

The relationship between levels of education of entrepreneurs and their business success: A study of the province of KwaZulu-Natal, South Africa

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Abstract:

The small, medium and micro enterprise (SMME) sector has been widely recognized as an engine of economic growth in South Africa. The implementation of the National Small Business Strategy (NSBS) in 1995 established important objectives for the sector to address such problems as lack of access to markets and procurement, lack of access to finance and credit, low skills and education levels, lack of access to information and a shortage of effective support institutions. In response, the South African government established institutions and programmes designed to improve access to sources of finance, market opportunities, technology, training and development and education. This paper examines whether there is a relationship between the level of education of SMME owners and the growth of their businesses, using labour force and turnover as success indicators. The study adopted a mixed method approach, including questionnaire surveys, observations and face-to-face interviews. The results indicate that in the two years preceding the study there had been a relationship between the owner/manager's level of education and the business's ability to grow by increasing its labour force and annual turnover. This study, conducted in a developing economy, therefore supports the findings of similar studies in developed economies, that the level of education of an entrepreneur and the success of their business are related.

South Africa's recent integration into the world economy raises the issue of its potential for building competitive advantage and prosperity at the local level in the context of an increasingly globalized economy. The experience of prospering localities in industrialized countries, in particular the USA, Western Europe and Japan, suggests that the small and medium-sized enterprise (SME) sector is at the forefront of local economic development. In particular, the SME sector has been identified as one of the potential means of creating an enabling environment by enhancing opportunities for job creation and improving distribution of wealth (RSA, 1995). Small and medium enterprises have recently attracted significant interest in South Africa because they are regarded by some as a potential panacea for the myriad socio-economic ills confronting the country.

According to Guzman and Santos (2001) the entrepreneurial quality of the owner of a small, medium or micro enterprise (SMME) is a critical factor affecting the ability of

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