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## CHALLENGES AND PERSPECTIVES FACING THE DEVELOPMENT OF ENTREPRENEURSHIP EDUCATION AND TRAINING IN SOUTH AFRICA

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**Abstract: Purpose** –The study investigates some of the interventions which have been introduced by the South African government through its various agencies (Sector Education Training Authorities or SETA, for example) to support youth entrepreneurship and explore the challenges these agencies face, namely policy development, operational and pedagogic impediments.

**Design/methodology/approach** – The approach used to collect data was twofold; first desk research was conducted on selected work in the area of entrepreneurial education and training. The second source of information was from empirical investigations on the impact made by the various Sector Education Training Authorities (SETAs) in supporting small, medium and micro enterprises (SME) levy payers in skills development. In addition to the information from SETAs, data are also used from impact assessment studies conducted for the South African Department of Trade and Industry and the Department of Science and Technology.

**Findings** – The study found that there are no inter-disciplinary approaches in entrepreneurship training that make entrepreneurship education accessible to all students, and where appropriate, create teams for the development and exploitation of business ideas. Another finding is the fact that business/engineering students with different backgrounds are not connected.

**Originality/value** – This study has explored the nature of youth entrepreneurial education development through well-designed entrepreneurial development efforts. An appropriate scheme in terms of cultivating an entrepreneurial



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spirit around training and concentrating efforts on supporting the growth of new ventures is suggested.

**Keywords:** *Youth, Entrepreneurship education, Employment, South Africa*

## INTRODUCTION

The importance of developing entrepreneurship to contribute to economic development has been widely recognised. However, Orford, Herrington and Wood (2004) cautioned that although this is a widely held desire, entrepreneurship is poorly understood. This poor understanding is also seen in the fact that the “animal” usually referred to as the entrepreneur is more complex than the way they are described by classical economists such as Schumpeter (1931, 1934<sup>1</sup>), who saw the entrepreneur as a person who does things “that are not generally done in the ordinary course of business routine... He is an ideas man and a man of action who possesses the ability to inspire others and who does not accept the boundaries of structured situations... the creative destructor”. Say (1803) pioneered the work of Schumpeter and distinguished the entrepreneur and the capitalist, further linking the entrepreneurs and seeing them as agents of change.

South Africa is experiencing high levels of unemployment and during the last two decades, many policies have been implemented without any success. Few empirical studies have been conducted to explore the reasons for the failures of the above policies. The current study intends to fill this gap. The paper explores South African government lapses in the implementation of SETA programmes on job creation. It recommends effective and efficient ways to correct them.

## JUSTIFICATION FOR THE PAPER

Why is it important to focus on poverty alleviation within the South Africa youth population? A key rationale for supporting the development of youth entrepreneurship is its potential to generate output, employment and income (MacIsaac, 1996). Therefore, if the creation of Small and Medium Enterprises (SMEs) contribute substantially to job creation and income generation, and increasing numbers of young people are being marginalised, it makes sense from an efficiency perspective to explore the introduction of entrepreneurship training as policies aimed at empowering young South African people.

A second rationale for targeting youth entrepreneurship in South Africa is welfare improvement. Poverty alleviation policies targeting youth education on entrepreneurship are important and worthy; as with entrepreneurship, youth can earn their livelihood and support themselves and their families through the income they receive from their entrepreneurial activities.

A third rationale for intervening to support youth entrepreneurship is to contribute to their social and economic empowerment. Various research (Kantor, 2001) supports this rationale with the belief that self-employment and entrepreneurship increase youth self esteem and confidence, leading to greater control over their lives in social and economic spheres. South Africa is facing a high rate of unemployment; it is important to focus on alternatives methods of job creation for young people.

### **THE THEORETICAL FRAMEWORK**

If entrepreneurship is understood to be based on the necessary behavioural patterns which are influenced by social, economic and psychodynamic forces, any attempt aimed at supporting entrepreneurs should recognize these forces and develop effective interventions to increase the total entrepreneurial activity in South Africa. Orford *et al.* (2009) in their Global Monitor Report define entrepreneurial activity as the rate at which a nation creates new businesses.

The Total Entrepreneurial Activity index (TEA) for South Africa was 5.4 per cent in 2010, and this placed it in 24<sup>th</sup> position out of the 34 countries in the GEM studies (GEM, 2010). This is lower than the TEA of other developing countries. However, the creation of new business should not be overemphasised as not all businesses that are created survive and grow to contribute to national economic development through wealth creation. The TEA index reveals the low level of creation of new enterprises in South Africa. For more entrepreneurs to be developed, there is a need to deal with the three forces mentioned above, which influence entrepreneurial behaviour through effective training interventions.

This section explores the theories underpinning entrepreneurial education and development approaches necessary to deal with the complex personality of the entrepreneur, which if they are effective,

would lead to the increased creation of new enterprises and their growth. Education theories are used here because there is a need to change attitudes and look out for people in society so that entrepreneurial activities can take place. Therefore, education must be carried out correctly, and this assertion is supported by the following conclusions of Shay and Wood (2004): “The education system plays an important role in developing entrepreneurial skills and sharing attitudes in several ways”.

Other authors such as Timmons (2004) and Baron and Shane (2005) have looked at an entrepreneur as “someone who is able to identify, seize and take advantage of opportunities, searching for and managing resources so as to transform opportunities into successful business”. This understanding describes the entrepreneur as a sophisticated person, aptly supported by higher levels of thinking, which only education can provide.

Apparently, the apartheid educational policies did not allow this to take place, especially amongst Africans. The legacy still seems to linger on fifteen years after the new political dispensation. The work of Shay and Wood (2004) supports this view; they reported that “The proportion of young people in South Africa who believe they have the skills to start a new business is significantly lower than that in other developing countries like Argentina etc”.

The various definitions point out the complexity of an entrepreneur and the fact that entrepreneurship can be learned, and its development in a country like South Africa can be supported.

### **ENTREPRENEURSHIP EDUCATION AND TRAINING**

Entrepreneurial education seeks to provide students with the knowledge, skills and motivation to encourage entrepreneurial success in a variety of settings. A strategy for entrepreneurship in education is a strategy to strengthen the individual’s ability to see and exploit opportunities in an economic, social and cultural context. Entrepreneurship in education includes development both of personal qualities and attitudes and of formal knowledge and skills that will give students competence in entrepreneurship. Personal qualities and attitudes increase the probability of a person seeing opportunities and doing something to

transform them into reality. Work on entrepreneurship in education must primarily place emphasis on the development of personal qualities and attitudes. In this way, a basis is laid for later utilisation of knowledge and skills in active value creation (Ndedi and Ijeoma, 2008). Such knowledge and skills concern what must be done to establish a new enterprise, and how to be successful in developing an idea into a practical, goal-oriented business.

According to ODEP (2009), in order to be able to concentrate on the objectives of entrepreneurship in the education system, four factors should apply to all levels:

1. Entrepreneurship as an integrated part of instruction: Entrepreneurship must be defined as an objective in education, and be included in the instruction strategy.
2. Collaboration with the local community: Instruction in entrepreneurship requires close collaboration between schools and the local business and social sector. There is therefore a need for more arenas for contact between educational institutions and various players in society. In such arenas, educational institutions and the local social and business sectors will get to know one another better, and cultural barriers may be dismantled. This will result in mutual benefit inasmuch as it will increase the quality and relevance of education and strengthen recruitment to the local business sector and development of competence.
3. Teachers' competence: Teachers are important role models. A positive attitude among young people in schools toward entrepreneurship, innovation and reorientation requires that teachers have knowledge of this. It is therefore important to focus on entrepreneurship in teacher training, and also provide courses in competence development for working teachers.
4. The attitudes of school-owners and school managers: School-owners must follow up the focus on entrepreneurship in curricula and management documents, and build competence and insight among school principals.

It is important that educational institutions are given the legitimacy and motivation to work on entrepreneurship. School principals must be able to follow up, encourage and motivate teachers to be good role models and disseminators of knowledge. Both school-owners and school

principals must take the initiative in collaborating with the business sector and other agencies in the municipality.

To successfully address unemployment among graduates, certain areas need to be developed regarding the training of potential entrepreneurs through tertiary institutions. Programmes must be structured to introduce the concept of entrepreneurship and provide hands-on experience and working models for students to develop skills as entrepreneurs. The principles of entrepreneurship must be considered valuable for students at all levels. In response to the rapidly changing national landscape, not only of high unemployment but more generally of slow economic growth and job creation, entrepreneurship is being increasingly emphasized as a critical resource (Ndedi, 2012). Timmons and Spinelli (2007) recognise that there is no substitute for actually starting a company, but it is possible to expose students in all fields to many of the vital issues and immerse them in key learning experiences through cases studies of successful entrepreneurs. Concerning this point on students' capacity building in entrepreneurship, a multi-sectoral policy, going from higher education institutions to centres of training, is needed. For a long period of time, many graduates in all fields of study were not trained in entrepreneurship. However, many universities are engaged in various programmes working to fill this gap on the training of potential entrepreneurs. The courses include entrepreneurship and small business management, innovation and creativity, opportunity recognition and business plans. These courses are aimed at developing and unleashing graduates' expertise in entrepreneurship. In the US, the proliferation of entrepreneurs has always been associated with the emergence of centres and higher education institutions specialising in entrepreneurship.

In summary, entrepreneurship education seeks to prepare people, particularly youth, to be responsible, enterprising individuals who become entrepreneurs or entrepreneurial thinkers by immersing them in real-life learning experiences where they can take risks, manage the results, and learn from the outcomes (ODEP, 2009; Ndedi, 2012)

#### **DATA AND METHODOLOGY**

The approach used to collect data for this paper was twofold; first, desk research was conducted on selected work, both local and international, in the area of entrepreneurial education. This was done to select a best practice in education programmes aimed at developing entrepreneurs.

A review of critiques on the current training programmes in entrepreneurial education was also conducted, especially in the new venture creation programme. Documents from the department of labour were also used as a good resource to identify the work being done by the Sector Education Training Authorities and other government agencies. As expected, this source of information was not very good at identifying the problems faced, as it was un-critical.

The second source of information was collected from empirical investigations on the impact made by the various SETAs in supporting small, medium and micro enterprises (SME) levy payers in skills development. The SETAs are not identified, but whatever is mentioned is common to many of them.

In addition to the information from SETAs, data are also used from impact assessment studies conducted for the Department of Trade and Industry and the Department of Science and Technology.

## RESULTS

This section first presents the interesting models that have been suggested in developing entrepreneurship and an analysis is made on how useful these could be to South Africa. The current approaches in entrepreneurial development are then presented and a suggestion made on a possible new approach. In terms of challenges faced in implementing the skills development programmes, the results show a number of issues raised, as follows below:

- Forty-two per cent saw no challenges in implementing skills development programmes.
- Fifteen per cent mention cost factors as an impediment. These costs are related to training staff, who would then leave the firm or become too expensive to retain; too small to do training (time) and to bear the administrative burdens.
- With industry manuals not available, firms are not sure which courses to enrol staff on. It was also pointed out that some of the unit standards are not applicable to the industry (11%).
- The third problem was mentioned by 9 per cent of the firms, who felt that bad communication with the SETA made it difficult to know which areas to target for skills development.

- Seven per cent reported that in some cases, trainees are not interested in being trained.
- Six per cent mentioned problems of company culture, impact of HIV/AIDS, lack of management support, organizational demands and cultural issues as problems.

Other issues which emerge as challenges include the following:

- The level of structured industry training is low in South Africa as compared to the other trading partners.
- Expenditure on skills development in the critical sectors, which promise future growth and employment, is low, especially among the SMEs.
- In most industries training has remained very informal and at a very superficial level, with most lower level workers not empowered. This trend will need to be addressed, as it perpetuates the apartheid legacy.
- There is a failure by many companies, especially SMEs, to recognize the importance of training within the immediate and external environment in order for training to be integrated in company strategic objectives.
- There is a shortage of high quality management.
- Skills development programmes do not seem to be demand driven, i.e. taking place within a job related framework.
- Some of the training programmes are ill-conceived and too short for the desired impact.
- Entrepreneurial training has always been sacrificed for technical training.
- Women and the physically challenged continue to be marginalized.

### **SUMMARY AND CONCLUSIONS**

The real challenge is to build inter-disciplinary approaches, making entrepreneurship education accessible to all students, and where appropriate, creating teams for the development and exploitation of business ideas, mixing students from economic and business studies with students from other faculties and with different backgrounds.



Innovation and effectiveness stem primarily from action-oriented and student-inclusive teaching forms, teaching students “how to” so that they can understand the more theoretical aspects more easily, involving students heavily and actively in the learning process, and involving “outsiders” in the learning process. The people doing the teaching should be to some extent entrepreneurs themselves, building their input on real-life experience. Professors should have the required teaching competences as well as real professional experience in the private sector. For those with no experience in the private sector, specific teaching modules should be integrated into the curriculum of future professors, such as “How to devise and teach a case study”.

An appropriate scheme of what needs to be done has been suggested in terms of cultivating an entrepreneurial spirit, providing training and concentrating efforts on supporting the growth of the new ventures. The most appropriate institutions and areas of vital focus have been identified in the suggested model.

In universities, courses in entrepreneurship and business incubators must be implemented at all levels and in all fields. The course “entrepreneurship” focusing on the management of creativity and innovation develops the nature of creativity and innovation, and how entrepreneurship involves the ability to identify market opportunities based on new ideas.

This paper concludes that South Africa has established well-intentioned government departments and agencies. However, very little coordination has taken place and even worse is the fact that entrepreneurial development has been overshadowed by skills development. This study concludes that the SETAs need to re-examine their role in order to take up the challenge of developing entrepreneurs and collaborating with other government departments to provide the required support services. The erection of Silos around government departments has done more harm than good for entrepreneurs. A model has been suggested for an integrated approach to be used by government at each stage. For this model to work, a coordinating committee has to be established to ensure alignment of programmes to reduce duplication. The effective and efficient implementation of these programmes will ensure at least seventy-five per cent job creation for each programme developed.

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