



The Impact of Education and Training on The Success of Small and Medium-Sized Enterprises



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Article Info

Keywords:

Business
Education
Training
Knowledge
SMEs

ABSTRACT

Many business management researchers regard the small and medium-sized enterprise sector as the pillar and primary impetus of economic growth, particularly in developing countries. As a result, most governments throughout the world now place a strong emphasis on small business development to spur economic growth. The purpose of this study was to see how education and training affected the success of small businesses. This study uses a qualitative research approach to collect and analyse data. The study's 20 small business owners and managers in South Africa were selected using a non-probability sampling approach. Data was collected through interviews, and the results were analysed using subject analysis. This study's findings reveal that a lack of human capital education and training is one of the primary causes of SMEs' high failure rate, which also explains why these enterprises fail so frequently in most countries. It is evident that small business owners and managers, particularly in most developing nations such as South Africa, should consider spending more on business education and training to gather information that would help them establish unique business strategies.

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Submitted 30 Jun 2022; Received 08 August 2022; Accepted 25 August 2022; Published 5 Oct 2022

How to cite: Saah, P. (2022). The Impact of Education and Training on The Success of Small and Medium-Sized Enterprises. *Journal of Economics Education and Entrepreneurship*, 3(2), 112-122. <https://doi.org/10.20527/jee.v3i2.5766>

1. INTRODUCTION

When it comes to education, many people and organisations have different views and meanings. Other theorists say that education is anything aimed at the preparation of an individual's mind to bring about desired changes, whereas Sinclair (2014) claims education is the learning of attitudes, skills and information. According to Dewey (2004), education is often conducted with the supervision of an instructor, but apprentices can also educate themselves. As a result, these authors' viewpoints on education imply that there is no clear covenant on what education's fundamental objective should be. This is because some academics stress education's importance to individuals, emphasising its potential for developing a job or passion, forming a

cultural identity, promoting autonomy, and favourably influencing learners' individual development.

Training, in general, is an organised activity aimed at assisting trainees in achieving a desired level of competence or knowledge or offering instructions and information to help them improve their performance. Kulkarni (2013) states that training is the systematic development of a person's attitudes, talents and information required to perform a given profession or task well. Mortaki (2012) affirms that the purpose of education and training is to provide individuals with the competencies, skills, expertise and knowledge required in the labour market, as well as to build professional talents and knowledge required for the practice of a profession. Therefore, training may be referred to as professional development by persons in a variety of occupations and professions. Kulkarni (2013) states that labour market watchers recognise the requirement to carry on training further than first certificates in order to bring up to date, enhance and retain skills for fundamental training required for employment, trade or profession throughout one's working life. In this sense, most technological institutions use training forms as the foundation for content and apprenticeships.

The goal of this study is to explore how education and training impact small and medium-sized business success. The study is important because it demonstrates the relevance of business education and training in SMEs' performance and growth, and it may be used as a guideline for existing and new small businesses. The study's main purpose is to discover the forms of learning and training that small enterprise proprietors and managers require to secure the growth of their businesses by examining the influence of education and training as a success feature. Within this context, the study aims to address the following question: What role do education and training play in SMEs' success? As a result, the findings of this study assist SME proprietors and overseers in better understanding the sorts of business education and training that are required of them, as well as how critical they are to the success and growth of their businesses.

The use of elements that influence SMEs' success, such as education and training, leads to higher productivity, which leads to increased profitability, resulting in favourable outcomes for small businesses. More information on business education and business training is evaluated in order to understand how education and training might help SMEs succeed and expand.

Business education

Because business education involves the teaching and learning processes, theories and fundamentals of business, successful business professionals usually have a combination of experience and education in business principles and concepts (Scott, 2014). It is easy to see why today's business students benefit from hands-on experience, which is a crucial element of business education. Many people spend more time early in their careers getting a business degree than enhancing their abilities through concrete experience (Vitez (2016). This means that small business owners and managers must get qualifications related to the operation and management of their businesses in order to achieve their objectives. Sajwani (2014) contends that small business proprietors and managers must have a reasonable level of business education because they are in charge of a fleet of material and human resources within their corporation. The business education programme benefits small enterprises by providing a solid basis for people who want to start their own businesses or work in management. Scott (2014) asserts that business education programmes also give practical skills for people who desire to join a company's employment right away. More importantly, business education programmes provide a pathway to specific career and apprenticeship prospects, as well as vital information and connections to assist business owners and managers in exploring possible business and

employment options. Businesses with highly educated people have a competitive advantage in their industry, market or business environment (Vitez, 2016).

When a company tries to expand or alter its market offering for a new set of customers, it frequently fails, and the reason for this is a lack of awareness of the market environment and the issues that come with running a business (Jacobs, 2015). This means that the challenges that develop because of growth are always tied to matters such as employment, housing and taxation, rather than business processing and technical issues. Scott (2014) states that in terms of staff recruitment, infrastructure investment, financial planning, funding, and market risk profiling, most less-educated managers typically make bad business judgements. The loss and profit predictions that would have previously supported a decent little business are ripped to shreds by these faulty assessments. This suggests that business owners and managers with a higher degree are more likely to succeed than those with a lesser education. They will undoubtedly boost quality using their commercial understanding. Therefore, SME owners and managers must pursue a respectable level of business education in order to be aware about basic business concepts and procedures and therefore competent in managing their enterprises in order for them to be successful and long-lasting.

Business training

Simply said, training is the formal and continuing efforts undertaken inside an organisation to improve employee performance. As a result, training is a sort of education that entails obtaining new knowledge, altering attitudes, and sharpening skills to improve employee performance (Qureshi, 2016). Business training, on the other hand, differs by region and business in terms of what is offered and how it is delivered. Content distinctions are required to generate more variability in the treatment of business training than in many other enterprise interventions, such as grant or credit access. McKenzie and Woodruff (2013) stipulate that when comparing the same training content offered in different locales, differences in the characteristics of the persons receiving the training may result in different assessed impacts.

A single employee's departure can have a substantial impact on a company, particularly SMEs, which are often not as well equipped to deal with high employee turnover as larger organisations are. Employees who receive appropriate training advance in their careers, become happier and more content with their positions, as well as more productive than those who do not have proper training (Gementi, 2017). Few, if any, trained employees would want to leave their positions in this situation. This means that proper employee training leads to job satisfaction, which improves employee retention. Mazour (2016) also notes that most employees enjoy the possibility to enhance their job performance, gain new abilities, and potentially advance into more demanding duties. Pazvakavambwa (2017) avers that the alternative benefit and strategic purpose of training and development are to achieve and maintain a competitive advantage. Penfold (2016) stipulates that a learning environment is enhanced in a company where training and development are a main concern and leads to individuals who are guided by corporate goals that can improve individual performance. Employees receive a solid foundation in the talents they will need to excel in their positions, as well as the practical abilities and information they will need to rise up the corporate ladder. Pazvakavambwa (2017) argues that training contributes to organisational development and indicates a commitment to keeping personnel on the leading edge of practice and knowledge, resulting in higher profitability and more positive attitudes toward profit orientation. Consequently, for SMEs to be successful and long lasting, proprietors, managers and workers must participate in business training that will enable them to gain more knowledge to operate their businesses more effectively, which will result in business success and long-term viability.

2. METHOD

The research technique creates a structure for data collection and analysis, allowing for valid study results. This section's objective is to spell out the research approaches utilised to gather and evaluate data in order to address the research problem at hand. This study's research philosophy is interpretivism, which supports a variety of research methodologies, such as qualitative, quantitative or mixed approaches, as long as they can help answer the research topic at hand. The research method used in this study is a qualitative approach for gathering and analysing data. Creswell (2014) notes that qualitative studies entail systematic data collecting about a phenomenon utilising standardised measures. Qualitative research emphasises how individuals comprehend and make sense of their experiences in order to better understand people's social realities. To gather, evaluate and interpret data from visual and textual resources, as well as oral history, researchers use interviews, diaries, notebooks, classroom observations and immersions, and open-ended inquiries. This means qualitative data is made up of open-ended questions elicited from interviewees by the researcher. Open-ended questions change the interview process by allowing participants to react in their own words, which helps the researcher better comprehend a difficult issue.

Small business owners and managers were interviewed for this study to acquire confirmation of their perceptions or opinions on the important factors for the successful implementation of strategies for the survival of small businesses, which is the focus of the research. In this way, the interview questions for this research were created to look at the strategies that small business owners and managers use to ensure their companies' success. Twenty small business entrepreneurs and managers were chosen from the South African small business community. Because the majority of their responses to the interview questions were the same at this stage, saturation was attained after this number of participants had been interviewed.

The sample size of the study was determined using sampling techniques. Gray (2014) stipulates that a sample is a randomly selected collection of goods or objects from the entire population on which propositions are tested or study questions are answered. Therefore, the sample size, which reflects the entire research population, is calculated via sampling. This means that sampling examines the characteristics of a larger group in order to save time, money, and the hassles of scheduling visits with the complete population. This means that sampling is the process of choosing a subset of people to research from a larger group. The 20 interviewees were chosen using a simple random selection procedure. Participants were given the opportunity to voice their thoughts on the value of education and training in small company development.

The nonverbal communication approach was used to identify the key themes throughout the analytical phase, while the audio-recorded interview supplemented the data transcription. This study's content analysis necessitated a thorough examination of the recording and data coding. As a result, the data for this study was analysed using thematic analysis. Thematic analysis is a qualitative research method that focuses on detecting, assessing and recording patterns, which are commonly referred to as themes, within a dataset. Thematic analysis is used to identify, evaluate, consolidate, designate and report themes uncovered during data collection so as to have accurate and meaningful results in a qualitative research study (Nowell, Hollenbeck, Gerhart and Wright: 2017). Therefore, thematic analysis is a technique that is used to reflect reality as well as unravel or detangle the surface of reality.

3. RESULTS AND DISCUSSION

3.1 Results

The elements that increase the education and training of small enterprise proprietors, managers and workers were discovered using a qualitative data collection and analytic approach in this study. This study design emphasises the use of analytic methodologies to ask questions, a thematic method to coding, and conclusions based on the respective interview questions. The results of qualitative data analysis utilising the Atlas.ti application program are presented in this section. This study analyses participants' perceptions and understandings of the subject under examination using Atlas.ti and qualitative thematic data analysis to see how they provide meaning to a given phenomenon. The initial phase in the data analysis, which began with detecting themes, was to make sense of the interview schedules. The data analysis begins with a single transcript of all 20 participant responses. The interview questions for the qualitative study were carefully constructed to elicit the viewpoints of small business owners and managers in South Africa on the impact of education and training on small business success.

While analysing the responses of SMEs firm owners and managers to essential factors that improve the quality of education and training of staffs working in SMEs, the following themes emerged: obstacles that SMEs face in terms of training and educational attainment, financial restrictions, a lack of desire to learn, and a lack of training programmes have all been mentioned as barriers to SMEs employee education and training in South Africa. Furthermore, small business owners claimed that diploma and matric were the general educational categories of most employees in the SME sector. Figure 1 depicts the summary of findings for items that boost education and training in small business enterprises.

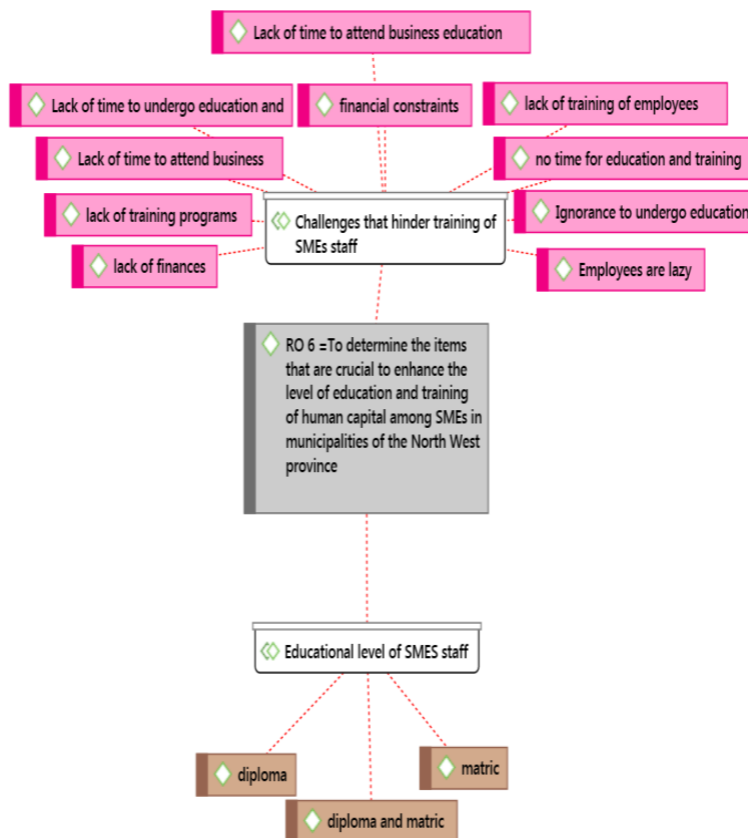


Figure 1. Items that help SMEs improve their education and training

Concerning the topic of issues that SMEs face in terms of education and training, the statistics revealed the following three sub-themes: financial restrictions, time limits, and laziness. Regarding the sub-theme of financial constraints, all 20 participants interviewed agreed that financial constraints are a problem, and that a lack of government funding for training facilities presents a significant obstacle for training small business owners, managers and staff. Here are some of their responses:

- ...We don't have enough money to pay for employee education and training*
- ...Government support for education and training for young entrepreneurs and corporate personnel is lacking*
- ...I don't have enough money to pay for employee education and training*
- ...Financial limitation*
- ...I don't have enough money to pay for my staff' and my own education and training*
- ...I don't have enough money to pay for employee education and training*

Six participants expressed a worry about time, explaining that while time is required for training and education, they believe it is a waste of time since they are scared that their businesses will suffer if they sacrifice their time to attend training programmes. Rather than investing in business training and education, they believed they should devote more time to their firms. The following are some of their reactions to the time factor:

- ...I refuse to pursue education and training because the time I would devote to it would result in a loss of business*
- ...lack of time to pursue education and training because the majority of one's time is spent running the business*
- ...Lack of time to participate in corporate education and training programs*
- ...I spend the majority of my time running my business, therefore I don't have time to pursue education and training opportunities*

One-quarter of poll participants claimed that staff idleness is a major challenge encountered by SMEs. Most often, staff are not willing to attend training programmes and some even refuse to be educated in their field of work, according to business owners. According to some small enterprise proprietors, employees' failure to attend training is due to a lack of information about the importance of education and training. The following are the responses of the research participants:

- ...workers' unwillingness to participate in education and training programs, as well as a lack of funds to cover the costs*
- ...the failure to educate and train people in order to provide them with the required skills to run a firm*
- ...Employees are too indolent to attend training.*

The responses of the participants to the concerns that SMEs confront in terms of human capital education and training show that teaching and training employees to equip them with the required business skills are not without difficulty. The three sub-themes that emerged from the data are financial restrictions, lack of time, and laziness, and they sum up the many issues that prohibit SME owners and managers from teaching and training their human capital. This shows that, despite the challenges that SMEs have in teaching and training their staff and even themselves, there is still a compelling need to educate and train human capital in every company. This is because a reasonable amount of education and training will provide business

owners, managers and employees with the necessary abilities to run a successful company. According to the participants' remarks, the majority of SMEs do not invest in employee education and training because of these challenges. This helps to explain why most small businesses in South Africa are struggling to stay afloat, with some even closing down. Certain business studies and researchers such as GEM Report (2010), and Kotze and Smit (2008) assert that low levels of human capital education and training are to blame for South African SMEs' low levels of entrepreneurship and high failure rate. In other words, in South Africa, a lack of knowledge and a low degree of human capital education and training are the two main drivers of SME failure and discontinuity.

When it comes to the level of education of SMEs' employees, the vast majority merely hold a matric certificate. Thirteen workers with matric, six workers with diploma credentials,

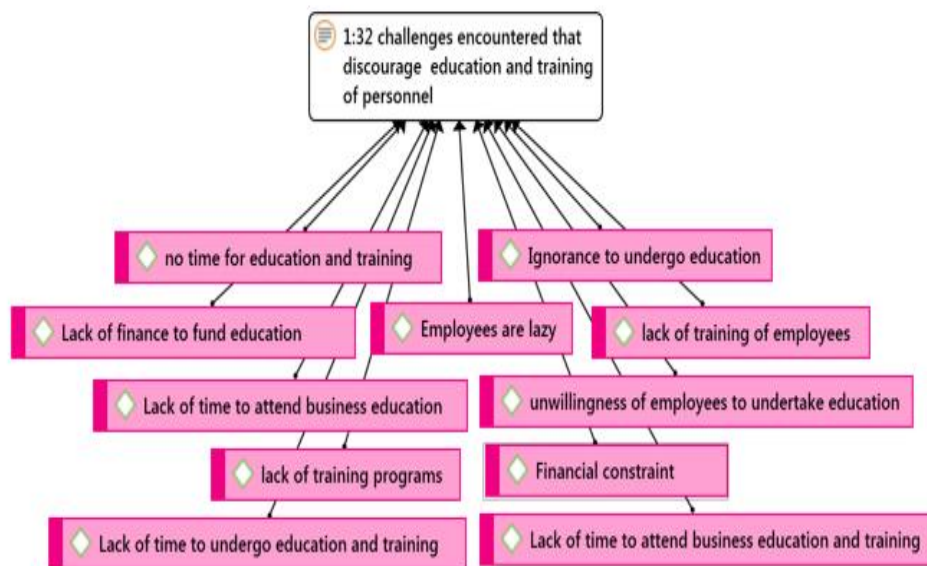


Figure 2. Challenges encounter by SMEs

and only one employee with both diploma and matric described being well-rounded as depicted in the Atlas.ti findings in Figure 3.

Based on the participants' answers to the degree of education of their human capital, the majority of SME employees have a low level of education, with the majority holding a matric certificate or below, and only a handful holding diploma certificates. This shows that, in order for a firm to exist and be sustainable, the degree of education of its owners and management is critical. The high rate of small business failure in South Africa is due to poor levels of education among SME owners and managers. According to the participants' comments on the level of teaching and learning of their workers, the majority of SME employees have a low level of education, with the majority holding a matric certificate or below and only a handful holding diploma certificates. This clearly demonstrates that the level of education of a company's proprietors and managers is critical to its success. The high failure rate of small businesses in South Africa is due to the lack of information among the proprietors and managers. Kotze and Smit (2008) note that a lack of human capital education and training results in a lack of entrepreneurship and a high rate of failure among South African SMEs.

Global Entrepreneurship Monitor (GEM) Reports (2001-2010) stipulate that a lack of proper training and education for small business proprietors, managers and workers plagues South African SMEs. More specifically, education is frequently thought to have an impact on business success because acquired knowledge improves managerial capacity to build a specific business plan. A fair degree of education is obvious in helping current and prospective business

owners and managers operate, expand and sustain their firms in order to adapt to the competitive economic climate and remain viable. This necessitates the possession of a high school diploma or a bachelor's degree by business owners, managers and employees. This level of education will provide them the mental capacity to understand the complexities of successfully running a business in order for it to thrive and grow.

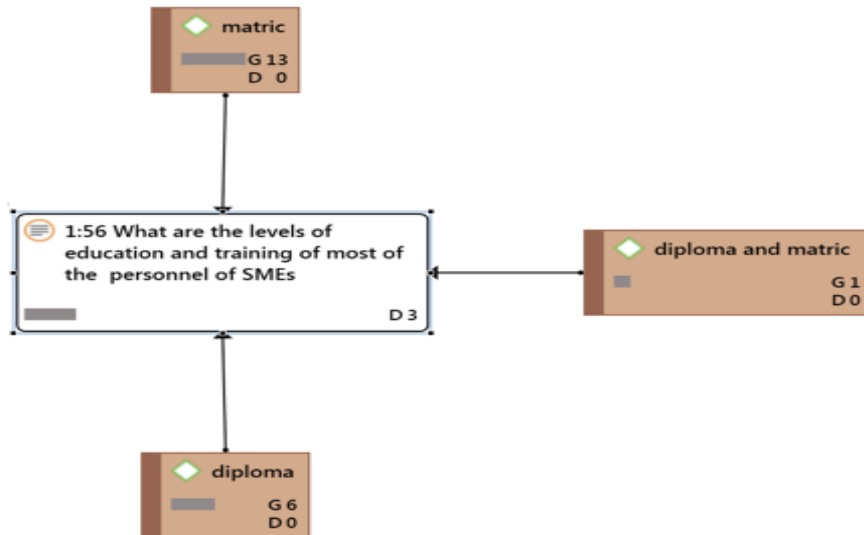


Figure 3. Educational levels of personnel of SMEs

Small business proprietors and managers, as well as their staff, should consider updating their level of education and training, based on the themes that emerged from the analysis of participants' comments on this topic. In order to construct a specialised business plan, SME proprietors, managers and staff must upgrade their educational qualification to at least a diploma or degree certificate level. Kotze and Smit (2008) affirm that a lack of human capital education and training is one of the main reasons for the high failure rate and discontinuity of South African SMEs. This assumption is theoretically consistent with investment theory, which begins with portfolio theory and the risk-return trade-off, according to Pistorius (2014), and offers the frameworks for making investment decisions. This means that SME proprietors and managers should invest in education and training for themselves and their staff in order to get knowledge that will assist them in developing a specific corporate strategy. Investment theory can help entrepreneurs and investors build investment options or strategies, which in this case could include both equity and debt investments in human capital education and training. Serrasqueiro et al. (2008) aver that SMEs with little or no investment in staff education and training are jeopardising their chances of success. Any small company endeavour that receives a big amount of funding is more likely to succeed. As a result, it is possible to argue that investing in SMEs' human capital education and training will help them improve their business management skills, increasing their chances of success and sustainability.

3.2 Discussion

From the study's findings, the majority of SME proprietors, managers and staff had a limited standard of education, with the majority holding matric credentials or below and only a handful holding diploma certificates. For SMEs to succeed and expand, they need a sufficient level of formal education and training. This is because education and training assist small business owners and managers in gaining the knowledge, skills and attitudes necessary to run their enterprises effectively. Any small business owner, manager or employee interested in business training must have finished some type of formal education, as no training programme can be

completed without it. SME members, on the other hand, will be able to update, improve and retain their skills, knowledge and attitude over the course of their careers, ensuring that their firms thrive and remain viable. As a result, small business owners and managers can acquire and execute additional predictive components that influence their success with a modest level of formal education and training.

According to this survey, the majority of SME owners and managers did not receive any education or training to equip themselves and their workers with the necessary skills, knowledge and competencies to effectively run their enterprises. Bouazza et al. (2015) affirm that SME proprietors and managers who do not receive some level of education and training in order to acquire the necessary skills, knowledge and competences to run their businesses effectively are more likely to fail, whereas those who do undergo a reasonable level of education and training are more likely to succeed. Therefore, SMEs are obliged to engage in human capital education and training in order to develop their abilities and understanding of how to run a firm. Serrasqueiro et al. (2008) stipulate that SMEs that make insufficient investments in employee education and training are risking their chances of success, because high intensities of investment permit any small commercial endeavour to survive in the market. This is because investing in human capital education and training helps a company to increase its capital investment by reinvesting profits. This indicates that human capital with a sound level of education and training will be effective in the operation and management of organisations, reducing waste, improving profitability and resulting in commercial enterprise success.

The findings of this study also suggest that teaching and training SME employees in order to provide them with the necessary business skills meets several challenges, including laziness and financial constraints. Regardless of the challenges that SME proprietors have in educating and training themselves and their staff, every company's human capital must be educated and trained. This is because GEM (2014) stipulates that one of the key factors of SME failure and discontinuity in South Africa is a lack of and low degree of staff training and development. The majority of workers in small businesses have a low educational level, with many of them having only a matric certificate or less, and only a few having diploma credentials. Consequently, the high failure rate of small firms in South Africa is due to the poor level of education of SME owners, managers and staff. Education has an impact on company performance since the knowledge learned improves the managerial capacity to build a specific business plan. Therefore, small business proprietors, managers and workers should consider upgrading their level of education to at least a matric certificate or degree level in order to gain knowledge that will help them improve their managerial capacity and create innovative business ideas that will help their businesses to prosper.

4. CONCLUSION

The absence of business education and training among small firm owners, managers and employees is the key reasons of SME failure in South Africa, according to this report. As a result, it is clear that continuing business education and training will assist SME members in updating, upgrading and maintaining skills, knowledge and attitudes throughout their working lives, ensuring that their firms prosper and remain viable. This is because a sensible amount of proper learning and training serves as a springboard for SME proprietors to learn and execute other predictive elements for SME success, such as effective management. Therefore, SMEs must spend on human capital education and training in order to develop their abilities and understanding of how to run a firm. Because SMEs play such an essential role in economic growth, the government can help this sector thrive by offering education and training opportunities for SME proprietors to learn how to execute the predictive elements that affect the success of small businesses.

ACKNOWLEDGMENTS

Part of this work is based on research I conducted with Professor WS Musvoto in 2019 titled ‘A framework to enhance the sustainability of small and medium size enterprises in selected municipalities of the Northwest Province of South Africa’. Therefore, I wish to express my gratitude to Professor Musvoto for guiding me through my research project

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