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Challenges Faced by Seda in Providing Training and Mentoring Support Services to SMMEs

By

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A research report submitted in partial fulfillment of the requirements of the Masters of Management in Public Policy degree at University of Witwatersrand

Declaration on plagiarism

I Lucinda Amukelani Maluleke, Student number: 416410 hereby declare the following:

I confirm that this research report is my own unaided work. I have followed the required conventions in referencing the thoughts and ideas of others.

I am aware that plagiarism is wrong. I understand that the University of the Witwatersrand may take disciplinary action against me if there is a belief that this is not my own unaided work or that I have failed to correctly acknowledge the source of the ideas or words in my writing.

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Abstract

Increasingly, literature suggests that there is a causal link between the development of the Small, Medium and Micro-enterprise (SMME) sector and economic and social development, especially in developing countries. It is for this reason that many countries are pursuing SMME development policies as part of their growth and social development strategies, including South Africa. To this effect, the South African government has also developed policies and established institutions to support SMME development. However, the development of the SMME sector in South Africa is still lagging behind that of many developing countries and the failure rate of SMME remains very high. Research has predominantly attempted to find reasons for SMME failure by focusing on challenges faced by SMMEs. However, literature now suggests that the problem also lies within the institutions that are meant to provide support to the SMMEs.

The purpose of the study was to investigate short-comings in the provision of support services by Seda to SMMEs, particularly training and mentoring. In this regard, the study found that the main challenge faced by Seda is with regards to its poor accessibility. Other challenges include poor quality of trainers and mentors skills; training programmes that fail to respond to SMMEs' needs; lack of resources; poor monitoring and evaluation. The study concluded that the challenges faced by Seda have contributed, to some extent, to the slow progress in the development of SMMEs.

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Chapter 1: Introduction

1.1 Background

Increasingly, literature suggests that there is a causal link between the development of the Small, Medium and Micro-enterprise (SMME) sector and economic and social development, especially in developing countries (Vanderberg, 2006; Okpara and Kabongo, 2009; Beck and Demirguc-Kunt, 2006; Saleh and Ndubisi, 2006; Rogerson, 2001). It is for this reason that many countries are pursuing SMME development policies as part of their growth and social development strategies (Abor and Qaurtey, 2010:218). SMMEs have the potential to generate employment and promote competition and innovation, which contribute significantly to enhancing productivity or national output, improving distribution of income, amongst other economic benefits. Given South Africa's economic context of high unemployment, poverty and inequality, promoting SMME development is crucial for socio-economic development, including addressing historical imbalances and promoting Broad-Based Black Economic Empowerment (Olawale and Garwe, 2010). This is also the reason SMME development is a key instrument for job creation and economic growth in numerous government macroeconomic policies such as the National Development Plan- Vision for 2030 – and the New Growth Path.

It is said that 90 per cent of businesses in South Africa are SMMEs and contribute about 60 per cent of employment and 52 to 57 per cent of national output (Mollentz, 2002:27). Nevertheless, the development and activity of SMMEs in South Africa is far behind many countries. According to the Global Entrepreneurship Monitor (GEM) study on South African SMME development, total early-stage entrepreneurial activity (TEA rate) is 7.8 per cent, which is well below the average of 13.2 per cent of all middle income countries and 11.2 per cent of all efficiency-driven economies (Herrington, Kew, and Kew, 2008). The study also found that black South Africans are lagging behind Whites and Indians in terms of entrepreneurial activity – the ratio of entrepreneurs to

population groups is 0.9 for blacks and 1.7 for whites. Start-up firms by Blacks are less likely to mature into new the firm stage as compared to start-up firms by Whites and Indians. The start-up to the new firm ratio is 2.6:1 for Blacks and 1.6:1 for Whites, and entrepreneurial activity is the lowest among young women from rural areas (Herrington, et al, 2008). This gloomy picture confirms that South Africa needs to review and improve its strategic approach to SMME development.

Although the SMME sector plays a crucial role in economic development, SMMEs face a multitude of challenges that restrict their potential contribution. These challenges inhibit the SMMEs' ability to grow and, most importantly, to become sustainable in the long run. It is estimated that the failure rate of new small businesses in South Africa is between 70 per cent and 80 per cent; a failure rate that is among the highest in the world (Van Eeden, Vivier and Venter, 2003:13).

For the most part, and specifically in the South African context, the inhibiting factors to SMME growth arise from Labour market failures (Berry et al, 2002). The South African labour market is characterised by rigid labour laws, which raise the cost of employment and limits flexibility of hiring and firing. The labour market's rigidity restricts businesses from taking corrective actions, forcing them to shut-down during economic down-turns (Berry, von Blottnitz, Cassim, Kesper, Rajaratnam, and van Seventer, 2002:95). A flexible labour market would allow businesses to cut labour during economic downturns to reduce operating costs and remain sustainable. The South African labour market is also characterised by a low skills level. SMMEs cannot survive and grow if they are headed by or employ unskilled workers. Other generally common constraints to SMME growth and development include lack of finance, technology and innovation (Friedrich and Isaacs, 2010); lack of business linkages, appropriate location and networks (Olawale and Garwe, 2010:731); stringent or rigid regulative environment; insufficient demand as well as crime and corruption (Luiz, 2002).

1.2 The policy and institutional framework for SMME development

The South African definition of SMMEs in Berry et al (2002:5) is as follows:

- Survivalist enterprises – businesses operated out of necessity to secure a minimal income with little capital and skills and with a limited chance for upward growth;
- Micro-enterprises – which have growth potential that involves the owner and family members or at the most four employees and whose turnover is below R150 000,32 the threshold for VAT registration; and
- Formal small and medium-sized enterprises – that have 5 to 100 and 100 to 200 employees respectively which are still owner-managed and fulfil all the trappings associated with formality.

In general, there is a strong political will to support SMME development in South Africa. This is evident in the numerous policies and institutions created to foster SMME development in South Africa. In May 1995, government presented its first policy framework in a White paper entitled: "A National Strategy for the Development of Small Business in South Africa". The main objective of the policy was to create an environment that makes it possible for SMMEs to develop and grow in the South African economy (Parliament of the Republic of South Africa, 1995). In providing support to SMMEs, the strategy also intends to achieve the following objectives: facilitate greater income and wealth re-distribution as well as access to economic opportunities; long-term job creation; promote economic growth, strengthen cohesion between small enterprises through networking; and enable cohesion and interaction between large and small enterprises.

In 1996, the National Small Business Act was passed by Parliament. The purpose of the Act was to provide an institutional framework for promoting small business in South Africa. The Act was later reviewed. Based on the outcomes of the review, a revised strategy was outlined, entitled:" Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises". The key strategic change in this white paper from the National Small Business Act is the integration of a

wider range of institutions to support SMME development and an emphasis on cooperation of all partners within and outside government (The department of trade and industry, 2005).

1.2.1 Institutional Arrangements

The leading department responsible for the implementation of SMME development policies is the department of trade and industry (dti). In addition, government also established a number of institutions to support the promotion and development of SMMEs. Amongst others, and listed in terms of their function, these include:

- **Access to finance –** South African Micro-finance Apex Fund (Samaf**),** Khula Enterprise Finance Limited, National Empowerment Fund (NEF), Industrial Development Corporation (IDC), and other national department
- **Business development services –** Small enterprise development agency (Seda), Provincial government agencies, e.g. Gauteng Enterprise Propeller (GEP) in Gauteng, Limpopo Business Support Agency (Libsa) in Limpopo
- **Youth Enterprise development –** the Umsobomvu Youth Fund (UYF)
- **Support for women-owned enterprises –** South African Women Entrepreneurs' Network (Sawen), Technology for Women in Business (TWIB)
- **Incubation and technology acquisition and transfer services –** Seda, South African Business and Technology Incubation Association (Sabtia)
- **Productivity enhancement measures –** The National Productivity Institute (NPI),
- **Skills development measures –** various sector education and training authorities (Setas)

There are also a number of non-governmental and private sector institutions dedicated to supporting SMME development in South Africa. However, the focus of this study is limited to one institution, namely, Seda.

1.3 The Small Enterprise Development Agency (Seda)

1.3.1 Seda's Mandate

Seda is one of the agencies under the dti that was established to promote and support enterprise development. Seda was established in December 2004, through the merger of the Ntsika Enterprise Promotion Agency, National Manufacturing Advisory Centre (NAMAC) and Community Public Private Partnership Programme (CPPP) (Seda, 2010). The mandate of the agency is to implement national government's small business strategy and design, as well as to implement a standard and common national delivery network that must uniformly apply throughout the Republic in respect of small enterprise development and integrate all government funded small enterprise support agencies across all tiers of government (Seda, 2010).

1.3.2 Seda support services

To fulfil its mandate, the agency provides information, counselling and business support services, targeting in particular, micro and small enterprises (including cooperatives) from all sectors throughout the country; assistance is also given to medium-sized enterprises and emerging entrepreneurs (Seda, 2010). Seda's programmes or support services include, business registrations, business planning, access to markets, access to finance, co-operatives support, small enterprise training and mentoring, and access to technology. Currently, the agency renders services to small businesses in all nine provinces. Seda's service points comprise provincial branches, incubation centres, municipal co-locations, enterprise information centres, mobile units and information kiosks.

1.4 Problem statement

Despite efforts by support institutions to promote enterprise development, the failure rate of SMMEs, which is more than 70 per cent, is still very high in South Africa (Ferreira, Strydon and Neuwenhuizen 2010; Ledzani and Netswera, 2009). According to literature, support institutions experience challenges, which are believed to have a negative impact on the delivery of their programmes and

meeting the needs of SMMEs to improve their competence and productivity (Van Brussel 1998 cited in Friedrich and Isaacs, 2010:10). Some of these challenges include, poor monitoring and evaluation of programmes, poor accessibility to and awareness of support institutions and services they provide, poor quality of trainers and mentors, amongst others. Extensive research has been conducted on private and Non-Government Organisation SMME support institutions, but there is very limited research on state institutions. In particular, there is limited research that focuses on the challenges faced by Seda in providing support to SMMEs – considering that Seda has the mandate to promote and integrate SMME development efforts by all support institutions nationally . This creates an opportunity to research and contribute towards this limited knowledge. The focus of the research will be to investigate the challenges faced by Seda in providing enterprise training and mentoring, which is one of the key programmes offered by the institution.

1.5 Purpose statement

The purpose of the study is to investigate short-comings in the provision of support services, particularly training and mentoring, to SMMEs and make recommendations on how to address these challenges.

1.6 Research Questions

Given that SMME support institutions are themselves experiencing challenges in providing support to SMMEs, a critical question is ***whether Seda is also facing challenges in providing training and mentoring to SMMEs?*** Secondary questions that will assist in providing an answer to the main question are as follows:

- What are the challenges faced by Seda in delivering training and mentoring programmes?
- What are the challenges in monitoring and evaluating such programmes?
- What are the implications for SMME Development?

- How can SEDA improve the delivery of training and mentoring programme?

1.7 Thesis outline

The thesis comprises six chapters. After this introductory, Chapter 2 provides a literature review and theoretical basis for the study. The third chapter, entitled Methodology, discusses the research approach and design used to conduct the research. Chapter 4 will present and discuss the research findings, whilst Chapter 5 will provide a more in-depth analysis of these findings. The final chapter is organised in a form of a conclusion and recommendations.

1.8 Conclusion

The aim of this introductory chapter was to provide a background and context from which the problem statement and research objective were determined. Due to the failure of government initiatives to improve SMME development in South Africa, it has become necessary to investigate shortcomings in SMME support programmes. Since the provision of training and mentoring to SMMEs has been found to play a significant role in reducing failure rates of new SMMEs in other countries, it has become crucial to understand the challenges experienced by support institutions, Seda in particular, in providing mentoring and training to SMMEs. When these challenges are identified correctly and appropriate corrective measures taken, the programmes could possibly be improved, enhancing their potential to make a meaningful and desired impact on SMME development in South Africa. The section that follows presents a literature review on SMME support institutions. In this section I will explore challenges faced by support institutions in providing support services to SMMEs with the aim of drawing lessons for Seda.

Chapter 2: Literature Review

2.1 Introduction

Studies have found that SMME training programmes play a significant role in reducing the failure rate of SMMEs, especially programmes provided in the start-up phase (Audet, Berger-Douce, and St-Jean, 2007:44). Although fewer SMMEs actually participate in training programmes than is desirable, most research studies found that those SMMEs that actually participate in training programmes indicated that the programmes were very helpful because they improved entrepreneurial skills and contributed towards the survival of their new businesses (Botha, Nieman, and van Vuuren, 2007:176).

In addition to training programmes, institutions may also provide mentoring services, which have also been found to have a positive impact on the development of SMMEs (Kent, Dennis, and Tanton, 2003). Mentoring can either be an independent programme or part of a training programme, but it is usually provided at the completion of the training programme as *After-care* support to SMMEs. Mentoring is an experiential learning process, hence it is considered to be the most effective approach and major source of learning (Armstrong in Sullivan, 2000:163). Mentoring is also effective because it does not only provide business advice or propose solutions to business issues, but also assists mentees in exploring options and ideas that they can use to solve their own business issues (Barrett, 2006:615). Another positive attribute of mentoring is that it addresses the lack of time and resources many small business people have to commit to a formal training programme (Barrett, 2006:614).

This chapter presents a literature review on SMME training and mentoring programme. The second section after this introduction provides a brief discussion about the importance of training and mentoring for the development of the SMME sector. This is followed by a more elaborate discussion of what various literatures has identified as challenges faced by support institutions in providing training and mentoring programmes to SMMEs. The fourth section provides recommendation

to resolve the challenges discussed in the preceding section. The last section of the chapter is the conclusion.

2.2 Importance of training and mentoring to SMMEs

In general, learning in whatever form, is very important for economic prosperity. Without an effective learning capacity, individuals or organisations would struggle to survive because of the complexity and competitiveness of the world (Sullivan, 2000:161). Given that learning is very important for competitive survival, it is crucial for SMMEs to be continuously involved in some kind of training and mentoring.

Training and mentoring programmes play a significant role in developing skills and raising the competitiveness of SMMEs. There are certain skills that small business owners need to run a successful business, namely, personal skills, business skills, managerial skills and technical skills (Rogerson, 2008b:71). The main reason for a high failure rate of SMMEs is a lack of these skills. Therefore, training and mentoring programmes assist SMMEs acquire these skills, which then enable them to start and run sustainable business.

Training and mentoring also have the benefit of inducing creation of new business (De Faoite, Henry, Johnston, and van der Sijde, 2004:431). According to Garavan and O'Cinneide (1994:6) training programmes have a potential to increase commitment towards the process of starting a new business and reduce doubts about the possibilities of failure. Lack of information, background and skills related to running a business can be overwhelming, deterring potential entrepreneurs from considering starting new business ventures. Mentoring and training programmes are, therefore, important because they can ease this overwhelming feeling and promote aspiration towards entrepreneurship.

2.3 Challenges experienced in providing training and mentoring to SMMEs

Research shows that many countries, both in developed and developing economies, have had challenges in providing effective training to SMMEs and

are still exploring ways of improving SMMEs' competiveness and development because the success rate of SMMEs has been much less than desired (Audet et al, 2007:27). Challenges identified include, but are not limited to the following: poor accessibility and awareness of training programmes; lack of monitoring and evaluation; lack of *After-care* programmes; supply-driven programmes; poor quality of trainers and mentors; lack of coordination with other support services and short duration of training programmes. These are discussed in more detail in the following sections.

2.3.1 Accessibility and awareness of training programmes

Research suggests that one of the major problems that training providers experience is that SMMEs are not fully utilising providers' services (Audet et al, 2007:27). This is mainly because SMMEs are not aware of the existence of the support institutions or the services provided by these institutions (Johnston and loader, 2003:274). Support institutions are failing to reach out to SMMEs meaningfully because they are not marketing their existence and services vigorously (Berry et al 2002:39).

In South Africa, a research study by Netswera (2001) in the Johannesburg metropolitan area indicates that SMMEs actually regard training and mentoring as an important business support system. However, in rural areas these services are not accessible as a result of the proximity of support institutions and language barriers. According to research by Mmakola (2009:72), most SMME owners are not aware of the support institutions or services available; hence, they do not use them. Businesses that are aware of these services complain that the institutions' geographic spread is limited, and are thus not easily accessible (Ladzani and Netswera, 2009:235). Consequently, the institutions have limited impact as they are unable to reach a large number of intended beneficiaries (Rogerson, 2001:131). This suggests that there is an uneven distribution and inadequate number of support institutions (Berry et al 2002:39). More emphasis needs to be placed on the need for vigorous marketing of SMME support

programmes as well as adequate coverage of support institutions (Berry et al 2002:39).

In addition to poor access and awareness of support institutions and their services, the following shortcomings have been identified as factors that contribute to the low utilisation rate of training and mentoring services by SMMEs:

a) Lack of confidence in government initiated programmes

In general, government is perceived to be less effective than the private sector. In South Africa, in particular, government's initiatives aimed at supporting and growing the SMME sector have been less effective than it was envisaged (sbp occasional paper, 2009: 2). As a result, SMMEs lack faith in the ability of the government to make any further interventions in the economy that would lead to an improved environment that would enable SMMEs to operate effectively and grow their businesses sustainably (Berry et al, 2002). The failure of support institutions to persuasively raise awareness about their existence and effectiveness also worsens the general distrust of support institutions among SMMEs (Monkman, 2003:27).

b) High search costs of service provision

Besides the uneven distribution and inadequate number of support institutions, the other fundamental shortcoming relates to the availability of easily understandable, well packaged information about support institutions and their services (dti, 2004:33). The search for a suitable support institution is often given up before the target institution is found because of the cost, effort and time required to do the search. The availability of contact details and recommendations of specific service providers, including detailed specifications of services offered and related charges, would greatly reduce search costs, time and effort for SMMEs, especially those that are located in rural areas (Berry et al, 2002:40). With local circumstances differing widely across the country, such information would have to be adapted to local needs and local SMMEs' patterns,

which is often beyond the capacity of existing support institutions at the local level (dti, 2004:33).

c) Cumbersome administration

The corruption and red tape in many government support institutions makes the administration of training programmes cumbersome (Berry et al, 2002:40). The lack of clarity in terms of the criteria for SMMEs that qualify to receive training makes the application process difficult.

d) Lack of flexibility

SMMEs require training to be easily accessible, at times and locations that would not disrupt their work, informal and focus of experiential learning, with no long term commitment (Johnston and Loader, 2003:274). Most institutions lack this type of flexibility in their programmes.

e) Training needs of SMMEs versus type of services provided

Most international studies show that SMMEs do not take up training from support institutions because the training does not meet their needs. For instance, training courses can either be too theoretical or based on the management of large enterprises, which is not relevant to small businesses (Billet, 2001:419). This was also found to be true with training programmes in South Africa (Chandra et al in Monkman, 2003:23). Yusuf (2010:302) argues that the gap between training needs of SMMEs and type of services provided is not always created by support institutions. In some cases, there are differences between SMMEs' expressed and actual needs, which results in SMMEs making incorrect diagnosis of the service SMMEs require. Support institutions might provide services that they have found to be relevant to SMMEs' actual needs based on their assessment. The difference between expressed and actual need creates a mismatch between services provided by support institutions and the training required by SMMEs.

2.3.2 Entrepreneurial versus business training

Provision of training can be differentiated according to the different developmental stages of SMMEs. For instance, in the pre-start-up phase, training

focuses on opportunity identification, strategy development, resource acquisition and implementation (Audet et al, 2007:4). Plaschka and Welsch, (in Gorman, Hanlon, and King 1997:59), argues that training at this stage should be more entrepreneurial and multi-dimensional, geared towards creativity, multi-disciplinary and involve process-oriented approaches, as well as theory-based practical applications. Entrepreneurial training involves the birth and growth of a business and the development of entrepreneurial traits such as leadership, innovation, risk taking propensity (Nieman, 2001:446). The problem with many training programmes in South Africa is that they tend to be more traditional management training than entrepreneurial in the start-up phase (Ladzani, 1999:70).

In the post start-up phase, training focuses on preparations for the management of a small business and existing SMMEs or managers, in particular assisting participating SMMEs to develop competitive advantage (Audet et al, 2007:4). Training shifts away from individual needs to organisational performance needs. A common mistake of many training programmes is to concentrate on the personal needs of the participant instead of organisational performance needs (Wright in Gorman et al, 1997:60). This implies that training programmes in this stage should be more business training, which covers all conventional management training areas in a business (Nieman, 2001:446).

2.3.3 Poor Monitoring and Evaluation

Support programmes need to be monitored and evaluated to ensure that the objectives of the programme and desired impact are achieved (De Faointe et al, 2003:436). The evaluation of programmes is very important as it should inform future design programmes to avoid repetition mistakes and enable adoption of best practices to improve performance of the programme. However, a number of institutions are not adequately monitoring and evaluating the effectiveness of their programmes. This is also evident in the limited literature that relates to monitoring and evaluation of training programmes by support institutions (Botha et al, 2007:169).

The main reason for poor monitoring and evaluation of programmes is because it is difficult to develop effective monitoring and evaluation systems or methods. There are problems relating to procedures involved and the design of valid evaluation methodologies (De Faointe et al, 2003:436). For instance, the evaluation programmes is largely based on the service providers' output rather than outcomes (Njiro and Compagnoni, 2010:158). This type of evaluation might, for instance, focus on the number of attendees or number of programmes offered, or number of new businesses created, which do not necessarily indicate the impact of the training programme. The impact in this case would be related to the change in the performance of the business after training was received (Massey, Tweed and Lewis, 2003:440). According to Henry, Hill and Leitch (2004:252), a more appropriate approach to evaluating training programmes is to link outcomes directly to objectives. However, in many cases the objectives of training programmes are not clearly defined, making it difficult to develop appropriate measures and to identify causal links.

Nevertheless, a number of authors have suggested practical ways of evaluating SMME training programmes. Loyns (2002) and the World Bank (2008) suggest using the following criteria:

- effectiveness of the programme in creating new businesses and helping them to survive to maturity as well as facilitating the development of entrepreneurs;
- efficiency of resource utilisation to achieve its objectives;
- applicability of the programme with a diversity of entrepreneurs and their skills levels;
- sustainability of the production of high-quality entrepreneurs and businesses over time; and
- the extent to which impact transforms a local or regional economy.

Kirkpatrick (in Botha et al, 2007) also suggests similar measures, but also includes evaluation of the trainee's level of satisfaction with the training programme.

An interesting view by Lewis (1994) is that poor monitoring and evaluation or lack thereof is also linked to an organisational culture and/or political effect. For instance, a defensive organisational culture avoids dealing with uncomfortable issues like evaluation results that reveal organisational weaknesses. Such evaluation results may have implications for the future status of the support institution or certain employees. It is, therefore, much safer for this institution to avoid conducting evaluations.

Lewis and Thornhill (1994) also argues that there is a political effect dimension to the lack of evaluation in an institution. This is a case where evaluation findings show that a programme is ineffective, and may reflect that an incorrect decision regarding the provision of a programme or project, say training programme, was made. The implication of the evaluation could be that the programme should be discontinued. However, it is difficult to go against a political decision (as it usually comes from high up in the hierarchy) because it might appear as questioning the wisdom of the decision makers. Political decisions are usually sensitive to deal with because it is difficult to reverse them.

Another problem is that proper and frequent monitoring and evaluation can be time consuming and costly (Swanepoel, et al, 2010:62). Usually, support institutions funded by the government have budget and human resource constraints (Botha et al, 2007:181). For this reason, monitoring and evaluation have become least of their priorities. There is also a general perception that training has a positive impact on business performance, which makes institutions assume that evaluation is not necessary (Massey et al, 2003:441).

2.3.4 Lack of aftercare programmes

Closely related to the lack of monitoring and evaluation is the lack of follow-up services post-training. These post training support programmes are usually referred to as *After-care* programmes. They usually entail some kind of support

provided to SMMEs after funding or any other type of service has been provided (Myrick, 2009:29)

The promotion of enterprise development is not only about the creation of new businesses, but should also involve strengthening the capacity of these businesses to ensure their sustainability. Therefore, support institutions need to develop *After-care* programmes to ensure that SMMEs are moving in the right direction after the training and that they are applying their newly acquired skills in their businesses successfully. However, support institutions find it difficult to organise *After-care* programmes that focus on strengthening capacity because they are less politically attractive than conversional start-up programmes, and do not receive funding (Garavan and O'Cinneide, 1994:7). Politicians are often more interested in the number of new business creations, hence start-up training and support programmes receive more attention than *After-care* programmes. *After-care* programmes are also more expensive as they require even more customisation of training to meet the specific day-to-day needs of entrepreneurs who are now even more demanding and less easy to satisfy than inexperienced start-up entrepreneurs (Garavan and O'Cinneide, 1994:7).

Kenneth (1988) is one of the early advocates of *After-care* programmes for SMMEs. He argues that no training programme can provide the entire range and depth of knowledge required to run a business (Kenneth, 1988:39). For instance, as trainers enter the real business world to implement business plans, they often realise the limitations of the knowledge and skills they have acquired in the training programmes and their motivation can be tested. This is because training programmes cannot fully prepare trainees to handle all situations in the business world, such as the hostility of creditors as well as customers, suppliers and competitors' lack of understanding. Therefore advisory services, provided in a form of *After-care* programmes can assist trainees in dealing with these situations and to keep them motivated (Kenneth, 1988:39).

Although *After-care* support is clearly critical for the survival of small businesses, very little has been written about the topic in the literature. Myrick (2009) found

that most institutions do not have programmes specifically titled "*After-care*", but provide services that fall within the aftercare support, such as mentoring. This could be the reason for the lack of research on *After-care* programmes. Instead of researching specifically on *After-care* services, researchers may be focusing on specific activities that fall within *After-care*, such as mentoring.

Due to the limited research on *After-care* programmes, I only managed to get one example that I could classify as best practice. This is the *After-care* service provided by the Costa Rican Investment Promotion Agency (CINDE). Although, the agency mostly focuses on attracting foreign direct investment rather than SMME development, the operational approach can be applied to SMME development agencies. The best feature about the CINDE *After-care* service is that it involves continuous consultation with businesses on the challenges they experience (United Nation, 2007:18). CINDE then reports any recurring problems to the relevant authorities and stakeholders to prompt the development or implementation of corrective measures. For instance, CINDE prompted the publication of a decree that opened the possibility for manufacturing companies to temporarily introduce moulding equipment into the premises of small and medium-sized local suppliers (United Nation, 2007:18). Corrective measures are monitored and coordinated by CINDE through sector specific working groups. Utilising sector specific working groups is another positive attribute of the *After-care*. Focusing on a specific sector, to some extent, reduces the diversity problem by creating homogeneity. In addition, by monitoring the corrective actions, CINDE takes full ownership of the process and the outcomes by ensuring that recommendation or corrective actions are implemented as planned. Leaving implementation to be done by another institution, which might not be directly accountable, may create situations where plans are not carried through as planned or corrective action are not implemented.

Some programmes, although entitled *After-care*, are actually the usual business support and advisory services. Myrick (2009:31) also identified the same with the Sefton City *After-care* Management and the First Peoples Economic Growth Fund, both packaged as *After-care* programmes. More work needs to be done, in

terms of research, to determine what *After-care* support should entail, what *After-care* programmes are required by the SMME and how to best implement such programmes. In particular, case studies on *After-care* programmes that have been successful, like CINDE's programme, could assist researchers and other support institutions to identify "best practice" elements from which lessons can be learned.

2.3.5 Programmes tend to be supply-driven

Successful interventions from support institutions are those that are customer focused or demand-driven. However, support institutions in South Africa have been criticised for providing programmes that are overly supply-driven (Monkman, 2003:4). A similar trend has also been identified internationally (Billet, 2001:419; and Johnston and Loader, 2003). The programmes or services reflect the views of service providers, poorly based on the needs and priorities of clients (Rogerson, 2001:131). This is because very little or no consultation with SMMEs takes place when designing training programmes.

Njiro and Compagnoni (2010:150) found that training courses from support institutions are poor, generic, and usually not entrepreneurial, and do not take into account different needs of clients. SMMEs require interventions that are specific to their context and related to the sectors in which they are operating, hence generic programmes are ineffective (Robertson, 2003:470). Robertson (2003) suggests that programme designs should take into consideration the views of SMME owners to avoid one-size-fits-all training courses. However, the problem with customised intervention is that it is very expensive and support institutions do not have resources to provide these types of programmes (Rogerson, 2008b:73).

Furthermore, Hirschsohn (2008:187) also discovered that training courses are not graduated, thus do not take into consideration the different needs of SMMEs at different stages of their business lifecycles. Njiro and Compagnoni (2010:150) also found that programmes from some institutions are not gender sensitive and do not take into consideration household dynamics. Women and youth

experience additional and unique challenges, which require special attention. Training programmes need to take into account these unique challenges.

To resolve these supply problems, Gibb (1997) advocates for a different and more holistic approach to training. Gibb argues that trainers need to have a deeper understanding of SMMEs business development process, culture, values, their environment and stakeholders' relationships. Support institutions or trainers need to understand the context under which learning is transferred between SMMEs and their networks of stakeholders, and programme design programmes should take into consideration contextual learning conditions. In essence, Gibb (1997) argues that SMMEs and stakeholders' needs for skills should be converted into training demands, and programme design/supply should be responsive to these demands.

2.3.6 Skills quality of trainers and mentors

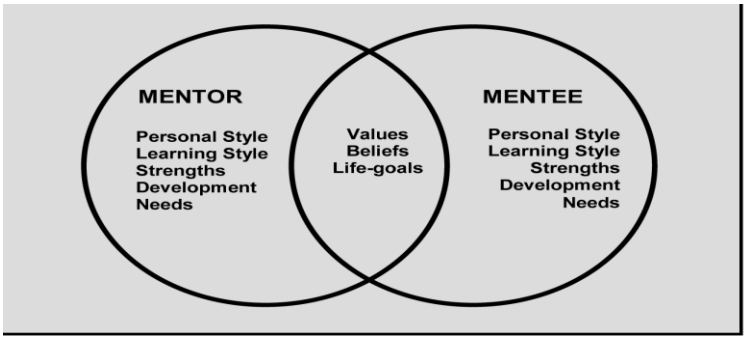
The effectiveness of a training or mentoring programme can be affected by the quality and level of skills employed. A skills shortage in many support institutions has been found to be one of the major contributing factors to the poor quality of training and mentoring programmes (Monkman, 2003:24). Rogerson (2008b) found that in South Africa, trainers are not properly accredited and do not have the required skills to effectively facilitate training courses. Also, the orientation of trainers towards corporate markets made them feel less empathetic towards SMMEs, which also affected their effectiveness (Rogerson, 2008b:73). Massey et al (2003) argue that effective training is most likely to be delivered by training providers that are capable of performing the multitudes of tasks essential in developing the skills of individuals in a way that makes it possible for them to improve the performance of their business. This suggests that the quality of training programmes could be improved by placing more emphasis on developing skills of individuals employed within support institutions. In some cases, however, it is not the lack of skills per se but a mismatch between trainers experience and expertise with clients' needs (Yusuf, 2010:302). These are cases

where trainers are providing assistance in areas where their expertise lie, whilst it is not necessarily what clients need.

a) Matching mentors and mentees

The relationship between a mentor and a mentee is critical for the success of a mentoring programme. Therefore, an effective system for selecting and matching mentors and mentees is crucial (Barrett, 2006:614). Although, there is no prescribed approach in terms of how the selection and matching process should be done, suggestions include matching of mentors with metees' individual attitudes, knowledge and interpersonal skills, or psychological elements such cognitive similarities (Barrett, 2006:615). The mentors should share the same values and beliefs as the mentee, and in some cases sharing the same language and culture is beneficial (Sullivan, 2000:163). Hale (2000) also supports Sullivan by arguing that learning can be optimised even if a mentor and mentee have contrasting personal styles and needs as long as there is a common ground in terms of values, beliefs and life goals as illustrated in the figure below. This enables the mentor to have a deeper understanding of the mentees context and allows for a deeper and stronger connection.

Figure 1: Maximising learning in a Mentorship



Source: Hale (2000)

The main challenge with regard to matching mentors and mentees is that, although there are a number of suggestions of methodologies or practical guidelines that can be applied to match mentors and mentees, research has not been conducted to determine the best methodology (Hale, 2000:225). This indicates that there is no clear directive on how to match mentees and mentors

successfully. Inevitably, a mismatch between mentors and mentees will occur in some instances, causing relationships to break-down and a mentoring process to be ineffective (Petersen, 2002:29).

According to Hale (2000:225), very few organisations develop appropriate selection and matching methods, mentors and mentees are randomly selected. I also think that SMME support institutions, especially at local level, are possibly following a similar random approach in selecting mentors and mentees. I could not find literature or evidence in terms of research that suggests otherwise. The process of matching mentors and mentees can be time consuming (Cox, 2005:405), which can be very challenging for support institutions with a lack of capacity.

2.3.7 Duration and quality of programmes

The duration of training is too short to make any meaningful impact. According to a study done by Garavan and O'Cinneide (1994:6) on European training programmes, a number of small business entrepreneurship programmes last for a few days, with only a few extended over longer periods. Considering the knowledge that the programme is meant to impart as well as the complexities of the multifunctional task of operating a small business successfully, the duration of the programmes is too short to make any meaningful impact (Westhead and Storey, 1996:21). On the other hand, Johnston and Loader (2003:274) have identified time constraint as one of the reasons why SMMEs, especially those highly involved in production, do not take up training services provided by support institutions. This suggests that support institutions need to be innovative with regards to duration and timing flexibility when designing programmes. This can be achieved through a programme design that takes into consideration conflicting needs for adequate duration to ensure a meaningful impact of the programme and flexible timing required by those SMMEs that are time constrained. This could prove to be difficult, and support institutions will need to conduct consultations with SMMEs for workable solutions as suggested by Robertson (2003).

2.4 Lessons learned

Despite the challenges discussed above, the importance of training and mentoring as support programmes to SMMEs cannot be undermined. There are a number of training and mentoring programmes that have been successful in providing assistance required by SMMEs. Lessons can be learned from these programmes by identifying good practices that can be applied as measures for addressing some of the challenges experienced by support institutions. This section provides recommendations for addressing some of challenges that have been discussed in the previous section by drawing 'best practices' lessons from successful programmes.

2.4.1 Improving SMMEs' participation in training programmes

a) Improving awareness of training programmes

As was discussed in the previous section, the impact of many training programmes is constrained by fact that SMMEs are not utilising support services as desired or expected by support institutions. Support institutions can improve programme utilisation by SMMEs through raising awareness about their existence as well as the services they are offering rigorously (Rogerson, 2005:35). There is a need for more innovative approaches in advertising and reaching out to SMMEs. For instance**,** in a case study on the University of Teesside's SMME training programme, which was conducted by Johnston and Loader (2003), it was found that personally contacting SMMEs rather than the through mailshots, created more awareness about the training programmes. Other successful approaches that were adopted by the University included requesting SMMEs that had attended the training to provide them with contacts or referrals of other SMMEs that could be interested in the training programme, as well as conducting open access workshops that were free to disseminate information about their services (Johnston and Loader, 2003:279). Support institutions, especially at local and municipal level could adopt the same approaches in addition to current promotion activities.

b) Creating demand driven programmes through consultation with SMMEs

In addition to raising awareness, the University of Teesside managed to increase the volume of SMME training participation by consulting SMME owners/managers when designing training programmes (Johnston and loader, 2003:275). The consultations ensured that the university created a programme that was relevant to SMMEs' needs. The outcome of the consultations enabled the university to create a programme that was flexible and informal, practical and business oriented. Also, as a result of the discussion with SMME owners, the university was able to manage the SMMEs' need for tailor made training services, which are very expensive, by discovering some degree of commonality between the different SMMEs that were consulted when designing the training programme.

c) Target group focused training programmes

In the previous section, it was also mentioned that training programmes should take into account the differing training needs of SMME owners arising from their uniqueness and constraints in terms of gender, educational background, age and experience, amongst other things (Rogerson, 2005:36). For instance, the Entrepreneurial Development Institute of India (EDII) was a highly successful entrepreneurial training programme because it focused on the youth. The EDII developed innovative training techniques that are specifically aimed at attracting the youth. The type of training provided by EDII is specifically engineered to address youth specific needs, and customised to make the youth interested in entrepreneurship. The delivery mode of the programme, which is a camp setting, also proved to be desirable among the youth. With the programme, teenagers across India are invited for a 10-day visit at the EDII campus. Candidates are trained to realise their potential, develop capabilities by enhancing the skills, and learn entrepreneurial traits. In addition, the institution has a separate on-camp training programme from the normal 10-day visit for children who come from business oriented families. By so doing, the institution recognises the difference between the training needs of teenagers who have business backgrounds from

those who do not. The EDII programme also addresses one of the major challenges faced by many support institutions, which is the provision of generic programmes that do not take account of the differing needs of entrepreneurs as well as their diversity.

2.4.2 Creating clusters among SMMEs

One of the challenges, as mentioned in the previous section, experienced by support institutions in providing support services to SMMEs is the lack of capacity, that is financial, human and other resources. This problem could be addressed by creating clusters among SMMEs. Among the many benefits of clusters, this would promote resource sharing, reducing the burden on the limited resources available (spb occasional paper, 2009:5).

The benefits of the clustering approach were evident in Indonesia, through its SMME training programme, called the Special Guided Scheme. This programme is regarded as one of the most successful SMME training programmes (Dana, 2001:408). The aim of the programme was to provide training to SMME owners in Indonesia. The best attribute of the programme is that it adopted a clustering approach. The government identified and created clusters of entrepreneurs that operated in the same economic sector and geographic region, with more focus on rural areas.

The reason why this programme is regarded as best practice is because of the many economic benefits resulting from clustering, that is:

- Clustering increases the scope of support service institutions to reach more clients. Training facilities could be provided to a group of entrepreneurs instead of individuals, which is more cost-effective as unit costs are reduced for service providers. This addresses the accessibility challenge discussed earlier in section 2.3.1.
- Clusters promote co-operation instead of rivalry between entrepreneurs. Such cooperation and networking has been found to enhance performance and competiveness. Enterprises making up the cluster derive benefits that a single enterprise may not have through external

economies. Economies of scale, derived from a well-developed network of suppliers and buyers, enhance efficiency and reduce operational costs (Rogerson, 2001:122). Reduced operational costs enable SMMEs to charge lower prices for their services or products, which improves their competitiveness.

- Clusters facilitate information exchange and knowledge sharing, which not only attracts talent and other vital components of production but also encourages the entry of new enterprises, or industry players, into the trade (Xiangfeng, 2007:52).
- The geographic proximity of firms in a cluster simplifies subcontracting to firms that require larger quantities.

Furthermore, the Special Guidance Scheme was successful because it took a holistic approach to training by responding to SMMEs' needs whilst taking into consideration their development process, environment as well as stakeholder relationships required for businesses to operate successfully. This approach is in line with Gibb's (1997) recommendation discussed in the previous section. The methodology of training applied in the Special Guidance scheme provides a platform for entrepreneurs to learn from each other as well as from large enterprises. The programme's design does not only provide training on business skills, but also facilitates the creation of critical vertical and horizontal business linkages that address other SMME challenges, such as access to markets, access to information and technology, amongst others. A similar approach was adopted in Jamaican fashion industry and has also proved to be successful (Ceglie and Dini, 1999).

2.4.3 Provision of *After-care* programmes

Research indicates that the provision of support to SMMEs over a sustained period of time after completion of training programmes is critical because it can greatly reduce the failure rate of SMMEs (Henry, 2006:3). A good example of a programme that supports this claim is the South African Breweries (SAB) kickstart programme in South Africa. The programme was initiated in May 1995

by a private company called the SAB. The aim of the programme was to inculcate a culture of entrepreneurship and creating sustainable enterprises among previously disadvantaged young adults between the age of 18 and 35 (Swanepoel, Strydom and Niewenhuizen, 2010:61). The programme provides training, mentoring and funding to participating entrepreneurs.

The programme has successfully launched over 3000 businesses, most of which have grown into multi-million Rand businesses employing a significant amount of people (Swanepoel et al, 2010:61). This impressive success of the programme is mainly attributable to greater emphasis on post-training mentorship and assistance, including financial assistance. The programme provides two weeks in-house training on entrepreneurial and business skills and one month for business plan preparation followed by eight months of mentoring on implementation of the business plan for five to eight most promising business plans; the best performing entrepreneurs receive further mentoring for 6 months. The SAB Kickstart programme confirms the need for *After-care* programmes.

The programme has other "best practice" attributes from which lessons can be learned:

- **Selection of candidates** – The program has an effective selection process, with clear criteria based on tests, business plans and presentations to anadjudication panel. This ensures that training support is channeled to the enterprises that have realistic prospects of graduating into productive businesses (Mmakola, 2009:71). This is an important lesson for state funded support institutions. Considering scarcity of resources, support institutions need to develop criteria for selecting candidates that are most likely to offer substantial returns to any grants handed out and services provided (Robertson, 2003:468). A clear and effective selection process simplifies the application process and the administration, thereof, which is a challenge with many government support programmes. Cumbersome administration has been cited as one of the reasons government support programmes are not attractive to SMMEs. Therefore, improving administration through an effective

selection process like that of the SAB kick-start programme could possibly improve the volume of training programme take up by SMMEs.

- **Provision of funding** – The programme provides funding for entrepreneurs to implement their business plans. Non-financial support to SMMEs is critical as it has a positive impact on the development of SMMEs. However, even with non-financial assistance SMMEs could fail if the they do not have financial support to execute their business strategy. The collaboration of financial and non-financial support services ensures the highest possible level of growth (sbp occasional paper 2009:4).
- The SAB kick-start programme employed highly qualified trainers and mentors who were able to add value.
- **Networking opportunities** – SAB is also directly involved in providing support through networking to stimulate business development and helps small businesses gain public relations exposure. This ensures that participating businesses create relations that are critical for their sustainability (Tolentino, 1998). This also provides businesses with access to markets.

Swanepoel et al (2010), who conducted an evaluation of the SAB Kick-start programme, concluded that funding, mentoring and after training assistance to entrepreneurs added value to this training programme, hence its success. The programme brings together financial and non-financial services. Mmakola (2009) also discourages the separation of financial and non-financial services, which is usually the case with government support programmes.

2.5 Conclusion

It is evident from the literature review that an investment in entrepreneurial and business training support services is an important stepping stone towards addressing the failure rate of SMMEs and the development of the sector. Support institutions have a major role to play in the development process of SMMEs through the provision of training and mentoring to SMMEs, amongst others. However, research indicates that there are multitudes of challenges that inhibit

the potential impact of these support institutions. Literature suggests that to address these challenges, support institutions will have to raise awareness about their existence and be more accessible to SMMEs, especially in rural areas. Another critical lesson for support institutions is that they need to be responsive to the training needs of SMMEs; considerate of the wide diversity, context and sectors in which the SMMEs operate. This can be achieved through continuous consultations with SMMEs about their training needs. Other suggestions from the literature and best practice programmes include the need to strengthen the capacity of support institutions, improve the frequency and techniques for monitoring and evaluation of training programmes, develop of selection criteria to ensure that scares resources are channelled to most prospective business, cooperate with financial support institutions, and develop training programmes that also enable entrepreneurs to address other challenges related to the operation of their business, such as creating business linkages through networks and clusters. With these challenges addressed, I think it is possible to see a turnaround in the performance of support institutions and possibly that of SMMEs.

Chapter 3: Methodology

3.1 Introduction

In general, the validity of the knowledge that will be generated from a research study is highly dependent on its methodology, that is, the manner in which data is collected (Leedy and Ormrod, 2005:93). Research Methodology is defined as theory and analysis of how research will proceed, and it justifies the methods that a researcher employs in a study (Carter and Little, 2007:1317). The purpose of this chapter is to provide a detailed description of the methodology that was adopted to conduct the research study.

Accordingly, the chapter is laid-out as follows: the second section after this introduction is a the research approach, which provides a discussion of and justification for the methodology employed in this study; the third section discusses how data was collected and analysed, including the basis for data selection; the fourth section provides detail about the measures undertaken to ensure that the study is valid and reliable; the fifth section, discloses the limitations of the study whilst section six highlights the significance of this study. The last section of this chapter is the conclusion.

3.2 Research approach

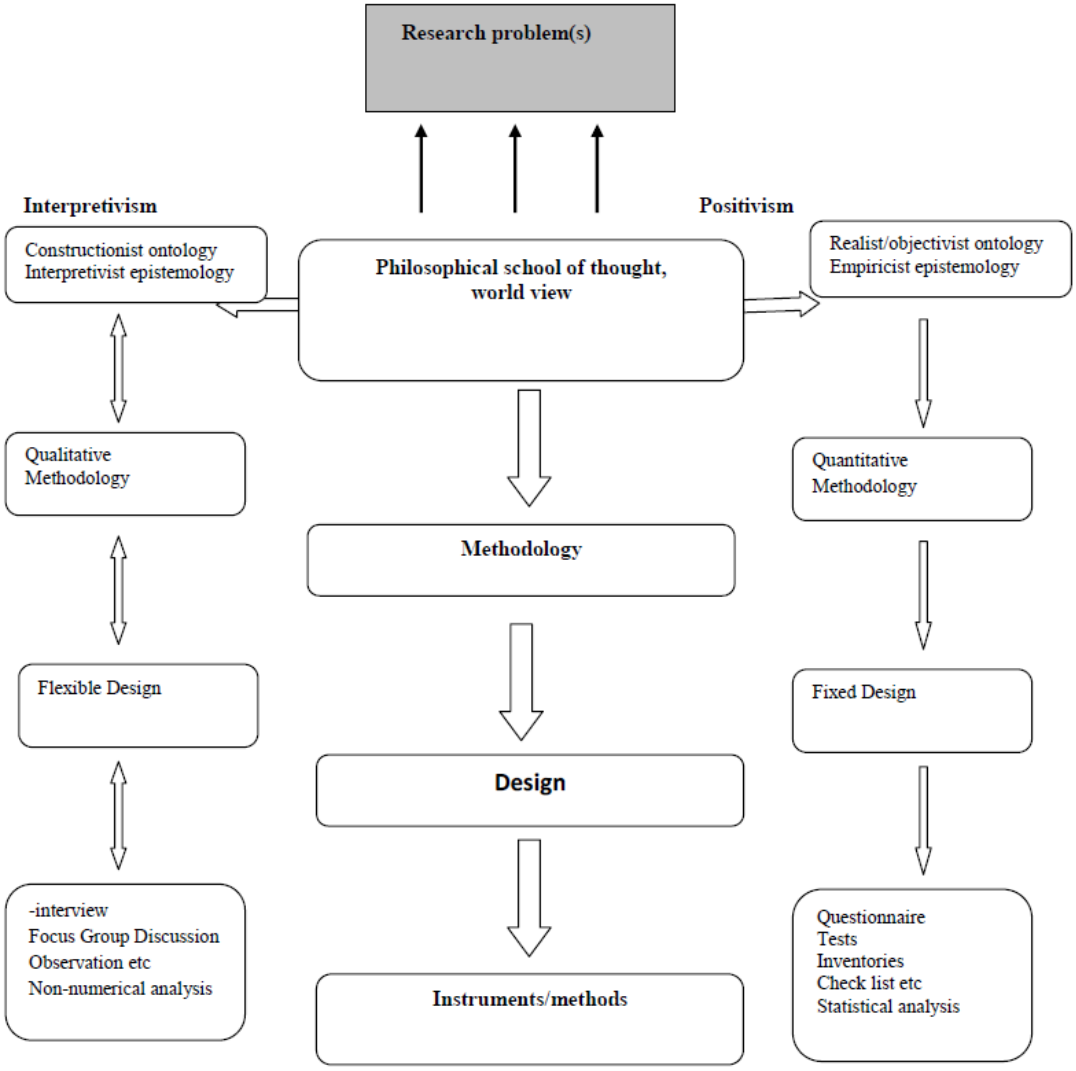
The purpose of the study is to investigate challenges faced by Seda in providing training and mentoring to SMMEs and make recommendations on how to improve the delivery of SMME training and mentoring programmes. The approach that I selected to conduct the investigation is the qualitative research method. The decision to employ a qualitative research study was informed by a number of considerations, including a theoretical perspective on how research should be conducted, the purpose of the study, characteristics of the research as well as guidance from other similar studies. These factors are discussed in more detail below:

3.2.1 Interpretivism Paradigm

Epistemology is the study of knowledge – what is knowledge and how knowledge is acquired (Bernard, 2000:8). When talking about research methods, then Epistemology can be regarded as a strategic level of selecting a research method that a researcher will use when doing field work. The methodology that is most likely to be used to conduct a research study is influenced by the researcher's epistemological position, which in general is whether a researcher believes that the aim of conducting a research is to investigate things that we can observe and measure in some way or to understand the meaning that events have for the individuals being studied (Tuli, 2010:98). Those researchers that believe in the former fall within the Positivism paradigm, while the latter group falls within the Interpretivism paradigm; these are the two broad epistemological positions.

The figure 2 below illustrates how epistemology can influence research methodology. For instance, the goal of a positivist researcher is to ensure that the investigation is as objective and close to reality as possible by following prescribed procedures (Guba and Lincoln, 1994:110). These procedures usually involve empirical and experimental means. Therefore, positivism employs quantitative research methods. In contrast, interpretivistic researchers want to gain a deeper insight of a phenomenon and context being studied, promotes interaction of the researcher with participants to obtain rich and detailed data about the phenomenon, including non-observable meanings, intentions, values, beliefs and self-understanding that people hold (Babbie and Mutton, 1998:33). This usually involves conducting interviews, and making direct observation, amongst other methods. Therefore, interpretivism predominantly uses qualitative research methods.

Figure 2: Foundation of Research



Source: Tuli (2010)

Informed by the literature on epistemology, to develop a theoretical framework that would guide my research methodology, I had to link my research study to either the positivist or interpretivist paradigms. Cohen, Manion and Morrison (2000) and Maxwell (2008) argue that every researcher should work from a certain paradigm in social research because every researcher holds their own different view about the nature of knowledge and reality, which in turn helps in clarifying the appropriate theoretical framework and justifying the research design decision. Denzin and Lincoln (1994) are also of the view that the process of

developing a methodological approach should be grounded in a theoretical foundation.

A review of the purpose of my study as well as the research questions already show that my philosophical orientation is towards the interpretivism paradigm. The purpose of my research study is to gain a deeper understanding of the issues relating to training and mentoring, uniquely to Seda's context, which is in line with the Interpretivist approach that emphasizes deeper understanding of the phenomenon under investigation. This is in contrast with the positivist approach where the purpose of the research is to discover a set of probabilistic causal laws that can be used to generalise patterns of behaviour using empirical observations (Tuli, 2010:100). Therefore my decision to employ the qualitative research method was epistemologically informed by interpretivism.

3.2.2 Qualitative vs Quantitative

In terms of the definitions of qualitative and quantitative research, I found that quantitative research was not an appropriate option for this study. Quantitative research mainly focuses on analysing numerical data with the purpose of quantifying and determining the prevalence of a problem, emphasising a large sample size (Schmierbach, 2005:275), which is not applicable to my research. On the other hand, qualitative research is an enquiry process that seeks to answer questions about the complex nature of a phenomenon, with the purpose of describing and understanding the phenomenon from the participant's point of view (Leedy and Ormrod, 2005:94). Therefore, the emphasis of a qualitative research is depth rather than breath (Blaxter, Hughes, and Tight, 1996: 61). This research focused on textual data, as well as depth rather than breath – the study was more concerned with gaining an in-depth understanding of the nature of challenges faced by Seda in providing training and mentoring rather than making an analytical comparison between Seda and other institutions' services, which can be quantitative. This type of information cannot be analysed properly through quantitative research methods. In contrast, qualitative research is a better method that is able to study the variations and complexities of this information

because it is interactive and flexible. Therefore, I found qualitative research to be more appropriate for the purposes of this study.

3.2.3 Purpose of the study – Exploratory

Another aspect that influenced my decision to select a qualitative research approach is the purpose of the research. The purpose of the research is exploratory. The issue of training and mentoring, specifically relating to Seda has not been researched. There is currently very limited information about the topic. An exploratory research enables me to gain a deeper understanding of the topic, so I can identify areas of concern and provide explanations. According to Bryman (1984:84), exploratory research primarily uses a flexible and unstructured research process, which requires qualitative data collection and analysis. Therefore, the characteristics of an exploratory research and the methods that are employed to conduct an exploratory study informed my decision to follow qualitative research.

3.2.4 Guidance from similar studies

My research design was also influenced by observations of other researchers with similar studies. A study by Archary (2009), which sought to determine the role of government support programmes in SMME development in South Africa, used a qualitative research method because the purpose of the study was exploratory. Another study by Musengi-Ajuly (2009), which aimed to examine whether there is a need to differentiate between family and non-family businesses and whether this should be along ethnic groupings when providing small enterprise support, also employed a qualitative research, with interviews as the primary data collection method. The study also used purposive sampling to select respondents for the interviews. In my view, both of these studies are similar to my study, and provided valuable lessons about the methodology that I could use.

3.3 Data Collection methods

According to Creswell (2003), data collection is a series of interrelated activities aimed at gathering information to answer research questions. As I have already highlighted above, each research approach uses specific tools to collect data. The tools commonly used for qualitative research include, interviews, document analysis, direct observation, physical artefact and audiovisuals (Leedy and Ormrod, 2005:144). In this study I used interviews as a primary tool and documentation analysis as a secondary tool.

3.3.1 Interviews

Interviews are most widely used tools in a qualitative research study. Interviews yield a great deal of useful information and they are adaptable (Bell, 2005:157). The purpose of this research study is to get an in-depth understanding of Seda training and mentoring services. Interviews became the best method for collecting data, hence they were the primary tool for collecting data.

The interviews were conducted in a semi-structured manner. I developed an interview guide, which is a list of predefined questions that I specifically wanted respondents to discuss. The importance of an interview guide is to provide a structure with a relatively high level of flexibility when conducting an interview (Patton, 2001). The structure enables the researcher to organise and analyse interview data easier than in an unstructured interview, while the flexibility allows collection of in-depth information (Bowen, 2003:53). The questions for the interview guide were developed under three themes, namely, monitoring and evaluation, provision of training and mentoring, and accessibility. These are also the themes that were used to present results of the data collection in the findings chapter.

To ensure quality and relevance of the questions to the research, the interview guide was submitted to my research supervisor for assessment and approval. These questions then guided the interview and were put to the respondents in the same order. However, in some cases I had to diverge from the guide to discuss issues in greater detail or get further clarity on some issues raised by

respondents so I could get a better understanding of the participants' experience, perceptions, beliefs and values around the topic. For instance, in most cases, the interview would start with respondents providing a background, in terms of what the job entailed as well as their experience in the field, before discussing the questions in the guide. These background questions are not part of the guide.

The interview process proceeded slower than I had anticipated. This is because Seda employees were not prepared to have an interview with me before they were given permission by the Chief Operations Officer (COO). It took about four months to secure a meeting with the COO, who then gave permission to the other managers to participate in the interview process. It was also difficult to find businesses that had utilised services from Seda because Seda was not forthcoming with the information as employees were concerned about the issue of confidentiality.

The interviews were conducted for three months from August 2011 to October 2011. The appointments for the interviews were secured through email or telephonically. Most of the interviews were conducted on a one-on-one basis and face-to-face; only one interview had two Seda managers at the same time, and three interviews, all from Seda trainers, were telephonic. The interviews with Seda managers were conducted at Seda offices; interviews with Seda clients were conducted in their place of business; whilst interviews with Seda trainers or facilitators were held in different public places. The interviews varied in terms of the duration, but on average they lasted between 60 minutes and 90 minutes. All the interviews were recorded, with each respondent's permission. I also transcribed key points in a notebook. This enabled the analysis to be faster and easier because making notes made me identify and highlight emerging key issues that I could listen to more attentively from the voice recorder, an MP3 player.

3.3.2 Document Analysis

Document analysis involves a systematic review and evaluation of documents, which can be in form of text or images. Document analysis usually uses a

secondary data collection method in qualitative research. Similarly, in this study document analysis was used as a secondary data collection method. The main purpose of document analysis for this study was to corroborate findings from interviews.

Document analysis was more challenging than what I had anticipated. This is because the documents that were easily available had very little information of Seda training and mentoring. Document analysis included three annual reports from Seda, from 2008/09 to 2010/11; three Seda Technology Programme reviews, from 2008/09 to 2010/11; five research publications from Seda; three Seda news publications, amongst others. All the Seda documents were downloaded from the website. Seda was not prepared to provide internal documents like monitoring and evaluation reports, and minutes of meetings from the monitoring and evaluation committee. These documents were very critical for the study because they would have provided information that is not manipulated.

Other documents that I reviewed include newspaper articles from different printers, including Business Day, Times live, and Sunday Times. I also considered the literature review as part of the document analysis because it was also a source of information for the research.

3.3.3 Sampling

In order to study a population that is large, a researcher may draw out a subset of the population, commonly known as a sample, to make a generalisation about that population (Leedy and Ormrod, 2005:144). In this research study, I used a purposive sampling approach to select a sample. According to Patton (2001), purposive sampling involves selecting information-rich units or cases for in-depth study, based on a specific purpose of the research rather than randomly.

The selected research sample included management employees from SEDA responsible for training and mentoring programmes, located at Seda's Head office in Pretoria; SMMEs that have received training and mentoring assistance from Seda and those who have not (SMMEs selected were from the food and

beverage sector located in Pretoria); programme trainers/facilitators and mentors employed by SEDA as well as external service providers that work with Seda. All these subjects were selected because they are directly involved in the training and mentoring programme, with exception of the SMMEs that did not attend training. Therefore their experience and views are critical for the researchers' understanding of the issues investigated and answering the research question.

The sample size is relatively small, because the research is based on one institution and just one of the 7 services provided by the institution. The initial plan was to interview a total of 40 people. However, it came to my attention during the interviews that Seda does not have an in-house mentoring programme, but uses its trainers to provide mentoring services as well. Consequently, I was not able to interview mentors as planned. Seda trainers/facilitators actually provided responses to questions relating to mentoring as well. Some trainers and managers were also unavailable for interviews due to other commitments. Of the 10 service providers that I requested to interview, only 4 agreed to be interviewed. I did not receive any response from the other six service providers. Consequently, only 24 people were interviewed as indicated in the table below.

Table 1: Interview Respondents

Category of Respondent	Number of Respondents (Planned)	Number of Respondents (Actual)	Response rate
Seda Managers	10	6	60%
Service Providers (trainers and Facilitators)	10	4	40%
Clients	10	10	100%
Seda Trainers/mentors	10	4	40%
Seda Mentors	10	0	0%
Total	**40**	**24**	**60%**

3.3.4 Data Analysis

Qualitative data analysis is a process that includes defining, categorising, theorising, explaining, exploring and mapping data to facilitate the discovery patterns and relationships of information (Bryman and Burgess, 1994:76). There are a number of authors that provide suggestions on how to approach data analysis. I followed the approach presented by Taylor-Powell and Renner (2003). Their analysis process comprises five steps: (1) getting to know your data, (2) focus analysis, (3) categorise information, (4) identify patterns and connections within and between categories, and (5) interpretation.

Applying Taylor and Renner's approach, I first read through the notes that I had from the interview and also listened to the tape for additional notes. My first impression during this review was that Seda managers and service providers' responses seemed to have reservations. This implied that there may be questions that were not answered truthfully. I immediately made notes of this information before proceeding to the second stage. This information was useful during the interpretation stage. To some extent it helped me understand the inconsistencies in the responses, as it shall be revealed in the analysis chapter.

In the second stage, the researcher is supposed to decide how to focus the analysis. The focus of my analysis was mainly on the key questions that I wanted to answer. These were also questions in the interview guide. I organised the data by question to see how each person and/or group responded to the question in order to compare the data to identify similarities or differences.

The third stage of the analysis process involves categorising information to bring meaning to data, usually referred to as coding. In most cases, the themes emerge as a researcher analyses the data. However, in my case I had already identified themes from the literature review that I wanted to pursue, and these are the themes that I also used to categorise data from the interviews. Some of these themes are access and awareness, responding to SMMEs needs, skills levels of trainers and mentors, duration and quality of programmes, amongst others.

Stages four and five were done concurrently; while identifying patterns in the data I also used these patterns to explain the findings. The patterns in the data were identified through constant analysis and comparison of the categorised data. As presented in the findings chapter, some of the patterns that were identified include, the connection between awareness about a programme and the attendance rate of that programme, for instance. I used visual displays, with graphs, charts and tables to communicate my findings. For interpretation purposes, patterns as well as literature, including document analysis information, were used to explain the findings.

3.4 Validity and Reliability

Although the concepts of validity and reliability are mostly associated with quantitative measurements, they are also considered important in qualitative measurements but applied differently from quantitative research. In simple qualitative terms, ‘reliability’ is the extent to which measures allow for replication of instruments, responses and analyses however and whenever conducted; while validity refers to the extent to which the measure gives accurate information even when alternative methods are used (Kirk and Miller, 1986:19). Merriam (1998) suggests a number of strategies that can be adopted to promote validity and reliability of measurement instruments, including triangulation, audit trails, maximum variation, and peer review, amongst others.

To ensure validity and reliability of my research, the triangulation strategy was used. Triangulation refers to the multiple uses of sources of data or data collection methods to corroborate findings. As already indicated under the data collection section I used interviews as the primary source of data. I then used document analysis to verify the information. Using multiple sources in document analysis enabled me to crosscheck accuracy of information. The primary data collection method involved interviews, which were corroborated by document analysis.

3.5 Limitations of the study

The limitation of this study is mainly attributable to the research design. The sample size is too small, and may not be a true representation of the population Therefore, findings and conclusions cannot be generalised. However, the findings from this study could be used as a basis for further and large scale research on challenges experienced by support institutions in providing training and mentoring or other support services to SMMEs.

3.6 Significance of the study

The study will contribute to the literature on SMMEs in South Africa, in particular to the limited literature on enterprise development support institutions. Findings of this study can highlight critical areas of weakness in the provision of training and mentoring programmes, prompting further large scale research on these areas to improve enterprise development programmes in general. The research can also serve as a feedback to Seda on the effectiveness of its programmes and possible recommendations for improvement, if necessary.

3.1 Conclusion

In conclusion, the chapter has explained the research methodology that was employed in this study, and in particular the reason for using a qualitative research method. The decision to use a qualitative research method was mainly informed by the epistemological view of the researcher, which is the Interpretivism theory. Interpretivistic research approaches emphasise deeper understanding of issues under investigation, hence they use qualitative research methods. The research approach and design was also informed by literature review of methodological approaches that were adopted in other similar studies. These studies were used as a guide when developing a methodological framework for this study.

Chapter 4: Summary of Research Findings

4.1 Introduction

The purpose of this chapter is to present a summary of findings from the data collection process. The findings have been summarised and presented visually using tables and graphs, which are then explained narratively. The findings are also presented under the main topics from the interview guide. In some cases, the information is also presented per category of respondents, namely Seda managers, trainers/facilitators, mentors and SMMEs.

In terms of the chapter outline, the second section of this chapter discusses key findings of this research study in relation to (1) the provision of training and mentoring, (2) monitoring and evaluation, and (3) accessibility of Seda and service providers. The last section of the chapter is a conclusion.

4.2 Key findings

4.2.1 Provision of training and mentoring

a) Training services and utilisation

Table 2: Seda Training services and utilization by businesses

Type of training	Respondents aware of the training	Respondents who need the training	Respondents who attended training
Business start:			
Marketing	8	10	5
financing	9	10	8
Managing	8	10	8
Business build:			
Management skills	6	10	2
Targeted procurement	3	2	0
Tendering	4	2	0

Managing quality	2	8	0
Business grow			
Business Management	6	10	0
Management Systems/Technology	3	3	0
Exporting	2	0	0
Human Resource Management	3	9	0
Legal issues	3	7	0
Mentoring	5	10	2
Post-training support	0	10	0

Seda training is categorised into three main programmes, the *business start-up*, which is training aimed at entrepreneurs who have not yet started their business or in the process of establishing business; *business build* training is aimed at operational businesses; and *business grow* training is meant to provide business owners with technical skills to grow their businesses sustainably.

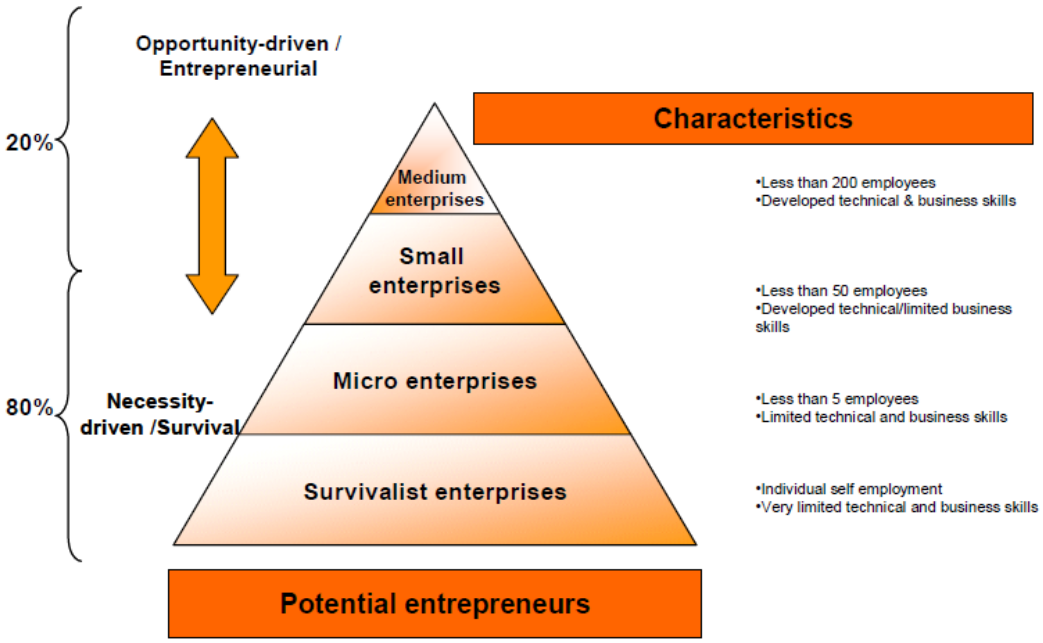
The table above shows that SMMEs seem to have attended training that they are most aware of. All the interviewed business owners were aware of the business start-up training more than the other phases, and these are the most attended training programmes as well. The two business owners who did not attend any training from Seda or service providers indicated that they were not aware of the training offered. There is a higher number of business owners indicated that they do require most of the training categorised under *business build* and *business grow*, but fewer are aware that this type of training was provided by Seda.

All the interviewed SMMEs expressed a strong need for mentoring services. However, only two SMMEs received mentoring services. The others were either

unaware of the training (2 of the SMMEs) or were under the impression that mentors would be allocated to them after training and were not sure how to access or contact these mentors. The table also shows that there is also a strong need for management training under the *business build* programme; business management and human resource management training under the *business grow* programme as well as post-training support.

b) Targeted training

Figure 3: Seda Target Market



Source: Seda (2010)

Both document analysis and interviews showed no evidence that Seda training was targeted at a specific group. However, Seda managers indicated that Seda's main focus is on micro and survivalist enterprises. Sector specific training is provided in another form of support, such as incubation. In addition, with all the data collection methods, there was also no evidence that suggests that training programmes took diversity into consideration. However, all managers indicated that Seda ensures that training provided to small businesses is needs-based by

conducting individual business assessment when a client approaches Seda for assistance. All respondents from service providers agreed that their training was generic. All the SMMEs said that they received generic training. The two SMMEs said that they felt that they had individualised assistance only when they had mentors.

c) Satisfaction with training

Table 3: SMME training experience

Respondents	Yes	No	Not trained
Satisfied with Seda training	4	4	2
Business owners Acquired new skills/information	6	2	2
Improved business performance	2	6	2
Would recommend Seda to the businesses	3	5	2

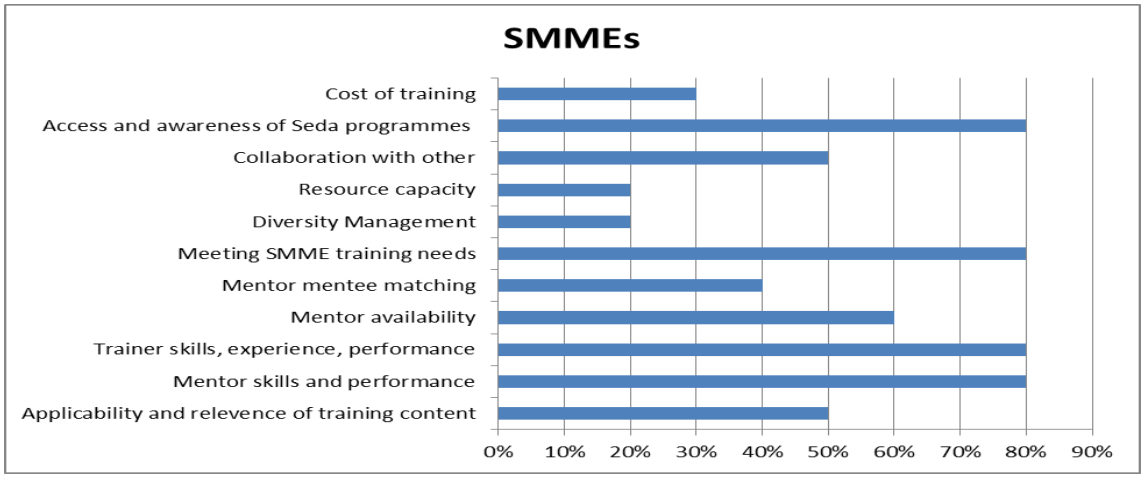
All the respondents from Seda (Managers) were satisfied with the performance of Seda and service providers in providing training to SMMEs. Most managers said that the delivery of training has improved significantly over the years, although they agreed that there is still room for further improvement.

Half of the SMMEs who attended Seda training programmes were satisfied with the quality of training they received, while the other half was not satisfied. However, 6 out of 10 of the business owners indicated that they acquired some new skills or invaluable information from the training, including those who said that they were not satisfied. Only two of the SMMEs indicated that they saw an improvement in their businesses, and these are also the SMMEs that took up further training on business management skills provided under the *business build*

training phase. The other business owners said there was no change in their businesses' performance. They had to seek further assistance elsewhere to see a noticeable change in the performance of their businesses. Three of the respondents who were serviced by Seda said they would recommend Seda training programmes to other businesses, while five said they would not do so.

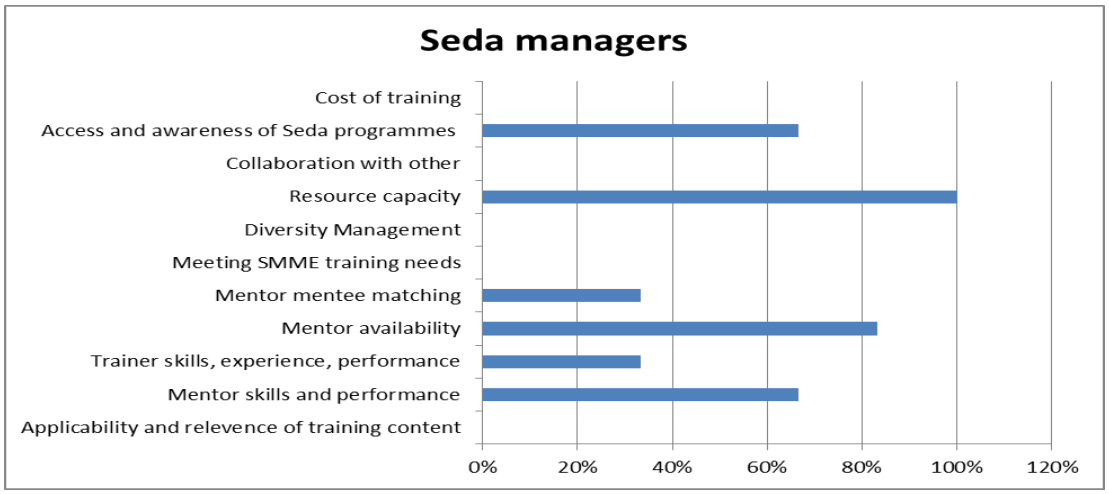
d) Identified problem areas

Figure 4: Problem areas - small business perspective



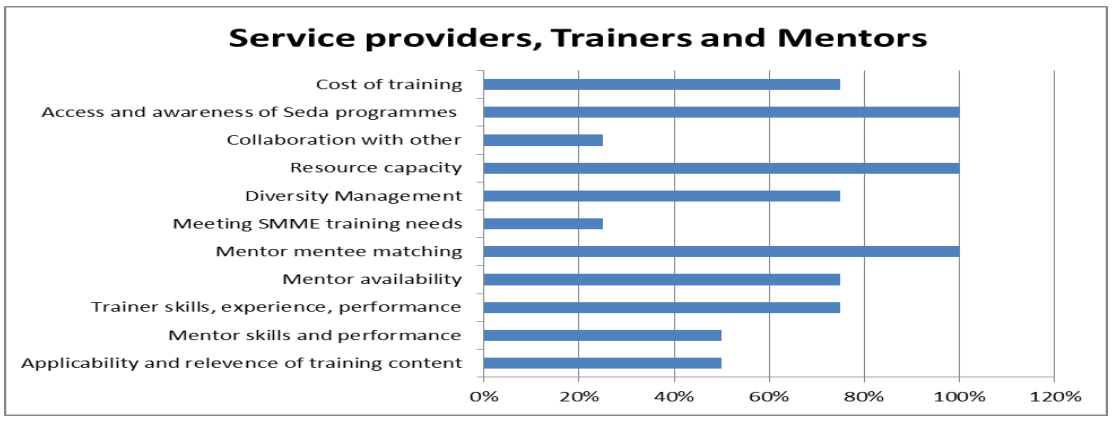
The figure above shows that SMMEs have identified three areas as the main problem areas in the provision of training and mentoring. 80 per cent of the interviewed SMMEs believe that Seda and service providers need to improve the performance of trainers and mentors, access to and awareness of training programmes as well as the responsiveness of training programmes to SMME needs. In addition to the three areas, 60 per cent of SMMEs also believe that the lack of mentors is a serious challenge for Seda, while 40 per cent believe that matching of mentor and mentee is critical for a successful relationship. 50 per cent of the reposndents found that the training was not relevant and appicable to their business because it was too generic. Only 20 per cent of the SMMEs metioned resource capacity and managing diversity to be a negative impact on the provision of training, whilst 30 per cent of the SMMEs believe that training cost deters SMMEs from seeking training and mentoring support.

Figure 5: Problem areas – Seda Managers perspective



The figure above shows that all Seda managers believe that lack of resources is the main constraint to providing effective training and mentoring. More than 80 per cent of the managers also mentioned that finding mentors is a serious challenge for Seda. 60 per cent of the Managers mentioned that finding the right skilled mentors is difficult, and this affects the provision of mentoring. Most managers are confident about the performance of trainers and mentors, and do not think matching of mentors, or the lack thereof, has significant impact on the mentoring relationship; only 30 per cent of the managers thought otherwise.

Figure 6: Problem areas – Service providers, Trainers and Mentors

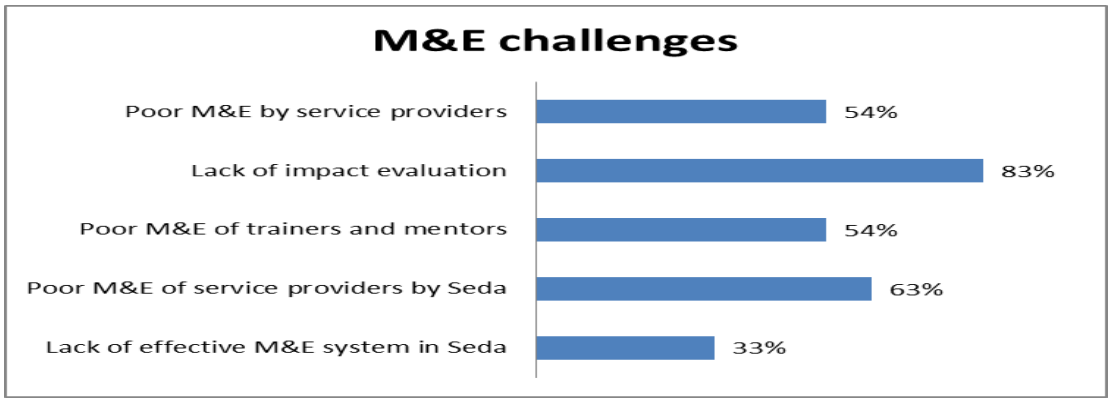


The three main challenges identified by service providers, trainers and mentors are lack of access and awareness of Seda programmes, resource capacity and mentor mentee matching process. More than 60 per cent of the respondents also

think that the shortage of mentors, poor skills and performance of trainers, cost of the training as well as poor diversity management impacts negatively on the provision of training and mentoring. Only less than 30 per cent of the respondents think that lack of collaboration with other SMME support institutions has an impact on the provision of training and mentoring. Less than 30 per cent of the respondents in this category also think that there is a challenge in addressing SMME needs.

4.2.2 Monitoring and evaluation

Figure 7: Identified M&E challenges



When asked about the frequency of monitoring and evaluation, all the respondents indicated that Seda monitors and evaluates all its training and mentoring programmes regularly. Monitoring and evaluation is done by conducting a customer satisfaction survey during and at the end of training sessions, in which clients are requested to complete a questionnaire evaluating the content of the training programme, the competency of the trainer/facilitator, as well as the suitability of venues and the cost of the training in relation to their expectations.

Where training and mentoring is outsourced to other training service providers, monitoring and evaluation is conducted by these service providers. Seda then receives the feedback from the service providers. Service providers also monitor and evaluate only aspects relating to the provision of the training. 3 out of 4 of

the respondents from training service providers indicated that they do not conduct impact evaluation of the training programmes provided to SMMEs.

Figure 7 above shows that 83 per cent of respondents in the interviews cited impact evaluation as the main challenge in monitoring and evaluation. This was followed by poor evaluation of service providers by Seda. More than half of the respondents also felt that trainers and mentors were not evaluated and that service providers were poorly monitoring training programmes.

4.2.3 Accessibility of Seda to SMMEs

Table 4: Seda service points

Service points	Quantity
National	1
Provincial	9
Branches	42
Incubation centres	31
Municipal co-locations	58
Information Kiosks	40
Enterprise information centres	32
Mobile units	17

Table 5: Geographic spread of Seda service points

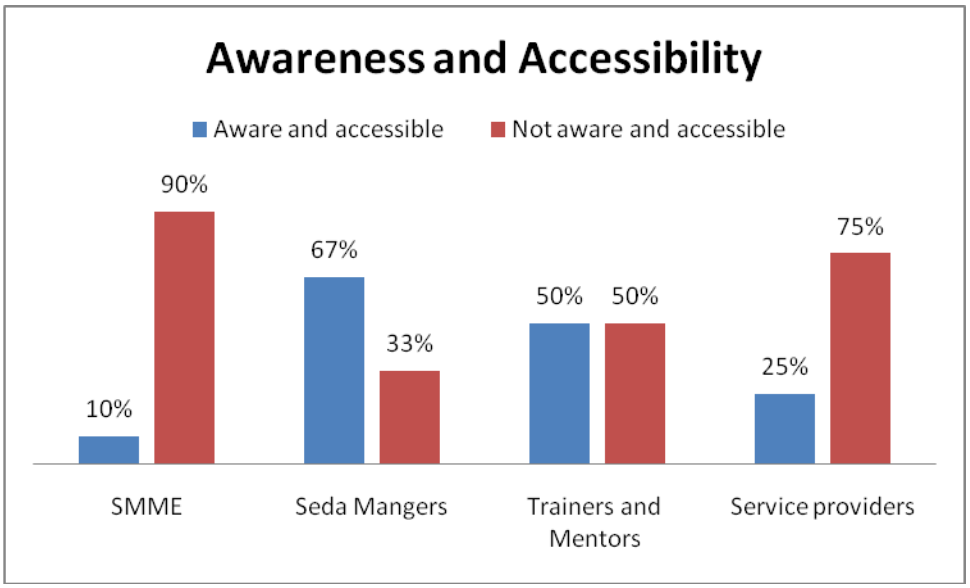
Name of province	Seda Branches	Seda Supported incubators	Contracted EICs
Eastern Cape	6	6	1
Free State	6	1	4
Gauteng	1	8	
Kwazulu-Natal	6	6	1
Limpopo	5	2	6
Mpumalanga	5	5	2
Northern Cape	5	0	0
North West	5	1	7
Western Cape	3	2	3
Total	42	31	24

Source: Seda 2011

The tables above show that Seda offices are fairly distributed around the country. With the exception of Gauteng, Seda has an average of 5 branches in each province. Incubators and contracted enterprise information centres are

concentrated in Gauteng, not fairly distributed. The concern from the interviewed SMMEs is that these offices are located in town, not close to the areas in which they operate; hence they are not easily accessible. Three of the SMMEs were of the view that these offices were not enough to accommodate the whole SMME sector.

Figure 8: Response on Seda accessibility and awareness



The figure shows that most of the interviewed SMMEs and service providers believe that SMMEs are not aware of Seda and the services it provides; information about Seda is not easily accessible. Mentors and trainers were equally divided in their perception about awareness and accessibility of Seda and service providers. Half of them said that Seda was not accessible; while the other half thought Seda is accessible. 67 per cent of Seda managers believed that Seda is accessible and SMMEs are aware of Seda programmes or services.

4.3 Conclusion

Data collection through interviews can produce very rich information. The purpose of this chapter was to present a summary of the main findings from the data collection process. The findings show that all the interviewed groups agree that there are challenges in the provision of training and mentoring. However, there seem to be conflicting views from different groups about the problem areas

or the extent of a problem in a particular area. In the following chapter, I will analyse these findings in more detail, with supporting evidence from literature, to provide an explanation of these findings.

Chapter 5: Analysis of findings

5.1 Introduction

The previous chapter presented a summary of the research findings. This chapter presents an analysis and discussion of these key findings to draw meaning and to make conclusion in relation to the research questions.

The research study has found that there are indeed challenges experienced by Seda. In this regard, the second section discusses challenges related to the delivery of training and mentoring, followed by monitoring and evaluation as well as accessibility related challenges. The last section is the conclusion.

5.2 Challenges related to the delivery of training and mentoring?

5.2.1 Poor access to and awareness of Seda and its services

Most managers believe that Seda is accessible and that SMMEs are aware of Seda's existence because it is the only government support agency that has such a large footprint across the country. Seda has one national office, nine provincial offices, 42 branches, 58 municipal co-locations, 31 incubation centres, and 17 mobile units as well as 40 information kiosks around the country. However, awareness and accessibility was rated by 80 per cent of the SMME respondents as one of the main challenges faced by Seda. All the SMME respondents said that they were not aware that they could access information about Seda from their local municipalities, and they had not seen or heard of the mobile units from Seda or information kiosks in their neighbourhood. Two of the respondents also mentioned that they know a few business people who could benefit from using Seda services, but are not doing so because of lack of knowledge about Seda and its services. These SMMEs also think that Seda could do more to promote awareness and accessibility through more advertising channels like television and radio (indigenous stations).

This finding is consistent with a number of research studies on support agencies. In a study conducted by Audet et al (2007), most SMMEs learned about support

agencies through their own means. Similarly, in this study most of the SMME respondents mentioned that they only learned about Seda from other business owners and friends when they became desperately in need for assistance. One of the SMMEs attested that if it was not for the talk show on radio (not sponsored by Seda), where one of the guests mentioned Seda, he would have not known about Seda. 6 out of 10 SMMEs which were aware of Seda's existence, mentioned that they were not certain about the type of services that Seda offered, and which was most suitable and beneficial (whether training, advice or incubation). This is also supported by findings in table 2 in the previous chapter, where although SMMEs indicated that they needed the training provided by Seda, they did not attend some of Seda's training programmes.

In general, all SMME respondents felt that any entrepreneur should be aware of the support services available even before they make the decision to start their own business – so that they could know what to do and where to go to find information after entering the SMME sector. In their view, Seda, government and other support institutions should strive to improve their marketing strategy and campaigns to a point where information and knowledge are readily available and accessible to the enterprises. A report from the annual review of small businesses in South Africa commissioned by the Department of Trade and Industry also agrees with the SMMEs that government needs to improve awareness of and access to support services (the dti, 2008). In another survey, also commissioned by Seda, it was suggested that Seda needs to look internally, with a view to improving its accessibility to SMMEs because SMMEs do not know who to contact 'sectorally' at Seda"; the website could also be made more user-friendly for SMMEs (Seda 2008:26).

However, there is another side to the story. Although literature acknowledges the importance of training and mentoring for business success, SMMEs do not always find training to be critical (Rogerson 2007 in the dti, 2008:168). In such cases, whatever the marketing strategies that Seda may have, they are most likely to fail to make a meaningful impact because SMMEs are just not interested.

This is where the government needs to intervene by increasing its advocacy of training to SMMEs (Gouws, 2002: 41)

Training should be linked up with other support services to be more effective. In this way, SMMEs can receive support holistically, and possibly inspire more participation of SMMEs in training programmes. For instance, a client that approaches Khula Enterprise for financial assistance could be offered the assistance on condition that such a client has some kind of non-financial assistance from Seda in order to increase chances of success. This type of approach was also recommended by Nkaba-Van Wyk and Christer (2010) in their research study on countering negative mind-sets with regard to mentoring of SMMEs. A survey conducted by Seda also showed that SMMEs performed better when support institutions provided a variety of interlinked services rather than a single service (Mazwai, 2009a). However, this type of service does not need to be offered by a single institution. Various support services could be offered by different institutions in a collaborative manner. In so doing, these institutions would be focusing on areas where they have competitive advantage, which is a more efficient approach.

5.2.2 Shortage of skilled trainers and mentors

Responses from interviews suggest that another main challenge experienced by Seda and training providers regards the skills level and experience of trainers and mentors. There is some consensus between all the respondents that improving the skills level of some trainers could improve the provision of training and mentoring.

Seda managers felt the problem is not the poor quality of trainers per se, but the shortage of skills. One of the senior managers responded: "*…there is generally a shortage of skills in South Africa, which means that we are already drawing our trainers and mentors from a small pool of skills. Furthermore, the fact that most black people were prohibited to have their own businesses during apartheid, means that entrepreneurship is relatively new for most black people, hence lack of experience and skills. These are the reasons Seda finds it very difficult to find*

trainers and mentors, especially black people, that have the right skills and experience. However, SEDA continuously provides training to its trainers and mentors to improve their skills and ensure that they provide good quality services to our clients". Seda's commitment to training and development of trainers is evident in the academy that was created to provide training to Seda business advisors (Seda 2011: 16). Seda recognises that skills quality was a challenge in the past, but attests that this has since improved significantly because of the investment in training and trainers experience overtime. According to Seda's 2010-11 annual report, Seda noted that 93 per cent its clients were satisfied with the quality of Seda's services (2011:8).

On the other hand, those SMMEs which were not satisfied with Seda's training indicated that, in the workshops and courses that they attended, the quality of the trainers was very poor. Interestingly, SMMEs' perception that Seda training and mentoring is poor is consistent with other studies that were done on support institutions. A study done by Chiloane and Mayhew (2010) is one example. According to the SMMEs, these trainers were able to disseminate general and theoretical information about running a small business, but failed to provide real and practical information and solutions to the clients because the trainers only had business qualifications but had not owned or managed businesses.

5.2.3 Challenges with the Mentoring programmes

There is a consensus between Seda managers, service providers, trainers and mentors as well as SMMEs that there are some challenges with the mentoring programme. Only two SMMEs had participated in Seda's Mentoring programme. These SMMEs indicated that the mentoring they received was poor for the following the reasons:

- There is no formal or proper mentoring programme.
- Mentors industrial experience is different from that of the clients. In this regard the 4th respondent said the following:

"My first mentor was very good in managing a business. He was very patient and committed. But, he seemed to be more experienced in construction; he could not assist me with problems that strictly related to my business. I operate a restaurant. The second mentor was just not cutting it"

- The clients were not given an opportunity to provide feedback to Seda about the quality of the mentoring that they received. A study by Watson (2004) also found that mentors wanted to be evaluated and accredited in some way because they were interested in identifying their contribution to the success of businesses as well as their areas of weakness to enable them to make necessary improvements.
- SMMEs thought that the time they spent with the mentors was too short to make meaningful impacts. They believe that the mentoring process should have been at their own pace. This could only be possible if Seda had a bigger pool of mentors because the mentors would probably be able to spend more time with each case. Currently they have too many cases to attend to. A study by Watson (2004) also confirmed that mentors were of the view that there is a need for more entrepreneurial mentors in South Africa because the current pool was too little to accommodate the SMME sector.

According to the mentors, the main challenge was dealing with a wide diversity of clients. Seda has a very small pool of mentors, which means that one mentor is responsible for a number of clients. In most cases, there is no compatibility between the mentor and mentee, making the mentoring process difficult. They also find it difficult to form strong relationships with their clients mostly due to the limited time that they can spend with each client. They also felt that their mentoring would be even more helpful if the clients they assisted were from the same industry in which they have expertise, which is currently not the case.

Furthermore, mentors indicated that their performance is not evaluated. Therefore, they are not able to receive feedback from their clients about the

quality of their mentoring. The feedback is important to them because it would assist them in identifying performance areas that require improvement so that they are better able to provide meaningful assistance to their clients. They also indicated that Seda should move with speed in developing a proper mentoring programme, with clear specifications of what the mentoring programme will involve, the objectives as well as the expectations of the mentor and mentee within a mentoring relationship. Absence of a proper mentoring programme is a challenge. For a mentoring programme to be successful, both the mentor and mentee should operate within an agreed framework (Barret, 2006:625).

Most Seda managers do not agree that there is a problem with the skills of the mentors but, say that the problem is related to the shortage of mentors. However, a research study by Watson (2004) confirms otherwise, supporting the SMMEs claims. In Watson's study (2004), an overwhelming number of mentors (95.6%) indicated that they required training, mostly in business skills support. This was in addition to most of them agreeing that there is a shortage of entrepreneurial mentors in South Africa.

5.2.4 Responding to diversity and skills needs of SMMEs

The SMME sector in South Africa is very diverse. The diversity can range from the economic sector from which SMMEs operate, to the skills level, personal background and so on. However, the finding indicates that Seda training is not targeted at any specific groups or sector. More than 60 per cent of the SMMEs indicated that Seda's and service providers' training programmes fail to take into consideration the diversity of SMME needs. They argue that Seda does not have a sufficient range of experts to provide specific and individualised support to different businesses. According to study a by Chiloane and Mayhew (2010), Seda not only fails to meet individuals' needs but also the additional and unique needs, such as gender. Mbedzi (2011) has also recommended for more programmes specifically designed for the youth and people from rural areas because there was still a big gap in this regard.

Seda managers also agreed that the training provided is generic. Other Seda publications, like the annual report, also confirm that the training is generic (Seda, 2011:43). Seda only provides sector specific or customised support through incubation and mentoring or through specialised service providers.

Macleod and Terblanche (2004) and Mallane (2004) in Seda (2009:45) also found that the quality of programs in South Africa is too simplistic for the needs of small and micro businesses. In another study, Audet et al (2007) found that the provision of generic training was a general weakness in many SMME support agencies. They argue that training would be more effective if it took SMMEs' profiles into consideration (2007:43)

The investigation found that Seda does actually try to address individual SMMEs' training needs by conducting a needs assessment before recommending any support intervention. However, most of the training is outsourced to service providers. According to the 2010/11 Seda annual report only 29 per cent of the interventions were provided in-house. There was no evidence that suggests that service providers customised training in accordance with Seda assessment results, nor was there evidence to suggest that Seda communicated the assessments' results to service providers.

The interview findings actually suggest that there are different views on the importance of customisation and its benefits. Most managers accepted that the provision of generic training to clients is still a challenge, while one manager and all service providers indicated that it is not necessarily wrong to provide generic training to SMMEs. This latter manager was of the view that generic programmes simplify training and enable them to reach a large number of SMMEs in a short period with fewer resources compared to customised training. Service providers argue that customising training programmes to a specific SMME group or sector would be very expensive and Seda does not have sufficient capacity, both financial and human, to administer such programmes.

Seda indicated that although the training was not customised to individual SMMEs, it also offered other support services, such as incubation and mentoring,

which focus on individual training. However, considering the lack of awareness of these services as discussed earlier, it is possible that the effects of generic training are not mitigated. Managers from Seda also indicated that the agency also tries to accommodate different sectors within SMMEs by collaborating with the relevant Sector Education and Training Authority (SETA) as well as other institutions that provide SMME support to specific target groups. However, I could not find evidence from other sources to suggest that Seda is actively collaborating or networking with other support institutions in providing training, except for the normal outsourcing of services. Actually, a research study commissioned by Seda to evaluate SMME development in Xhariep, criticised Seda and other support institutions for lack of coordination efforts with other organisations, particularly with the private sector and other non-government organisations (Seda, 2009: 45)

Another finding that suggested that Seda is experiencing some challenges in addressing SMMEs' needs is based on comments from 3 SMME owners who indicated that Seda provides more support for the start-up phase of a business. For the other phases, the support is poor and less emphasised by Seda and their service providers. Although their businesses were already operational, Seda's clients indicated that the lack of on-going support beyond the start-up phase left them vulnerable, and they believed that this was also one of the main reasons other business could not make it to survival stages.

The claim made by SMMEs about Seda's emphasis on start-up training was also validated by document analysis findings. Seda's main clients are entrepreneurs who have not been operating businesses but have the intensions to do so or are in the process of establishing one. Seda's target market as indicated earlier in figure 3 is 80 per cent microenterprises and survivalist enterprises. These enterprises are characterised as low skilled in term of business related skills. Therefore, it is not surprising that Seda's training services focus on start-up training.

5.2.5 Lack of after care programmes

The research findings show that Seda and its service providers do not have after care programmes. This is consistent with the observation of some authors, including Ladzani (2010: 77). However, most managers consider mentoring as a provision of post training support to SMMEs. The issue of an *After-care* programme is complicated, because as Myrick (2009) has already alluded institutions might be providing *After-care* programmes, although they are not necessarily packaged as *After-care*.

5.2.6 Lack of financial resources

Table 6: Seda financial information

Statement of financial performance	Audited outcome			Revised estimate	Medium-term estimate		
R thousand	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue							
Non-tax revenue	**74 647**	**75 254**	**34 887**	**23 566**	**19 392**	**13 000**	**8 000**
Other non-tax revenue	74 647	75 254	34 887	23 566	19 392	13 000	8 000
Transfers received	484 770	409 497	461 121	553 290	540 655	569 813	603 435
Total revenue	**559 417**	**484 751**	**496 008**	**576 856**	**560 047**	**582 813**	**611 435**
Expenses							
Current expenses	**482 219**	**521 428**	**509 541**	**589 236**	**560 047**	**582 813**	**611 435**
Compensation of employees	165 899	169 603	189 848	205 648	220 042	235 445	251 926
Goods and services	302 508	339 106	303 799	368 900	324 960	332 267	344 978
Depreciation	9 602	10 512	13 702	12 518	12 760	12 690	12 000
Interest, dividends and rent on land	4 210	2 207	2 192	2 170	2 285	2 411	2 531
Total expenses	**482 219**	**521 428**	**509 541**	**589 236**	**560 047**	**582 813**	**611 435**
Surplus / (Deficit)	**77 198**	**(36 677)**	**(13 533)**	**(12 380)**	**–**	**–**	**–**

Source: National Treasury 2012 Estimates of National Expenditure (ENE)

Table 7: Seda financial information per objective

R thousand	Audited outcome			Revised estimate	Medium-term estimate		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Enhance competitiveness and capabilities of small enterprises through coordinated services, programmes and projects.	88 558	112 083	118 636	147 977	168 565	179 242	190 208
Ensure equitable access to business support services.	97 118	115 732	124 586	118 062	112 972	118 927	124 412
Strengthen the organisation to deliver on its mission.	175 275	193 981	188 072	203 129	165 510	165 429	170 447
Seda Technology Programme (STP) assisting SMME's with technology.	121 268	99 632	78 247	120 069	113 000	119 215	126 369
Total expense	**482 219**	**521 428**	**509 541**	**589 236**	**560 047**	**582 813**	**611 435**

Source: National Treasury 2012 Estimates of National Expenditure (ENE)

Seda mangers hold that financial constraints contribute to most of the challenges discussed above and weaknesses in the provision of training and mentoring in general. For instance, they argue that in an environment where there is a lack of skills, it becomes expensive to employ skilled trainers and mentors. However, the available funding limits Seda as well as the service providers from acquiring these skills. Hence, there is sometimes a compromise on the skills levels of trainers and mentors, although with the intention to provide training later.

The 2010/11 Seda annual report also points out that resource constraints contributed to postponed or less than desired achievements of Seda's targets (Seda, 2011:16).The table above to a large extent supports Seda's claim. According to information from the National Treasury, Seda's expenditure has exceeded revenue for the past three financial years (National Treasury, 2012:68). This was due to an increase in human resources as well as the number of clients serviced, which in turn increased operational costs.

Mazwai (2009) also argues that the budget for Seda is insufficient to accommodate the SMMEs that Seda is required to service. This argument supports claims made by Seda with regard to financial constraints. Table 6 above further supports Mazwai's argument that Seda had to utilise accumulated surpluses to increase expenditure because the revenue, which includes funding from the dti, was not sufficient. In addition, table 7 shows that in 2010/11, of the R509.541 million that was spent within Seda, only R118.636 million was dedicated to training, which is 23 per cent of the total expenditure. This amount does not seem to be adequate when the amount of SMMEs that Seda is expected to service is taken into account. However, the adequacy is at this point is subjective, and proper research is required to determine the adequacy of funding.

All the service providers also mentioned that financial constraints had a negative impact on the provision of training. Most service providers are small businesses themselves and depend on Seda referrals for their businesses to get clients. To a large extent, Seda influences the prices they can charge for their

training/courses. The service providers complained that the amounts that they can charge for their services is very small, and restrict the resources they can employ. This includes the number of trainers as well as their quality. They argue that more experienced trainers are expensive, and the service providers cannot afford them. The available resources also determine the extent to which a service provider can create customised training programmes. Currently, this is severely restricted by the lack of financial resources.

5.3 Monitoring and evaluation related challenges

When Seda managers were asked whether Seda conducted impact evaluation, there were conflicting responses. Some managers agreed that Seda does conduct impact evaluation. Other managers said that Seda only monitors the provision of training programmes to determine whether the programmes' specific outcomes (in terms course content), usually stipulated in the beginning of a course, have been achieved as well as customer satisfaction in terms of programme delivery. The latter managers indicated that it was difficult to separate the impact of Seda training of businesses from other factors, and that Seda does not have the expertise as well as the capacity to determine the extent to which the training has contributed to the business success. Consequently, it is the managers' view that Seda does not conduct impact evaluation. Examples of two conflicting views are quoted below.

Respondent 1: "we usually go back to our clients to find out how they are doing after the training and provide assistance where it is required. Hence we are able to report success stories in our publications, like the small business monitor for instance. "

Respondent 4;" Impact evaluation is very important. Seda is trying to find ways in which we can determine our impact, although this will be very difficult. It is something that we are definitely considering as part of our M&E. Although we make follow-ups with our clients, we are not able to determine with certainty that the client is successful as a result of receiving training from Seda because there

are other variables affecting the business. We as Seda are not able to distinguish these other variables from the impact of the training that we provide. ”

Findings from the document analysis support claims made by respondent 1. The Small Business monitor and other publications do provide a report on Seda’s successful clients. These publications provide detailed information about the businesses that received assistance from Seda, the state of the businesses before Seda’s intervention, and how the business evolved after the interventions. The publications only report successful small business cases.

However, according to Mazwai (2010), Seda’s monitoring and evaluation system is not effective. He argues that; “Seda should oversee small business development across sectors and government departments, as was originally envisaged, but this is not happening... (Seda) must monitor the roll-out of business development services to small business and assess their effect”. Therefore, according to Mazwai the poor mentoring and evaluation by Seda is one of the main reasons why business development services, training and mentoring in this case, are not achieving desired outcomes.

Two of the SMMEs which received training from Seda’s service providers were concerned about Seda’s limited control over the service providers when it comes to responding to evaluation feedback. Three of the Seda’s managers also agreed that they have limited or no control over the service providers, which makes it difficult to influence or force their service providers to implement recommendations or suggestions from the evaluation feedback. These managers also felt that the service providers have the potential to manipulate the results, especially where the feedback is undesirable, to avoid losing business from Seda. Seda does not have a system or strategy to ensure that the information it receives from service providers is accurate or reliable. This was identified as a weakness in the monitoring and evaluation system by most Seda managers.

The managers admitted that there are many times when Seda made recommendations to its service providers after receiving feedback from clients, but the recommendations were not implemented by service providers. Two Seda

clients also said that they had made recommendations to the service providers through Seda to change the facilitator because the training provided was very poor, but there was no change because the same facilitator trained them in another workshop that they attended.

In my view, control has very little to do with getting service providers to improve their training programmes. As Mazwai (2009b) said, Seda needs to develop an effective monitoring and evaluation system, which will enable Seda to accredit service providers so that only those providing excellent services remain in Seda's database of service providers.

Seda's challenge in conducting impact monitoring and evaluation is consistent with the findings in the literature review. According to literature, the main reason most institutions were not conducting impact evaluation is because it is methodologically difficult and they usually do not have the expertise for it (OECD, 2002:18). This is also a reason that was provided by the mangers who agreed that Seda does not conduct impact evaluation.

Based on the findings, Seda does actually conduct monitoring and evaluation of its programmes, including those of service providers. The problem is in their approach. Seda's monitoring and evaluation focuses more on the in-house training, yet about 70 per cent of this training and mentoring is outsourced to external service providers. Considering the amount of work outsourced, it follows that monitoring and evaluation should also be done extensively on these service providers. This is not the case currently, as attested to by research findings. Seda could learn from the United Kingdom's small business agency, Business Link, which was found to be doing excellently in this regard. Business Link does the evaluation in three stages: firstly, it does the usual first experience evaluation sheets, then follow-up evaluation to determine the impact on the interaction between the service provider and SMME; the last stage is a research study to measure national impact (Mazwai, 2009b). According to my research findings, Seda focuses mostly on the first stage, covers very little of the second stage, and does not proceed to the last stage, which is evaluation of impact at national level.

5.4 Conclusion

The analysis of the research findings show that there are conflicting views between SMMEs and service providers/Seda about the challenges experienced in relation to monitoring and evaluation. However, it is clear that there a number of shortcomings in providing training and mentoring. These are serious challenges that clearly have implications for service delivery. For instance, if SMMEs are not aware of the support services available to them, then they will not use these services. Already, literature has shown that a large number of SMMEs are not utilising these services. Given that SMMEs actually do need these services for the success of their businesses, then it is fair to say that poor provision of these services has contributed to the slow progress of SMME development in South Africa. The question is to what extent? An in-depth and larger scale study would be able to answer this question. Nevertheless, support institutions should stop being in denial of shortcomings, by reporting only the good news, so that appropriate corrective measures could be taken to improve their performance and ultimately, the performance of SMMEs.

Chapter 6: Conclusion and Recommendations

6.1 Conclusions

The purpose of the study was to investigate short-comings in the provision of training and mentoring to SMMEs and make recommendations on how to address these challenges. The previous two chapters provided findings of these investigations and this section provides a conclusion to the study

Drawing from the analysis, accessibility and awareness of Seda services are the main challenges. A large number of SMMEs are not able to utilise Seda's support service, in particular training and mentoring. Given that one of the main reasons SMMEs fail is because they do not have the skills required to start new businesses or to operate them, then training and mentoring are critical for the success and survival of these SMMEs. This study and other similar studies have also confirmed that SMMEs themselves agree that they need training and mentoring. If most SMMEs are not able to access services provided by Seda, then Seda's objective to develop the SMME sector and reduce their failure rate surely cannot be achieved as desired.

In terms of responding to SMMEs' needs, this study found that Seda is making an effort to meet individuals' needs through specialised interventions to individual SMME clients. However, there are training programmes that are not for individual businesses, and these training programmes are not responsive to SMME needs and also are not targeted or designed for any specific group, such as women, youth or specific sectors. In addition, Seda refers clients to other service providers for training that is not provided in-house, and these service providers also do not have programmes that are responsive to SMME needs. Although Seda is able to provide customised training for clients serviced directly, a significant number of SMMEs are serviced by other service providers and their individual needs are not addressed, according to the findings. Therefore, I can conclude that the failure to respond to the SMMEs' needs and diversity is still a challenge that requires special attention.

South Africa, in general, has a skills shortage problem. It was not surprising to find that trainers and mentors do not have the right skills to provide training and mentoring. Most of the trainers hold business related qualifications, but have never owned or managed businesses. As a result the training that they provide is not practical. The study also found that there is a shortage of mentors. As a result of the shortage, mentors find themselves having to provide mentoring even in areas outside their expertise. In addition, Seda does not have a formal in-house mentoring programme, which exacerbates the problem with the quality of mentoring. Although Seda is investing in skills development of its in-house trainers and mentors, a large number of SMMEs are dealing with other service providers who are experiencing the same skills challenge. Since there is still a grave challenge with the skills of trainers and mentors, I can conclude also that the quality of the training and mentoring is still poor. As a result, these services are constrained from making a meaningful impact and addressing challenges faced by SMMEs.

The study also found that there is a lack of *After-care* programmes. Given that *After-care* programmes are important for strengthening the capacity of SMMEs and long-term sustainability, the lack of these programmes is a challenge. To some extent, this also explains the failure rate of SMMEs even after they have received training. *After-care* programmes would play a significant role in reducing the failure rate of SMMEs.

The lack of financial resources is also a serious challenge for Seda and service providers because it contributes to other challenges. For instance Seda and service providers indicated that they are not able to customise programmes and employ highly skilled trainers and mentors as a result of financial constraints.

Poor or lack of monitoring and evaluation is also a problem. According to the findings, Seda regularly monitor and evaluates its programmes. Seda also monitors the impact of its services to some of the SMMEs, although it is not on a large scale, at a national level for instance. The problem is that Seda also provides its services through other providers, and it is in this level where

monitoring and evaluation is not done properly. The findings show that these service providers are not adequately monitoring their programmes and that Seda also does not have an effective monitoring system to assess the quality of training provided by these service providers. In addition, Seda is responsible for SMME development in South Africa, which means that it is also responsible for monitoring and evaluating SMME development at a national level, which is currently not done.

The main question of the research is whether Seda is experiencing challenges in providing training and mentoring to SMMEs. Based on the findings, the answer is yes, Seda is facing a number of challenges and these challenges affect Seda's ability to provide support to SMMEs effectively. The study also concludes that these challenges have contributed to the slow progress in addressing the failure rate of SMMEs. However, the question that still remains is to what extent these challenges affect SMME development in South Africa.

6.2 Recommendations

The challenges faced by Seda in providing training and mentoring are serious and have negative implications for SMME development in South Africa. Therefore, addressing these challenges could contribute significantly towards improving the success rate and sustainability of SMMEs.

One cannot stress enough the need for Seda to improve accessibility and awareness of its programmes. Seda can start by making its website more user friendly, increasing marketing efforts to radio stations and other areas that are used frequently by business people, make use of referrals, amongst other innovative marketing strategies. Seda should also increase the number of its offices, particularly in the rural areas. Collaborating with other support institutions and creating an integrated network of support services would assist Seda to reach out to more SMMEs. Such an integrated approach would also promote efficiencies and effectiveness in the provision of training and mentoring by enabling support institutions to focus on areas where they have competitive advantage.

Seda is making a great effort in improving the skills quality of its trainers and mentors. Seda should now focus on ensuring that service providers do the same. One possible way for Seda to ensure that service providers improve their quality is by developing an accreditation system that will ensure that only service providers that are providing services excellently remain in Seda's database of service providers.

Seda should consider incorporating the use of networks and clusters when providing services. Offering services in a clustered approach would enable Seda and other support institutions to assist more SMMEs than they would when support is provided individually, and more cost effectively. A clustering approach also creates some degree of homogeneity in terms of SMME needs and challenges, thus reducing the problem of having to deal with the diversity of SMMEs, which is currently a problem for Seda. A clustering approach can address the resource constraints faced by Seda. In addition, networks within SMMEs and between large enterprises can facilitate knowledge sharing and experiential learning, which can assist SMMEs deal with other challenges that may not be addressed by training and mentoring programmes. Considering the shortage of skilled trainers, networks are very important because instead of relying on trainers, SMMEs can learn from each other and larger businesses.

Mentoring is a very effective method of learning. To improve the mentoring process, Seda needs to create a formal mentoring programme that will operate on an well developed framework, with clear specifications of what the mentoring programme will involve, how long the mentoring process will take place, objectives as well as the expectations of the mentor and mentee within a mentoring relationship.

Seda should explore the possibilities of providing *After-care* support to its clients to ensure long-term sustainability of SMMEs. However, more research needs to be done in this area to determine what *After-care* programmes should entail, and how they would be best implemented. Seda can start this process by consulting SMMEs to find out what type of *After-care* support SMMEs need.

Seda should extend its monitoring and evaluation efforts beyond services provided in-house. Seda should also monitor and evaluate its service providers and other institutions responsible for SMME development to determine the impact of the services provided. Seda should in the process also identify businesses that have failed despite the training support provided to determine where it went wrong. The current system seems to be focusing on the businesses that are successful.

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Annexure – Interview guide

Interviewees from Seda and Service providers

1. What are the challenges faced by SEDA in monitoring and evaluating the training and mentoring programmes offered by service providers?

a. Does Seda monitor and evaluate its programs? If no, why?

b. How often is monitoring and evaluation conducted?

c. Would you say that evaluation is based on the impact of the programme to SMME performance or the outputs of the programme? If impact, How does Seda measure this impact?

2. What are the challenges faced by training service providers and mentors in delivery of such programmes ?

Training programmes

a. What type of training does Seda provide?

b. To which target audience within the SMME sector is the training provided?

c. How does Seda ensure that training is provided to the right target audience?

d. How does Seda ensure that training programmes cater for the wide diversity of entrepreneurs within the SMME sector?

e. How does Seda ensure relevance of its training programmes to SMME needs?

f. Is there collaboration between Seda and other training institutions or other organisations involved in SMME development? If so,how does this collaboration influence provision of training by Seda?

g. Does Seda provide post-training support or *After-care* programmes to its clients? If no, why? If yes, what type of support?

Trainers/facilitators

a. Do Seda's existing trainers have the right mix and quality of skills & business experience? How is this determined?

b. How does Seda assess the quality of trainers?

c. Are Seda trainers trained to manage the diversity of clients, such as literacy levels, business experience, culture, language, etc?

Mentors

a. What does the mentoring process involve? Please explain

b. How does Seda evaluate performance of mentors?

c. When or how often are mentors available for consultation?

d. Are mentors permanent employees of Seda, freelance or employed elsewhere?

2. How does the accessibility of SMMEs affect the delivery of the training and mentoring services provided by support institutions?

a. How many offices does Seda have?

b. How many offices are located in Cities, townships or rural areas?

c. How accessible are Seda offices in each of these areas?

d. How well informed are Seda's target audience about Seda's offices and services?

Interviewees – SMMEs

3. Accessibility

a. Do you know of training and mentorship services offered by Seda?

b. How accessible are Seda offices to local businesses?

4. Programmes (to cover training and mentorship)

a. What type of support did you receive from Seda? Training, mentoring or both?

b. How did the service improve your business performance?

c. Challenges experienced in the delivery of the training and mentorship services?

d. After receiving the support was there any change in your skills or performance of your business?

e. What changes would you recommend to Seda in providing their services?