“The perceived value of advice given to SMMEs at events: catalyst for action or despondency?”

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ARTICLE INFO	Michael Colin Cant (2016). The perceived value of advice given to SMMEs at events: catalyst for action or despondency?. *Problems and Perspectives in Management*, *14*(4-1), 247-255. doi:10.21511/ppm.14(4-1).2016.14
DOI	http://dx.doi.org/10.21511/ppm.14(4-1).2016.14
RELEASED ON	Friday, 23 December 2016
JOURNAL	"Problems and Perspectives in Management"
FOUNDER	LLC “Consulting Publishing Company “Business Perspectives”

NUMBER OF REFERENCES **0**

NUMBER OF FIGURES **0**

NUMBER OF TABLES **0**

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The perceived value of advice given to SMMEs at events: catalyst for action or despondency?

Abstract

The growth of the economy of many countries is dependent on the survival and growth of SMMEs as these businesses are the ones on which the hopes for job creation and poverty alleviation rests. To this end, many institutions – government and private – are investing resources to try and stimulate this sector and enhance their chances of success and sustainability. In order to achieve this, these institutions use a range of initiatives and services to stimulate and upskill SMMEs. Not only do they focus on standard services such as mentoring, counselling, and services such as for instance marketing material development, business and marketing plans, financial planning, etc., but from time to time, they also offer specific interventions with specific themes to generate interest from entrepreneurs. The main purpose of this study was to establish whether SMMEs and entrepreneurs value the information and advice they receive at events of value and usable.

Keywords: SMMEs, despondency, perceived value.
JEL Classification: M1.

Introduction

Researchers, government and private institutions have over the years shown a huge interest in the establishment and development of SMMEs, mainly due to its importance to the growth of the economy, job creation opportunities and poverty alleviation. This has led to a major focus on the training and upskill of SMME owners and employees in all areas of business.

South Africa, as many countries all over the world, find it more and more important to support and assist small businesses to be successful and to make a contribution to the economy in their respective countries. Kulkarni (2013) is of the opinion that training is the heartbeat of work and what work is all about. In the process, training furthermore improves the output of workers, and enhances the lives of employees and the development of the organization as well. To allow organizations to develop and grow their markets in order to counter competition, the training and development of employees is crucial (Ongori and Nzonzo, 2011). It should be clear that training is a key element in the growth of any business and maybe more so for SMMEs, as training is the catalyst that develops the competencies and skills of all in the business. The high level of failure of SMMEs have forced government and other institutions to look at ways and means to assist and equip SMMEs to survive over the long run. This includes giving these businesses advice and assistance in a number of formats.

Traditionally the advice given to SMMEs will be in the form of workshops at the institutions offices or a third party's premises where various aspects are addressed. Over the years a range of events focussing on either a number of issues or specific issues, have been used to generate interest in entrepreneurs to start their own businesses, or to seek information on a range of aspects related to business. Events such as an entrepreneurial week or day, have become popular amongst institutions to divulge information and to upskill, educate and assist entrepreneurs to start their businesses. The general aim was to provide useful information to prospective entrepreneurs during these events and to inspire them to start or improve their businesses with assistance and advice provided at these events.

Despite the continuous and worldwide focus on training and advice to small businesses, research into the value, applicability, usefulness and format of assistance to SMMEs, have been limited to say the least. The focus of this type of research has been more on strategic, sales or other training more associated with larger organizations (Fuller-Love, 2006; Lange, Ottens and Taylor, 2000; Jones, 2004). It is generally only implied that training and development focussed on SMMEs is important, and that these businesses can benefit from this type of training and exposure (Loan-Clarke, Boocock, Smith, and Whittaker, 1999). The purpose of this study was therefore to establish whether SMMEs and entrepreneurs regard the information and advice regarding all types of assistance at focussed events, of value and usable. The literature discussion will start by contextualising SMMEs in the economy, as well as the need for advice and training where after the importance of these initiatives will be emphasized. The research objectives, methodology and findings will then be explained, followed by the recommendations and conclusions to the study.

1. Literature review

According to the Bureau for Economic Research (January 2016), there are a total of 2 251 821 SMMEs in South Africa of which 667 433 are formal and 1 584 388 are informal SMMEs (BER: Stats SA, 2016). The reasons for going into business are very diverse, ranging from seeing a gap in the market, wanted to be an own boss, was retrenched or plainly for survival. Nu-

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merous studies have investigated these reasons and it will therefore not be addressed in the literature review of this study.

According to the National Small Business Act of South Africa of 1996, as amended in 2003, an SMME is classified as a "…separate and distinct business entity, including co-operative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy" (National Credit Regulator, 2011). The European Commission (2005, p. 5) defines SMMEs as "…the category of micro, small and medium-sized enterprises (that) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro".

The role SMMEs play in developing countries are even more critical, and developing countries – including South Africa – rely heavily on the success of SMMEs (Business Environment Specialists, 2013). This is underscored by the South African Chamber of Commerce and Industry (2013) which states in their research that "more than 30% of the total gross domestic product of South Africa is attributed to SMMEs" (Worku, 2013).

Despite the fact that many SMME support programmes exist, SMMEs in South Africa continue to experience a high failure rate (Hove and Tarisai, 2013). It is generally known that about 75% of new start-up SMMEs in South Africa eventually fail. SMMEs are plagued by high failure rates, poor performance levels and identifiable factors such as lack of planning, absence of proper financing and poor management are seen to be some of the main causes of SMME failure (Neneh and Van Zyl, 2012). It has also been found that a lack of education and training has reduced managerial capacity in organizations and is therefore one of the most prominent reasons for the high failure rate of new businesses. There is a serious need for South African SMMEs to become better equipped to survive in the long run if they want to remain a force in the economic growth and development of the country. Neneh and Van Zyl (2012) emphasise that although financial problems affect all organizations no matter their size, the lack of management skills and formal financial planning systems, are among the most cited reasons for the failure of small businesses.

In order to fill this gap and to provide SMMEs with advice and information, government and other institutions use a myriad of methods to distribute the required information. One of these are the use of events where knowledgeable advisors of these institutions assist SMMEs in their decision making processes by providing information and assistance at these events.

2. Research objectives and methodology

It is stated in the literature that SMMEs are not always providing training and development initiatives in their businesses as owners generally underestimate the benefits that training can offer, as well as the perceived cost-benefit thereof. This give rise to the question: What is the current perspective of South African SMME owners on development initiatives? The main purpose of this study was to establish whether SMMEs and entrepreneurs regard the information and advice they receive at focussed events, of value and usable. These events are planned well in advance and the institutions who offer them aim to make as much information and advice available to the largest number of entrepreneurs in a short period of time. In order to determine the SMME owner's perspective on the various types of assistance provided at focussed events, a self-administered questionnaire was distributed to a sample of SMME owners who registered their business at an official governmental national event specifically for SMMEs. The questionnaire comprised of quantitative questions allowing SMME owners to indicate whether information and advice is provided at the event they attended, and whether they regard the information and advice of value and usable. The sampling methodology utilised was that of non-probability, convenience sampling, which enabled the researcher to collect data quickly and easily. A random selection of entrepreneurs who attended the event was selected and telephonic interviews were conducted with them. A sufficient number of responses were elicited to achieve a confidence level of 95%. A total of 702 completed questionnaires were received. The quantitative data was analyzed using IBM SPSS Statistics V22. The data was checked, coded, corrected and descriptive statistics (frequency counts) were used to describe the findings.

3. Research findings

The findings are based on the 702 completed questionnaires received.

3.1. Age and sex of respondents.

Table 1. Demographic profile of respondents

	% of respondents
Age distribution of respondents	
18 or younger	0%
19 to 21 years	2.16%
22 to 25 years	10.2%
25+ years	87.64%
Sex of respondent	
Male	54.18%
Female	45.82%

From Table 1, it can be seen that with 87.6%, the majority of respondents fell in the 25+ age group. It can be assumed that considering their age, they would have been exposed to some sort of business experience or training in business since leaving school. With 54% of the respondents being male and 46% female, the gender distribution proved to be very close to that of the national gender composition.

3.2. Extent to which advisors have sufficient practical knowledge. The respondents were asked their opinion regarding the extent to which they felt advisors have sufficient practical knowledge to assist them in the areas in which they required information. Figure 1 shows the responses.

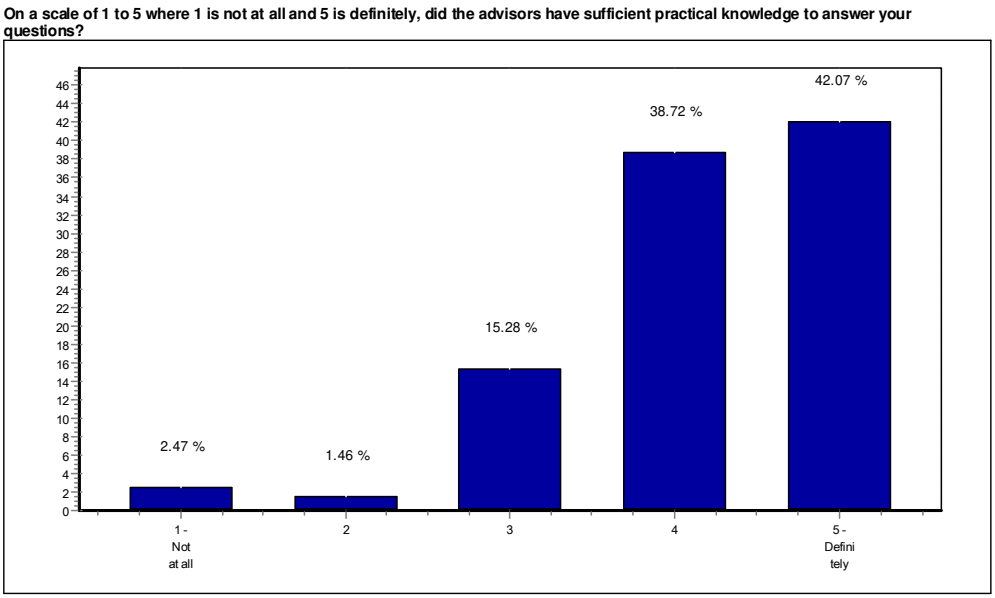

Fig. 1. Extent to which advisors have sufficient practical knowledge to answer questions

Figure 1 indicates that the majority of respondents felt that the advisors definitely had sufficient knowledge to answer their questions, with 81% respondents giving a rating of 4 or above.

3.3. Was it worth the effort to attend the event to obtain the information? Respondents were posed the following question: On a scale of 1 to 5, with 1 being "Not at all" and 5 being "Definitely", indicate whether it was worth the effort to attend the event to obtain the information. The results are shown in Figure 2 below.

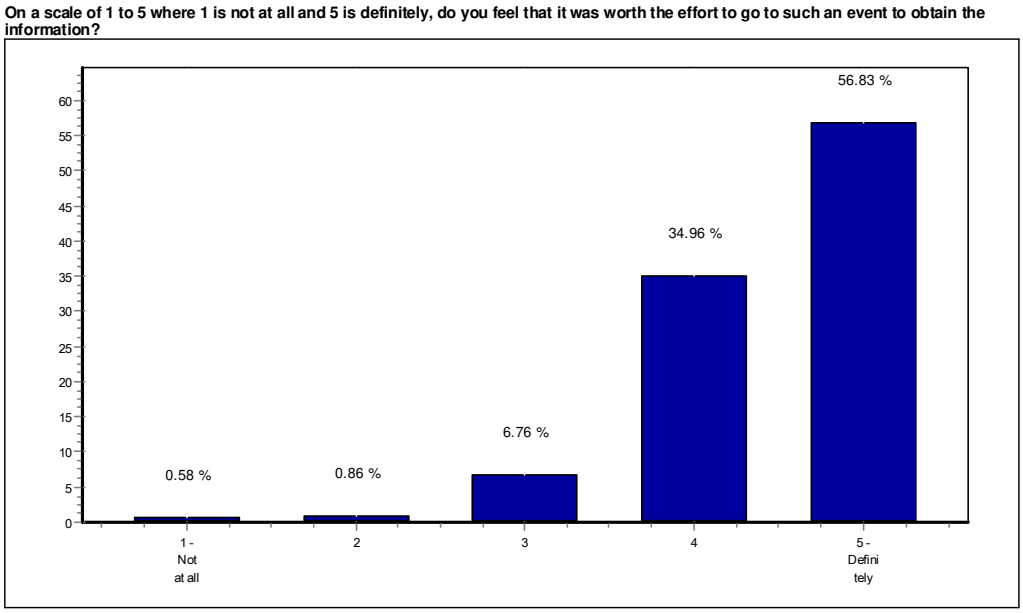

Fig. 2.Worth effort to attend

As shown in Figure 2 it is evident that 57% of respondents definitely felt that it was worth the effort to go to such an event to obtain the information with another 35% rating it a positive 4.

3.4. Suggestions from respondents on what topics or issues should be focused on at such an event. This question asked respondents to suggest topics and issues they think should be focused on at such an event. Table 2 below shows the results.

Table 2. What topic should be focused on (Top 6 responses)

What topics or issues do you suggest be focused on at such an event?	Number of responses
Obtaining finance	165
No ideas/ Happy as it was	71
Marketing	71
Financial management	18
Business plan	17
Grow the business	18

The responses clearly indicated that how to obtain finance is the most important topic to be focussed on. This is a universal problem but the other issues should not be ignored as starting a business is not only about finance, but also about setting up a viable business plan.

3.5. More inclined or interested in starting your own business after attending the event? On a scale of 1 to 5, where 1 is "Not at all" and 5 is "Definitely", respondents had to rate how they felt as to whether they were more interested in starting their own business after attending the event. Results are shown in figure 3.

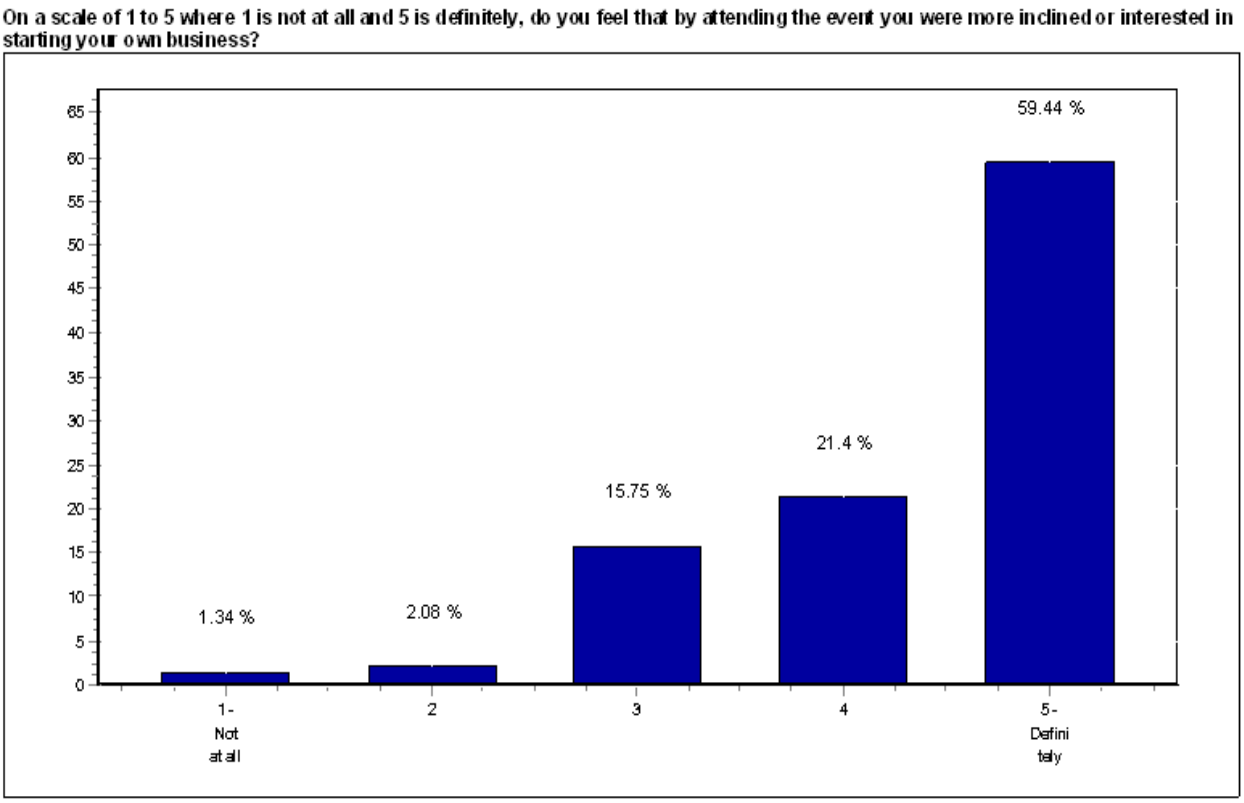

Fig. 3. More inclined or interested in starting your own business?

Source: Author

As shown in Figure 3, more than 59% of respondents gave a rating of 5 indicating that they were definitely more inclined or interested in starting their own business after attending the event, while a further 21% of respondents gave a rating of 4. In total more than 80% were positive to start a business meaning that an events day did offer value to them.

3.6. Quality of event presentation. On a scale of 1 to 5, where 1 is "Extremely poor" and 5 is "Exceptionally well", respondents had to rate the following at the event they attended: Quality of information available, knowledge of staff, range of services on offer, incentive to start own business, worthwhile visiting and marketing of the event by organizers. The results are presented in Figures 4 to 9.

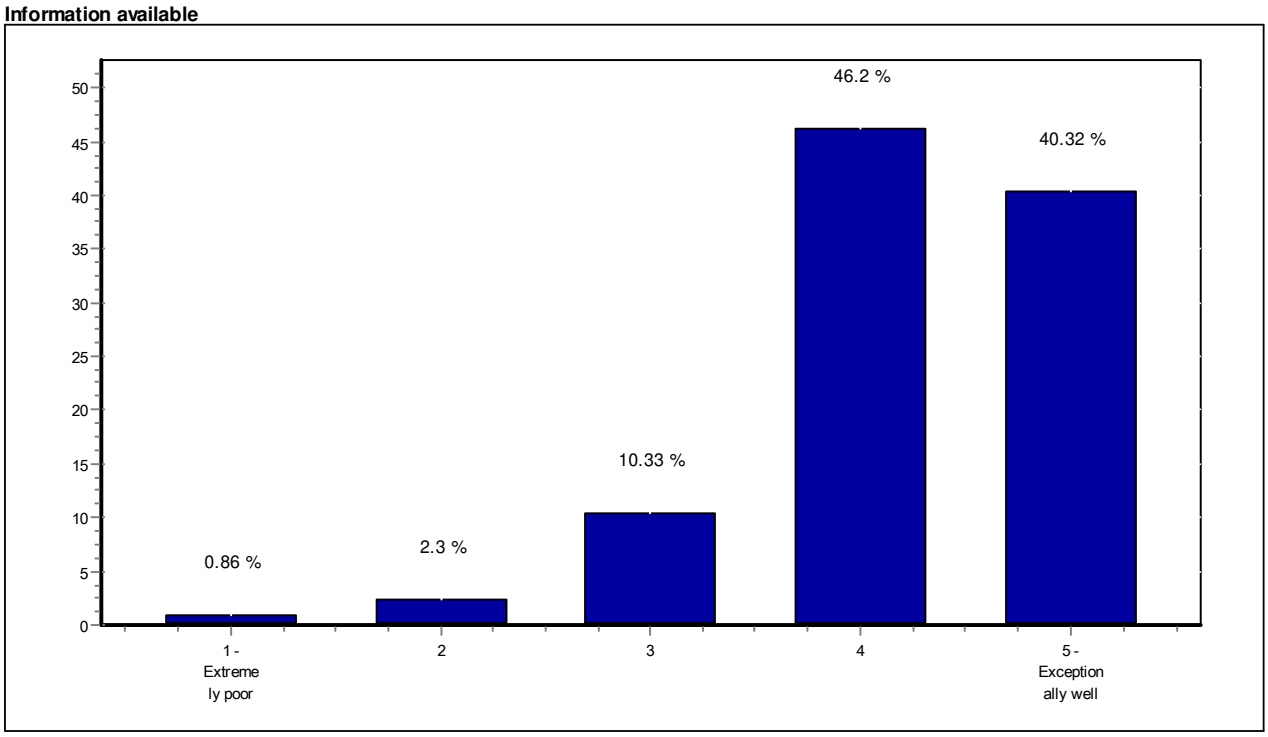

Fig. 4. Quality of information available at event

Figure 4 shows that approximately 87% of respondents rated the quality of information available at the event a 4 or more, thus of a high standard.

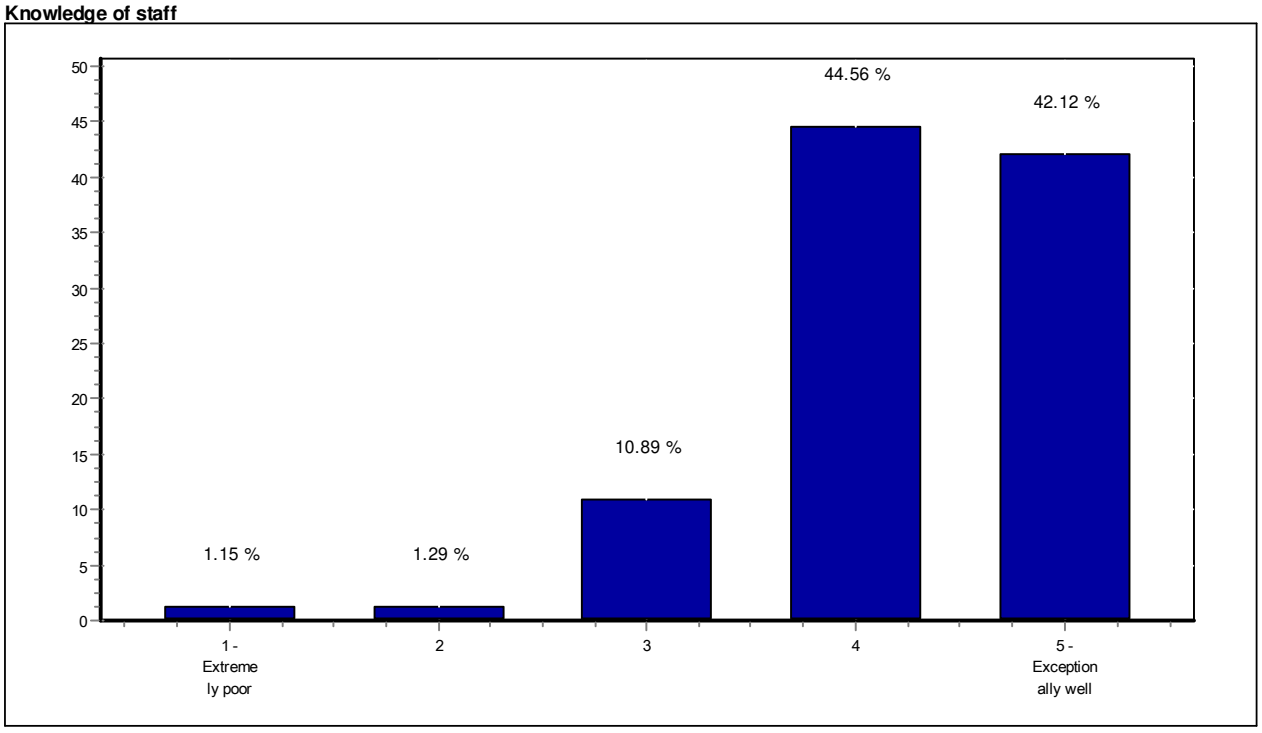

Fig. 5. Knowledge of staff at event

Figure 5 shows that approximately 87% of respondents rated the knowledge of staff at the event 4 or more, indicating a high level of satisfaction.

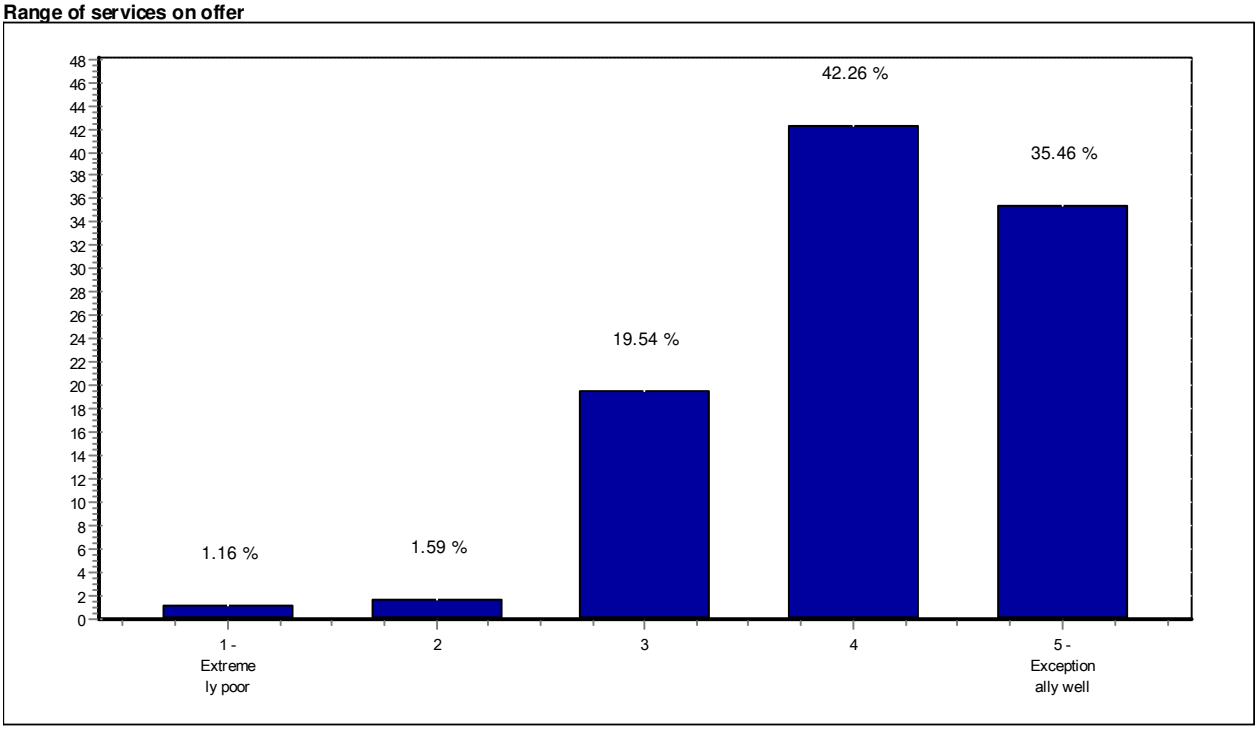

Fig. 6. Range of services on offer

It is clear from Figure 6 that approximately 78% of respondents rated the range of services on offer at the event 4 or more. It must however be borne in mind that in the case of first-time attendees, their knowledge may be more limited and they would not necessarily know if the range is sufficient or not.

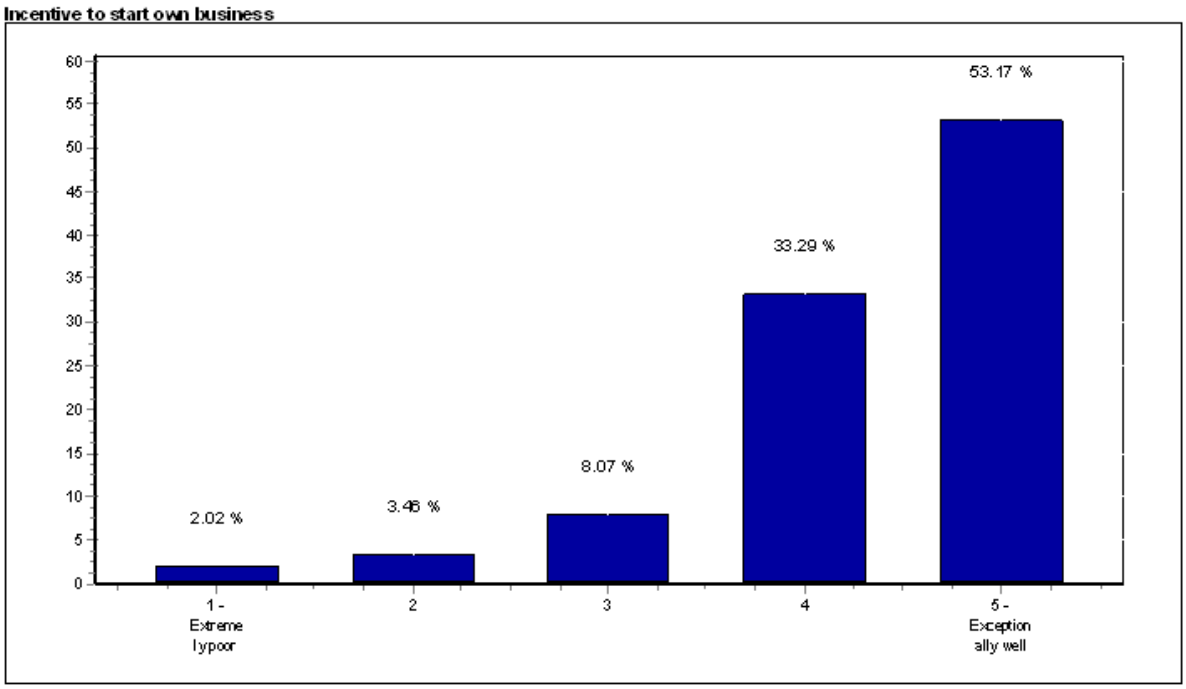

Fig. 7. Incentive to start own business

Figure 7 indicates that approximately 86% of respondents indicated that the event incentivised them to start their own business.

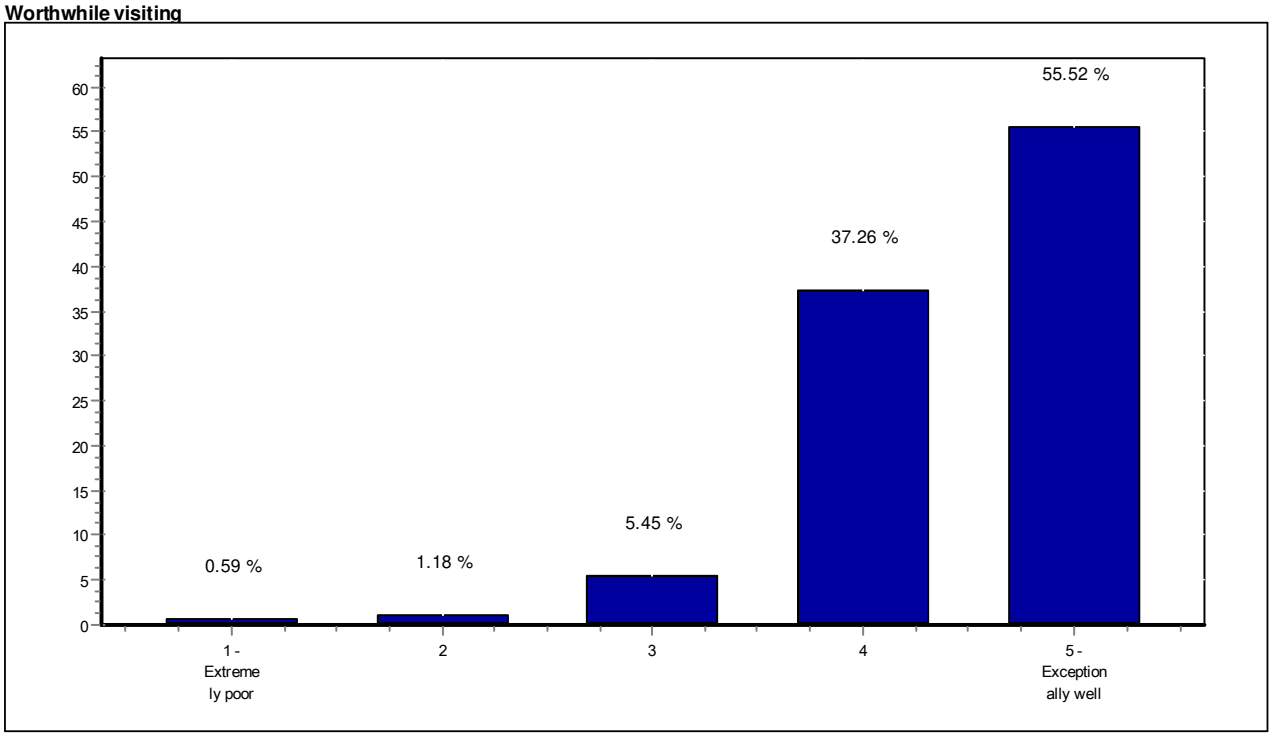

Fig.8.Worthwhile visiting

According Figure 8 approximately 93% of respondents gave a rating of 4 or more regarding whether the event was worthwhile visiting. This indicate that the event is regarded as being of value and important to respondents.

3.7. Based on respondents experience, are they more or less inclined to start own business?

On a scale of 1 to 5, where 1 is "less inclined" and 5 is "more inclined" and based on the respondents experience at the event, they had to rate whether they were more or less inclined to start their own business (question 25). Results are shown in Figure 9.

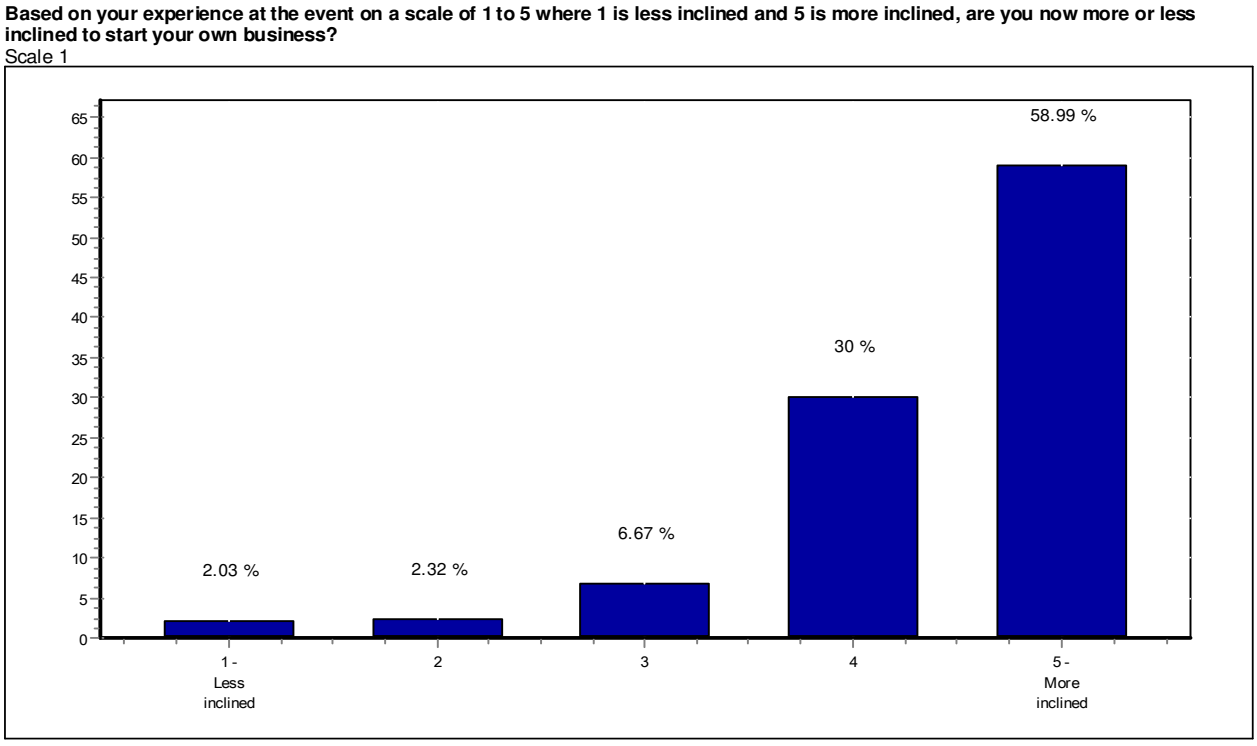

Fig. 9.More or less inclined to start own business

Figure 9 indicates that a significant 89% of respondents are more inclined to start their own business based on their experience at the event.

3.8. Duration of event. The figure below presents respondents' opinions of an ideal duration for such an event.

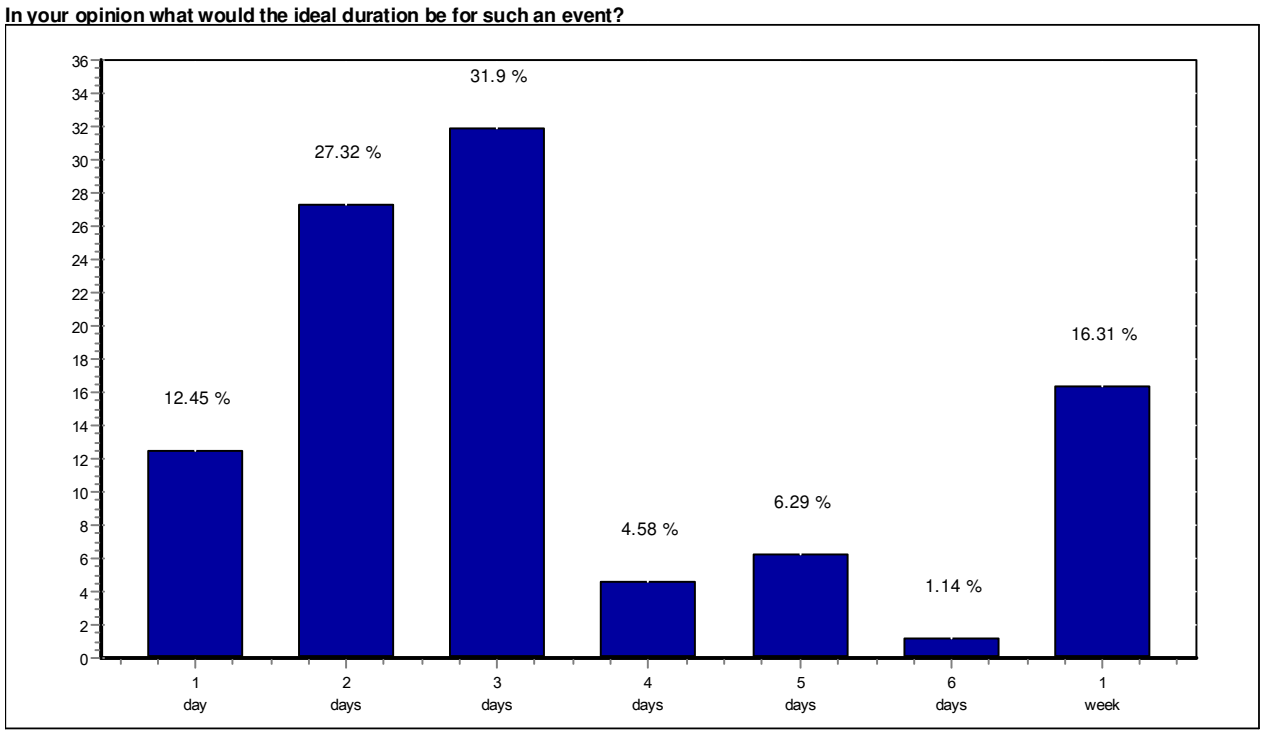

Fig. 10.Ideal duration of event

As shown in Figure 10, approximately 59% of the respondents feel that the duration of the event should be two to three days.

Conclusion and recommendations

It is clear from the responses that there is value in the presentation of events where information is shared with potential entrepreneurs and where issues and questions are addressed. It is however imperative that care is taken to ensure that the information supplied is of a high quality and standard and that the advisors servicing entrepreneurs at such an event are knowledgeable and have sufficient knowledge of the various areas that are of importance to entrepreneurs. This will lead to people being more inclined to start their own businesses.

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