

**THE IMPACT OF ENTREPRENEURSHIP TRAINING PROGRAMME ON  
ECONOMIC DEVELOPMENT IN ZIMBABWE: A CASE OF GWERU**

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**ABSTRACT**

Zimbabwe and the other developing countries struggle to achieve economic growth and development through small and medium scale enterprises. The Zimbabwean has put small and medium scale enterprises as an important key to fight against poverty, help create more employment and income generating programs, create more wealth through increasing productivity in the SMEs Sector. Most SMEs facing viability problems over the past years mainly due to lack of business expertise. The study sought to assess the impact of entrepreneurship training programme on economic development in Zimbabwe. The study used stratified sampling technique; questionnaires were distributed to a sample of 25 entrepreneurs and including 3 SEDCO staff. Data was analyzed using the statistical package for social scientist (SPSS). The research found that most entrepreneurs lacked stock management, business plan, business skills and ethics, operations and strategic management and production management. Some of the entrepreneurs got training from government institution such as SEDCO, Hope Humana and through NGOs that were implementing developmental projects. The main conclusion was that entrepreneurship training programmes are ineffective, the major courses being offered was bookkeeping and the only benefit of attending such programs was the ability to draw from book of accounts and receiving loans from the government. The research recommended that training programs should engage in diversifying of trainers to provide a one stop shop for addressing all the problems of entrepreneurs, and the scope of training should be widening, including practical guide of how to run a business, to ensure sustainable development.

**Key Words:** *Entrepreneurship, Training, Economic Development, Zimbabwe*

**Introduction**

Zimbabwean government has put Small and Medium Scale Enterprises (SMEs) as key to fight against poverty, help create employment and income generating programmes, create more wealth through increased productivity in the SME sector. In 2001 the government of Zimbabwe created the Ministry of Small and Medium Scale Enterprises Development-

MSMSED, whose vision is to be the 'nerve' center for economic growth and empowerment through the development of SMEs in Zimbabwe, SEDCO annual report (2007). Entrepreneur training programme has been an important area for the development of SMEs worldwide especially in Zimbabwe. Training has a direct impact on the social and economic welfare of many especially SMEs.

The research is to focus on the impact of entrepreneurship training programmes on economic development in Zimbabwe for the period 2008 – 2012. From the period 2001 – 2008 Gweru district like any other district in Zimbabwe suffered from setback of the hostile economic environment that prevailed in the country. During this period the country experienced social, economic and political problems, the unemployment rate was as high as 85% and hyperinflation reached its highest at above 300 million and growth rate was a negative of 13% in 2008. This development negatively affected the SMEs, in their ability to survive. They also suffer from shortage of raw materials and machinery and shortage of foreign currency. In light of the relative economic stability of 2009 there was the introduction of several training programmes to revitalizing SMEs but this was not the case for most SMEs, as some of the SMEs failed to survive after the training programmes. It was against this background that this research sought to assess the impact of entrepreneurship training programme on economic development in Zimbabwe using Gweru district as a case study.

Small and Medium Scale Enterprises (SMEs) have increasingly become important to Zimbabwean economic growth. SMEs offer the best alternative means for livelihoods for most people. This justifies the need to support the growth of this sector so that it contributes more meaningfully to economic development. The Zimbabwe National Chamber of Commerce (ZNCC) in its 2007 annual congress also alluded to the power of SMEs to propel Zimbabwe to economic growth and development.

One of the focal province in Zimbabwe for the development of SMEs is Midlands province which plays a pivotal role in the training of SMEs. A well know district in SMEs training and development in midlands province is Gweru district. In Gweru district SMEs play a vital role in the distribution of goods and services. The involvements of SMEs is increasing in many areas in Midlands province particularly with development of export and import oriented and cross-border activities due to the fact that Gweru is close to South Africa Border post which is associated with growing demand for south African products. Then with all the training programmes the SMEs were failing to survive. It was against this background that this research sought to assess the impact of entrepreneurship training programmes on economic development in Zimbabwe using Gweru district as a case study with a view to provide possible policy recommendations to enhance the scope of training for the SMEs and ensure sustainable development. The SMEs also face the problem of business skills and ethics, financial support and knowledge to improve their methods of producing goods and services. It is against this background that this research seek to explore the effectiveness of entrepreneurial training as it should enable the success of SMEs and the expected effect to economic growth

## **Problem Statement**

Most businesses in Zimbabwe, especially the SMEs are facing viability problems because of lack of expertise to run business. The entrepreneurial training programme is less advanced as compared to funding, training stand as a license to get loan from the government. This is not effectively contributing towards the success of the entrepreneurs. Successful entrepreneurial support schemes should provide effective training and then funding. It is therefore necessary to assess the impact of entrepreneurship training programme on economic development. This helps to facilitate growth and development through facilitation and support to the entrepreneurs.

## **Objective of the Study**

The main purpose of this study was to assess the impact of entrepreneurship training programme on economic development in Zimbabwe.

## **Specific Objectives of the Study**

1. To determine the level of business skills of entrepreneurs
2. To evaluate the appropriateness of training offered to the entrepreneurs
3. To determine the benefit of training programme to entrepreneurs and development
4. To analyze the weighting given to business skills and training when vetting clients for financial assistance

## **Literature Review**

### **The Role of Entrepreneurs and Economic Development**

Reid (2001) states that, while there has been widespread consideration of the role of small- to medium-sized enterprises (SMEs) in terms of their innovative and job creation capabilities, there has been much less attention paid to the acquisition of human capital. In general issues associated with human resources management, and in particular training, have been largely assumed to be the domain of larger companies. Thus much less is known about SMEs training, and still less on the link between such training and subsequent organizational performance.

Lehlohonolo. (2004) also points out that, SMEs contribute positively to the economies of countries and to the survival of large numbers of people. However, the success of the SMEs are impaired by the common weaknesses from which small enterprises suffer. These weaknesses can be effectively addressed by a combination of financial and non-financial support, which is far less advanced than the field of micro-credit.

An attempt to describe the characteristic traits of entrepreneurs compels one to divide them into quantitative and qualitative criteria, especially when delimitation between different company sizes is carried out, Pfohl and Kellerwessel (1982).

From a quantitative point of view, the term SME refers to companies in all sectors, including crafts and skilled trades, so long as a given size threshold is not exceeded, Clements (1997).

In 1996, the European Union (EU) standardized the term “SMEs” and redefined it, Pichler (1996), and thus, the quantitative upper limits of the SME are now companies that have:

1. Less than 250 workers;
2. Maximum of 40 million euro annual turnover;
3. Maximum of 27 million euro annual balance-sheet total.

As soon as one of the criteria is exceeded, the European Union no longer classifies the company as an SME, but rather moves it into the large company classification. Within these corporate classifications, further distinctions according to number of employees are carried out. Thus, the SME is subdivided into the smallest or micro companies (0 to nine employees), small companies (ten to 49 employees), medium companies (50 to 249 employees) and large companies (more than 249 employees).

The ministry of small and Medium Enterprises Development of Zimbabwe –MSMED (2005) defines an SME as an enterprise with a staff compliment of between 0-75, bearing in mind that the use of number of employee is the least problematic method of classifying enterprise size.

Ackermann and Blumenstock (1993), asserts that including qualitative criteria for the corporate size classification provides information on the nature – i.e. the characteristic properties – of small and medium-sized companies. In making the decision between SME and large companies, a close tie between company and owner as a specific trait comes to the fore.

One speaks here of the “personal principle” and from the principle of “unity of performance and capital” Theile (1996). Theile (1996) provides that “personal principle” means that the company manager performs a central role in the business decision making process. He or she understands the company as a lifelong duty (“life’s work”) and has, as a matter of principle, a lifelong relationship to the company. The “personal principle” also reflects that the company manager is in direct contact with the employees, customers and suppliers. In this way, the manager has an overview of fundamentally all technical, administrative and organizational procedures in the company. Ackemann (1993) describes the situation as the company manager possessing a complete overview of his business, from the most insignificant production detail to its position in the marketplace.

The “personal principle” is further differentiated in the small, medium and large company branches Pichler (1996). “Small” companies are considered those in which the company manager personally works predominantly in the area of production or in the technical department, while the commercial/organizational duties are carried out mainly by family members. Theile (1996) sees here a further criterion worthy of recommendation, namely, that

an SME is only allowed to have a maximum of 25 per cent investment by one or more outside companies and the owner manager or families manage the company personally.

In “medium” companies, the company manager no longer works exclusively in the production or technical areas; rather, he or she performs other functions to an increasing degree. However, in large companies the company manager is responsible primarily for business/organizational duties.

Entrepreneurship is very significance to the development of Zimbabwe economy, serious sustainable growth can realistically be expected from SMEs, policies to encourage continuous learning is necessary for the sustainable development. Sharma (2004) simply defines entrepreneurship as the creation of new organizations. Deakins (1999) defines an entrepreneur as a person who conceives of, launches and manages an enterprise. This person fulfills the key roles of a creator, innovator, risk taker and coordinator, processing some innate abilities as well as some acquired skills and abilities.

While Klofsen and Spaeth (2004) points out that the key issue is “regardless of definition or environment, the (entrepreneur) can be said to help stimulate economic development through creation of new business and accelerate development through creatively and innovation that leads ideally to higher level of productivity and competitiveness”

The main features therefore are exploitation of opportunities, which exist within a market. Such exploitation is most commonly associated with the direction and or combination of productive inputs. Entrepreneurs are also being associated with creative and innovations. Entrepreneurs have also been pinned to the role of stirring economic development and employment creation and higher levels of productivity. Thus all these features of entrepreneurs as put across by various authors clearly justify the significance of entrepreneurs to economic development and revival.

### **Importance of Entrepreneurship Training**

Stahl (1995) defines Training as a process of developing knowledge, skills and behaviors in people that will enable them to better perform their current and future jobs. While Cole (2001) views Training as a learning activity, which is directed towards the acquisition of specific knowledge and skill for the purpose of an occupation or task. Both scholars have put forth the concept of enhancement of performance after the training. To this point it brings out the objective of training to be result oriented and it follows that all providers of training aim to improve the efficiency and per Stahl (1995) is a process of developing knowledge, skills and behaviors in people that will enable them to better perform their current and future jobs.

Cooley (2002) viewed it as an intervention, which has a structured mode of delivery where the aim is to impart new awareness or knowledge of a workplace process activity improve performance of the candidates.

Cooley L.S (2002) asserts that contrary to the myth that entrepreneurs are born not made, we believe that they can be developed and that entrepreneur potential is widely spread among the general population.

Cooley (2002), further points out that entrepreneurship training is an intensive seminar designed to expand the potential for starting a successful business or improving a current one. The purpose of training is to stimulate new business starts, generate new employment opportunities and increase profitability; participants learn how to identify entrepreneurial potential, build business skills, develop personal entrepreneurial competences and identify opportunities and resources.

Rusaw (2000) views training as a form of organizational change, allowing employees to learn and demonstrate new concepts, build skills, solve problems, become multi-skilled and develop interpersonal relationships. The achievement of World Class Manufacturing status is dependent upon the quality of people working within an organization to achieve excellence, Rusaw (2000). The benefits of education and training are broad, not only will workers gain new skills and knowledge but also in terms of flexibility they become more adaptable and responsive Lange (2007), hence improving the competitiveness of a company.

Idhammar (1997) points out that, training is an important lever to bring about change if anchored sensibly to a sound business agenda, but it is just one lever among many and a weak one if pulled on its own. Training will only help if organizations learn to be wise in how they use individual's capability, marrying talent with healthy cultures, systems and processes, serving well-conceived business goals. Idhammar (1997) notes that there is much training that is wasted, simply because of the training that is provided is not used immediately in the work place, and hence any benefits, the training may have provided are lost .

For entrepreneurs, particularly SMEs, training should be that as provided by Cooley (2002), which views it as an intensive seminar designed to expand the potential for starting a successful business or improving a current one, the purpose of training is to stimulate new business starts, generate new employment opportunities and increase profitability; participants learn how to identify entrepreneurial potential, build business skills, develop personal entrepreneurial competences and identify opportunities and resources, develop interpersonal relationships. The achievement of World Class Manufacturing status is dependent upon the quality of people working within an organization to achieve excellence, Rusaw (2000). The benefits of education and training are broad, not only will workers gain skill but also solve problems, become multi-skilled and improving competitiveness of the company.

Thus entrepreneurial training increases the success prospects and eventually their contribution to the economy. SEDCO annual report (2007) also acknowledges the importance of training by alluding to the improvement in loan repayment as a derivative of its training programs.

## **Approach to Entrepreneurial Training**

### **Empretec Zimbabwe Entrepreneurship Development Workshop-EDW**

Personal Entrepreneurial Competencies journal-PECs (2006), describes Empretec Zimbabwe's Entrepreneurial Development Workshop-EDW held in 2006, came up with a research by Management Systems International- MSI on both successful and non successful entrepreneurs revealed that there are some characteristics not found in non successful entrepreneurs. This saw the birth of the EDW, which basically showed that there were personal competences that are common among successful entrepreneurs that are seeks to impart those personal competences in entrepreneurs so that they change their behaviors, get motivated and become successful.

### **Expand Your Business –EYB Training Program**

Expand Your Business (EYB) Brochure (2006), describes EYB as an affiliate to the International Labour Organization Africa. It is a syndicate of Training providers in Zimbabwe.

#### **Who EYB is for?**

1. Businesses with more than 6 to 100 employees.
2. Business that have basic management systems for marketing, stock control, record keeping, buying and financial planning in place.
3. Growing businesses that want to grow further and faster.
4. Businesses that want to move into export markets.
5. Business that have been in operation for at least a year.

#### **Who should participate?**

The training is primarily meant for the owners and managers of the businesses. Functional managers and line managers are also highly recommended to attend EYB. This helps to capacitate them to strengthen the business functions they are responsible for, and build a good technical working relationship upon completion of the course.

### **SEDCO Entrepreneurship Training Program**

The SEDCO entrepreneurship training manual (2005),provides that the training offered by SEDCO is done after analysis of the basic skills possessed by the applicant of funds as evidenced by the resumes in the business plan. The entrepreneurs are trained before they get funding.

The above training programs employ various models of training to entrepreneurs. The common attributes about the above training programmes is that they all try to first identify the training of the trainees, however the effectiveness of training assessment differs.

Nonetheless EYB and EDW differ from that offered by SEDCO in that they do not cater for starting businesses but mainly concentrate on already established enterprises and EYB in particular put forth a minimum of at least one year of operation as a prerequisite.

Although SEDCO try to cater to all entrepreneurs regardless of level of development, their training seem have little impact as they are providing too basic business which may not apply well to a global world that we are now living. Furthermore other training institutions although they do not offer funding after training, but business skills are a bedrock to trigger every entrepreneur to successfully identify viable business venture and effectively apply Personal Entrepreneurial Competencies and eventually afford to draw up bankable business plans.

Levitsky (1996).identifies a number of weaknesses from which entrepreneurs, particularly the SMEs suffer from that place them at a disadvantage in the market, He outlined the following weaknesses.

1. Lack of management skill.
2. Use of absolute equipment, through lack of capital and perhaps ignorance of new technologies, which leads to lower productivity and poor product quality.
3. Lack of financial records and collateral to secure finance.
4. Poor access to market for their output.

Lack of managerial necessitate the need for training so that entrepreneurs can draw up proper financial plan which will be an aid to decision making and be innovative such that they will not lag behind in technological changes and eventually improve in their marketing campaigns.

### **Entrepreneurial Training and Financial Assistance**

Vandenberg (2006) stated that lenders can control credit risk better through linkage because added services can lead to the increased viability and profitability of enterprises. In the case of Zimbabwe, where Start and Improve Your Business training was linked with banks and Micro Finance Institutions-(MFIs), this linkage affected the MFIs' profitability and arrears rate.

Thus entrepreneurs who are trained and given funding can honor their debts with little difficulty and MFIs will be more willing to lend funds to competent applicants. Financial institutions put high weight to entrepreneurship training when vetting for financial assistance, thus force most of the entrepreneurs to go for training in order to get financial assistance rather than skills, and most of the training programmes provided the entrepreneurs with half baked skills which provide obstacles for them to survive.

The aim of entrepreneurship training is to impart entrepreneurs with requisite skills that will guarantee success and leap over obstacles as they come. Therefore the study seeks to determine whether entrepreneurial training being availed is equipping the entrepreneurs with

effective business skills that propel them to success, and how the training is complementing financial services.

### **Research Methodology**

The descriptive survey was used on a population of 81 entrepreneurs. A sample of 21 entrepreneurs including 3 SEDCO staff was randomly selected. The population was divided in specific sets of strata with each stratum having similar attributes but members between strata having dissimilar attributes. The strata were made by major sectors such as manufacturing, retailing, food, transport and others. The data collection was through a formal questionnaire, personal interviews. Data was analyzed using the statistical package for social scientist (SPSS).

### **Research Findings and Analysis**

Research findings indicated that the common skills by the Entrepreneurs and the frequency within each category, about 95% of all the Entrepreneurs have Bookkeeping skills. About 62% have technical skills in their relevant sector, for example a person running a restaurant possesses a qualification in Hotel and Catering so as a carpenter possessing a qualification in Carpentry. Management accounting which should be possessed by all business people for decision making is only found in 52% of the sample and a shocking frequency of 33% was found in Marketing and Stock management. Generally the entrepreneurs do not have all required business skills as the majority of them have Bookkeeping and Technical skills.

Findings relating to whether the entrepreneurship training program responding to the needs of the entrepreneurs indicated that bookkeeping were the highest ranking with an actual total rating of 100%. An actual rating of 53% was recorded on General Marketing and all other courses have an actual rating of less than 34%. Thus Bookkeeping is the major course offered by SEDCO to all entrepreneurs in all sectors.

Findings also indicated that greater proportions about 47 % have benefited in form of getting a loan after the training and are also able to draw books of accounts. About 29 % of the respondents benefited from Costing and Pricing. A smaller proportion of only 10% managed to apply legal matters learnt from SEDCO. Surprisingly none was mentioned about Marketing yet it is one of the most critical skills for every successful enterprise.

All respondents provided that the link between training and funding is to reduce the risk of bad debts. About 66% referred to providing basic business skills before disbursing funds. A small percentage of only 33% included that SEDCO link training and funding to expedite the growth and success of SMEs. Overly training is taken as a measure to mitigate possibility of bad debts. Though provided by a smaller number the issue of providing basic business skill to expedite success of SMEs, is close to observations asserted by scholars like Vandenberg (2006) who note that SMEs studies show that those who received both Credit and Business Development Services-BDS performed better than those that received credit only.

Concerning the major considerations when offering finance, the data gathered shows the major consideration being the entrepreneurial training possessed by the applicant, which has a rating of 100%. The second highest rating is recorded with success prospects of the venture with a rating 60%. Past experience is not a major consideration as it has only 40% of the possible rating. This denotes that entrepreneur training is the major consideration when vetting loan application. Idhammar (1997), noting that lack of management skills is frequently cited as a major contributor to small enterprise failure. Venter, et al (2003) also points out that 90% of SME failure is attributed to a lack of management skill. In this case all respondents prove that business skills are a pre-requisite for any successful venture.

### Conclusions and Recommendations

The study found out that most of the entrepreneurs possess qualification skills, but majority lack marketing and stock management, business skills and business ethics. The training provided to the entrepreneurs focus on bookkeeping and costs and pricing. General marketing legal, business plan, operations management, strategic management, human resources management and sustainable development were lacking, therefore the scope of training are too narrow. The research also found that most of the entrepreneurs faced financial problems therefore they went for training to get loans from the government. The main conclusion was that entrepreneurship training programmes are ineffective. The major course being offered was bookkeeping and the only benefit of attending such a program was the ability drawn from books of accounts and receiving loan from the government and financial institutions.

The study recommends that scope of training should be widen, including practical guide of how to run a business. They should also include more business courses such as operations and strategic management, business plan, human resources, production management, business ethics and sustainable development instead of basic bookkeeping. The training programme should engage a divestiture of trainers to provide a one stop shop for addressing all the problems of entrepreneurs.

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