrepreneurs and for the trainers. Information was collected from the entrepreneurs by means of structured personal interviews using an interview schedule. Eight trained fieldworkers were used for this purpose. A fieldworker's manual was written and each fieldworker was given instructions on how to administer the interview schedule during a training session.

Interviews were conducted, wherever possible, during the open hours of the business. The vast majority of schedules were completed by the fieldworkers who wrote down the answers of the respondents. It was not always possible, however, to conduct the interviews personally, because some entrepreneurs were too busy to answer interviewer's questions personally. The schedules were, in these cases, filled in by the respondent himself or herself and returned to the appropriate fieldworker.

As far as the trainers are concerned, data were collected using questionnaires, which are self-explanatory. No fieldworkers were therefore necessary. In order to facilitate the distribution of the questionnaires, an individual, usually someone in a management post, was contacted in each organization to be responsible for handing out the questionnaires and collecting the completed ones among the relevant staff members.

1.4.4 The interview schedule and questionnaire

(a) The interview schedule

The following matters were covered in the interview schedule designed for the entrepreneurs:

- * Biographical details of the entrepreneur such as age, sex, level of education, the type of business, the products sold or

the services offered, the length of time the business has been in existence.

- * How and why the formal/informal business was started, and problems that were experienced in starting it.
- * What initial skills the business owner had before starting the business and how he had acquired these skills.
- * What training he had received, if any, before embarking on the venture.
- * What skills, in his opinion, would have been helpful to get started.
- * The number of people actually working in the business and whether or not employment opportunities had been created since the business was started.
- * What type of skills (financial, technical, marketing, selling, interpersonal, budgeting, planning and forecasting) were needed for running the business and how these skills were acquired.
- * The role of formal and informal training, as compared to the role of experience, and the importance of guidance and mentorship in establishing and running a business.
- * The way in which he or she saw the future of the business and the future business plans.

(b) The questionnaire

The questionnaire that was distributed among those involved in training people to acquire business skills covered the following areas:

- * A biographical description of the respondents, including age, academic and other qualifications, job title and the proportion of time at work spent on training, consulting and counselling activities.
- * Who, in their opinion, should learn about the functioning of small businesses.
- * What skills were needed to run a small business.
- * The type of trainee who in their opinion could benefit the most from business training.
- * What fields or subjects should be covered in a small business training course for the informal and for the formal sectors.
- * What in their opinion were the most effective methods of training.
- * Who in their opinion should be giving the training.
- * How training should, in their opinion, be evaluated as well as their views on setting training standards.
- * Accreditation for training.
- * Other services that training organizations should offer.
- * The funding of training.

1.5 LAYOUT OF THE REPORT

In Chapter Two, a literature survey, covering the factors that influence small business training, the type of person most suitable for this type of training, and the content and methods used, will be undertaken and then related to the present research project.

In Chapter Three, the perceptions of small business owners of the business training that is needed to help to start run and expand ventures, will be discussed.

In Chapter Four, the views of the people actually involved in training will be given regarding the way in which business training should be approached.

Finally, in Chapter Five, a summary will be given of the research findings; then conclusions will be drawn and recommendations for future training for small business development will be made.

CHAPTER TWO

LITERATURE STUDY AND THEORETICAL FRAMEWORK

2.1 INTRODUCTION

Training for small business development in South Africa needs to be seen against two starkly contrasting backgrounds. On the one hand some businesses will be started and function within a framework where poverty, low productivity, unemployment, lower standards of health care, lower levels of education and a lack of skills predominate (Todaro, 1985). On the other hand, some businesses will be started and function within a framework of a modern, sophisticated economy. Yet both types of business can co-exist. Many are carried on side by side in the same areas. For example, the fruit vendor sells his products outside the supermarket. These businesses should be able to rely on each other for mutual support in a symbiotic relationship. Businesses in the developing sector supply the goods and services that many of the unskilled and semiskilled workers in the formal sector require. They cater for those earning lower wages in a society where there are wide disparities in income distribution (Todaro, 1985). In turn, businesses in the developed formal sector supply the materials and goods required by the businesses in the informal sector. This mutual interdependence also extends to training. People in both types of business environments require training to help them to start, run and expand their businesses. Common grounds on which training programmes can be based need to be found.

Any examination of the skills required to run a small business and the type of training that may be useful to help acquire these skills cannot ignore the sociocultural, political and economic environment in which the business will operate.

2.2 FACTORS INFLUENCING TRAINING APPROACHES

2.2.1 Sociocultural influences

From a sociocultural point of view, the social structures as well as the norms and values prevalent in a society can influence the way in which businesses are run (Berger, 1988a). For example if the informal sector is seen as an important contributor to the economy of the country by a given society, then it will be much easier for the owners of these businesses to start and to operate them than if this sector is seen as a hindrance or as unhygienic or even as a threat to formal businesses (King, 1987).

The networks that support business owners in their endeavours and the extent of involvement of the family or extended family are other sociocultural factors to be taken into account (Redding, 1988). The way in which a business functions and the skills needed for this are directly related to these considerations. Training, if it is to be effective, should be directly linked to the socio-cultural environment.

2.2.2 Political influences

From a political point of view, a government's approach, not only to small business development, but also to related issues such as urbanization, technological development, manufacturing policy and labour policy can influence the way in which small businesses are run (Todaro, 1985) and hence, training needs. Monetary and fiscal policies in turn link political strategies to economic conditions in the country.

2.2.3 Economic influences

Economically, the growth rate, the distribution of income in the country, the savings patterns and the labour or capital intensity of industry all play a vital role in the functioning of small busi-

nesses. This pattern in turn has direct training implications (Hsiao, 1988).

2.2.4 The relationship between sociocultural, economic and political influences

Let us examine small business development in the oft cited but highly relevant examples of South Korea, Taiwan, Hong Kong and Singapore. A pattern emerges in which a combination of economic, political and sociocultural factors can be discerned. However, such a pattern needs to be interpreted with caution, since cause-effect relationships cannot be assumed.

Berger (1988b) indicates that economically in these countries there are:

- * high growth rates sustained over many years,
- * diminishing amounts of income inequality,
- * concomitant improvements of living standards of the people and
- * high saving rates.

Politically, welfare services are underdeveloped, but tax rates are low. Socioculturally, there are: a strong achievement-oriented work ethic, a sense of collective solidarity within and beyond the family and a high value placed on education. The education system however, is harshly meritocratic and selects elites among children at an early age (Berger, 1988b).

In the same way as the Protestant ethic was thought to have played an important role in Western development in the eighteenth and nineteenth centuries, Confucian ethics may have played an important role in the development of the economy of East Asian countries in the twentieth century. While the Protestant ethic stresses individualism, the Confucian ethic stresses respect for work, the family and organizational authority (Hsiao, 1988). These differences in Protestant and Confucian ethics indicate that different values can underpin the attainment of similar goals, since countries with both the above values strive for economic prosperity. Although the

goals are similar, training should take the way in which the goals are attained into account. Training strategies for small business development in East Asia may differ greatly from those which are applicable to the West (Papanek, 1988).

2.2.5 Implications for South African training

In South Africa trainers need to be alerted to the way in which sociocultural, political and economic factors influence small business development. Not all people will react in the same way to the same type of business training. There are differences in norms and values among those in the developing and those in the developed sectors of the economy as well as in the communities which the particular businesses serve. These differences have training implications. Botha (1981), in discussing small business development, points out that "In South Africa, there are literally thousands of entrepreneurs whose only education came from the 'school of hard knocks'. Their education has been derived from experience" (p. 157). This experience could form the basis from which training starts, and the framework within which the training needs of each small business owner can be understood.

However, having taken the experience and the background of the trainee into account, the trainer's role is to give the trainee a knowledge of and access to other ways of conducting business which may be more efficient and cost-effective than his or her present methods. Business training should enable the owner to transcend cultural barriers even if the trainer starts off by using the sociocultural orientation of the trainee. In this respect, King (1987) argues that "business training interventions cannot restrict themselves to technical knowledge, but must seek to produce through formal methods, a whole series of attitudes and values that may not be supported by the culture." (p. 8).

In an International Labour Organization publication Neck (1976) states that the need to develop and implement programmes designed to ensure healthy growth of enterprises is fundamental to the fu-

ture wellbeing of countries. This surely applies to South Africa and both its informal and formal sectors at the present time. Not only deregulation, but also ways and means of ensuring the healthy growth of each sector and ways and means of bridging the gaps between the sectors have to be found. One aim of the present study is to examine the way in which training can contribute towards small business development, taking into account the perceptions of both the business owners and the staff of organizations offering them business training.

2.3 BRIDGING THE GAP BETWEEN THE INFORMAL AND FORMAL SECTORS

2.3.1 The gap that exists between sectors

The most widely recognised differences between the formal and informal sectors (Eksteen, 1988) is the absence of official status of the informal sector. The informal sector is largely unregulated, and unlicensed. The businesses in this sector draw on indigenous and local resources for their small scale undertakings. These businesses are usually run by a single individual, often in conjunction with his or her family or extended family. Labour intensive, appropriate technology is used, based on skills gained largely through experience. These businesses cater for unregulated markets and the owners require a relatively small capital outlay to start them. Working hours are irregular and the quality of the products made in this sector are often inconsistent. Prices are negotiable, credit is granted in individualized ways depending on personal contacts between owner and customer. Fixed costs are minimal, insurance if any, is minimal and no tax is paid (Eksteen, 1988 : 5 citing Rogerson & Beavon, 1980).

Businesses in the formal sector are very often characterized by the opposite methods of functioning. They are licensed and regulated and are more capital-intensive. Within the formal sector itself however, there are large differences in the way in which small, intermediate and large organizations function. These differences also exist between larger businesses and those that form part of

large national or multinational corporations. Not only are there differences in functioning but there are also differences in the knowledge base needed for each type of business. Wolmarans (1982 : p. 3) calls these differences 'transitional gaps'. He indicates that there are transitional gaps between the informal sector and formalized small industry on the one hand and between formalized small, medium and large scale industry on the other hand. The same would indeed apply to trading businesses. There is a gap between small scale informal sector trading, for example hawking, and small scale formal trading activity, for example running a shop; between small scale and intermediate scale businesses and then between the intermediate and large scale trading actively in the formal sector.

The width of this gap depends in part on the type of industry or business, the skills level and educational background of the business owner and his or her basic business knowledge as well as on finance and training available to help bridge the gap (Wolmarans, 1982).

2.3.2 Bridging the gap

Wolmarans (1982 : 4) contends that small business training for the informal sector programmes should be geared towards improving the position of the informal sector per se rather than towards bridging these gaps. However, other authors (Harper, 1984a; Todaro, 1985) do not agree with this standpoint. While agreeing that improving the overall position of the sector is important as a practical starting point for training, they state that an ultimate goal for training must be to enable people to cross these barriers or gaps between sectors if they wish to do so. In this connection Harper (1984a : 70) states that if through training, business owners can be brought to see that other options exist and if training gives a good indication of the way in which these other options can be taken, it "has done all that can be expected of it" (p. 70). However, Harper further indicates that there are large numbers of business owners who cannot reasonably be expected to participate in training. An important consideration therefore, is the question of

who can best benefit from business training and whether or not trainees should be selected. The whole issue of entrepreneurship, what it is and whether it is a skill that can be acquired or a personality trait which remains relatively stable throughout the individual's life-span needs to be addressed. Can entrepreneurship be taught, or should it be used as a selection criterion so that training can be given to those who will benefit most?

2.4 ENTREPRENEURSHIP

2.4.1 Importance of entrepreneurship

Entrepreneurship seems to be an important characteristic that distinguishes between the innovative business and the one that remains static. Rosenberg and Birdzell (1986) in their book on How the West grew rich stressed that during the Industrial Revolution, "the most fundamental change in economic organization was the realization that the deeper function of a manufacturing enterprise was not simply to operate its factory (or rarely, factories) efficiently, but to create or discover changes - in product, production, raw materials, distribution or organization - that would increase the margin between costs and revenue. The concepts of an enterprise and enterprising became distinct from the concepts of a factory and manufacturing" (p. 184). The creative innovation and organization of work epitomizes the characteristics of entrepreneurship.

2.4.2 Entrepreneurial characteristics

What then distinguishes the entrepreneur from other business owners? The following characteristics of entrepreneurs have been isolated (Burch, 1986; Harper, 1984b; Sexton and Upton, 1987):

- * A high level of achievement motivation
- * Innovativeness through doing something unique and different
- * Flexibility and ability to adjust to change
- * The willingness to take calculated, moderate risks
- * An acceptance of full responsibility for their ventures

- * Perseverance and hard work to see ideas through
- * Self-reliance, setting goals and working towards them
- * Striving to do better than in the past
- * Optimism while striving for better profits
- * A persuasive but interpersonally aloof approach to others

Burch (1986) indicates that the term entrepreneurship does not represent a dichotomy in that it is either present or absent in an individual but rather there is a continuum between non-entrepreneurial and entrepreneurial activity. Occupations that can be placed on this continuum include the labourer, bureaucrat and lender on the non-entrepreneurial side and the venture capitalist, the innovative entrepreneur and the "inventpreneur" on the other.

Schumpeter (1971) indicates that entrepreneurs are more likely to:

- * introduce new goods,
- * introduce new methods of production,
- * open new markets,
- * open new sources of supply and
- * develop new methods of organizing the work.

The above author defines a small business venture as one which is independently owned and operated, but which is not dominant in its field and does not engage in any new marketing or innovative practices. An entrepreneurial venture, on the other hand, is a leader in its field and is characterized by innovative practices.

Even in the informal sector there are two types of business. Na-trass and Glass (1986) called these two groups the infant capitalists and the businesses that strive for survival, where people enter informal business because they have no other options. While recognising that survival in its own right is important, these authors pose the question: Can a high achievement motivation actually help those who want to survive?

2.4.3 Achievement motivation and entrepreneurship

Indeed one of the main characteristics of entrepreneurship is a high degree of achievement motivation. McClelland, (1961), one of the seminal authors in formulating the concept achievement motivation thought that people could be taught to acquire a high level of this motive, even in adult life. In the book Motivating economic achievement (McClelland and Winter, 1969), he describes how this motive can be aroused and developed. However, this view is regarded as contentious today. Is it really possible to train people in adult life to acquire a motive, which by definition is a relatively fixed personality disposition, which is acquired in childhood and remains relatively stable throughout adult life? Many would disagree (Schatz, 1971).

However attempts have been made to train people to acquire a higher level of achievement motivation. Various entrepreneurship development programmes include achievement motivation training (Harper, 1984a).

The reason behind attempting achievement motivation training is that some means had to be found, among the world's poor, of increasing the supply of more innovative entrepreneurs in the business community. This would help not only the entrepreneur, but also those for whom he or she creates jobs, both directly and indirectly (since secondary businesses develop round a successful one) to escape from poverty. An example of an achievement motivation training programme is given by Harper (1984b) in his book Entrepreneurship for the poor.

The success of these programmes however, is difficult to measure. It seems highly unlikely that one can change a personality disposition in a short training course (Schatz, 1971). Nevertheless, entrepreneurship should be allowed to develop spontaneously among those with a high achievement motive in a community. Burch (1986) notes that favourable conditions spawn entrepreneurs, while in en-

vironments hostile to entrepreneurship, underground economies develop.

2.4.4 Favourable conditions for the emergence of entrepreneurship

An essential feature of effective entrepreneurship is the freedom to allow businesses generally to operate with as few restrictions as possible. In this connection Hetherington (1986) and Rudman (1988) indicate that less control is needed over:

- * where businesses can operate;
- * what goods business owners can manufacture or sell;
- * the prices that can be charged for goods or services;
- * what premises people can use to conduct business and
- * the procedure of licensing of businesses - a license should be seen as a right and not a privilege.

It is not the purpose of this project to examine the ways in which deregulation can occur to encourage the flourishing of small businesses generally and entrepreneurship in particular. But it needs to be noted that effective training can only take place against the background of an environment which is favourable to small business development.

2.5 **CONTENT OF TRAINING PROGRAMME**

Harper (1984a) indicates that whatever the merits of entrepreneurship development programmes, one thing is clear: such programmes cannot on their own train people to be entrepreneurs; they must be combined with other forms of training or other forms of assistance.

The role that training can play needs to be seen in terms of the way in which the businesses are usually set up and run. Ajimal (1987) indicates that the small business owner tends to work in relative isolation with inadequate information, with lower calibre employees and limited capital. He or she is thus highly vulnerable to short-term market changes particularly if the business is not

well established. The main concern of the small business owner is the daily operation of the business and any planning, if it is undertaken, is likely to be short-term and related to solving cash-flow problems.

From this basic picture or profile of the small business owner it seems as if the aim of training should be to enable the business owner to change this short-term ad hoc approach to business management to a more strategic one, both in terms of production and the amount of goods to be sold.

Many businesses are started without first identifying the market and without a business plan which indicates the goals that have been set for production or for trading and how these goals will be reached (Macleod, 1988). Training should therefore start off by examining the type of business the person wishes to enter, the feasibility of doing so, the potential market for the product or service, the sort of premises that would be most suitable and how financing can be obtained. In other words training can enable the person to start his or her business on a basis of knowing what is required in order to be able to do so and the training needs to be made specific to the needs of the trainee and his or her particular business (Macleod, 1988).

Specific tasks need to be learned regarding keeping records of the materials available, of the work in progress and financial transactions, for example book-keeping, stock and inventory control, invoicing and cash collection need to form part of training (Neck, 1976). Other specific tasks such as costing and pricing also have to be learned (Macleod, 1988). These tasks can be seen as ones which help to see that the business runs smoothly on a day-to-day basis and that all money that comes in or leaves the business is accounted for. The levels at which this type of training can be made available can vary from teaching basic principles to teaching highly sophisticated computer-based systems. However a knowledge of record keeping does not ensure that the business will run

smoothly; it is just a means to help the business owner to grasp what is going on in the business more accurately (Harper, 1984a).

Other important areas which need to be covered in training programmes are purchasing, marketing and production and financial planning (Wolmarans, 1982). With this type of training the entrepreneur or small business owner is empowered to move away from the day-to-day running of the business towards planning his or her buying and marketing activities. He needs to learn how to link production with materials available and market needs and what to do with profits that are earned. His or her decision making can then be based on awareness of the possible consequences, rather than on ad hoc considerations. A good manager is one who makes the best use of the resources available to him or her and training can make one aware of these resources and how best to use them (Harper, 1984a).

Sound interpersonal relations are important skills which business owners need to acquire, and training courses can include such aspects as obtaining, training and keeping staff, customer relations and dealing with complaints (Macleod, 1988). Legal aspects, as they affect small businesses and training on how to obtain licences may also be necessary.

However, not all business owners will require the same training and the need for individualized programmes has been stressed by several authors (Harper, 1984a; Botha, 1981). It also needs to be kept in mind that training, on its own, does not ensure the success of the business (Harper, 1984a). It does however empower the business owner to try out new methods based on what has been found to be helpful to others.

Ramos et al. (1977) suggest that training can be organized into business skill modules, each of which can be useful in itself as well as in conjunction with other modules. This modular approach to training has already gained acceptance in South Africa when it comes to artisan courses. Perhaps it can successfully be adapted

to small business development training. Recognition can be given for each particular module that the trainee completes, but a follow-up service to ensure that the information gained can actually be applied in practice, may be necessary.

2.6 STRATEGIES OF TRAINING

2.6.1 Locality of training centres and extension services

There seems to be general agreement among authors writing on small business development that the classroom situation type of training is not usually the most suitable method for teaching small business management skills. Mastery of subject matter in a classroom is far removed from the ability to function in an actual business situation. People who need training may have too limited a formal education to be able to learn in this way. They may not have the time to spend in classroom situations away from their businesses (Harper, 1984a). However, it is often the most economical training method that is available.

Real businesses can however be used very effectively as a training ground. Within the person's own business, actual decisions and actual problems can be directly addressed with the help of a trainer. Extension services, for example advising, counselling, consulting and mentoring are important methods of training. The trainer brings his or her service to the client, rather than the client coming to him or her, and individual advice is tailormade to meet the needs of the small business owner (Harper, 1984a).

In addition to classroom situations and extension services, other methods of small business training need to be found to reach as wide a target group as possible. Ramos et al. (1977) state that in view of the large numbers of people who are involved in starting or running an informal business, the best way of ensuring that training efforts receive the maximum coverage is through making use of the mass media. However, the media do not always lend themselves to all types of subject matter. For example it is difficult to

teach interpersonal skills through the media. Distance education through using the radio, the television and the press as well as through communicating with trainees through the post, may however have useful outcomes if large numbers of people are exposed to a business culture. Mobile training centres can be established in rural areas to help small business owners with their problems. These suggestions were put forward for training in Latin America, but they could possibly equally well be applied to the South African situation.

2.6.2 Way in which training should take place

Learning through discussions, participation in simulated situations, and trying out what is being taught are generally regarded as being better than learning through passive listening (Harper, 1984a). Innovative people are needed as trainers who can adapt training methods, such as case studies, visits to small businesses, role-play situations and workshops to suit the needs of the particular training group. The trainer is also required to be flexible so that he or she can train people at various levels of sophistication as well as according to the needs of the type of business that the trainee is operating (Harper, 1984a).

2.7 **FRAMEWORKS FOR THE PRESENT RESEARCH**

Training for small business development is thus indeed a challenging and burgeoning field. Research is urgently needed on how to develop and to implement training programmes for South African small businesses so that a high quality of training is readily available to those who can benefit from it.

The research that was undertaken for this study can be placed within two interrelated frameworks. On the one hand the business owner and the way in which he or she sets up and runs a business, the inputs into the business and the outputs from it as well as the problems experienced in running the business, need to be taken into account in any training programme. A framework of the factors con-

tributing to the way in which a small business functions that were taken into account in this study, is given in Figure 2.1.

On the other hand the various factors that were taken into account in this study from the point of view of the person offering training are illustrated in Figure 2.2. In this second framework the goals, the resources for training, the target group, the training process and other factors influencing small business functioning and their relationships to each other are illustrated.

Common grounds between the needs of the business owner and the way in which training can help in overcoming these problems need to be found. The two frameworks need to be brought together. In the following chapters the way in which this can be done will be explored.

FIGURE 2.1

THE FUNCTIONING OF A SMALL ENTERPRISE

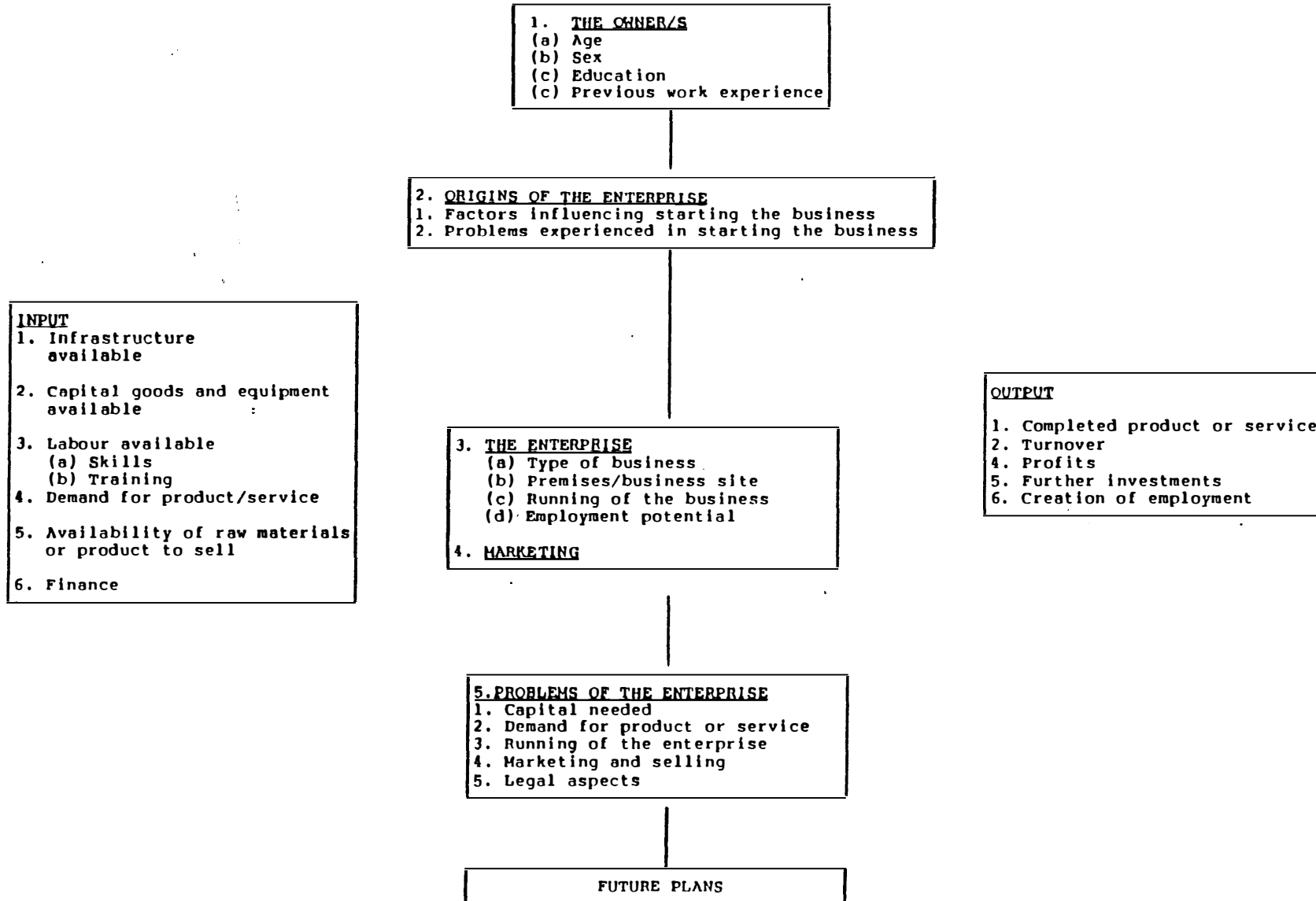
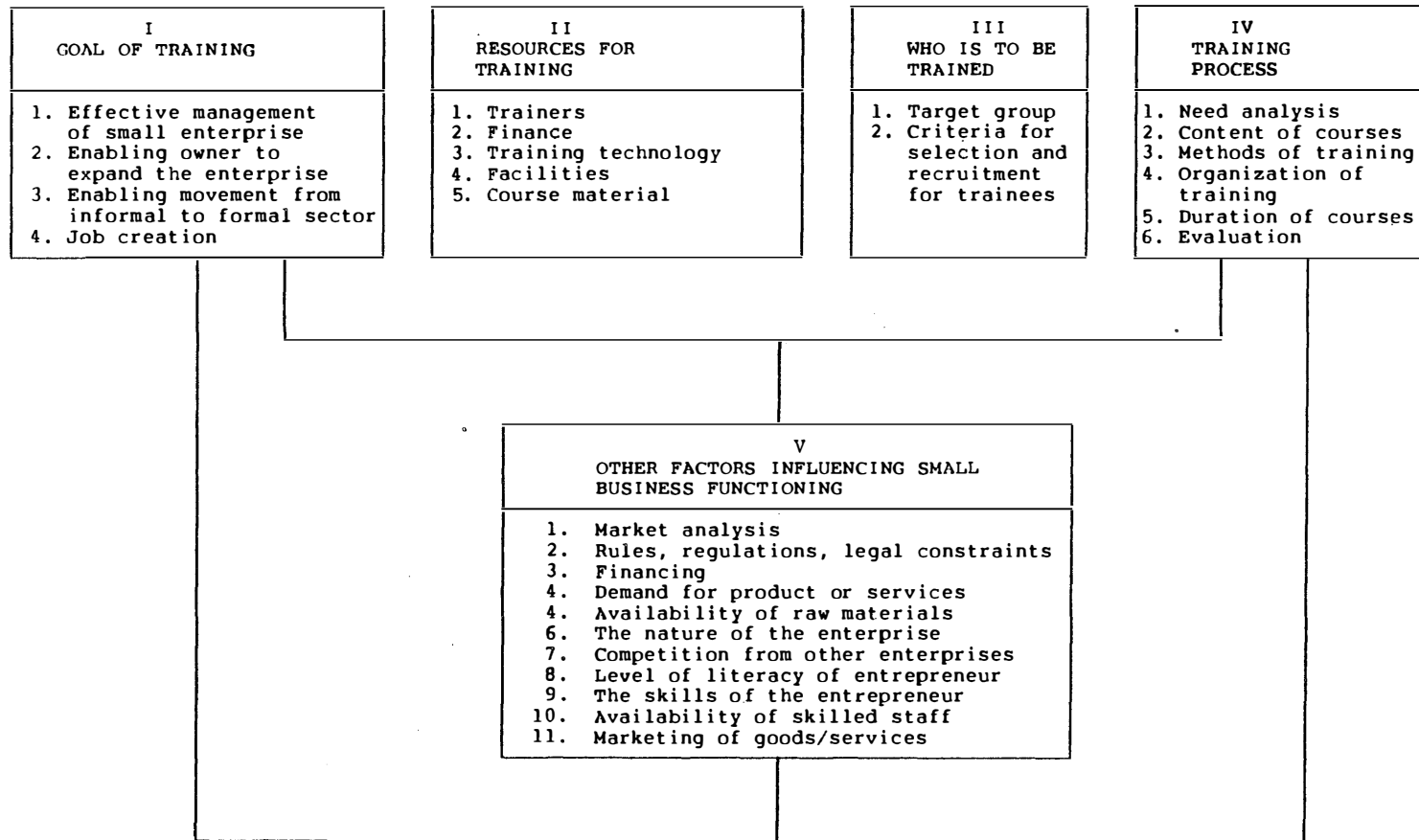


FIGURE 2.2

THE TRAINING CYCLE



CHAPTER THREE

PEOPLE IN BUSINESS AND THEIR VIEWS ON TRAINING

In this chapter the views of those respondents who were running their own businesses will be discussed, with regard to the need for business training. Their background and the type of business which they were running will be taken into account. Training for small business development cannot be seen in isolation, but needs to be placed in the context of existing small business structures and the way in which they function. Without this background any discussion of training may be irrelevant. A case study approach was used in this project to explore the vast field of small business development. The interviews conducted with the group of 80 entrepreneurs according to the questions put to them in the interview schedule form the basis for the research findings. In-depth information was obtained, but it is not known to what extent the findings are generalizable. The findings show possible trends rather than definite patterns.

3.1 BIOGRAPHICAL DESCRIPTION

In this section the distribution in the group of variables such as sex, population group, level of education, training generally, and business training in particular, that the respondents have received, their previous work and business experience and exposure to a business environment before entering a work situation will be discussed. Such a description is necessary because it indicates the type of background against which small businesses can be set up and run. These variables need to be taken into account when suggesting guidelines for formulating a training policy for small business development.

3.1.1 Sex

Although both male and female business people were represented in the sample, there were far more males (N=56 or 70 %) than females (N=24 or 30 %). The sex of the respondents had a definite bearing on the type of business activity in which they were engaged. Table 3.1 indicates that the females were more likely to enter into a narrower range of business activities, for example trading, hair-dressing and dressmaking. The males on the other hand, were more likely to enter into a wider variety of businesses generally, as well as entering into manufacturing or repair businesses in particular. The differences in the type of business run by males and females may be the result of skewness in the sample, but they need to be taken into account when looking at training needs.

3.1.2 Population group

The respondents consisted of members of the black, white and coloured communities. Almost 70 % (N=55) of the respondents were blacks, while 20 % (N=16) consisted of white and 10 % (N=8), of coloured people. (The population group of one respondent was not known.) The white respondents were most likely to participate in the formal sector since 15 of the 16 respondents were running businesses in this sector, whilst those in the other two population groups were more likely to operate in the semiformal and the informal sectors. Training needs may differ according to sector.

3.1.3 Education

The vast majority of respondents could be regarded as being literate and numerate. Only four respondents indicated that they had not attended school. Among those who had attended school, Table 3.2 indicates that most of the respondents had completed at least some secondary school education. Relatively few, namely nine (12 %) respondents of the 76 who had attended school had only completed some primary school as their highest level of education. Level of education is an important consideration to be taken into

TABLE 3.1
TYPE OF BUSINESS ACCORDING TO SEX OF THE RESPONDENTS

Type of Business		Sex					
		Male		Female		Total	
		N	%	N	%	N	%
Trading	N %	8 61,5	14,3	5 38,5	20,8	13 100	16,3
Hairdressing and hair products	N %	1 25,0	1,8	3 75,0	12,5	4 100	5,0
General services	N %	2 40,0	3,6	3 60,0	12,5	5 100	6,3
Jewellery, gifts and artistic products	N %	3 50,0	5,4	3 50,0	12,5	6 100	7,5
Car repairs, services and products	N %	5 83,3	8,9	1 16,7	4,2	6 100	7,5
Building and construction	N %	4 100	7,1			4 100	5,0
Dressmaking and knitting	N %	1 12,5	1,8	7 87,5	29,2	8 100	10,0
Taxi driving	N %	3 75,0	5,4	1 25,0	4,2	4 100	5,0
Carpentry	N %	8 100	14,3			8 100	10,0
Tavern services	N %	1 50,0	1,8	1 50,0	4,2	2 100	2,5
Leatherwork	N %	2 100	3,6			2 100	2,5
Metalwork	N %	5 100	8,9			5 100	6,3
Printing	N %	2 100	3,6			2 100	2,5
Upholstery	N %	4 100	7,2			4 100	5,0
Electrical and electronic businesses	N %	5 100	8,9			5 100	6,3
Coal distribution	N %	1 100	1,8			1 100	1,3
Undertaking	N %	1 100	1,8			1 100	1,3
TOTAL	N %	56 70,0	100	24 30,0	100	80 100	100

TABLE 3.2

LEVEL OF EDUCATION OF RESPONDENTS ACCORDING TO
POPULATION GROUP

Level of education	Population group						* Total	
	Black		Coloured		White		N	%
	N	%	N	%	N	%		
Standard 2	N	1	1,9				1	1,3
	%	100					100	
Standard 3	N	1	1,9				1	1,3
	%	100					100	
Standard 4	N	4	7,7				4	5,3
	%	100					100	
Standard 5	N	2	3,9	1	12,5		3	4,0
	%	66,7		33,3			100	
Standard 6	N	8	15,4			2	12,5	10
	%	80,0				20,0	100	
Standard 7	N	6	11,5	2	25,0	1	6,3	7
	%	66,7		22,2		11,1	100	
Standard 8	N	11	21,2	4	50,0	1	6,3	16
	%	68,8		25,0		6,3	100	
Standard 9	N	3	5,8				3	4,0
	%	100					100	
Matriculation	N	16	30,8	1	12,5	12	75,0	29
	%	55,2		3,5		41,4	100	
TOTAL	N	52	100	8	100	16	100	76
	%	68,4		10,5		21,1	100	

* Four respondents had not attended school

account for training. Basic literacy and numeracy are essential preconditions for training in basic business skills.

As far as additional postschool qualifications are concerned, almost a quarter (N=18 or 23 %) of the respondents had obtained postschool academic qualifications. Six of these 18 respondents had qualified in paramedical and nursing fields or in teaching. Three had done so in business fields, five in science or in engineering fields and three in arts.

A relatively large group of respondents (N=31 or 39 %) had received some form of postschool artisan or technical training. Fields in which this type of training had been received and skills which had been acquired included metalwork, boilermaking and welding (N=4), carpentry, cabinet making, upholstery and furniture polishing (N=8), hairdressing (N=3), secretarial skills (N=2), dressmaking and knitting (N=3), spray painting, paint and plastics technology (N=2), computer technology and telecommunication skills (N=2), general production skills (N=2), as well as motor mechanical, printing and various other skills (N=5). This technical background gave a large portion of the respondents some basic work skills on which they could build when entering their own businesses. This finding indicates that some form of training is necessary for both formal and informal business activities.

3.1.4 Age

As far as age of the respondents is concerned, the median age was 38 years; 25 % were younger than 30 and 25 % were older than 46. The vast majority of respondents (69 %) were aged between 30 and 49 years. The youngest respondent was aged 21 years and the oldest, 72 years. (The age of 10 respondents was not known.) The respondents were thus likely to be in those stages of their life cycle that Levinson (1978) calls the "settling down period" and the "mid-life transition." The problems of the "novice stage" of adult life, namely those concerned with learning societal expectations as far as being an adult is concerned and learning to play an adult role,

have largely been overcome. Societal cultural values as outlined in section 2.2.4 of this report have been assimilated. Maturity in handling life situations has been gained. It thus seems likely that a large proportion of the respondents decided to start their own businesses after they had gained at least some experience of previous adult life as well as of paid work. Training which takes experience into account is likely to be more relevant than training that does not do so.

3.1.5 Previous work experience

Previous work experience includes working or helping out in a business as a child, experience as an employee in someone else's business and self-employment in a prior business undertaking. Each of these experiences can contribute to the way in which the respondents approached their present business ventures. Past work experience can have a direct influence on training needs as the individual is more likely to have a clearer picture of his or her problems, strengths and weaknesses.

(a) **Childhood work experiences**

Even before entering a paid work environment, a relatively large group (N=28 or 35 %) of respondents had had at least some exposure to the functioning of a small business during their childhood and adolescence. The respondents who had had this type of exposure were most likely to have helped out in a parent's, sibling's, relative's or friend's business (N=16). In addition, several (N=11) had worked over weekends or during school holidays in a business which did not belong to a relative or friend, while one respondent indicated that he had made and sold wooden objects, thus running his own business, as a child. This type of exposure to a small business environment during childhood and adolescence is probably an important informal learning situation in which business know-how is assimilated.

(b) Experience as an employee

Previous work experience as an employee was a characteristic feature of the sample. Seventy (88 %) of the eighty respondents had previously been in paid work as employees in someone else's business. The median amount of time spent as an employee was eight years, whereas 25 % had spent four years or less, and 75 % had spent 15 years or less as an employee. The experience gained through employment was likely to give the respondents a basic understanding of what is demanded of one in a work situation as well as an awareness of the responsibilities that working generally, and working for oneself in particular, entail. This experience may have contributed towards giving the respondents confidence in entering their own business ventures.

The type of work actually done by the respondents as employees, before entering their present business venture, varied considerably as indicated in Table 3.3, but for most respondents, there was a connection between the work they had done previously and their present business undertaking. This similarity related to both the skills that were needed and the market being served. Experience is thus, in its own right, an important learning process. Common jobs held previously were those involving artisan and technical skills which, as we have seen, were largely acquired through training. There was also a relatively large group of respondents (17 %) who worked in jobs requiring trading skills.

(c) Previous experience in self-employment

As far as previous experience in self-employment is concerned, 55 (69 %) of the respondents had not had their own businesses prior to their present venture. The 25 (31 %) respondents who had run other businesses before embarking on the present venture had spent relatively little time doing so since the

TABLE 3.3

PREVIOUS WORK EXPERIENCE OF THE RESPONDENTS AS EMPLOYEES

Type of work	N	%
Professional and semiprofessional (paramedical, laboratory, nursing, teaching, policing)	6	8,6
Technical (computers, electronic and electrical)	4	5,7
Artisan (woodwork, boilermaking, welding, hairdressing, upholstery)	20	28,6
Selling (selling, working in a shop, marketing)	12	17,1
Secretarial and clerical	6	8,6
Supervisory	2	2,9
Knitting, dresmaking, sewing	4	5,7
Driving	4	5,7
Semiskilled (machine operating and production work)	6	8,6
Unskilled (manual labour, domestic service, farm labour, messenger)	6	8,6
TOTAL	70	100

median number of years spent in a previous business as an owner was four years. Of the 25 respondents who had gained previous experience in self-employment, four had spent one year or less, and five had spent between one and two years in a prior business. Thus, overall, relatively little time had been spent by relatively few respondents in a previous self-owned business. The most common method of gaining work experience of the group was through working for an employer rather than through self-employment. It thus seems as if training should focus on general skills needed to be able to successfully run a business rather than on those skills needed to perform a specific task, for example dressmaking and carpentry skills. These specific skills are usually acquired before embarking on one's own venture.

3.2 DESCRIPTION OF THE EXISTING BUSINESS

In this section a description of the actual business ventures run by the respondents will be given. The type of business, the products made and the services rendered, the economic sector in which each business was functioning, the sites from which they operated, the patterns of ownership found among the respondents, the role of the family in running the venture, the infrastructure and capital goods available to it, as well as the hours during which business was being conducted will all be discussed. Such a description gives an indication of the way in which small businesses can be set up and run as well as the type of training that is needed for small business development. By studying practical examples, trends can be detected.

Obviously the type of business that each respondent ran influenced the type of goods being made or the type of service being offered. The nature of a small business venture reflects the personality of the owner as well as his or her interests, aptitudes and skills.

3.2.1 Nature of the business

As could be expected, Table 3.4 indicates that there was a wide variety of types of businesses being run by the respondents. This diversity is indicative of the multiple possibilities that exist for establishing small business ventures. Nevertheless, the businesses could be divided into three groups, namely those manufacturing a product, those offering a service and those engaged in both manufacturing a product and offering a service. For the purposes of this study, trading as a primary business activity was regarded as a service.

3.2.2 Products made

Almost half (46 %) of the respondents in the sample were engaged in making some type of product. This high proportion may be explained by the inclusion of "hives of industry" in the semiformal sector, run by development agencies, in the sample. Nevertheless, even among respondents in the informal sector, there were a variety of products, for example items of clothing, being made. In general, the main type of products being made by the respondents were cupboards and wooden furniture, upholstered furniture, metal gates and burglar-proofing, picture frames, clothing, prepared food, handbags and spectacle cases, sculptures, pendants, art and craft work and jewellery, printed matter, bed linen and household linen as well as flower arrangements. These types of products do not generally require the use of highly sophisticated machinery and equipment, but they do require certain basic skills. The artisan and technical training received by 31 respondents, as previously discussed, as well as the group's previous work experience, may have meant that a large proportion of the sample had the technical skills needed to be able to personally make these goods themselves.

3.2.3 Services offered

Just over three-quarters of the respondents (78 %) indicated that they offered a service to their customers. A third of those offer-

TABLE 3.4

TYPE OF BUSINESS RUN BY THE RESPONDENTS ACCORDING TO ECONOMIC SECTOR

Type of Business	Informal N %	Semiformal N %	Formal N %	Total N %
Trading (e.g. cafés, butcheries fast food outlets, hawkers)	N 4 17,4 % 30,8	N 2 7,1 % 15,4	N 7 24,1 % 53,9	N 13 16,3 % 100
Hairdressing (and supplier to hairdresser)	N 2 8,7 % 50,0		N 2 6,9 % 50,0	N 4 5,0 % 100
General services (e.g. dog parlour, florist, interior decorator)	N 1 4,4 % 20,0	N 1 3,6 % 20,0	N 3 10,3 % 60,0	N 5 6,3 % 100
Gifts, jewellery and artistic products	N %	N 2 7,1 % 33,3	N 4 13,8 % 66,7	N 6 7,5 % 100
Car services and products (e.g. tyres, batteries, panel beating)	N 1 4,4 % 16,7	N 1 3,6 % 16,7	N 4 13,8 % 66,7	N 6 7,5 % 100
Building and construction	N 1 4,4 % 25,0	N 2 7,1 % 50,0	N 1 3,5 % 25,0	N 4 5,0 % 100
Dresmaking, knitting and other sewing	N 5 21,7 % 62,5	N 3 10,7 % 37,5		N 8 10,0 % 100
Taxi driving	N 1 4,4 % 25,0		N 3 10,3 % 75,0	N 4 5,0 % 100
Woodwork (cabinet making, furniture making and repair)	N 2 8,7 % 25,0	N 4 14,3 % 50,0	N 2 6,9 % 25,0	N 8 10,0 % 100
Tavern services	N 2 8,7 % 100			N 2 2,5 % 100
Leatherwork (handbags) and spectacle cases)	N %	N 2 7,1 % 100		N 2 2,5 % 100
Metalwork (burglar proofing, gates, welding)	N 1 4,4 % 20	N 4 14,3 % 80		N 5 6,3 % 100
Printing and screenprinting	N 1 4,4 % 50,0	N 1 3,6 % 50,0		N 2 2,5 % 100
Upholstery and re-upholstery	N 1 4,4 % 25,0	N 3 10,7 % 75,0		N 4 5,0 % 100
Electrical and electronic (e.g. autoelectrical, computer sales)	N 1 4,4 % 20,0	N 3 10,7 % 60,0	N 1 3,5 % 20,0	N 5 6,3 % 100
Coalyard	N %		N 1 3,5 % 100	N 1 1,3 % 100
Undertaker	N %		N 1 3,5 % 100	N 1 1,3 % 100
TOTAL	N 23 100 % 28,8	N 28 100 % 35,0	N 29 100 % 36,3	N 80 100 % 100

ing a service also made a product. For example, a carpenter could manufacture cupboards as well as repair broken furniture. He could also offer an installation service.

In general the type of services offered covered a wide range. The repair of broken goods was however the most common service offered, since 29 % of the respondents who offered a service, said they were engaged in repair activities. For example motor vehicle repairs, panel beating and spray painting, battery repairs and a tyre service were offered to motorists; house repairs and painting, furniture repairs, re-upholstery and furniture polishing as well as repairs of steel products and burglar proofing were offered to households; jewellery repairs and the mending of electrical and electronic appliances and repair and maintenance of computers were offered to individuals.

Trading as the main business activity was the second most frequently encountered service offered and 23 % of the respondents were included here. Indeed, all businesses were involved in selling their products or services, but some ventures, for example hawking businesses, focused mainly on trading.

Other services offered included hairdressing, serving at a restaurant, serving alcoholic beverages, dog grooming, arranging flower displays at weddings and other functions, dispensing medicines and printing signs. Interiors of homes and offices were decorated, made to measure clothes were produced for specific customers, professional photographs were taken, cupboards were installed and even an undertaking service was offered. The sample was indeed a heterogeneous group with a variety of abilities and skills.

This diversity again indicates that training for small business development cannot focus solely or mainly on the acquisition of specific artisan or technical skills. Although the ability to perform a specific task to manufacture or to repair goods may be essential in many types of businesses, training to acquire these skills can be regarded as a necessary precondition for entering a certain type

of business venture, rather than as a business skill. Once the business has been established training for small business development should focus on the acquisition of general business skills in addition to the further acquisition of specific technical skills.

3.2.4 Economic sector

One of the selection criteria for participation in the study was the sector in which the business operated. People from the informal, the semiformal and the formal sectors were chosen to participate in this study since each sector may function in a different way, thus influencing the approach that needs to be taken towards training. The way in which respondents were selected is discussed in Chapter One.

In total 23 businesses (29 %) were found in the informal sector, 28 (35 %) in the semiformal and 29 (36 %) in the formal sectors. Table 3.4 indicates that the sector in which the business functioned did not really influence the type of business that the respondent ran. Businesses in the semiformal sector were likely to involve manufacturing and repair services, while those in the informal and formal sectors covered a similar range of business. Manufacturing industries in the formal sector were not included in this study. It seems highly likely that many opportunities are available to people in the informal sector wishing to start businesses in the formal sector as there is a demand for similar products and services in both sectors. Training for those in the informal (and semiformal) sectors should concentrate on giving people the know-how to enable them to enter the formal sector if they should wish to do so. More possibilities could then become available to them, even though they are using similar skills. A strong case can also be made for training to upgrade technical skills to improve product quality so that mobility from the informal to the formal sector can take place.

3.2.5 Business site

Table 3.5 indicates that businesses in the study were operated from a variety of different sites. Some businesses, for example those of the taxi drivers, did not have fixed places from which they operated, while others were operated from the home. Cubicles in "hives of industry" in industrial parks, premises or shops in buildings, shopping centres, street pavements and market stalls were all possible sites from which businesses could be run. The nature of the business determined, at least to some extent, the site of the business. In the informal sector businesses were most likely to be run from the residence of the respondent, from an industrial park or through other arrangements such as selling from house to house. In the semiformal sector, however, all the businesses except one, were run from premises in industrial parks. The largest variety of business sites was found among those running businesses in the formal sector. People running businesses from no particular fixed place or from a private residence were more likely to offer more basic types of goods and services, whereas those with well established more permanent business sites had the opportunity to offer more sophisticated goods and services.

It thus seems as if one aim of training should be to encourage upward business mobility from the more basic type of business in the informal sector to the more sophisticated type of business run from more permanent sites in the formal sector. This upgrading could contribute towards job creation.

3.2.6 Infrastructure available to the business

Infrastructure, for the purpose of this study, refers to electricity, telephones, running water, toilet facilities and storage space that is available to the business. Generally speaking, the respondents who actually required an infrastructure to run their businesses perceived that this was available to them. The resources available influenced the way in which the business was run, which

TABLE 3.5

THE SITES FROM WHICH THE BUSINESSES IN THE SAMPLE WERE
CONDUCTED ACCORDING TO SECTOR

Business site	Sector						Total		
	Informal		Semiformal		Formal		N	%	
	N	%	N	%	N	%			
Private residence	N	8	34,8	1	3,7	4	15,4	13	17,1
	%	61,5		7,7		30,8		100	
Industrial park	N	10	43,5	26	96,3	5	19,2	41	54,0
	%	24,4		63,4		12,2		100	
Building in a business zone	N					4	15,4	4	5,3
	%					100		100	
Street pavement site	N	1	4,4					1	1,3
	%	100						100	
In a shop	N					8	30,8	8	10,5
	%					100		100	
In a garage	N					1	3,9	1	1,3
	%					100		100	
Other sites *	N	4	17,4			4	15,4	8	10,5
	%	50,0				50,0		100	
TOTAL	N	23	100	27	100	26	100	76	**100
	%	30,3		35,5		34,2		100	

* Taxi ranks, mobile catering, moving from one site to another, going from house to house, or having more than one business site from which the business was run, are all included in this category.

** 4 respondents did not indicate their business site.

in turn could have influenced the perception that the infrastructure was adequate. Seventy of the 79 (89 %) respondents who answered the question had electricity, 53 (67 %) had telephones and 70 (89 %) had running water and toilets available to them. The businesses that lacked infrastructure were likely to be those that did not have a fixed site from which they were run, for example taxi drivers and hawkers.

3.2.7 Capital goods available to the business

Businesses in the formal and semiformal sectors, particularly those in "hives of industry" in industrial parks, had access to office equipment, small tools and machinery that they needed. However, those in the informal sector rarely had access to these facilities. The fact that both infrastructure and capital goods are not usually essential in order to set up a business in the informal sector indicates that it is relatively easy to do so and that small amounts of money are generally involved. The development of small businesses in the informal sector thus requires very little, if any, financial outlay from the public sector, yet, as we shall see, creates jobs. The inclusion of motivational training to inspire people to start their own business is thus an important consideration for any training policy.

3.2.8 Ownership of the business

Almost three-quarters of the respondents (N=58 or 73 %) said they were the sole owners of their business ventures, while 22 respondents indicated that there was at least one other co-owner or partner of the venture. These partners were often members of the family. As far as decision making is concerned, most of the respondents N=63 or (78 %) said that they themselves made most of the business decisions. Joint business decisions taken by an owner and partner as a team were thus far less common. Training for small businesses needs to take this decision making pattern into account. All aspects of business management have to be taught, since responsibilities are seldom shared and specialization seldom occurs.

Franchise arrangements were rare. Only one respondent indicated that the business was definitely part of a motor car selling franchise group while four were unsure, although they thought that an informal franchise arrangement existed. Among the "unsure" answers, one respondent indicated that he had obtained a loan from a company to start the business and this company now took half of the profits. A second respondent said she was a voluntary member of Interflora, whilst a third said that he had some form of arrangement with a particular supplier regarding the profits made and the fourth said that his shop was part of a group of shops with the same name. It thus seems as if training in franchising principles, although relevant, is seldom necessary. The importance of individualized training is relevant here.

3.2.9 The role of the family in the business

Members of the family had a definite role to play in helping out in the business in just over half (N=42 or 53 %) of the ventures, but they were rarely paid directly for this assistance. In eight cases family members were co-owners or partners and in only three cases were there any members of the family working as paid employees. Help was of a voluntary full-time nature in 17 cases, but then children and relatives also helped in running the business part-time, over weekends and during school holidays. Help was also given in the form of food or loans when the business was going through a difficult time.

This family role is indicative of the network of resources on which one can draw to get tasks done. Business success often depends on these networks. In developing countries generally, the family often plays a role in small businesses. This applies particularly to businesses in the informal sector. A support system for business activities is thus created for the owner, while for members of the family, opportunities for learning about the world of business are created. But these learning situations, especially in the informal sector, teach survival strategies. If members of the family are to

help the businesses to modernize, expand and grow, additional training may be needed.

3.3 THE ORIGINS OF THE BUSINESS

It is important to know how small businesses are started. The selection of candidates for training hinges on answers to questions concerning what motivates a person to set up in business and how he or she goes about doing so. Issues that will be dealt with in this section include reasons given by the respondents for entering into small business generally, and for entering into a specific type of business, in particular. Then the findings regarding the actual steps taken by the respondents to start their businesses will be outlined. Through this discussion training needs relevant to setting oneself up in business will be isolated and the characteristics that need to be taken into account for the selection of candidates for training in small business skills will be clarified.

3.3.1 The length of time the businesses have been in existence

Most of the businesses in the sample came into existence relatively recently. Only nine (11 %) had been started during 1970 or earlier; six more (8 %) were started between 1970 and 1980 and a further 10 (13 %) between 1981 and 1984. By far the majority, namely 54 of the businesses (68 %) were started during 1985 or later and of these businesses, 12 were started in 1985, 15 in 1986, 18 in 1987 and nine in 1988. (The time of origin of the sole remaining business is unknown since the respondent's father started it.) This finding indicates that economic circumstances may influence the tendency to start small businesses. The high unemployment in the country during the time when most of the businesses started may be relevant here.

3.3.2 Motivation to start the business

The following are the broad categories into which the reasons given by the respondents regarding what motivated them to start their own

business can be placed, according to how frequently they were mentioned:

- * Financial reasons (mentioned by 18 respondents or 23 %)
- * Unemployment or fear of losing one's job (N=16 or 20 %)
- * The desire to be independent (N=14 or 18 %)
- * Interest and know-how to start a particular type of business (N=11 or 14 %)
- * A desire to change one's life-style (N=7 or 9 %)
- * The need to achieve or to advance (N=5 or 6 %)
- * The influence of family and friends (N=5 or 6 %) and
- * The desire to offer a needed service (N=4 or 5 %)

Thus most of the respondents went into business with the hope of improving their specific life circumstances. The data indicate that those who started business to avoid unemployment because they lack marketable skills set up a different kind of business than those who enter the business world to become more independent or to earn more money. The unemployed person who lacks skills is likely to set up a smaller, less ambitious venture. The person who has skills and know-how, for example in carpentry, is also likely to set up a different type of business. These differences will influence the person's approach to the business venture. Training needs may differ for each group. If trainees are to be selected, the person who is motivated to achieve, to be independent or to earn more money is more likely to be enthusiastic about training, as this could help him or her to advance, than the person who goes into business because he or she is forced to do so. Self-selection for training may therefore be the best criterion. However, motivational training to inspire people to start their own business should be widely available.

3.3.3 Reasons for choosing a particular type of business

When the respondents were asked to indicate why they chose their particular type of business, the reasons given could be divided into the following categories, in order of importance:

- * Being qualified for the task (N=26 or 33 %)
- * Opportunity to make a profit (N=16 or 20 %)
- * Interest and enjoyment (N=12 or 15 %)
- * Finding a gap in the market or a need for the product or service (N=10 or 13 %)
- * Previous experience in the field (N=8 or 10 %)
- * Offering a useful service (N=4 or 5 %) and
- * Carrying on a family tradition (N=4 or 5 %)

It thus seems as if interest, the profit motive, previous experience, qualifications and training are important considerations influencing the type of business one chooses. Generally, people do not enter into a business venture without at least some background awareness or knowledge of what is needed. As already indicated, training should build on existing knowledge, and thus needs to be individualized, if it is to be effective.

3.3.4 The first step taken to start the business

When the respondents were asked to indicate what the first step was that they took to start the business, the following categories could be identified:

- * Obtaining the goods, equipment, tools or machinery needed (N=22 or 28 %)
- * Obtaining finance or saving money (N=14 or 18 %)
- * Finding premises (N=14 or 18 %)
- * Getting information, advice or background knowledge (N=8 or 10 %)
- * Taking over an existing business (N=7 or 9 %)
- * Getting customers (N=7 or 9 %)
- * Starting small by moonlighting or working from home (N=6 or 8 %)
- * Meeting legal requirements (N=2 or 3 %)

These steps give an indication of training needs, based on the perceptions of small business owners. Important areas that training should cover according to the respondents, concern obtaining tools,

equipment, machinery and business sites; getting customers, knowing the legal requirements and knowing how to expand the business. However, not all steps that are necessary for starting a business were mentioned by the respondents. For example market research and establishing the viability of the product are important areas that were not mentioned.

3.3.5 Obtaining finance to start the business

When asked how they obtained finance to start the business, the following were the sources that the respondents indicated they used. Only the first mentioned source was encoded:

- * Personal savings (N=47 or 59 %)
- * Borrowing from family, relatives, friends and partners (N=12 or 15 %)
- * Obtaining a loan from a development agency (N=8 or 10 %)
- * Obtaining a bank loan (N=6 or 8 %)
- * Obtaining a loan from suppliers (N=3 or 4 %)
- * Winning money (N=2 or 3 %)
- * Obtaining contracts (N=2 or 3 %).

People starting small businesses therefore often use the financial resources that they already have or that they can obtain through informal contacts rather than borrowing money from banks or development agencies. This may mean that the businesses start off very small, particularly in the informal sector. Training could give people an awareness of how to go about obtaining loans, and principles of repayment. But the most important training need seems to be how to start the business more efficiently in order to generate more profits to run and expand the business.

3.3.6 Obtaining premises

Responses to the question concerning obtaining premises could be divided into the following categories:

- * Using a private residence (N=16 or 20 %)
- * Obtaining a site through a development agency or local authority (N=16 or 20 %)
- * Hearing about premises through friends or relatives (N=13 or 16 %)
- * Taking over premises from previous owner or partner (N=12 or 15 %)
- * Finding a good spot through personal effort (N=9 or 11 %)
- * Finding the only place available at an affordable price (N=4 or 5 %)
- * Looking at advertisements (N=3 or 4 %)
- * Not applicable/business does not require premises (N=7 or 9 %)

Businesses are thus started on a variety of sites. As we shall see, one of the problems experienced with certain sites, in industrial parks, for example, was that they were located in areas which did not have a natural flow of customers. Training should help respondents to choose a site which is convenient for those who will buy the product or make use of the service.

3.3.7 Obtaining the supplies needed to start the business

In general, local manufacturers, wholesalers or retailers were used as suppliers from whom respondents obtained either their raw materials or products to sell. However, only two respondents mentioned seeking the cheapest or most cost-effective supplies, since access to these places may be limited for the small business owner. Training therefore needs to include the most cost-effective methods of obtaining supplies.

3.3.8 Getting customers

Getting customers when starting a business required considerable effort. The following are the most important ways in which the respondents obtained customers and became established.

- * Canvassing from house to house or firm to firm (N=23 or 29 %)
- * Word of mouth; people hearing about the business (N=17 or 21 %)
- * Using some form of advertising, e.g. pamphlets, business cards (N=16 or 20 %)
- * Giving a good service (N=9 or 11 %)
- * Starting the business from a good site (N=7 or 9 %)
- * Giving special introductory offers (N=2 or 3 %)
- * Other methods, for example attractive display or employing a representative (N=6 or 7 %)

From these responses it seems as if becoming established in the marketplace is probably the most difficult task which faces the prospective small business owner. In the initial stage, he or she has to actively go out and look for customers. Later, however, there is an established core of customers. Training can have a definite role to play in both helping the prospective owner in identifying the need for the product and exploring the potential market.

3.3.9 Obtaining a licence

Almost half the respondents (N=34 or 43 %) had not attempted to obtain a licence to start or to run their businesses. This large number includes people who have been classified as running businesses in the semiformal sector. Most of those who had attempted to obtain licences, (N=27 or 34 %) were successful. However they faced delays and problems, for example failing to meet health standards or fire department requirements. Of the remaining 19, two took over an existing licence, while 17 were still waiting. Training on how to meet licensing requirements is becoming important if businesses are to be encouraged to grow and expand. A business cannot reach its full potential in the informal sector.

3.4 **THE POTENTIAL OF SMALL BUSINESSES TO CREATE EMPLOYMENT AND WEALTH**

In view of the high rates of structural unemployment in the country at the present time, and the apparent inability of the larger or-

ganizations to absorb all those seeking jobs, attention has increasingly focused on small businesses as potential sources of future jobs. Small businesses are generally regarded as being able to create jobs, firstly for the person who starts his or her own business through self-employment, and secondly for others. In this section the direct job creation potential of the small businesses in the sample will be examined. Jobs are however often created indirectly, and in this study we have already seen in Table 3.1 that five different types of businesses existed, focusing on the maintenance and repair of motor vehicles. These businesses may have developed in relation to the mushrooming of taxi ventures. Indeed the boom in taxi services has given many people the opportunity to go into businesses based on the needs of the taxi owner. In a project of this nature, however, it was not possible to estimate the indirect effects of small business development on job creation. Only the direct effects, namely the number of jobs offered in the businesses forming the group could be studied. These effects will be discussed in this chapter.

Another important consideration regarding small business development is wealth creation. In each small business an attempt is made to create enough wealth to support the business owner and his or her family. We have already seen that members of the family often help out in small business ventures, without receiving payment for this help. Nevertheless the business is required to earn enough money to support these and perhaps other family members. In this section the number of dependants supported by each business will also be discussed.

In addition to supporting the family, each owner strives to make a profit. By running a business and adding value through offering needed goods and services, and by circulating more money in the economy through spending, more wealth is created. If the community supports the growing number of small businesses in an area, then a greater re-distribution of money to more families in that area can occur. The extent to which the respondents feel that the community supports each business will also be discussed in this section.

The above issues demand attention because the job and wealth creation potential of small businesses are important considerations to be taken into account in any training programme. Any business owner who has received business training will be alerted to the possibility of ways in which the business can grow and develop. Although many businesses can function adequately if the owner has not received training, without it he or she may not be aware of how to go about running the business efficiently to maximize profits and to create more jobs. The business may not get off the ground or reach its growth potential if the owner lacks the know-how to do so. Particularly in the informal sector businesses often function at a subsistence level partly because of a lack of business skills. The role of training is thus to help the businessman or woman to gain a better grasp of business principles and business methods which apply specifically to his or her type of business. Being in possession of this knowledge and skills base enhances the possibility that the entrepreneur will use it in the business venture. However, the final choice of whether or not new methods and new skills will be used rests with the individual. Training can only stimulate and encourage business development. It cannot ensure that what is taught will actually be applied.

3.4.1 The number of people employed in the businesses

In total 61 (76 %) of the businesses in the group offered paid employment to others. The distribution of jobs according to sector is given in Table 3.6. It is interesting to note that 11 of the 23 businesses in the informal sector (48 %), 23 of the 28 in the semi-formal sector (82 %) and 27 of the 29 businesses in the formal sector (93 %) offered paid jobs to workers. Table 3.6 also indicates that not only were there more businesses giving employment to people in the formal sector, but there were also more people per business employed in this sector.

These jobs could be divided into three categories, namely full-time, part-time and casual work. All together 192 males and 122 females were employed in a full-time capacity, 11 males and 12

TABLE 3.6

NUMBER OF EMPLOYEES ACCORDING TO ECONOMIC SECTOR

Number of employees		Sector						Total	
		Informal		Semiformal		Formal			
		N	%	N	%	N	%	N	%
1.	N	3	27,3	1	4,4	2	7,4	6	9,8
	%	50,0		16,7		33,3		100	
2.	N	4	36,4	4	17,4	3	11,1	11	18,0
	%	36,4		36,4		27,3		100	
3.	N	0		4	17,4	4	14,8	8	13,1
	%			50,0		50,0		100	
4.	N	1	9,1	6	26,1	3	11,1	10	16,4
	%	10,0		60,0		40,0		100	
5.	N			3	13,0	2	7,4	5	8,2
	%			60,0		40,0		100	
6.	N			3	13,0	2	7,4	5	8,2
	%			60,0		40,0		100	
7.	N	1	9,1			3	11,1	4	6,6
	%	25,0				75,0		100	
8.	N	1	9,1					1	1,6
	%	100						100	
9.	N	1	9,1			1	3,7	2	3,3
	%	50,0				50,0		100	
10.	N			1	4,4	1	3,7	2	3,3
	%			50,0		50,0		100	
More than 10	N			1	4,4	6	22,2	7	11,5
	%			14,3		85,7		100	
TOTAL	N	11	100	23	100	27	100	61	100
	%	18,0		37,7		44,3		100	

females were given part-time employment, while 53 males and 14 females were employed on a casual basis. Most jobs were therefore of a full-time and relatively permanent nature. Times during which casual workers were employed were Saturdays and weekends and busy periods, for example when a contract had been obtained or when there was a greater need for the service or product, such as Mother's day or Christmas time. Casual labour was also employed when permanent employees were absent from work.

All the the respondents (N=61) who gave employment to others, except one, remunerated them. The exception to this case gave his employee board and lodging instead of cash payments, while 21 respondents gave their employees board and lodging or else only meals, in addition to cash payments.

The small businesses in the group were thus relatively labour-intensive because they did not have highly mechanized processes available to them, but compared to the informal sector, more scope for employment existed in the semiformal and in the formal sectors. Training can help employment creation particularly if it enables more businesses to advance from the informal to the formal sector. However, just by encouraging small business development in all sectors, more businesses will be set up, creating job opportunities for others.

3.4.2 Number of dependants supported by the businesses

Table 3.7 indicates the number of dependants that each business was actually supporting. Dependants could be divided into three groups, children under 18 years, children aged 18 years and older and other dependants, for example grandparents. Almost all the businesses (80 %) were supporting at least one dependant other than the owner or owners. Nineteen of the 23 businesses in the informal sector (83 %), 22 of the 28 businesses in the semiformal sector (79 %) and 23 of the 29 businesses in the formal sector (79%) were supporting at least one dependant. Generally, it seems as if the

TABLE 3.7

NUMBER OF DEPENDENTS SUPPORTED BY THE BUSINESSES
ACCORDING TO ECONOMIC SECTOR

Number of dependents		Economic sector						Total	
		Informal		Semiformal		Formal			
		N	%	N	%	N	%	N	%
1.	N			1	4,6	5	21,7	6	9,4
	%			16,7		83,3		100	
2.	N	4	21,1	5	22,7	3	13,0	12	18,8
	%	33,3		41,7		25,0		100	
3.	N	2	10,5	5	22,7	6	26,1	13	20,3
	%	15,4		38,5		46,2		100	
4.	N	4	21,1	3	13,6	1	4,4	8	12,5
	%	50,0		37,5		12,5		100	
5.	N	3	15,8	3	13,6	3	13,0	9	14,1
	%	33,3		33,3		33,3		100	
6.	N	1	5,3	3	13,6	1	4,4	5	7,8
	%	20,0		60,0		20,0		100	
7.	N	1	5,3	1	4,6			2	3,1
	%	50,0		50,0				100	
8.	N	2	10,5	1	4,6	2	8,7	5	7,8
	%	40,0		20,0		40,0		100	
9.	N					1	4,4	1	1,6
	%					100,0		100	
10 or more	N	2	10,5			1	4,4	3	4,7
	%	66,7				33,3		100	
TOTAL	N	19	100	22	100	23	100	64	100
	%	29,7		34,4		35,9		100	

businesses were supporting relatively large families irrespective of sector since 25 respondents had 5 or more people to support.

Large groups of people therefore rely on small businesses to be successful for their survival. Training is one way of enhancing the chances of making the business profitable.

3.4.3 Extent to which the community supported the business

When asked whether or not the community in which the business is situated supports it, more than 70 % of respondents (N=56) who answered the question, agreed that they had the support of the community. The main support was through purchasing the goods offered or making use of the service. Reasons given for the community not supporting the business were that the product was too specialized, or else that the premises were not in an easily accessible place. For example, some people felt that the situation of the "hives of industry" or industrial parks did not encourage the community to support the businesses, because they were not on a direct transport route.

3.5 **SKILLS NEEDED FOR RUNNING THE ENTERPRISES**

In this section the respondents' views regarding the skills, both technical and business related, that they feel they need to run their businesses, as well as the extent to which they think they possess these skills, will be discussed. The way in which these skills were acquired will be outlined, and comparisons will be drawn between the role that training played and the role that experience played in skills acquisition. The respondents' understanding of the meaning of certain basic business terms such as banking credit and debt will also be explored. From this discussion a picture of the areas which training for small business development should cover, can be obtained. Training policy can thus be formulated, taking the needs of those actually running small businesses into account.

3.5.1 Technical skills that the respondents required

In reply to the question "Do you need any technical skills to run the business", three quarters of the respondents (N=60) indicated that they did indeed require these skills. These technical skills were directly related to the type of business each respondent was running and they have already been discussed. However the acquisition of skills went hand in hand with specific knowledge about the product of service. This knowledge base underlying technical skills could be divided into five broad but interrelated categories, namely:

- * Product knowledge or what the particular product could do and what it could be used for.
- * Process knowledge or how to manufacture the relevant product and all the steps that need to be taken to do so.
- * Knowledge of the service being offered and how to perform the tasks necessary to render the service.
- * Knowledge of the market and the type of firm or person who would actually need or who could find a use for the product or service.
- * Knowledge of methods of communication to inform customers of the product or service.

The vast majority of respondents (80 %) indicated that, to a large extent, they possessed this knowledge base. Experience was the most common way (indicated by 52 % of respondents) through which they obtained this knowledge, while 26 % said that they had obtained it through formal training, 16 % through both experience and training and 7 % through informal training, for example being taught by a parent or friend or a previous employer.

It thus seems highly likely that the technical skills needed for each specific type of business can be built around this common knowledge base. Training could have an important role to play in helping people to acquire it, but the specific type of business will influence the type of knowledge the person requires. For ex-

ample, the person whose main business function will be to sell, will set more store on product knowledge than on process knowledge or how to make the product. For the new entrant or potential business owner, information on how to acquire this background knowledge could form an important part of training.

3.5.2 Business skills that the respondents needed

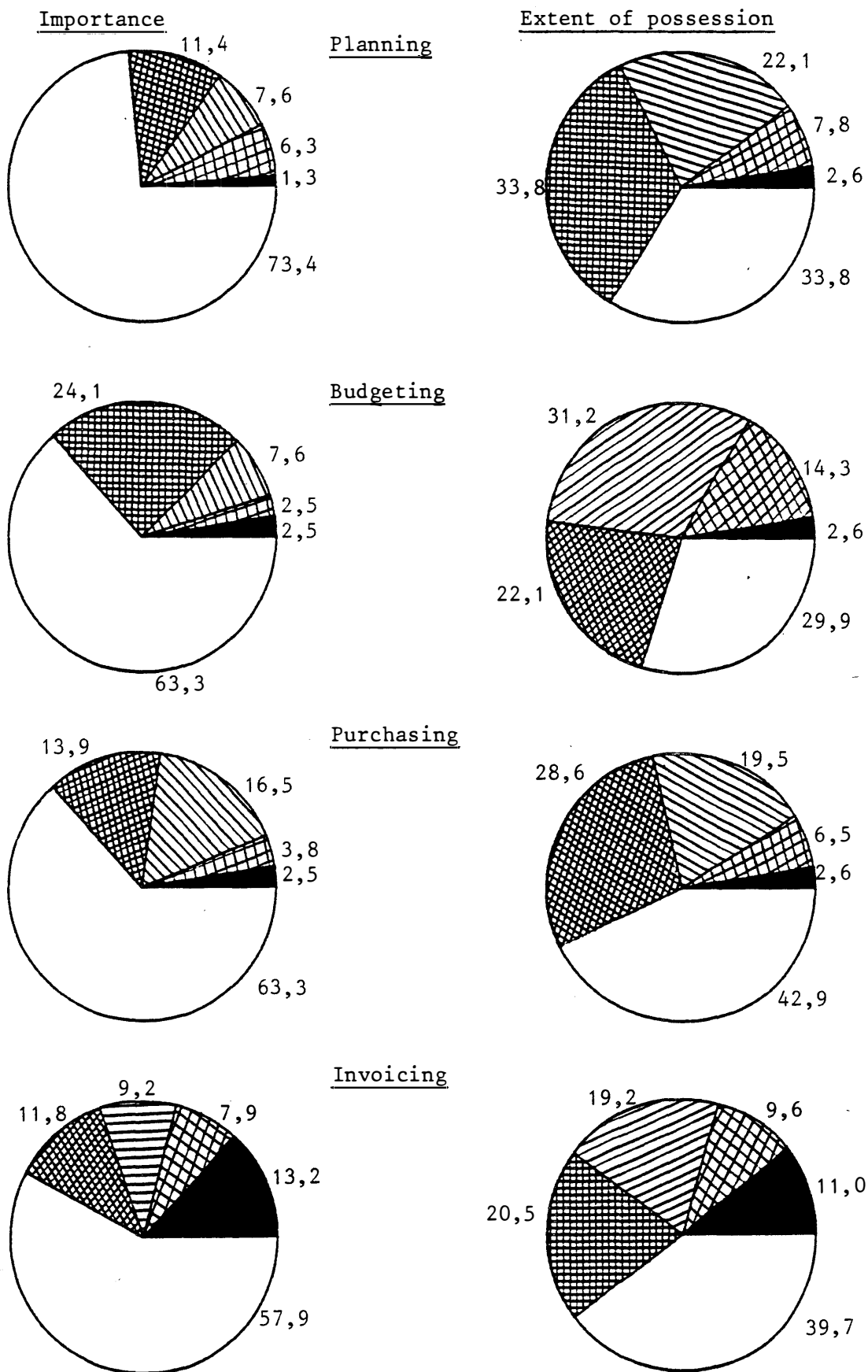
Basic business skills can be classified into the following broad groups:

- * General business management, for example planning, budgeting and handling security
- * Record keeping, for example stock and inventory control and bookkeeping
- * Financial management, for example handling of credit, debt and repayments
- * Interpersonal relations for example selling, handling employees and dealing with customers

The respondents were asked to indicate on a five-point scale how important they thought certain business skills were in their type of business. Each skill listed in the interview schedule could be placed in one of the above four categories. The respondents were also asked to indicate on a five point scale the extent to which they thought they possessed each skill. The definition of each of these terms was given to the respondents.

Figure 3.1 indicates that in general the respondents thought that all the skills listed in the interview schedule were important; but the extent to which they thought they possessed them was generally rated lower than their importance. The gaps between perceived needs and perceived abilities give a clear indication of the areas in which a learning intervention is necessary. The larger the gap the more the respondents need training in that area.

FIGURE 3.1
BUSINESS SKILLS

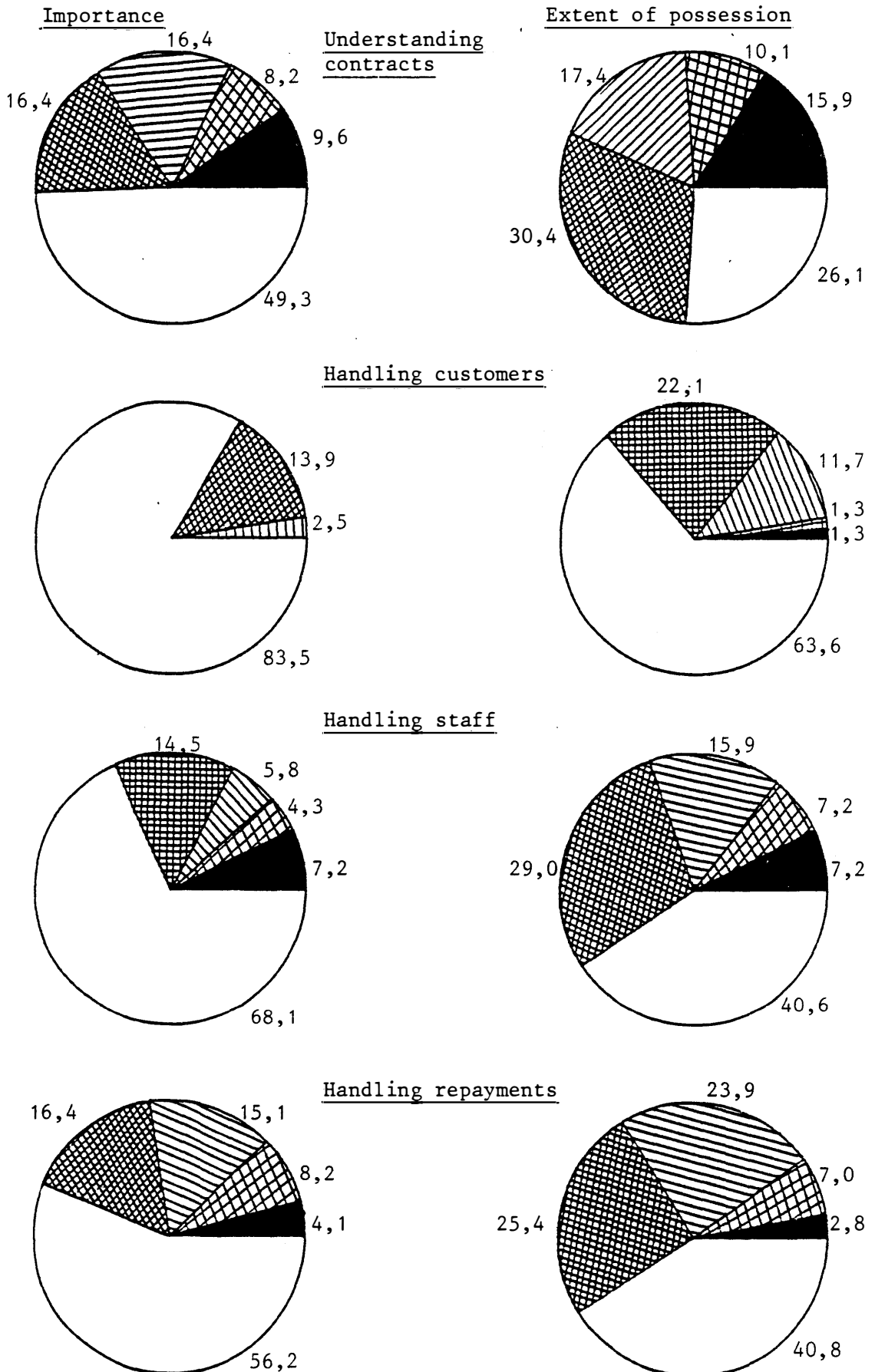


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FIGURE 3.1 (continued)

BUSINESS SKILLS



(continued)

FIGURE 3.1 (continued)
BUSINESS SKILLS

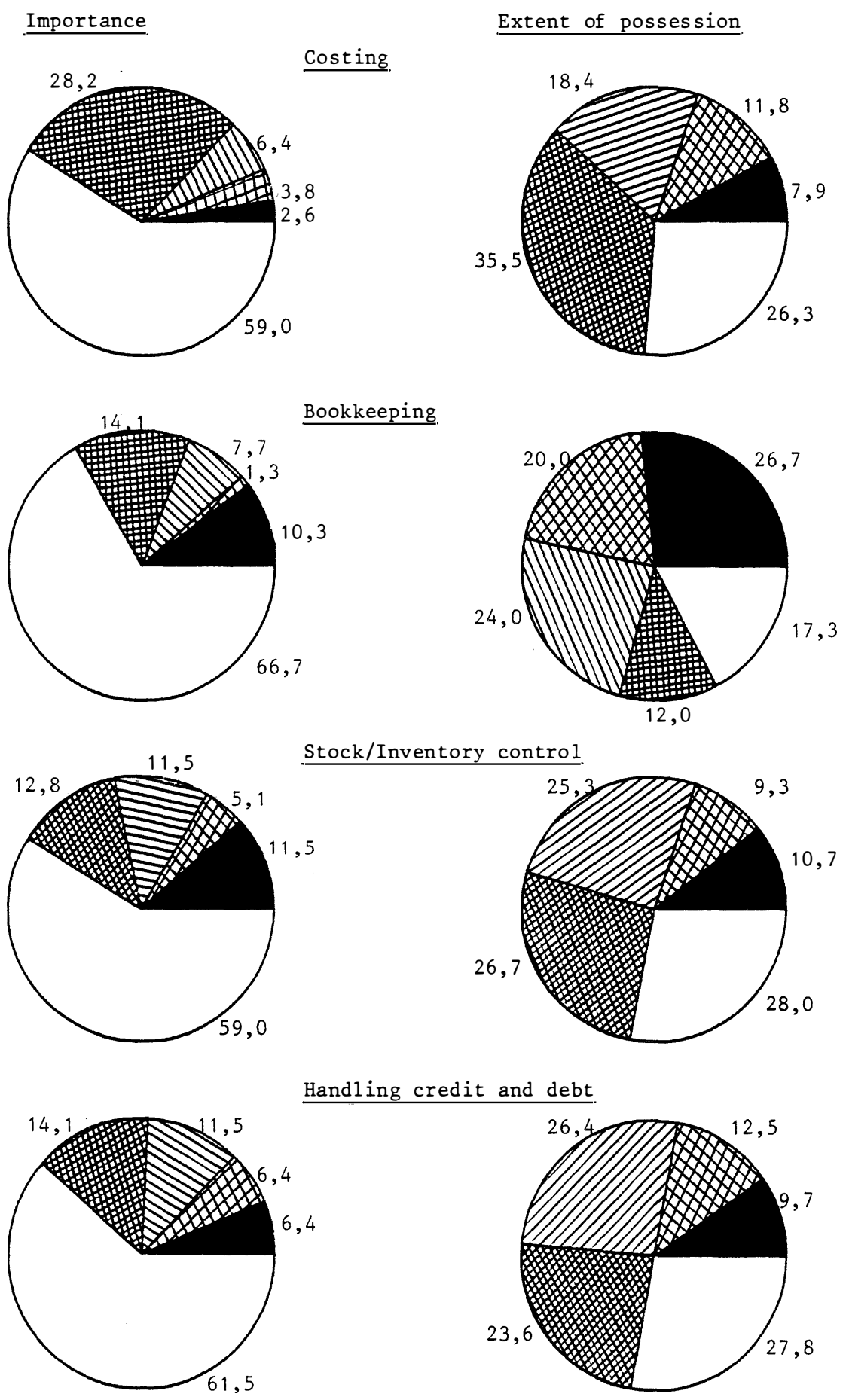
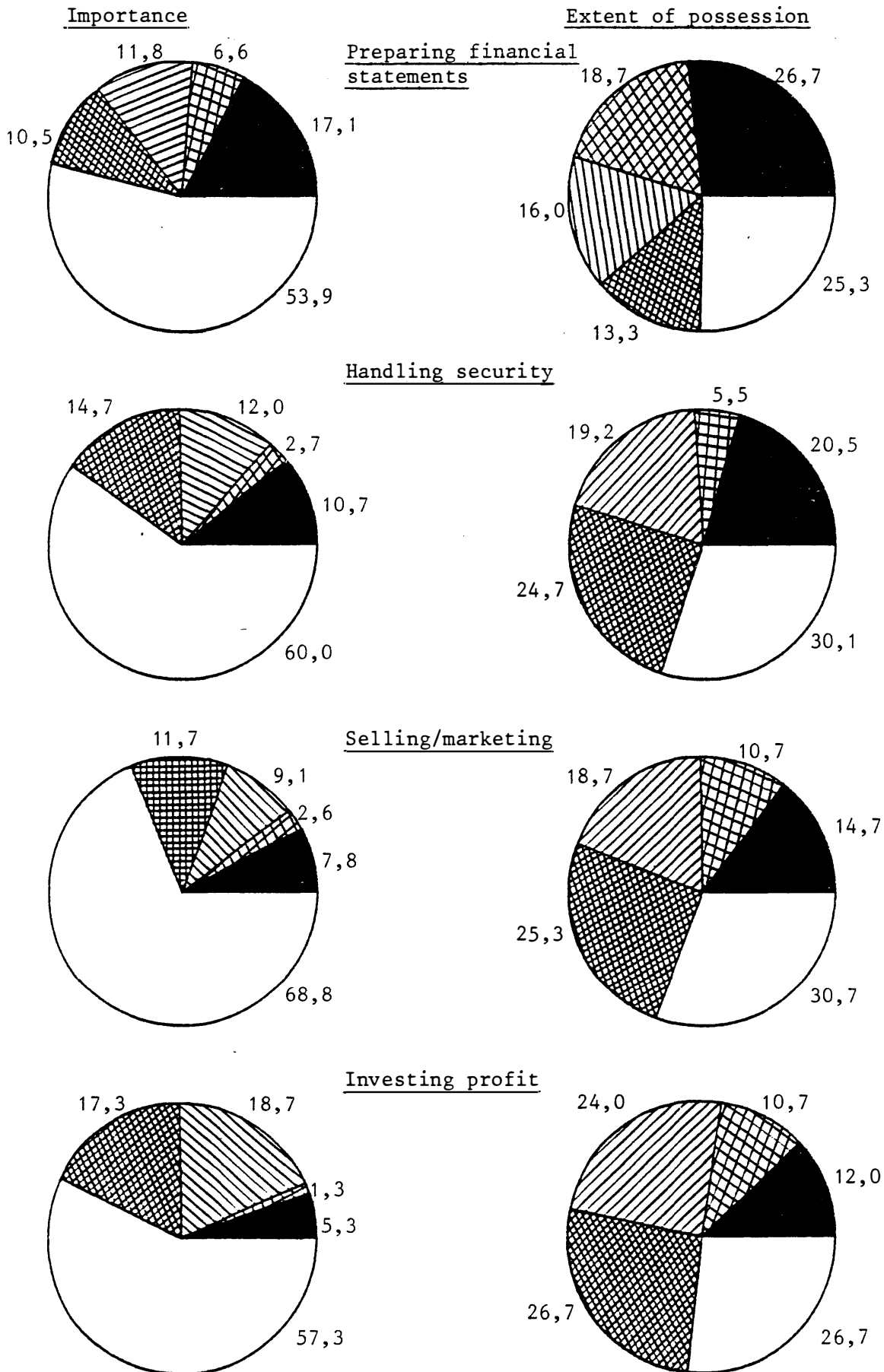


FIGURE 3.1 (continued)

BUSINESS SKILLS



The most important skill, in the opinion of the respondents, was handling customers, while the least important was understanding contracts. Interpersonal and general business management skills such as planning were viewed as being more important than record keeping or financial skills.

There were great differences in the extent to which the respondents felt that they actually possessed business skills. As a group, the respondents felt far more competent in certain areas than in others. The responses could be ranked in the following order, from those that they thought they possessed the most, to those that they thought they least possessed:

- * Handling customers
- * Purchasing of raw materials or goods to trade
- * Handling repayments of loans and credit obtained
- * Handling staff
- * Invoicing
- * Planning
- * Selling
- * Handling security
- * Budgeting
- * Stock and inventory control
- * Handling credit and debt
- * Investing profits
- * Costing
- * Understanding contracts
- * Preparing financial statements and
- * Bookkeeping

It thus seems as if the respondents had, in their opinion, acquired interpersonal skills and general business management ability to a greater extent than they had acquired record keeping or financial skills. In general the respondents felt more competent in those skills that they considered to be more important. The skills in which the respondents felt least competent were those involved in bookkeeping.

From a training point of view programmes should cover all the above topics, since they were all given a relatively high rating, but the needs of the individual should be taken into account. Emphasis should be placed on what each person feels is important to know, and where he or she feels knowledge or skills are lacking. A modular system of training, in which the person can select the most significant areas to meet his or her needs, seems most appropriate.

3.5.3 Business training that the respondents had received

When the respondents were asked whether or not they had received any form of business training, 34 (43 %) said that they had done so, while 46 (57 %) had not.

Training had been received through

- * tertiary educational institutions (N=8),
- * small business development agencies (N=14),
- * private organizations (N=4),
- * professional associations, for example a building institute or a hairdressers' association (N=4) and
- * commercial banks (N=4).

A wide variety of organizations are offering courses for small business owners. Questions that need to be dealt with concern standardization and accreditation of courses. These issues will receive more attention in the following chapter when the responses of the people involved in training are discussed.

The training content tended to focus on general business management, marketing and selling as well as record keeping. The respondents on the whole found this training very useful, as indicated in Figure 3.2.

awareness. School pupils can be exposed to a business environment and they can be taught basic business principles. The media can be used to give the general public a greater awareness of the way in which small businesses are run. A more business conscious society can insure that training received through informal channels is of better quality.

3.5.5 The role that experience plays in running a business

Each individual's experiences and what he or she learns from them can influence the success of any business venture. Experience is thus a fundamental way of learning and the vast majority (89 %) of the respondents indicated that in their opinion, experience was the best teacher.

When asked what experience had taught them, the answers given by the respondents could be divided into the following categories:

- * Skills to run the business (N=20)
- * Interpersonal relationship building skills, for example learning that the customer is king (N=14)
- * New attitudes, for example patience and the will to succeed (N=10)
- * A wide range of knowledge and skills, for example "everything I know about business" (N=10)
- * Technical skills to do the job, for example how to make a specific product (N=10)
- * Avoiding giving credit (N=8)
- * How to set high standards of production and control quality (N=4)
- * Strategies for coping during bad times (N=4)

The importance of learning through experience needs to be recognized when developing a training strategy. Experience provides learning anchors and a framework in which learning can take place. Training needs to be made relevant to the business owner's experi-

ence, if it is to be regarded as useful. Otherwise it may become too conceptual and of limited practical use.

3.5.6 Understanding of basic business terms

It seems as if the understanding of basic business terms, was not really essential in order to be able to operate a small business. Although the vast majority of respondents (95 %) said that it was important to be able to understand these terms to be able to carry out business transactions and to be part of the business culture, many respondents could not accurately define terms such as banking, invoicing, debt and credit. This applied particularly to respondents in the informal sector. It is thus important to consider how necessary this understanding actually is in order to be able to run a business.

It seems as if, for those in the formal sector who do not understand basic financial processes, experts could be employed to give advice and to help out with record keeping for example. In the informal sector, personal and idiosyncratic ways of carrying out financial transactions have developed which are suited to the needs of the individual businessman and the particular culture in which the business functions. However, these businesses remain bound to the informal sector, because the owners lack the skills to move out of it. On the other hand, in view of the job and the wealth creating potential of small business, it is necessary to upgrade skills, to enable businesses to develop and expand, rather than to maintain businesses at their present level. For expansion and development, an understanding of basic business terms is essential. This understanding is also useful when new businesses are started. Most business failures occur during their first few years of operation and business know-how could help to prevent at least some failures. Many businesses survive very well without the owner's understanding of basic business concepts. Thus if survival of an existing business which is already established is the main aim, then training to understand basic business terms is probably not essential, but if more small businesses are to grow and to develop and to contribute

significantly to the economy of the country, then this understanding is important.

3.6 PROBLEMS EXPERIENCED BY THE RESPONDENTS IN RUNNING THE BUSINESS

In this section, perceptions of the problems that the respondents experienced in carrying out business tasks will be discussed. Suggestions will then be made regarding how training can contribute towards helping to solve these problems. On analysis of the data it was found that many of the problems are interrelated, with similar training implications. The immense difficulties faced by people who wish to start, run or to expand their own businesses are highlighted in this section since training has to take place against this background.

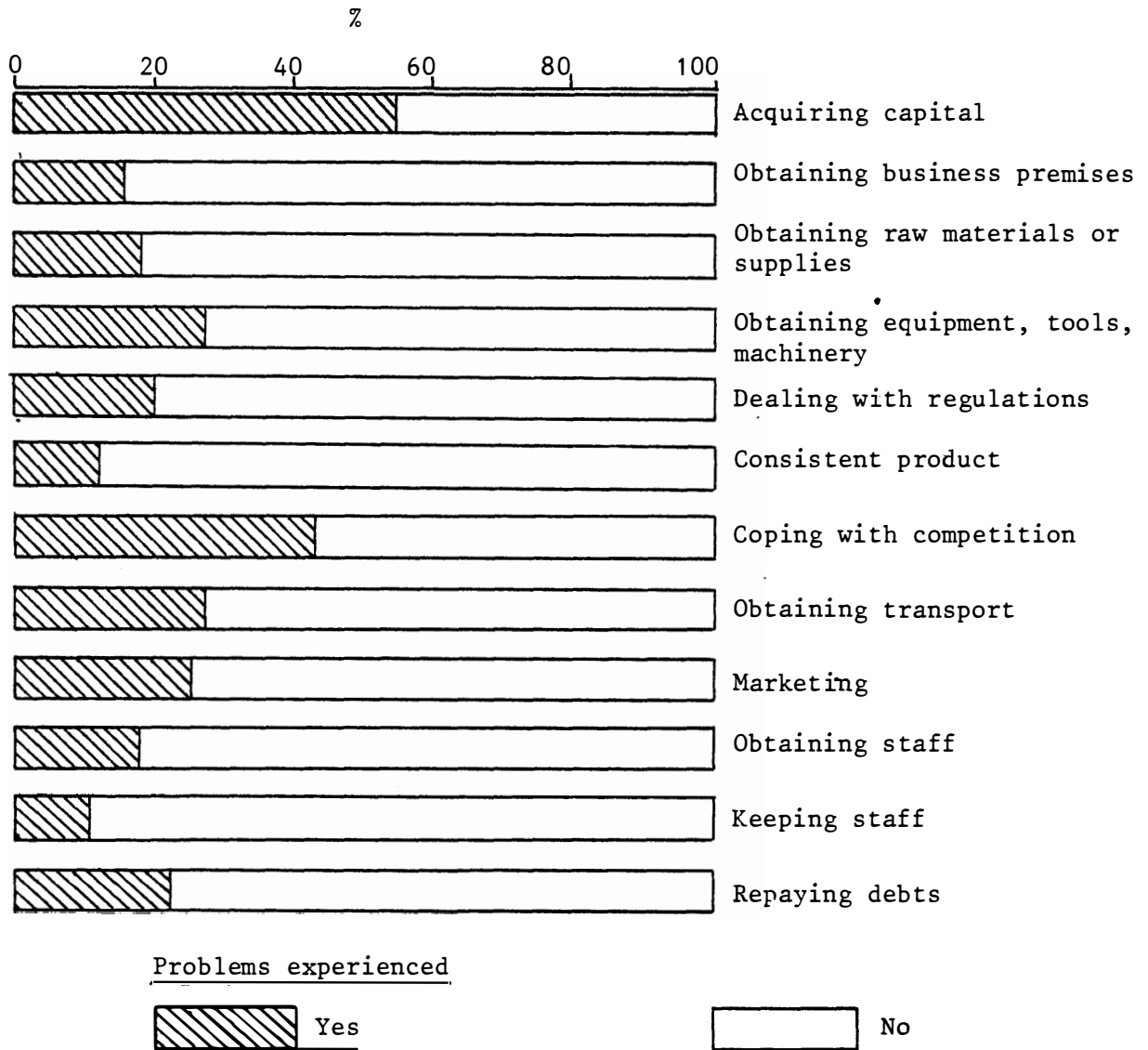
Responses to a question regarding problems that were experienced in running the business are set out in Figure 3.3. This figure indicates that the most frequently encountered problems were acquiring capital and coping with competition. Other problems experienced by 20 % or more of the respondents concerned obtaining transport, obtaining equipment, tools and machinery, marketing, repaying debts and dealing with regulations. The other problems listed were relatively less important. The way problems were interrelated poses challenges for training. For example, lack of transport caused delivery delays which in turn influenced the availability of customers. Training can help business owners to plan better through anticipating and preventing foreseen problems from occurring.

3.6.1 Problems experienced in acquiring capital

The main problems experienced by the respondents regarding acquiring capital, concerned their inability to provide evidence regarding ability to repay, or to find someone to sign surety, in order to satisfy the loan requirements of financial institutions. The problems were solved by saving, by starting off on a smaller scale than anticipated and by borrowing money from friends or relatives. Nevertheless, shortage of funds remained the most pressing problem.

FIGURE 3.3

PROBLEMS EXPERIENCED BY THE RESPONDENTS IN RUNNING THE BUSINESS



3.6.2 Problems experienced in dealing with competition

Regarding coping with competition, the main problem centered on the belief that there were too many people offering a similar service or manufacturing a similar product in a given area. The lack of loyalty of customers also gave reason for concern. Competitors cut prices and gave credit, making it difficult for all the owners of similar businesses in an area to run them profitably. The way of solving the problem in the respondents' opinion was to strive to offer a better service or product, but this was not always possible. As far as training is concerned, identifying the potential market at the beginning could avoid at least some of these problems.

3.6.3 Problems experienced in obtaining transport

As far as transport is concerned, business owners who did not have their own vehicles and had to make use of borrowed vehicles, public transport or taxis, found it difficult to get to the suppliers to buy what they needed or to deliver goods to the customers. Among those who did have their own vehicles, there were complaints concerning the high costs of repairs and the costs of replacement, forcing respondents to drive vehicles in what they considered to be an unsatisfactory condition.

3.6.4 Problems experienced in obtaining suitable equipment

Problems experienced in obtaining suitable equipment, machinery and tools all centred on their high costs. It was difficult to afford to buy sufficient or up-to-date machinery and equipment and thus the respondents felt that they were forced to use out-of-date or insufficient tools, equipment or machines for their needs. Hiring schemes in "hives of industry" have partially solved the problems for respondents at these sites.

3.6.5 Problems experienced with marketing

As far as marketing is concerned, problems were experienced in obtaining and keeping customers. To find customers required time and effort since house-to-house or business to business canvassing was sometimes necessary. The lack of accessibility of industrial parks to the public was also mentioned as a difficulty. To keep customers also presented a problem, because competitors, and particularly the bigger businesses, were able to cut prices. Marketing problems were therefore directly related to dealing with competitors. Transport problems sometimes also meant that customers were lost.

3.6.6 Problems experienced in repaying debt

Repayment problems centred on the fact that the business owner has to repay his or her creditors regularly, on a monthly basis, but the business turnover in any given month is uncertain, making it more difficult to repay creditors during some months, and easier to do so during others.

3.6.7 Dealing with regulations

Problems experienced in dealing with regulations focused on three main areas. Firstly there were too many laws and regulations. For example, labour laws have to be adhered to; health standards and requirements to prevent fires have to be met. Secondly there was a lack of knowledge of the procedures involved in obtaining a licence and difficulties were experienced in completing the forms. Finally, there were complaints concerning delays and the need to wait a long time before a licence could be obtained.

3.6.8 Problems experienced in obtaining supplies

Problems concerning obtaining raw materials and goods to sell centred on four issues, namely the inability to obtain the right materials on time, the expense of materials, the need for some respond-

ents to pay cash before the supplier would sell and transport difficulties in obtaining supplies.

3.6.9 Staff problems

The problems experienced with regard to obtaining and keeping staff centred on the lack of the required skills and lack of experience of applicants. There were also complaints regarding the perceived lack of interest, disloyalty and untrustworthiness among employees.

3.6.10 Problems experienced in obtaining business premises

Problems experienced in obtaining premises concerned being placed on long waiting lists, the expense involved in paying the rent, inadequate size and the inappropriate location. The problems were handled by using places of residence or adjusting to the site which was perceived as being unsuitable.

3.6.11 Problems concerning standards

As far as manufacturing products of a consistently high standard are concerned, three main areas were identified which have all been mentioned previously, namely the perceived lack of skilled staff to do the tasks properly, the use of outdated or inadequate tools, machinery and equipment, because better ones are too expensive, and the poor quality of supplies and raw materials.

Most problems are thus directly related to lack of sufficient funds to conduct the business in the way in which the respondent would like to. But perhaps underlying the lack of funds is a lack of knowledge of how to set goals so that the available funds are efficiently used to help the business to become established, to expand and to grow. From the previous discussion of the way in which the businesses were started, it is obvious that this took place in a piecemeal fashion. This spontaneous development is to be encouraged, since unemployment is avoided and new jobs are created, but in addition, direction can be given on how to plan so that the best

use is made of resources available to the business. Formal training as well as mentorship, counselling, consulting and guidance can focus on helping the owner to plan realistically.

Training should thus focus on helping the business owner or potential owner to prepare good business proposals. The trainer can make the trainee aware of all possible channels through which loans can be obtained. The trainers need to give business people guidance in planning realistically so that the business can become established with adequate equipment. Expansion can then take place and profits can be re-invested in the business. By teaching those in small businesses to plan ahead, to set goals and priorities, for example for purchasing equipment, machinery and tools and motor vehicles and to invest profits in the business, the chances that the business will be a success can be enhanced. The ability to buy needed equipment will be enhanced.

Trainees need to learn to evaluate their performance against the goals they have set, and to modify and adjust their plans according to the extent to which they have reached their goals. Business plans do not always work, but by planning, more direction is given to the business venture, and money earned can be put to the most important use according to the owner's own evaluation of importance.

3.7 THE TRAINING NEEDS THAT THE RESPONDENTS IDENTIFIED

In order to examine what the respondents felt were the main training needs of people in small businesses, four questions were put to them. Firstly, they were asked to state what advice they would give to someone wishing to start his or her own business. Then they were asked to indicate what training they thought was needed to help people firstly, to set up, then to run, and finally expand a business. The responses given to each of these questions are discussed in this section.

3.7.1 Advice the respondents would give

When asked what advice they would give to someone wishing to start his or her own business, the respondents gave answers that could be grouped into the following categories:

- * Develop the right attitudes, namely be prepared to make sacrifices, to be patient but optimistic and to work hard (N=28 or 35 %);
- * have sufficient funds to do so (N=14 or 18 %);
- * plan carefully (N=8 or 10 %);
- * find out what the need for the product or service is (N=7 or 9 %);
- * have the right training, education and experience for the type of business (N=6 or 8 %);
- * have the right equipment, tools and machinery (N=5 or 6 %);
- * know the product, the business environment and legal requirements (N=4 or 5 %);
- * do not give credit (N=2 or 3 %).

There were also six respondents (8 %) who said that they could not give any advice.

Having the "right" attitudes as well as sufficient funds seemed more important for starting a business in the opinion of the respondents, than the possession of specific knowledge or skills. It also seems likely that people with these attitudes will be able to benefit more from training and as we shall see, these were the kind of people that the trainers said would make the best candidates for small business training.

3.7.2 Respondents' views on training

Table 3.8 indicates the respondents' views on what training is needed to start, to run and to expand a business. This table indicates that more respondents (N=70 or 88 %) thought that training was needed when starting a business than when it was established

TABLE 3.8

RESPONDENTS' VIEWS ON TRAINING NEEDED TO SET UP IN BUSINESS,
TO RUN THE BUSINESS AND TO EXPAND IT

Type of training needed	To start business		To run business		To expand business	
	N	%	N	%	N	%
General business management	32	40,0	24	30,0	14	17,5
Technical skills	11	13,8	4	5,0	2	2,5
Record keeping	10	12,5	9	11,3	3	3,8
Knowing the market	7	8,8				
Buying	4	5,0	1	1,3	1	1,3
Informal guidance	3	3,8	3	3,8	1	1,3
Any training useful	2	2,6	1	1,3	1	1,3
Legal training	1	1,3	1	1,3	1	1,3
Financial management			8	10,0	7	8,8
Customer relations			4	5,0	6	7,5
Marketing			7	8,8	13	16,3
Handling staff			1	1,3		
Security					2	2,5
Planning					3	3,8
Training is not needed	10	12,5	17	21,3	26	32,5
TOTAL	80	100	80	100	80	100

(N=63 or 79 %) or when it was expanding (N=54 or 68 %). Training in general business management, in technical skills, in record keeping and in identifying the market were of prime importance for the initial stage. During the stage of running the business, financial management and marketing were important training needs. For expanding the business, training in marketing, in financial management and in customer relations became more important. A large group of people however, felt that training to expand the business was not necessary.

The implications here are that, general business management training, is most important when setting up a business, but also remains important throughout the business stages. As the business develops and expands, the emphasis on training needs to change. Training in financial, interpersonal and marketing skills become more important, and training in record keeping skills, less important.

3.8 THE RESPONDENTS' VIEWS ON THE SUCCESS OF THE BUSINESS

Self-confidence and optimism characterized the group when they were asked to indicate how successful they thought their businesses were, and their future plans. Most of the respondents (N=68 or 85 %) felt that their businesses were successful. Reasons given were that the business was profitable (N=40), that it was expanding and attracting more customers (N=19), that their efforts and love of the business was paying off (N=6) and that they were offering a needed service (N=3).

Nearly all the respondents (N=73 or 91 %) planned to stay on in the business and to expand (N=71 or 89 %) it. Being in one's own business gave a feeling of independence and of being one's own boss. It also gave rise to a feeling of financial security, since respondents felt that they were earning more through their businesses than they could have earned if they were working as employees.

Training for small business development can therefore make a significant contribution, not only towards creating employment and

wealth, but also on the microlevel, towards job satisfaction, because the benefits of self-employment can be enhanced, if businesses are more efficiently run.

3.9 SUMMARY

Eighty interviews were held with small business owners to determine the way in which people start, run and expand small businesses. The views of these business owners regarding their training needs were also examined, taking their business experience into account. Both sexes and the black, coloured and white population groups were represented in the group. There were more men (70 %) than women in the group and 70 % of the respondents were blacks. The majority of respondents (84 %) had received some secondary school education and a large group (32 %) had acquired some form of post-school artisan or technical training. Most respondents (69 %) were aged between 30 and 49 years, and most (69 %) had worked previously as employees.

The respondents ran a variety of businesses. Almost half (46 %) made some type of product, while just over three quarters offered a service. One third were engaged in both making a product and offering a service. The informal, semiformal and formal sectors were all represented in the sample and the businesses were being run from a variety of sites. Almost three-quarters (73 %) of the businesses were being run by sole owners. However, the family of the owner had an important role to play in the business in just over half the businesses.

Most businesses (68 %) had been started in 1985 or later. All respondents started their own business in the hope of improving their life circumstances. Businesses were started for financial gain because of unemployment or fear of losing one's job; because the respondents wanted independence or as a result of interest and know how. Respondents chose their particular type of business, because they were qualified to do so or else they saw profit opportunities.

The businesses were generally started in a piecemeal fashion, with little overall planning. Finance was generally obtained through the use of savings. Getting customers often involved house-to-house or business-to-business canvassing. Most of the business owners (76 %) employed others to work for them for financial remuneration, generally on a full-time basis and most businesses (80 %) were supporting dependants.

General business management, record keeping, financial management and interpersonal skills were the most important types of skills needed to run a business. In addition, product knowledge, process knowledge, background knowledge regarding the service being offered and of the market for which the business could cater, were important. There were discrepancies regarding the importance allocated to a specific skill and the extent to which a respondent thought he or she possessed that skill. Bookkeeping and financial management skills were the skills in which the respondents felt least competent. A large group (43 %) had received at least some business training, which was generally regarded as valuable. Help and advice received from others were considered equally valuable, but experience was most important in learning to run a business.

Most problems experienced by the respondents were related to a lack of funds. However poor planning and a lack of goals could, partially account for some of the problems. Training in planning and in setting goals is thus essential.

Training needs identified by the respondents differed for various stages of a business. The most important time for training is when the business is started. General business management skills were most important when starting a business, but as the business became established and expanded, marketing and financial management skills started to become important.

Most respondents (91 %) experienced job satisfaction and enjoyed running their own business.

3.10 TRAINING IMPLICATIONS

Training for small business owners is becoming increasingly important in view of their employment and wealth creation potential. Training can help not only to improve the chances that businesses will be efficiently run, but also to increase the possibility of expansion and growth. Indeed the need for small business development in all sectors should be recognised and people should be given every encouragement to start their own businesses. The following suggestions, based on the responses of the small business owners are put forward.

- * Encouragement to start small businesses can be given through motivational courses, run at industrial training centres, for example.
- * The actual training for small business owners should be based on the experience of the owners, rather than being conceptual.
- * The individual needs of each trainee and his or her business venture should be catered for in training. Flexibility in the content of training and in the presentation or method of training is important.
- * Self-selection on the basis of achievement motivation or a desire to succeed through hard work is probably the best way to select candidates for small business training.
- * Basic literacy and numeracy are important selection criteria.
- * Training for businesses in the informal and semiformal sectors should be directed towards enabling the trainee to expand and develop and to move into the formal sector, if the trainee wishes to do so.
- * The acquisition of artisan and technical skills should not form part of business training, but this skills base should be a pre-

condition for business training for those people in businesses in which technical skills are required.

- * Upgrading of technical skills, on the other hand, may be an important part of business training, to ensure a consistently high standard of the goods being made.
- * Training on how to plan, how to set goals and how to evaluate performance against goals set, and then to modify goals in terms of achievements, seems fundamental.
- * Training courses should also focus on teaching
 - general business management skills,
 - record keeping skills,
 - financial management skills and
 - the development of sound interpersonal skills.
- * Training in identifying the potential market for one's goods and services is also important.
- * Different training needs are evident at different stages of the development of a business. When starting a business, general business management training seems most important. When the business has been established and is expanding, financial management and interpersonal skills become more important so that marketing can improve.
- * Training should also indicate to recipients where they can acquire more product knowledge and more knowledge of the processes involved in making a product.
- * A modular system of training is recommended so that the trainee can select the type of learning experience that will meet his or her specific needs.

- * Use should be made not only of training in a classroom situation, but also of other methods such as mentoring, counselling, consulting and advising.

CHAPTER FOUR

PEOPLE INVOLVED IN TRAINING SMALL BUSINESS OWNERS AND THEIR VIEWS ON TRAINING

In this chapter the views of the trainers, namely the 42 respondents involved in offering a training, counselling or consulting service to small business owners, concerning what training should be available for small business development, will be discussed. Their views on who should learn about the functioning of small businesses, the skills needed for running a small business, the content of training as well as the best methods to do so will be stated. Attention will also focus on the trainers themselves and their actual qualifications, as well as what qualifications they think are needed for trainers to have to enable them to train small business owners effectively. Standards of training and accreditation will also be discussed. The trainers' views will be gleaned from the replies received to the postal questionnaire. Possible trends, rather than definite patterns will be indicated, since the sample of trainers is not necessarily a representative one.

A data base containing the names of all organizations offering small business management training was not available to the researchers. Nor was there any information available on the number of trainers per organization. This chapter is therefore exploratory in nature. However, trainers in both the private and the public sector as well as those in tertiary organizations were contacted. Responses were received from a broad spectrum of organizations.

4.1 BIOGRAPHICAL DESCRIPTION OF THE SAMPLE

A biographical description of the staff engaged in some form of training for small business development and who completed the questionnaire, is given here so that an idea of the trainers' background can be obtained. Comparisons between the background of

small business owners who participated in the study and that of the trainers can then be made to see the extent to which the two groups can understand each other's frame of reference.

4.1.1 Educational qualifications

The respondents in the sample were highly educated. All, except one, had obtained a postschool academic qualification. These qualifications were in diverse fields such as arts, commerce and science, but the majority (N=29 or 69 %) of the respondents had obtained either a degree or a diploma in some aspect of commerce or management. All respondents had attended business courses. In addition, 24 of the 42 respondents had received some formal training in fields such as computer programming, teaching and marketing.

4.1.2 Sex

The vast majority of the trainers who completed the questionnaire (N=36 or 88 %) were men.

4.1.3 Age

As far as the age of the trainers is concerned, they were in an age group similar to that of the small business owners discussed in the previous chapter. The median age of the trainers was 40 years, while 25 % were younger than 34 years and 25 % were older than 48 years. The youngest respondent was aged 24 years, and the oldest, 60 years. Both trainers and business owners were thus likely to be in Levinson's (1978) "settling down" and "mid-life transition" periods. They therefore shared developmental life goals with the sample of business owners. According to Schein (1980) these are the life stages during which the desire to influence and guide becomes important, and mentorship becomes a fulfilling role.

4.2 PRESENT WORK SITUATION

Each respondent was asked to indicate the position he or she held in the organization for which he or she worked and the amount of time that was spent on training, consulting, counselling, management administration and other work tasks. These questions were asked in order to determine the extent to which the respondents were actually involved in training or related activities.

4.2.1 Position held in the organization

A large group of respondents (N=21 or 53 % of those who answered the question) held senior posts in their organization. Approximately a third (N=12 or 30 %) who answered the question held a management position. Training, consultation, counselling or marketing the training programmes remained important aspects of their work. Seven respondents (18 %) were managing directors or directors of their organization having an indirect training role. A further two respondents (5 %) were heads of their training or consulting division.

Senior members of an organization are highly likely to be involved in policy formulation and its application in the organization. Many of the questions that were asked could be directly linked to the training policy of the organization. A good indication of training policy in development agencies, tertiary educational institutions, large companies in the private sector offering a small business training service as well as private small business training organizations has thus been obtained.

The remaining respondents to the questionnaire were employed either as trainers (N=8 or 20 %) consultants (N=7 or 18%) or counsellors (N=4 or 10 %). Two respondents did not indicate their position in the organization.

4.2.2 Time spent at work on training, consulting, counselling and other tasks

The percentage of time spent by the respondents on training, counselling, consulting, management, administration and other tasks is indicated in Table 4.1. The "other" category in the table includes such activities as course development and design, the organization of courses, planning, the development of new projects and clerical tasks. This table shows that the majority of respondents did not focus on one specific activity at work, but rather spent their time on a variety of tasks, some of which were indirectly related to training. Training as noted in Section 2.6.2 can take a variety of forms and it seems as if training, consulting and counselling are all important, depending on the situation. The trainer therefore needs to be skilled in all these activities. People who had been involved in designing courses and organizing them were also involved in offering training, consulting or counselling services. They were gaining experience in a variety of interventions methods for small business development.

4.3 **THE TRAINERS' VIEWS ON WHO SHOULD LEARN ABOUT THE FUNCTIONING OF SMALL BUSINESSES**

If small business development is to be encouraged in South Africa, it may be necessary for more people to know how small businesses function. Such an awareness could give more people the confidence to start their own businesses, while it could help others to develop a more sympathetic and favourable attitude towards small business owners, particularly those in the informal sector. This could result in people being encouraged to support small businesses.

The trainers were therefore asked to indicate whether or not they thought that primary school and secondary school pupils, students, the unemployed, prospective entrepreneurs, informal sector and formal sector business owners, the staff of small business development agencies and other training staff (for example artisan instruc-

TABLE 4.1

HOW THE TRAINERS SPENT THEIR TIME AT WORK

Percentage of time spent	WORK ACTIVITY									
	Training		Consulting		Counselling		Management Administration		Other	
	N(a)	%	N(a)	%	N(b)	%	N(a)	%	N(c)	%
	of respondents		of respondents		of respondents		of respondents		of respondents	
0%	6	15,0	9	22,5	12	31,5	2	5,0	11	31,4
1 - 10%	11	27,5	17	42,5	16	42,1	10	25,0	10	28,6
11 - 20%	4	10,0	5	12,5	6	15,8	6	15,0	3	8,6
21 - 30%	6	15,0	4	10,0	1	2,6	7	17,5	2	5,7
31 - 40%	6	15,0	2	5,0	1	2,6	1	2,5	2	5,7
41 - 50%	4	10,0	1	2,5	1	2,6	5	12,5	1	2,9
51 - 60%	2	5,0					4	10,5	3	8,6
61% or more	1	2,5	2	5,0	1	2,6	5	12,5	3	8,6
TOTAL	40	100	40	100	38	100	40	100	35	100

(a) 2 respondents did not answer the question.

(b) 4 respondents did not answer the question.

(c) 7 respondents did not answer the question.

tors), bankers and financiers and government officials should learn about small businesses. If so, what should they know and how should they acquire this knowledge?

4.3.2 Who should learn about small businesses?

The vast majority of respondents felt that knowledge about the functioning of small businesses should be made available to all these groups listed above. They were unanimous in saying that prospective entrepreneurs, staff of small business development agencies, other trainers and business owners should get this background. More than 90 % thought that this learning experience should be made available to secondary school pupils, tertiary level students, the unemployed, bankers and financiers and business owners in the formal sector. More than 80 % felt that government officials should receive this background training, whilst more than two-thirds (68 %) felt that primary school children should gain this knowledge.

4.3.2 What should people learn and how should they learn?

Although there was agreement that a wide variety of people should learn about the functioning of small businesses, the respondents felt that both the way in which this learning should take place and what each group of people should learn, should differ.

- * Primary school pupils should learn mainly through exposure to a small business environment to become familiar with it as well as through formal education to obtain a general background and understanding of small business activities.
- * Secondary school pupils should be taught general business principles through both exposure and educational methods. In addition, they should learn certain specific skills such as accounting and budgeting through training. Simulations of business situations could also be beneficial.

- * Tertiary level students should obtain a general, but comprehensive understanding of the principles of small business functioning, mainly through education.
- * Prospective entrepreneurs as well as informal and formal sector business owners should receive practical training to acquire specific business skills to help them to start, run and expand a business.
- * Staff of small business development agencies as well as other training staff, for example artisan instructors, should acquire both a theoretical background to understand the principles of small business functioning as well as practical training to be able to apply what they know to help people to run small businesses. Exposure to a small business environment was also regarded as important.
- * Bankers and financiers required specific training so that they could apply their financial knowledge to the needs of small business owners to help them manage their finances more efficiently.
- * Government officials needed to acquire better interpersonal skills, so that they could establish a better rapport with small business owners.

4.4 WHO SHOULD RECEIVE MORE SPECIFIC SMALL BUSINESS TRAINING?

In addition to making more people aware of the role that small businesses can play in the economy of the country and the way in which they function, prospective small business owners as well as those running businesses in the formal and informal sectors, may need more specific training to acquire business skills. In view of the limited training facilities that are available in relation to the growing number of small businesses, selection of candidates for business training may be necessary to ensure that those who can benefit most actually receive training.

The respondents were therefore asked to indicate whether or not candidates should be selected for business training, and if so, what personality characteristics, basic knowledge and skills and business background they should have in order to be selected.

4.4.1 Should candidates for training be selected?

Almost two thirds (N=26 or 63%) of the respondents felt that candidates should be selected for small business training, while six (15 %) were unsure and nine (22 %) felt it was unnecessary. (One respondent did not answer the question.) On the one hand the respondents who were unsure, or who did not think that selection was necessary, stated that self-selection would take place in any case and those who felt they needed training would come forward of their own accord. The argument was also put forward that by selecting candidates, those who needed training most, namely those who already came from underprivileged backgrounds, may be denied the opportunity to be trained as they would find it difficult to meet selection criteria.

On the other hand those who felt that selection was necessary, gave two main reasons for their answer.

- * Not all people can become profit oriented small business owners and the possession of entrepreneurial skills or characteristics should be taken into account when selecting trainees, since the entrepreneurial personality is best suited to a small business environment.
- * Training is costly and to avoid wasting time and money only those who are committed to improving their business skills should be selected.

4.4.2 Personality characteristics of potential trainees

Regarding personality characteristics that candidates for business training should have, the following were the main ones identified by the respondents:

- * An interest in business
- * Initiative and the ability to start new projects
- * The desire to succeed and the ambition to be able to do so;
a high need for achievement
- * Self-confidence
- * Willingness to take risks
- * Perseverance to follow activities through to their conclusion
- * A willingness to learn

These characteristics identified by the respondents are similar to those found in the literature as described in Section 2.4.2.

4.4.3 Basic knowledge and skills required in potential trainees

The vast majority of respondents (88 %) felt that there were certain basic knowledge or skills requirements that were the preconditions for training to take place. These are:

- * Basic literacy and numeracy; without these abilities, it would be extremely difficult to teach business skills.
- * The technical skills that a person needs to start a specific type of business. For example, the owner of a carpentry business needs woodwork skills.
- * Fluency in either English or Afrikaans, since courses are run, or advice is usually given in one of these languages.

On the other hand 12 % of respondents felt that there are no basic skills requirements for small business training. All who wanted it should be given the opportunity to receive it.

4.4.4 Basic business background

Whilst most (75 %) of the respondents felt that at least some exposure to a business environment, some practical business experience and some understanding of business principles were preconditions for training, a quarter of the respondents felt that this background was unnecessary. The candidate who is willing to learn could acquire it through training.

In summary it seems as if a self-confident person who is motivated to achieve, who can initiate new projects, but at the same time, can work hard and see them through, will benefit most from training. It also seems as if literacy and numeracy are basic requirements and some business exposure and experience are desirable for training to be effective.

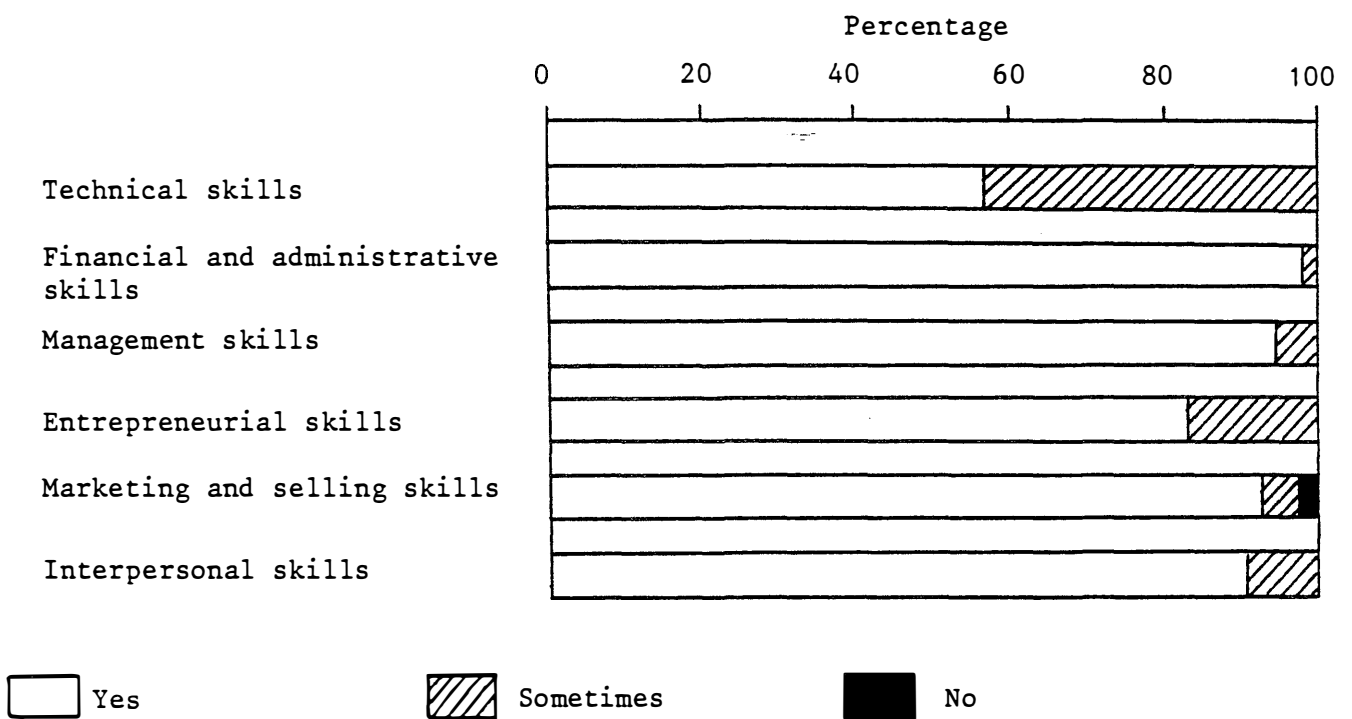
4.5 **SKILLS NEEDED TO RUN A SMALL BUSINESS**

Having obtained a picture of the type of person that the trainers felt could benefit most from training, one now finds it necessary to examine what skills are necessary to run a small business. Training courses, counselling and consulting sessions could then be designed around this core of basic skills requirements. The trainers were therefore asked to indicate whether or not they thought that technical, financial, administrative, management, entrepreneurial, interpersonal, marketing and selling skills were essential to be able to run a small business. They were also asked to indicate what they thought would be the best way to acquire each skill.

4.5.1 Skills needed in a business

Figure 4.1 indicates that the trainers agreed that all the skills listed above were necessary; however some were always necessary, whereas others were only needed sometimes. In the opinion of the respondents, the skills that were essential in all or almost all situations were financial, administrative, management, marketing,

FIGURE 4.1
 SKILLS NEEDED FOR RUNNING A SMALL BUSINESS



selling and interpersonal skills. Entrepreneurial and technical skills were thought to be sometimes necessary by 17 % and 43 % of respondents respectively. If these responses are compared with what the small business owners themselves said (Chapter Three) about the skills that they needed in their businesses, then it will be seen that both trainer and business owner are in agreement about what skills are needed.

4.5.2 Acquiring these skills

Table 4.2 indicates that each of these skills can be acquired in more than one way. Different approaches to learning are appropriate for the acquisition of different types of skills. Thus, for example, both training and education supported by exposure to a business environment are best suited to the acquisition of financial and administrative skills, as well as marketing and selling skills.

Entrepreneurial skills may be acquired through interacting with the environment rather than being formally learned in later life. Therefore the respondents felt that exposure to a business environment as well as experience were the best methods of drawing them out.

From the responses it seems as if training organizations for small business development need to have a variety of training methods available to them so that effective learning can take place. Different situations call for different learning approaches and trainers need to be geared to meet different demands of trainees.

4.6 **CONTENT OF TRAINING**

The reader has already seen that the respondents felt that certain basic skills as well as a background knowledge were needed to run a small business efficiently. The next issue to be addressed concerns the content of training. In other words, what should small business owners actually learn through training, counselling or

TABLE 4.2

BEST WAY TO ACQUIRE BUSINESS SKILLS ACCORDING TO THE RESPONDENTS

Skill category	BEST WAY TO ACQUIRE A SKILL	
	Primary method(s)	Supported by
1. Technical skills	<ol style="list-style-type: none"> 1. Specific artisan/technical training 2. Experience 	
2. Financial and administrative skills	<ol style="list-style-type: none"> 1. Formal education to learn the theory 2. Training to learn practical skills 	<ol style="list-style-type: none"> 1. Exposure to see how these tasks are carried out in practice
3. Management skills	<ol style="list-style-type: none"> 1. Practical business training to acquire practical skills 	<ol style="list-style-type: none"> 1. Formal education to gain background knowledge 2. Exposure to a business environment
4. Entrepreneurial skills	<ol style="list-style-type: none"> 1. Exposure to a business environment 2. Experience 	<ol style="list-style-type: none"> 1. Assertiveness training, training in decision making and risk taking
5. Marketing and selling skills	<ol style="list-style-type: none"> 1. Specific in-service training to acquire these skills 2. Education 	<ol style="list-style-type: none"> 1. Exposure to a selling or marketing environment
6. Interpersonal skills	<ol style="list-style-type: none"> 1. Practical training to learn how to handle specific situations 2. Formal education to gain understanding of others' cultures 	<ol style="list-style-type: none"> 1. Discussion groups where various interpersonal situations can be simulated 2. Counselling

consulting? Should there be a different emphasis when training business owners in the formal sector compared with training for those in the informal sector?

The respondents were therefore asked to indicate the extent to which they thought that training should include the following areas: awareness of the benefits and pitfalls of small business, motivational training to inspire people to enter small business, basic business concepts, technical training, administrative management, identifying the market, financial management, acquiring entrepreneurial characteristics, legal training, acquiring materials, distribution of goods and services, interpersonal skills acquisition, marketing and selling and preparing business proposals. These areas are the ones that were identified in the literature survey (Section 2.5). Respondents were asked to rate the extent to which they thought training would be useful for each area on a five-point scale where 1 = not at all useful and 5 = very useful. Furthermore they were asked to rate the extent to which training should focus on each of the above aspects for the formal as well as the informal sector. Their responses are indicated in Figure 4.2

This figure indicates that the respondents thought that training in

- * administrative management,
- * financial management,
- * marketing and selling,
- * the preparation of business proposals and
- * interpersonal skills

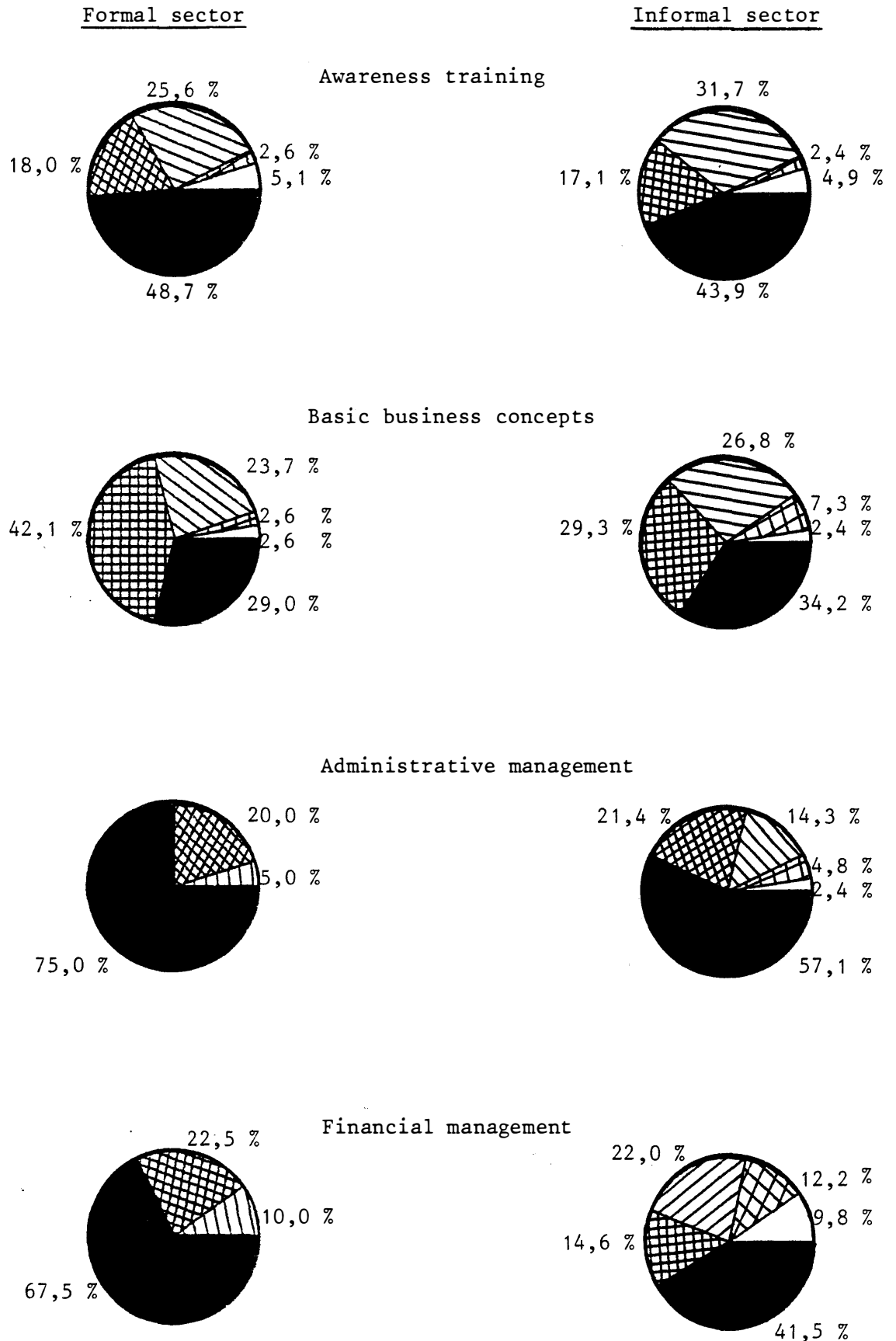
were more important for the formal sector.

For the informal sector, however,

- * inspirational training and
- * technical training to acquire specific skills

were regarded as more important.

FIGURE 4.2
 CONTENTS OF TRAINING FOR BOTH FORMAL AND INFORMAL SECTOR



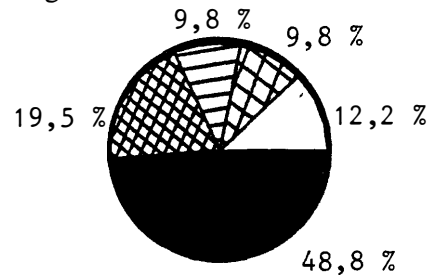
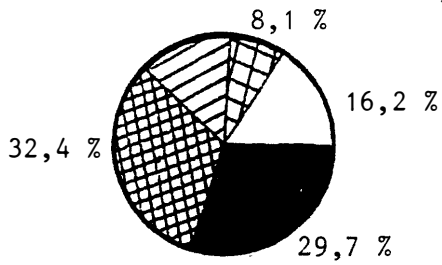
Key:
 Not at all [White] [Diagonal lines] [Cross-hatch] [Grid] [Solid black] Very much

FIGURE 4.2 (CONTINUED)

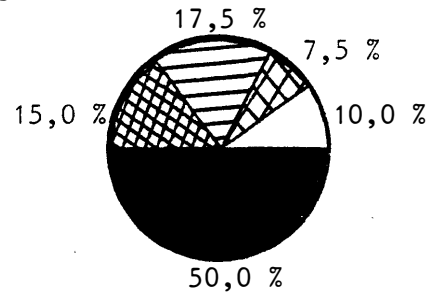
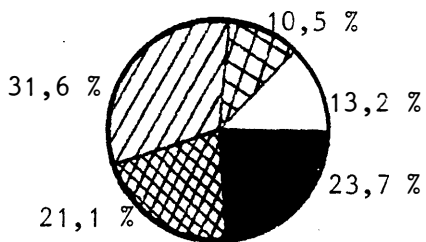
Formal sector

Informal sector

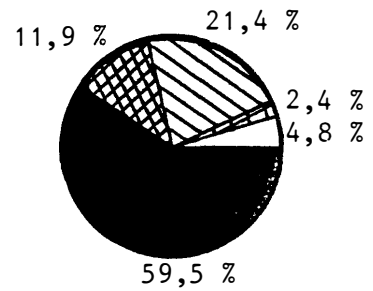
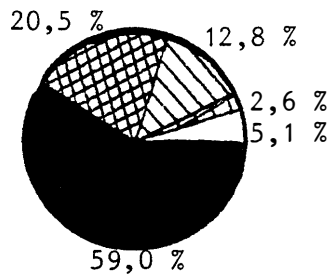
Inspirational training



Technical training



Identifying the market



Entrepreneurial characteristics

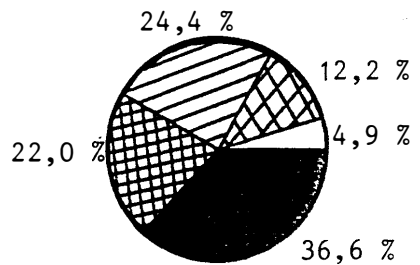
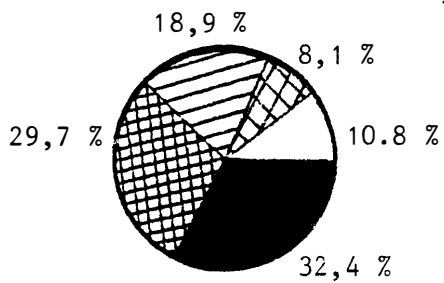
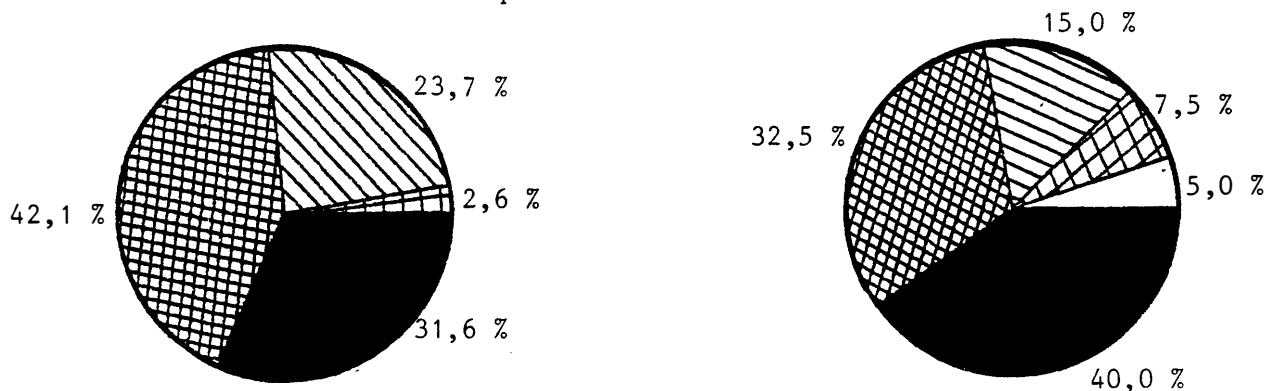


FIGURE 4.2 (CONTINUED)

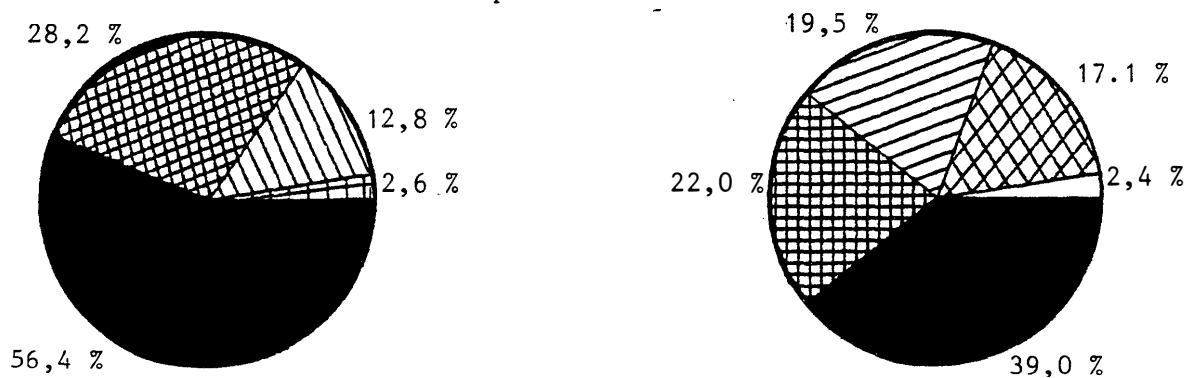
Formal sector

Informal sector

Acquisition of materials



Interpersonal skills



Preparation of business proposals

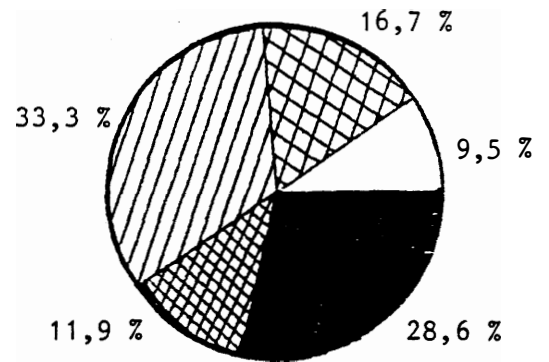
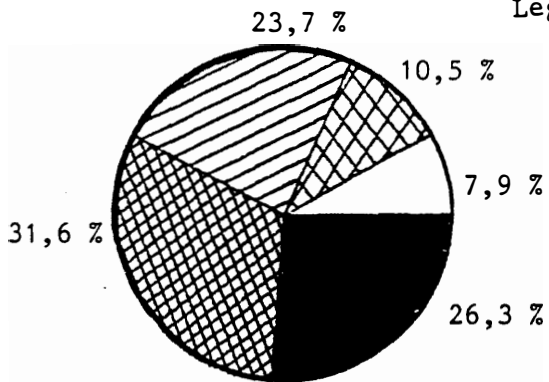


FIGURE 4.2 (CONTINUED)

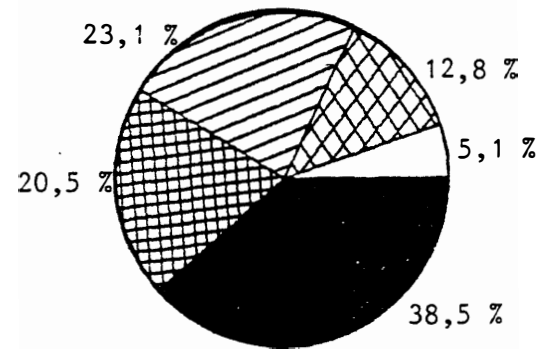
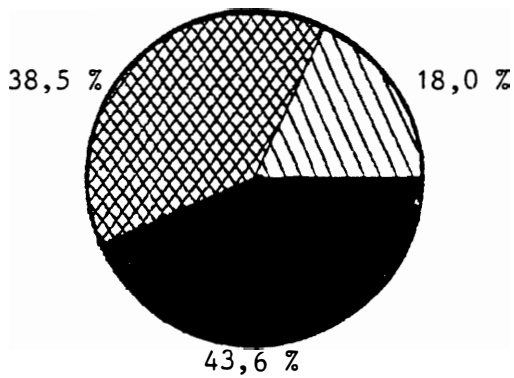
Formal sector

Informal sector

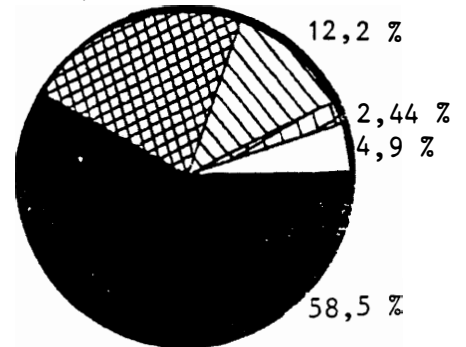
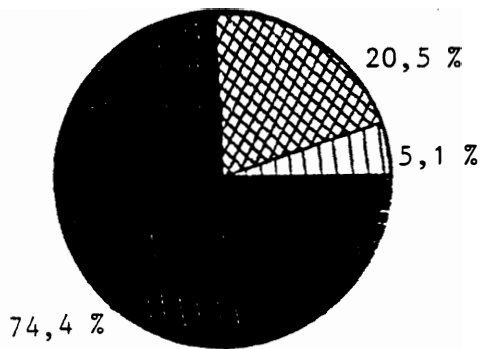
Legal training



Methods of distribution



Marketing and selling 22,0 %



The reasons given by the respondents for a different emphasis in training for business owners in the formal and the informal sectors were the following:

- * Businesses in the formal sector were part of the mainstream economy; therefore their owners needed to be familiar with all the procedures required to start, run and expand their businesses so that they would be profitable. To do so requires administrative, management and marketing skills. In addition, to obtain the support of clients for a business venture and to obtain loans, careful planning is needed and hence the need to be able to prepare good business proposals.

- * Business owners in the informal sector on the other hand, were more likely to have gone into business because of an inability to find employment in the mainstream economy and a lack of skills to do so. They therefore needed to acquire skills which they could use to start a business and they also needed to be encouraged to do so, since they were more likely to lack confidence.

4.6.1 Standards of training for the formal and informal sectors

Although the respondents felt that a different emphasis in the content of training for the formal and informal sector may be needed, how did they feel about standards of training? They were therefore asked to indicate whether the standards should differ for each sector. Even though the question was framed in terms of standards of training, most people interpreted standards to mean levels of training.

The respondents were equally divided among those who felt that standards (or level) should differ and those who felt they should not. However, even among those who felt that level should differ, these differences were based on the assumption that those in the informal sector were less well educated and possessed less skills and knowledge than those in the formal sector, since many of them

came from disadvantaged communities. Therefore the abilities, skills, knowledge, education and cultural background of the trainee as well as the type of business he or she is running, rather than economic sector, influenced the type of training that is most suitable. The literature survey (see Section 2.2.4) indicates that cultural background has a fundamental influence on the way in which businesses are run. Whether the business is legally recognised or not, is not the concern of the trainer, but the socio-economic background of the trainee influences level of training.

4.6.2 Stage of the business when training is most appropriate

Perhaps training is more effective if it is given at a certain stage in the business cycle. The respondents were therefore asked to indicate which stage of business development was most important for training. Seventy per cent of respondents felt that people should be given training when the business was started rather than at any other time, while 14 % said that training was most effective when the business was already running and 16 % said that it was beneficial at all stages of business development.

Reasons given for feeling that training is most needed when businesses start up are the following:

- * The person going into business needs insight into business processes and needs to know the risks involved and the benefits. He or she needs to know the advantages and disadvantages of going into business. If one is adequately prepared one may be able to prevent making the most common mistakes that new business owners make.
- * These mistakes that are made at the beginning of a business venture are very costly and are more likely to lead to bankruptcy or closure of the business than mistakes made at a later stage.
- * Most businesses fail during the first few years of their existence.

Those who said that business owners should be given training when their venture was already running said so because the individual already had a background against which training could take place, so the trainer could build on existing practical skills.

Respondents who felt that training should take place during all stages of a business cycle, namely when the business is starting, when it is running or when it is expanding, said so because they thought that different skills were needed at different stages.

In Chapter 3 the responses of the business owners themselves indicated that they too thought that the most important time to receive training was during the initial phase. They also indicated that different training was needed at each stage of the business cycle. Therefore the trainers and business owners shared similar views.

It thus seems as if training efforts should be directed towards those who are starting a business, but the owner whose business is in a more advanced stage should not be ignored. The needs of the individual should be taken into account in any training programme.

4.7 METHODS OF TEACHING AND LEARNING

Learning about small businesses and how to run them can take numerous forms. Certain ways of learning may however be more effective than others. The respondents were therefore asked to indicate how useful they thought a variety of methods were in teaching people small business skills, namely formal classroom instruction, participative workshops and small group discussion, case studies, visits to successful small businesses, talks by business owners, talks by suppliers and customers, by bankers and financiers, individual consultations and counselling, role playing situations, on the job advice and mentoring, self-instruction programmes and business videos. The advantages and disadvantages of each learning method, from the point of view of the trainers, are indicated in Table 4.3. These methods were then rated on a five point scale where 1= is not at all useful and 5= very useful.

TABLE 4.3

ADVANTAGES AND DISADVANTAGES OF VARIOUS METHODS OF LEARNING ABOUT SMALL BUSINESS

Method of learning	Advantages	Disadvantages
1. Formal classroom instruction	<ol style="list-style-type: none"> 1. One can learn the basic business concepts 2. It is a widely accepted way of teaching and training 3. Cost effective 	<ol style="list-style-type: none"> 1. This is a one-way process that does not allow for interaction 2. What is taught tends to be too theoretical and difficult to apply
2. Participative workshops	<ol style="list-style-type: none"> 1. One can learn from the experience of others 2. Ideas can be exchanged 3. These are practical ways of learning 4. Various points of view can be heard simultaneously 	<ol style="list-style-type: none"> 1. Lack of time to attend may be a problem 2. People do not necessarily want to share their ideas with potential competitors 3. This method is not sufficient on its own and needs to be used in conjunction with others
3. Case studies	<ol style="list-style-type: none"> 1. Practical examples of how to approach a business venture 2. Examples of success can encourage others to strive for these goals 	<ol style="list-style-type: none"> 1. The uniqueness of each business can be lost by focusing on a certain type of business 2. This method is not sufficient on its own and needs to be used in conjunction with other methods
4. Visits to successful small businesses	<ol style="list-style-type: none"> 1. Visibility; one can learn what to do by seeing what others have done 2. Examples of success and encourage and give direction to others 3. A standard is set against which to evaluate one's own business 	<ol style="list-style-type: none"> 1. Can be very time consuming 2. People select what they want to tell you, so the full picture is not always available 3. This method needs to be used in conjunction with other methods
5. Talks by small businessmen	<ol style="list-style-type: none"> 1. One can learn from the experiences of others 2. Examples of success give others encouragement 3. First-hand knowledge can be obtained 	<ol style="list-style-type: none"> 1. Self-interest can affect what is presented and only one side of the picture can be given 2. This is an artificial situation 3. This method needs to be used in conjunction with other methods
6. Talks by suppliers and customers	<ol style="list-style-type: none"> 1. Learning from others and their experiences 2. One can obtain useful practical information 	<ol style="list-style-type: none"> 1. Promotion of the person's business or products can occur, rather than giving general information 2. Presentation can be selective and one-sided

TABLE 4.3 CONTINTUED

Method of learning	Advantages	Disadvantages
7. Talks by bankers and financiers	<ol style="list-style-type: none"> 1. Useful information can be transmitted 2. This can help the small businessman to acquire capital 	<ol style="list-style-type: none"> 1. The financiers and bankers promote their own interests 2. It is a one-way process of communication
<ol style="list-style-type: none"> 8. Individual consultations 9. Individual counselling 10. On-the-job advice and mentoring 	<ol style="list-style-type: none"> 1. Helps to identify and solve specific problems of the business 2. One-to-one problem solving approach 3. Opportunities for discussion and feedback are readily available 	
11. Role playing	<ol style="list-style-type: none"> 1. Learning by doing 2. Simulation of a real life situation 3. Can see a problem from various perspectives 	<ol style="list-style-type: none"> 1. Artificial 2. Information is not always accurate
12. Self-instruction programmes	<ol style="list-style-type: none"> 1. Sometimes it is the only means available 2. It helps to teach one perseverance and discipline 	<ol style="list-style-type: none"> 1. A great deal of discipline is necessary to study on your own 2. A high degree of motivation is needed
13. Videos	1. Simultaneous auditory and visual presentation	<ol style="list-style-type: none"> 1. Passive learning 2. Expensive 3. Cannot be used on its own, but needs to be used with other methods

The ratings given by the respondents are indicated in Figure 4.3. This figure indicates that the focus of training should be the individual, since individual counselling, on the job mentoring and advice as well as consultations were seen as the most effective ways of training people to acquire small business skills. The small business owner, as discussed in Chapter Three, also emphasized the importance of individual methods of teaching business skills. Therefore there is agreement between trainer and business owner on training methods. However, this form of training is expensive and can only be available to relatively few people who need it.

The most useful form of group training, as indicated in Figure 4.3, was in the form of participative workshops, while role-play situations, visits to successful small businesses and video instruction were also regarded as fairly useful. Practical teaching, rather than placing stress on theory, seems to be more applicable to the acquisition of business skills. Active participation through discussion and doing things seems to be more effective than passive learning through listening. Formal classroom teaching and self-instruction were therefore considered the least useful methods of learning about small business functioning.

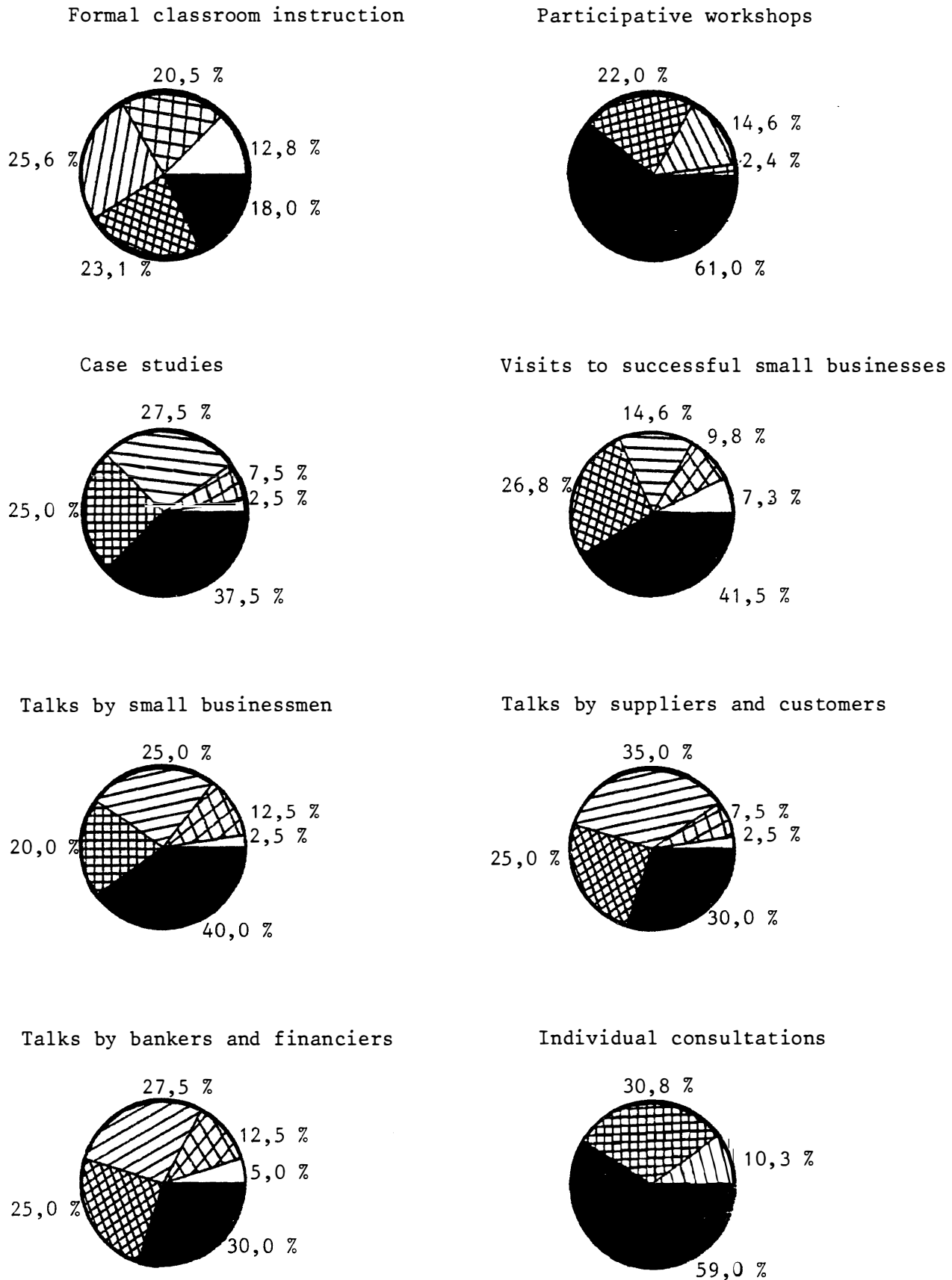
4.8 CHARACTERISTICS OF THE TRAINER

In this section the views of the trainers concerning the type of person who is most suitable to give small business training will be discussed. Their views on the qualifications that are needed to give this type of training, the type of personality traits needed to enable the person to handle training situations and the business experience to do so will be outlined.

4.8.1 Qualifications that trainers need

In general most of the respondents (N=27 or 64 %) felt that a business related qualification, for example a B.Com. degree or diploma or a business management qualification, was important for trainers

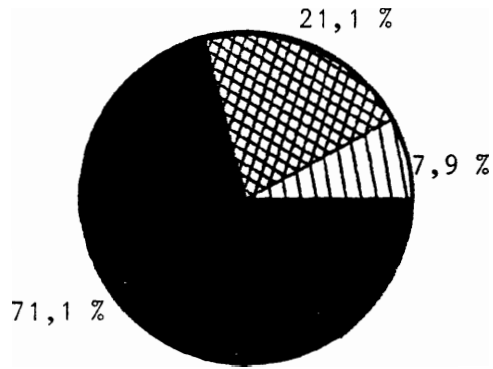
FIGURE 4.3
USEFULNESS OF LEARNING METHODS



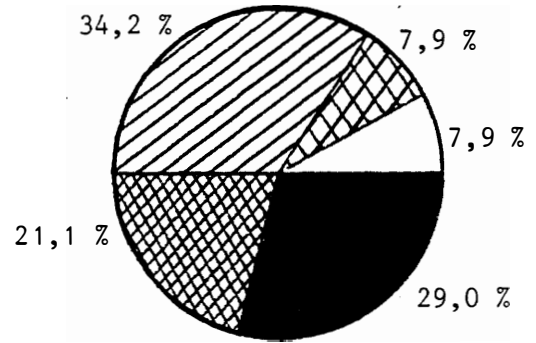
Key
 Not at all useful      Very useful

FIGURE 4.3 (CONTINUED)

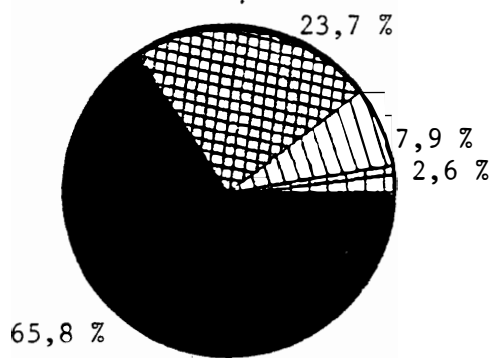
Individual counselling



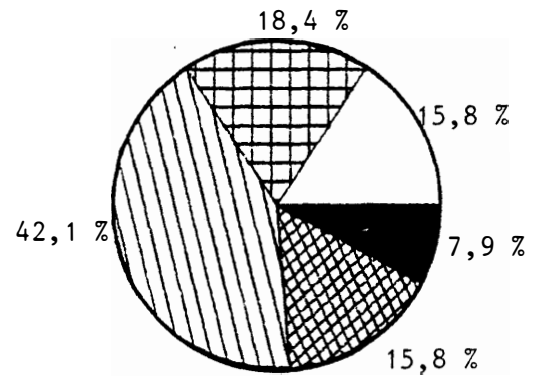
Role playing



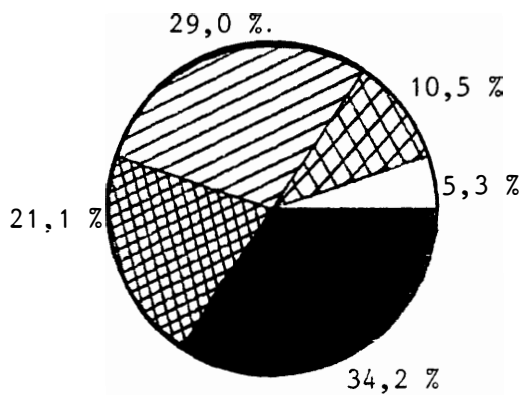
On the job advice and mentoring



Self-instruction programmes



Videos



to have, as it gave them the necessary theoretical background to be able to offer training. However, a large proportion of respondents (N = 15 or 36 %) said that experience and competence were more important than academic qualifications, since training needed to be practical and should be based on a problem-solving rather than a theoretical approach.

4.8.2 Personality traits needed by trainers

In view of the importance placed on individualised training, the trainers all agreed that a sympathetic, warm person who could establish a good rapport with others and who could build sound interpersonal relationships was the ideal person to give training. In addition, the ability to think analytically and objectively was also regarded as important for problem solving. Therefore both a person and a task-oriented approach to training was needed. The willingness to share and the ability to transmit skills and knowledge to others were also regarded as important personality characteristics for the trainer to have.

4.8.3 Business experience

In addition the respondents felt that past business experience, or at least some exposure to a business environment, was important for trainers, since training needed to be practically based.

4.8.4 Others who could be used as trainers, consultants or counsellors

Over and above the professional trainers for small business development, there is a growing need for more people, for example retired businessmen who can help with training, to play a part by imparting their specific knowledge and skills to small business owners. Increasing numbers of people are starting their own businesses and the present supply of trainers is unlikely to be sufficient to meet the growing demand for training. The need for training is felt particularly in the informal sector, where there is a burgeoning of small businesses. These businesses have the po-

tential to to create employment opportunities. However the small business owner may need some form of training to enable him or her to start and run his or her business, and to expand it.

Various groups of people could possibly be used to teach business skills. To do so, however, a certain type of background or experience base may be necessary. The respondents were therefore asked to indicate whether or not they thought that certain groups of people, namely school teachers, university lecturers, people with artisan skills, people with small business experience, retired businessmen, bankers, financiers, university students, management consultants, psychologists and sociologists could be used for small business training.

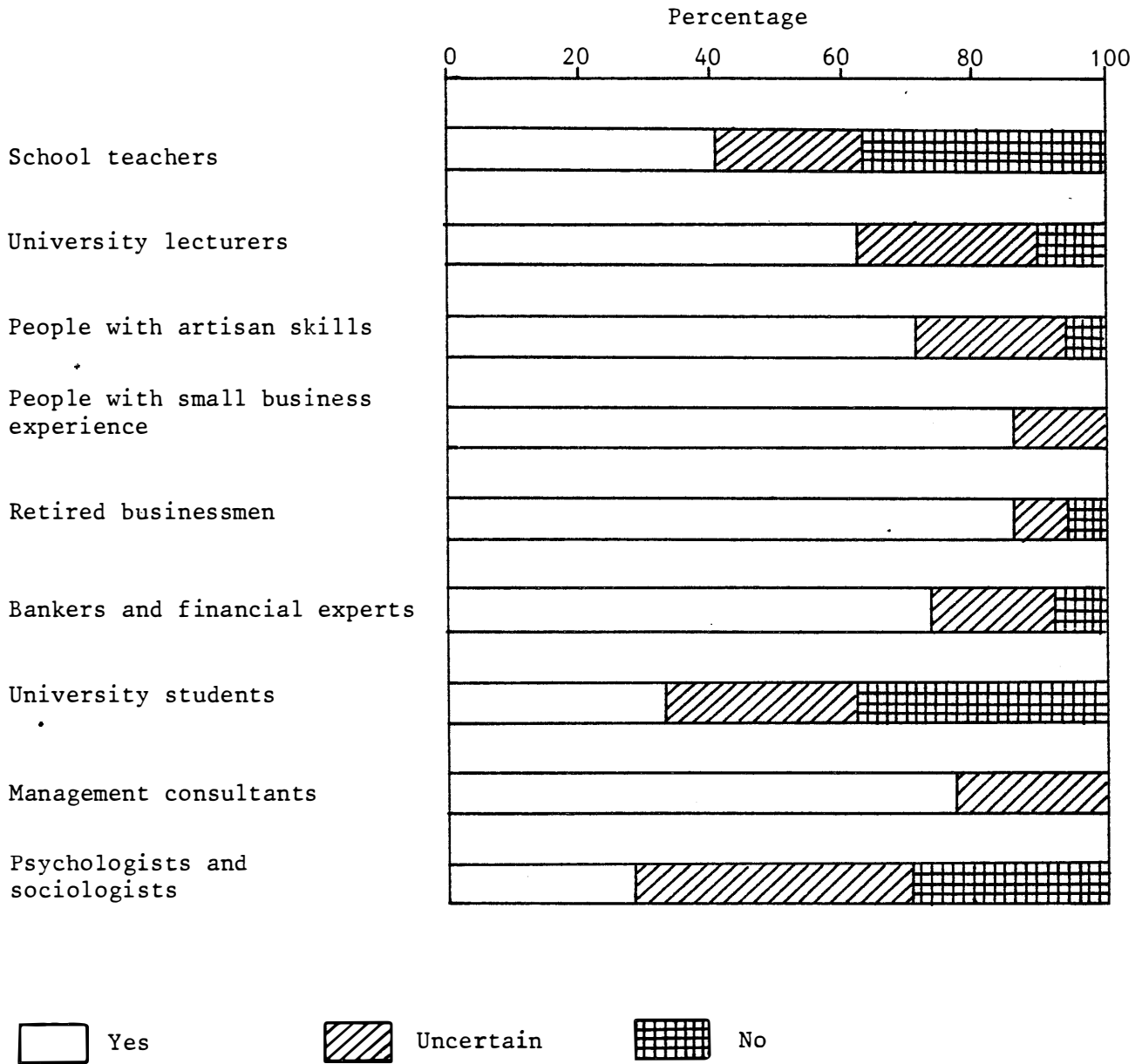
Figure 4.4 indicates that most respondents thought that those with a business background, namely small businessmen and retired businessmen, management consultants, bankers and financial experts could successfully be used as trainers to encourage small business development. University lecturers, particularly those with commercial qualifications and artisans could also, at least to some extent, be used as small business trainers. However, people without a business background, namely university students, school teachers, psychologists and sociologists, were less likely to be able to be used as business trainers, even though they may have a theoretical understanding of the problems and they may be very capable in handling interpersonal relationships.

4.8.5 Using people with lower levels of education as rural business counsellors

The growth in the number of small businesses is also taking place in rural areas. Various ventures are being started, growing and expanding in the countryside. If the success of these ventures is to be encouraged, an outreach programme may be needed. People are needed to provide business advice and mentorship in rural areas, to help business owners in these communities to become established.

FIGURE 4.4

SELECTION OF TRAINERS, CONSULTANTS OR INSTRUCTORS: CAN THIS GROUP BE USED FOR TRAINING?



The lack of skills in rural areas, as well as the lack of qualified trainers gives reason for concern. One solution to the problem is to use less qualified people, who have the ability to interact with others and who are willing to learn, as trainers. They can teach others basic business skills, after having been taught about business functioning themselves. One organization used the term "barefoot counsellor" to describe this type of trainer. The idea is based on the use made of "barefoot doctors" to offer a primary health care service in rural China. This method of offering a primary service can possibly be expanded to other areas such as small businesses.

The respondents were therefore asked to indicate whether or not they felt that less highly qualified counsellors could be used to train small business owners in rural areas to acquire basic business skills. The majority of respondents (57 %) were in favour of this idea. They felt that such persons would have certain advantages over persons with an urban background. They would have a better understanding of the problems of rural development and better communication skills with their own people. Formal qualifications are therefore not necessary.

On the other hand a large group (33 %) was unsure and some (10 %) opposed the suggestion. The main objection was that a less educated person would suffer from the same handicaps as the people he or she was trying to help, because he or she would also come from a deprived environment.

4.8.6 Using government officials as facilitators

An additional source of potential trainers, or at least facilitators of small business, are people who already come into contact with business owners. These are the officials of the state, the province or the local authority who are concerned with licencing, health, fire hazards, traffic violations and other legal aspects of business. Most of these officials see their role as a law enforcement one. However, if they can be trained, they can possibly be

used to facilitate small business development by offering advice, help and mentorship, rather than focusing on law enforcement. The respondents were therefore asked to indicate whether or not they thought this was possible.

Just under half the respondents (N=18 or 46 %) agreed that this could be done. The rest were either uncertain (N=15 or 39 %) or did not think it was possible (N=6 or 15 %).

The respondents who agreed and those who were uncertain indicated however, that this facilitating role could only take place under certain preconditions.

- * The officials should have previous business experience.
- * They should be carefully selected as they needed warmth and empathy to handle sensitive situations.
- * They needed small business training.
- * Their aim should be to render a service to the small business owner, not to punish him or her
- * Use of officials needs to go hand in hand with the implementation of deregulation

Those who said that government officials could not be used as facilitators felt that they were too concerned with procedures and with bureaucratic structures to be able to do so. In addition there may be prejudice and suspicion on the part of small business owners that the government official would have to overcome before he would be accepted as a facilitator, in view of the law enforcement role he or she has played in the past.

4.9 OTHER SERVICES THAT TRAINING ORGANIZATIONS SHOULD OFFER

The problems that small businesses experience, do not necessarily centre solely on lack of training. We have already seen that the small business owners who were interviewed as part of this study experienced problems in obtaining loans, in coping with competition, in obtaining suitable equipment, in obtaining transport, in

marketing their goods and services and in repaying their debts. The question that needs to be addressed regarding these problems concerns how training organizations can help business people to overcome these problems.

The trainers were therefore asked whether or not they thought that training organizations should offer services to facilitate access to loans, to markets, to suitable premises, to equipment and tools, to transport, to licences and to purchasing facilities.

Their responses are indicated in Figure 4.5. This figure shows that the group was split into two distinct camps regarding whether or not training organizations should provide access to facilities, irrespective of what these facilities were, with relatively few people being uncertain.

On the one hand those who felt that access to the various facilities should be made available to trainees, said so because they thought that most small business owners needed this help to give them the best chance of getting their business established. A training service is incomplete unless it can offer access to other needed services. Training and access to facilities are complementary.

On the other hand the group who were opposed to this suggestion felt that the training centre would be exceeding its role if it provided access to additional services since other organizations exist to provide them. For example they felt that it was undesirable to link loans to training, because the trainer would be involved in taking sides in debt-collecting disputes. The work load of the trainer would be increased unnecessarily if he or she took on extra tasks. It also seems as if certain organizations, for example development agencies, are able to offer easy access to other services, in addition to training, whereas other organizations, for example universities, cannot do so.

4.10.2 How training should be evaluated

The respondents thought that in addition to the above methods training should be evaluated by focusing on the following:

- * Monitoring the trainee and his or her business operation over a period of time;
- * setting objective criteria against which to measure the success of training;
- * the use of independent evaluators to assess the competence of the trainee after the course has been completed, and
- * the use of written tests, to determine how much of the course the trainee has understood and absorbed.

4.10.3 Standardisation of training

Even though the respondents favoured internal evaluation procedures for their own organizations, the majority (59 %) were opposed to standardization for the following reasons:

- * Different types of training are needed for the wide variety of ventures.
- * Each small business owner comes from a different background and may need a different approach to training.
- * Different regions may require different approaches to training.
- * Standardization could make training rigid and inflexible.

On the other hand those who favoured standardization gave the following reasons for doing so.

- * Small business development could be promoted if high training standards are set.
- * Duplication of training efforts could be avoided.
- * People could be protected from "fly-by-night" companies offering training to small businesses.
- * It would be easier to evaluate training programmes if they could be measured against a set of standards.

These conflicting views call for some solutions to be put forward. It is suggested by the authors that standardization is not desirable, but that standards can be set for certain types of courses, but not for all forms of training. However criteria for evaluation of training, whether it be formal courses, counselling or consulting, need to be drawn up by the organizations involved in training in consultation with each other. This would ensure that training does not occur on a purely ad hoc basis, but that some guidance and direction is given to all training organizations.

4.10.4 Accreditation of training

Closely associated with standardization of training is the question of accreditation and the respondents were asked whether or not training should be accredited. Almost three-quarters of the respondents (72 %) agreed with this suggestion for the following reasons:

- * Accreditation would ensure better training standards.
- * It would give recognition to the training organizations which offer accredited courses.
- * It would give a recognized qualification to trainees.
- * It would motivate both trainers and trainees to do their best.
- * It would help in evaluation of training.

The people involved in accreditation, in the opinion of the respondents, should be those directly involved in training for small business development namely associations of small business owners, training agencies, small business development organizations, technicians and universities offering small business development programmes as well as private sector training organizations.

4.11 **FUNDING OF TRAINING**

The importance of small business development to the future prosperity of the country demands that ways and means be found of funding training to improve the chances of success of these businesses.

The respondents were therefore asked to indicate what they thought the role of the public sector, the private sector and the trainee himself or herself should be in the funding of training for small business development.

4.11.1 The public sector

In the opinion of the respondents the public sector could contribute to funding of training by means of

- * subsidies for accredited training,
- * tax concessions,
- * grants to trainees,
- * establishing training courses themselves,
- * a combination of the above,
- * linking funding to measures of the success of the training.

Very few (5 %) felt that the government should not contribute to training since it should be market oriented and therefore the trainees should bear all the costs.

At present those offering training in tertiary educational institutes, for example universities, receive funds for small business development programmes. It seems however, as if the government has a larger role to play in the funding of small business training since not only tertiary organizations but also numerous other organizations are offering training for small business development. The important point is that organizations which accept this money should be accountable. Accreditation of training and the development criteria to assess the success of training need to be linked with public sector funding. The earlier suggestion that the training centres themselves in conjunction with associations representing the interests of small business owners determine criteria for success and criteria for accreditation applies here. Funding, either through subsidies or tax concessions or direct grants to trainees, should only be granted to accredited organizations. This does not mean that other training organizations will be restricted

or prevented from offering a learning intervention programme for small business owners. It means that, if they want public sector funding, they will be required to meet the criteria of accreditation, as decided by their fellow trainers and others involved in small business development.

When asked which department should be responsible for control of public funds, more than half of the respondents (52 %) felt that the Department of Manpower should accept this role. Other suggestions were that a Bureau of Small Business be established to control funds and that the Small Business Development Corporation accept this role. Other departments that could be involved in the control of funds in the opinion of the trainers, were education departments and the Department of Finance.

4.11.2 Role of the private sector

The respondents felt that the public sector could contribute to the funding of training through

- * sponsorship of training centres,
- * subsidies for these centres,
- * the seconding of staff to help with training thus saving salary expenses,
- * bursaries for trainees,
- * cash grants and donations,
- * the training of personnel of these centres in business skills.

Indeed, large corporations in the private sector have already played an important role in funding small business development through establishing training centres, making facilities available for training, making premises available for small businesses, offering a counselling service and financing organizations which offer training services to small businesses. They should therefore have a say in what should be taught as well as in accreditation, particularly if they are going to increase their present financial input.

4.11.3 Contribution of the trainee

In general, the feeling among the respondents was that the trainee should pay what he or she could afford, but each trainee should contribute at least something towards training. Indeed, 22 % of the respondents felt that each trainee should be held responsible for the full costs of training, even if he obtained bursaries, loans or grants from elsewhere.

4.12 CO-ORDINATION OF TRAINING

Closely associated with the setting of training standards, accreditation and funding of training is the issue of co-ordination. If more structure is to be given to the way in which training takes place, then co-ordination becomes important.

4.12.1 A co-ordinating body

The respondents were thus asked to indicate whether or not they thought that there should be a co-ordinating body to oversee training for small business development. Almost two-thirds (63 %) agreed that this was necessary since services and funding could be co-ordinated, duplication could be avoided and the monitoring of how funds were spent could occur. The body could also co-ordinate deregulation and privatization as they affect small businesses.

Among the respondents who were unsure (7 %) or who did not agree (29 %), there were fears that empire building would occur if any single body was given co-ordination powers and that control, rather than co-ordination would take place. The opinion was also expressed that such an organization would be too bureaucratic, that it had previously been attempted and had failed and that there were enough bodies already. To introduce yet another one would serve no purpose.

4.12.2 A national strategy

The vast majority (81 %) agreed that a national strategy for small business development was necessary. Such a strategy could aim to encourage the expansion of small business development and to provide at least some solutions to the economic crisis in South Africa at present. Perhaps the most pertinent remark in this regard made by one of the respondents can be cited: "Stop the rhetoric and start the action".

4.13 **SUMMARY**

Forty-two completed questionnaires were received from people involved in training counselling or consulting small business owners. The information gained was used to determine the way in which people directly involved in training viewed the training that was needed for small business development. More men (88 %) than women (12 %) sent back completed questionnaires. The respondents were all highly educated since all except one had obtained a postschool academic qualification. Sixty-nine per cent had a formal business or commercial qualification. The work that they did was either directly or indirectly related to offering training (including counselling and consulting) to small business owners. Their views on training are outlined below.

The respondents generally felt that a wider spectrum of people should know more about the functioning of small business so that more understanding, tolerance and sympathy could be fostered and more people could be encouraged to start their own businesses.

Specific training for those who had their own small business or those who were contemplating such a move should be offered to those who could benefit most. Therefore selection of candidates for a learning intervention experience was thought to be necessary by almost two-thirds of the respondents. The person most suited for training should have a high need for achievement and should be eager to learn. He or she should have initiative as well as perse-

verance. Basic literacy and numeracy as well as the technical skills needed for certain types of business, fluency in one official language and at least some exposure to a small business environment were regarded as preconditions for training.

The type of skills needed to run a business were financial, administrative, marketing, selling, management and interpersonal ones.

Each skill is however acquired in one or a number of different ways, for example through exposure, education, training or a consulting or counselling service. Training organizations need to have a variety of training methods at their disposal.

As far as content of training is concerned, administrative management, financial management, marketing, the preparation of business proposals and interpersonal skills were considered to be more important for those businesses in the formal sector, whereas inspirational training to start a business and technical training to acquire or to upgrade skills were seen as more important for those in the informal sector.

Standards of training should be geared to the educational level of the trainee and not to the sector in which the business is found.

Training should be offered at the beginning when the business is being started, rather than at any other stage.

The focus of training should be on the individual and his or her specific needs, and on individual methods of training, such as counselling, mentorship, consulting and on-the-job advice. These individual methods are the most effective.

For group methods of training the emphasis should be on participating and doing rather than listening and absorbing. Practice rather than theory should be stressed.

CHAPTER FIVE

SUMMARY AND RECOMMENDATIONS

5.1 SUMMARY

In view of the high levels of unemployment in South Africa at the present time and the apparent inability of businesses in the mainstream economy to provide employment for all work seekers, particularly the unskilled worker, ways and means need to be found to create more jobs. Small businesses in both the formal and the informal sectors of the economy have the potential to create more jobs in the future since they are more likely to be labour-intensive and to need low capital before being started. To ensure that these businesses are efficiently run, so that they can reach their potential and create more jobs training is often needed. This research project examined the training needs of the country for small business development.

5.1.1 Aims of the study

This study therefore aimed

- * to explore the way in which a group of small business owners acquired the skills needed to start, run and expand their businesses and the role that they felt that training could play in helping them to acquire these skills;
- * to determine the way in which a group of trainers, including those offering a consulting, counselling and mentoring service to business owners, viewed the role of training for small business development.

5.1.2 Importance of training

A literature survey indicated that the sociocultural, economic and political environment in which businesses develop needs to be taken

into account in the formulation of any small business training programme. This survey also indicated that certain people, namely those who possess entrepreneurial characteristics, may be more likely to benefit from training than others. Training courses need to be geared to the specific needs of each business owner, and extension services, as a form of training, are likely to be more successful than classroom situation training. The content of training needs to be such that it enables the trainee to plan ahead, to use more efficient record keeping methods and to improve his or her interpersonal skills. Training empowers people, in that it makes more skills and knowledge available to them in their decision making, but it cannot guarantee that businesses will necessarily be more profitable as there are numerous other factors that determine the profitability of a business.

5.1.3 The business owner's views on training

Taking this background gleaned from the literature into account, a group of 80 business owners from the informal, the semiformal and the formal business sectors were interviewed to find out their views on business training. In addition each respondent's own personal background and each person's business experience would influence his or her views on the type of training that is needed for small business development. Therefore questions on training were asked taking this background into account.

General business management, record keeping, financial management and interpersonal skills were identified by the respondents as the most important skills required for running a business. Most problems experienced by the respondents were caused by a lack of funds. However poor planning and ad hoc decision making could account for at least some of the problems. Training could help in improving planning skills. Business experience was regarded as more important by the group than receiving training, and when formulating training programmes, trainers should not ignore the business experience that trainees have had in the past. In the opinion of the business owners, the most important time for receiving training is

when the business is being started. However different skills were needed at different stages of the business. General business management skills were most important when the business was started, but as the business became established or as it expanded, marketing and financial management skills became more important.

5.1.4 The trainers' views on business training

In addition to finding out the views of business owners on the training that is needed for small business development, the trainers themselves were also asked to give their views on this subject. This was done by means of a postal questionnaire sent to development agencies and other organizations offering a training, counselling, consulting or mentoring service to small business owners. All together 42 completed questionnaires were returned. The following trends were detected.

Although the trainers felt that a broad spectrum of people should know more about the functioning of small businesses, two-thirds of the group felt that trainees for specific business training should be selected. The person most suited for training should be achievement motivated and eager to learn. Basic literacy and numeracy were regarded as essential for any business training.

Training to acquire technical skills needed for certain types of business were not regarded as part of a business training programme. However these skills were regarded as essential for people in certain types of business before business training is given. Training to upgrade skills could however form part of a business training programme.

Both trainer and business owner agreed that financial, administrative, marketing, management and interpersonal skills were needed to function effectively in business. The trainers said that the education level of the trainee, rather than sector in which the business is situated, should influence the level at which training is given. The focus of training should be the individual and his or

her specific needs. Individual methods of training such as counselling and mentorship are more effective than group methods. However, in view of the expense involved in offering an individual training service, group methods also need to be used. The emphasis of training should fall on active participation, rather than on passive learning through listening. Practical applications, rather than concepts, should be stressed.

Trainers should be drawn from as many sources as possible. Retired business people, management consultants, bankers and financiers could all make a training contribution. In rural areas, people with a lower level of education who have the ability can be used as trainers. An empathic, but analytic approach is however needed.

The trainers felt that co-ordination, accreditation and funding of training are directly linked, and a body to oversee the training for small business development is needed.

5.2 **RECOMMENDATIONS**

5.2.1 A national training strategy

Training for small business development, which encompasses mentorship, counselling and consulting, is a growing service that is being offered by a large number of organizations including universities, technikons, development agencies, financial institutions, large corporations and private organizations. The research findings of this study indicate that a national training strategy for the development of small businesses is needed. Such a strategy would ensure that the service offered actually caters for the needs of small businessmen, This strategy should focus on the following:

- * The co-ordination and integration of training efforts
- * The setting of training standards
- * The accreditation of training courses

5.2.2 Forming a national co-ordinating body

On the basis of the research findings, it is recommended that a co-ordinating body should be formed to help in the planning and implementation of this training strategy. Such a body could consist of the following:

- * Representatives of various associations looking after the interests of people in small businesses in both the formal and the informal sectors, for example hawkers', taverners', small manufacturers' and taxi drivers' associations, chambers of commerce
- * Members of small business development agencies
- * Representatives of the private sector who have an interest in small business development
- * Representatives of the public sector, for example members of staff of the Department of Manpower and the Department of Trade and Industry

The findings indicate, however, that there were fears that a national training strategy would mean that new bureaucratic structures, more red tape and more control over the operation of training centres and over small businesses would occur. These pitfalls can be avoided by ensuring that all organizations concerned with small business development, and the businessmen themselves, through their various associations, have an opportunity to contribute to or to serve on the co-ordinating body if they wish to do so. Indeed, such a body needs to be seen as having a co-ordinating and advisory role rather than a controlling one.

5.2.3 Financing of training

Regarding the funding of training, it is recommended that training should be paid for by

- * charging trainees fees that they can afford,
- * subsidies paid to accredited centres by the public sector,
- * grants, scholarships and loans awarded to trainees as well as subsidies to the training centres by the private sector.

As far as the public sector is concerned, subsidies are at present granted to tertiary educational institutions offering a small business development training programme. The findings indicate that, once accreditation has been introduced, in addition to the present subsidies, the public sector could possibly also partially subsidize all training centres that offer accredited training and related services. Such subsidies would be cost-effective if training helps more businesses to remain economically viable. Successful businesses create jobs, both directly through self-employment and offering employment to others and indirectly because businesses need raw materials, supplies, transport services, repair and other services. Subsidizing small business development training schemes may thus decrease the growing demand for jobs. However, it is important that subsidies be linked to offering a desired standard of training, thus making accreditation necessary.

As far as the private sector is concerned, bursaries, grants and scholarships can be given to individual trainees. Subsidies of actual training centres can also be considered. If the state wishes to make it attractive for the private sector to subsidize accredited training, tax incentives can be given to private organizations to do so.

The Industrial Training Board system may be a good model to follow for the formulation of a training policy and for the funding of training for small business development.

5.2.4 Public awareness of the importance of small business

A major change in attitude towards small business development in general and towards informal sector businesses in particular is needed. The public needs to learn to accept that First World and

Third World businesses can co-exist and that such arrangements can be mutually beneficial. Those who are part of the formal sector need to realise that a viable informal sector can help them to expand and develop their businesses because their potential target market increases. It needs to be realised that if the informal sector is to prosper, it requires the goods and services offered by the formal sector. In turn, businesses in the formal sector can often make use of informal sector products and services.

A good example of mutual benefit and support is the development of black taxi services. The demand for suitable motor vehicles has greatly increased since the acceptance of the need for, and the legalization of, taxi services. This increased demand has meant that more jobs are being created in the motor industry. The need for maintenance and repair services, for spare parts and accessories has also meant that numerous other jobs have been created which would not have existed without the development of taxi services. Education and advertising campaigns are needed to help promote small business development.

At school level exposure to a business environment and learning the meaning of basic business terms could promote the interests of small businesses.

5.2.5 Approach to training

The research findings indicate that the most appropriate approach to training for small business development is an interactive one. On-the-job training through counselling and mentorship, where possible, is highly effective. However this form of training is very expensive. Ways and means to offer this service, in spite of the high costs entailed, are however being found. An example of this is the private sector counselling organization (PRISCO) training scheme. In this scheme, run by the urban foundation, the organization trains staff members seconded to them from large corporations in the private sector to act as counsellors, while the large corporations continue paying these counsellors their salaries. In the

Small Business Development Corporation retired businessmen are used as counsellors. It is recommended here that these efforts be encouraged since individualized training then becomes possible. One-to-one training methods can be regarded as an ideal towards which the training organization can strive but they are not always possible or practical.

In a classroom situation a problem-solving approach to training is the most effective. Case studies, participative workshops, group discussions, finding successful business owners who can act as role models to exchange ideas with a group of trainees and simulated role play situations, are all effective training methods. Active participation, rather than passive listening is stressed.

5.2.6. Contents of training

Important areas that training should cover include the following;

- * Understanding the free market system
- * Basic business principles
- * Record keeping
- * Determining the feasibility of business ideas
- * Determining the need for a product or service and the potential market for that product or service
- * Setting goals that relate to production and profit for the business and developing action plans to reach these goals
- * Understanding how to go about obtaining finance and the responsibility of repayment that obtaining a loan entails
- * Banking, investing profits and handling debt
- * Understanding basic legal requirements
- * Costing and pricing
- * Quality control
- * Marketing the service or product
- * Communication skills

Achievement motivation training is relatively less important since the desire to engage in a business venture and a willingness to

take risks are preconditions for training rather than skills that can be learned. It is thus recommended that training focuses on practical knowledge and skills rather than on development of personality characteristics.

5.2.7 Selection of trainees

Regarding the selection of trainees for small business development training, it seems as if self-selection is an important method. In other words, those people who decided for themselves that they needed to learn more about starting, running or expanding a small business were possibly the best candidates for training. A willingness to learn and interest are however also important attributes for selection of candidates for training. Basic numeracy and literacy were also found to be very important. It is therefore suggested that anyone with basic numeracy, reading and writing skills be considered as suitable for receiving training, provided that the person is motivated to want training and is prepared to work hard.

5.2.8 Levels of training

The level of training offered should not differ for the informal and the formal sector. However, it is necessary to take the level of education of the trainee into account. More basic training can be offered to those who have received less schooling and more advanced training can be offered to those who have received more schooling and who have higher academic qualifications. The same underlying basic business principles, however, need to be taught to all trainees.

As far as differences in training content for trainees operating businesses in the informal and those operating businesses in the formal sector are concerned, the general feeling was that training should should also be tailored to the specific needs of each particular type of business. Focusing on the sector was regarded as relatively unimportant. It is therefore recommended that the sector in which the business operates should not directly influence

the content of training. However businessmen in the informal sector should be given information and specific training on how to upgrade and expand their businesses thus offering the possibility of entering the formal sector. Empowerment should be the aim of training.

5.2.9 Evaluation of training

The most effective way, according to the findings, of assessing the success of training is through follow-up studies which measure business performance. It is recommended here that criteria be developed against which business performance can be measured. This can become one of the functions of the co-ordinating body discussed previously.

5.2.10 Trainers

In view of the job creation potential of small businesses as many human resources as possible should be drawn into training. Individuals with a business background can be trained so that they in turn can offer training to potential entrepreneurs. Various people besides trained counsellors can give useful advice to businessmen.

A potential source of trainers are public servants, for example traffic police, health inspectors and licensing officers. If these people can be taught to see their role as an educative and facilitatory one, rather than as a law enforcing and restraining one, they could teach small businessmen to run their businesses within the framework of the law, without necessarily restricting the functioning of the business. This would however require a massive change of attitude on the part of public servants but it is a possibility that is worth pursuing. The co-ordinating body could examine ways and means of doing so. For example training public servants to be facilitators for small business development could be tried out experimentally in one or two urban or rural areas to see whether or not such change of attitudes can take place before policy changes are made.

5.2.11. Natural development of the informal sector

In the interviews conducted with the entrepreneurs, the feeling was expressed that in both the formal and the informal sectors training is not always essential in order for businesses to become established. Experience is often sufficient to run a business. For training to be successful people must want it. Those businessmen who do not want training can also make a significant contribution to the development of the economy of the country. Conditions need to be created to encourage active businesses in general, and businesses in the informal sector in particular, to grow and to flourish.

Fundamentally, the informal sector needs to be allowed to develop spontaneously. The research has shown that many people start informal businesses to escape from unemployment and the inability to find work. Informal businesses generally do not require financial assistance from outside bodies, because their owners often use savings or borrow money from a relative to obtain the essential raw materials or products to sell when they start the business. Further purchases are usually made from profits and most payment for goods and services is on a cash basis.

Informal businesses rarely need extra space to be set aside to accommodate them, since they are often run from the homes of the owners or from street pavements. Often there is no fixed business site. For example, selling from house to house is widely practised. Spontaneous development of the informal sector therefore makes relatively few demands with regard to the provision of infrastructures.

The burgeoning informal small business sector is of benefit, not only to the owners but also to the wider community. The interviews showed that these businesses support entire extended families. Members of the family often also work in the business. The community needs the goods and services offered by informal businesses, thus interdependent networks become established. However, many

people who are part of the informal sector remain poor, as businesses once established tend to remain static. Skills are needed to enable the businesses, not merely to survive or to remain static, but to expand and grow. To provide these skills, training has a vital role to play.

Training, including counselling and mentoring, should be easily accessible to those in the informal sector who want it. In addition, a general education campaign is needed to make people aware of the opportunities that training can create so that businesses can flourish, expand and grow.

5.3 CONCLUSIONS

Training, facilitation and spontaneous development of small businesses go hand in hand. Any training policy which aims to encourage small business development needs to take the culture in which the businesses function, the skill levels in the community, the informal networks and the resources available to the businesses into account. Training programmes cannot be developed in isolation.

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