The Need for Skills Development Among SMTEs in Mnquma Municipality, South Africa

Abstract: This study aims to examine the impact of educational qualifications and skills development on the managerial competencies and performance of Small and Medium Tourism Enterprises (SMTEs) in Mnquma Municipality, Eastern Cape, South Africa. The research design employed in this study is descriptive, and a total of 64 SMTE owners and managers were selected through purposive sampling. The data collection process involved the use of self-administered questionnaires, which included items on demographic information and insights into training and skills development initiatives. The findings of the study indicate that 51.7% of the respondents hold a diploma or degree, while only 8.6% possess postgraduate qualifications, suggesting the existence of a potential gap in advanced managerial skills. A significant majority of the respondents (77.6%) agree that training workshops, seminars, and conferences are beneficial for enhancing managerial competencies. However, the study also reveals that there are barriers preventing access to these opportunities, as indicated by 22.4% of respondents who were undecided or disagreed on their value. Overall, the study emphasises the importance of tailored training programs that address the specific needs of SMTE managers in rural areas. Enhanced skills development is crucial for enhancing the operational efficiency and sustainability of SMTEs, thereby contributing to broader economic growth. In conclusion, investing in skills development initiatives can significantly enhance the performance and sustainability of SMTEs in Mnquma Municipality, thus fostering economic growth and development in the region. This study provides valuable insights for policymakers and stakeholders seeking to support the small business sector in rural areas.

Keywords: Rurality, tourism, small businesses, economic growth, Mnquma Municipality.

1. Introduction

The World Bank (2022) posits that prior to the COVID-19 pandemic, the tourism industry accounted for the largest share of the global service sector, generating 25% of global service exports and 7% of all international trade, making it a major source for international trade. Many of these businesses worldwide are SMMEs, and they play a significant role in both job creation and the expansion of the world economy. As such, they account for over 50% of employment and 90% of operating businesses (World Bank, 2021).

From all indications stemming from the World Bank data above, one can argue that SMMEs are also the backbone of many developing countries. The sector is deemed to be less capital-intensive in comparison to other industries. Therefore, it is important to facilitate skill development among the owners and managers of such small businesses. For example, the travel and tourism sector contributed 9.1% to the global GDP (World Travel & Tourism Council, 2023). This demonstrates that SMMEs can play a significant role in reducing high levels of poverty, unemployment, and inequality. Thus, skills development among managers is essential for these businesses to succeed (Swart, 2011).

The small business sector addresses one of the greatest challenges such as the United Nations Sustainable Development Goals (SDGs) (Global Entrepreneurship Monitor, 2024). Many nations around the world prioritise small businesses as a key growth sector that contributes to the local...
economy. In South Africa, entrepreneurship is an essential driver of the economy, particularly the informal entrepreneurs. The small business sector is largely dependent on informal entrepreneurs, which makes it extremely difficult to track and provide them with much-needed support. Despite this, such businesses provide employment opportunities and drive economic growth in smaller geographical areas such as rural towns (Mxunyelwa, 2017).

South African SMMEs, as postulated by Mxunyelwa and Vallabh (2017), are said to be faced with challenges in the development of managerial skills that can potentially hinder entrepreneurial growth. For instance, small business owners and/or managers must possess financial management and general management skills to enable planning, organising, leading, and controlling the enterprise. There are challenges that relate to the skill levels of managers in SMMEs. The levels of entrepreneurial activities are relatively below par in juxtaposition to other countries such as Ghana, Zambia, Brazil, and Chile.

The Global Entrepreneurship Monitor (GEM, 2021) underscores that South African SMMEs seem to face challenges emanating from the inability to manage their enterprises effectively, resulting from the lack of education and training. The world economy began to stabilise in the fall of 2023 after years of turmoil. The global GDP growth rate was predicted to decline from 3.5% in 2022 to less than 3% in 2023 and 2024 (GEM, 2024). Interest rates were rising following both the chaos of the pandemic and the consequences of Russia’s invasion of Ukraine. Both events are still having adverse effects on the global economy.

The National Development Plan (NDP, 2011) expresses that South African economic growth and the employment growth roadmap are predominantly powered by small businesses. President Ramaphosa, in his 2020 State of the Nation address, highlighted that the government will create a thousand entrepreneurs over a period of one hundred days. The NDP envisages that about 90.0% of jobs will be in small businesses by 2030 (The Republic of South Africa, 2011).

Arguably, the lack of success can be attributed to the fact that entrepreneurs are inclined to focus on developing innovative ideas while neglecting to undertake managerial training. Conversely, some of the managers do not see the need to upgrade their skills (Stats SA, 2013). This is reflected in the poor business performance. Thomas (2004) contends that the benefits of management intervention, such as training and education among managers of small businesses, create a significant number of opportunities, jobs such as tour operators, tour guides, and travel consultants, as well as coordinating events.

Jones (2013) affirms that 70.0% of all workers in South Africa are employed by companies with fewer than 50 employees, while 45.0% of all employed people work within firms with fewer than 10 employees. The South African Government emphasises the importance of SMTEs as a key driver of economic growth in the country. SMTEs are also recognised as having the potential to improve economic growth. However, the challenge is that there is a lack of action to address the skills shortages (National Development Plan, 2016). Consequently, better entrepreneurial and managerial skills can potentially positively impact the performance of SMTEs (Kotler & Keller, 2014).

From the perspectives of Tassiopoulos (2011) and Vallabh (2014), the poor performance of small businesses is indicative of a lack of managerial competencies. The Eastern Cape is one of the poorest in terms of economics in South Africa because the province is affected by a high rate of poverty, unemployment, and crime, which is the result of poor economic growth and has become an impediment to the growth and development of SMTEs (Vallabh & Radder, 2010).

Mxunyelwa (2017) concurs that SMTEs are key in providing a conduit for improving the state of the economy by operating small businesses. Furthermore, he reiterates the urgent need to address the issue of skills, specifically improving the skill levels of managers to run and manage businesses in a sustainable manner. For instance, 37.4% of SMTE owners had obtained a National Diploma as their
highest education qualification, and 10.2% held a postgraduate qualification. Additionally, the low pass rate at schools (22.1%) partially contributes to the low level of managerial competence in small businesses (Mxunyelwa, 2017). This is in consonance with the recommendation by Zulu (2014), who argues that SMTE skills development ought to be driven by business managers in order to increase business performance. The skill sets of SMTE managers are critical for any business to succeed. This study, therefore, investigates skills development within the SMTE sector.

1.1 Problem statement

The SMTE sector is currently facing numerous challenges related to education, training, and skills development. The significance of skills development in these SMTEs cannot be overstated. Moreover, entrepreneurial skills are crucial for individuals aspiring to become business owners, especially in the context of a developing economy. However, there appears to be a lack of emphasis on skills development within SMTEs located in rural areas. Additionally, SMTEs are acknowledged as having the potential to drive economic growth, particularly in the Eastern Cape region of South Africa. However, there is a dearth of research addressing skills development, education, and experience, despite skills development being a hindrance to the development and growth of SMTEs. Therefore, this study aims to evaluate the educational qualifications, perceptions of training and skills development initiatives, and the impact of managerial competencies on the performance and sustainability of Small and Medium Tourism Enterprises (SMTEs) in Mquma Municipality, Eastern Cape, South Africa.

2. Literature Review

2.1 Challenges faced by small businesses in rural communities

In South Africa, small businesses face significant barriers due to economic difficulties. According to the GEM (2021), economic fluctuations can greatly disrupt the operational activities of small businesses. Factors such as economic recessions, high inflation rates, and currency volatility can diminish consumer purchasing power, ultimately impacting the revenue of small enterprises (GEM, 2021). This is especially true for rural businesses, which often face infrastructural challenges that hinder their growth and development.

The COVID-19 pandemic further intensified these economic difficulties in South Africa, as reported by Stats SA (2021). Diminished consumer demand and disruptions in supply chains resulted in temporary or permanent closures of small businesses. This led to substantial financial losses for these enterprises (Stats SA, 2021). For small enterprises in rural areas, the government-imposed lockdowns made doing business even more challenging.

The lack of infrastructure in rural areas has a negative impact on the growth of small, medium, and micro enterprises (SMMEs) in the Eastern Cape Rural areas. According to Atkinson (2018), SMMEs can thrive with good basic infrastructure, including well-maintained road networks, airports, sea ports, a steady power supply, and extensive telecommunications. Access to these infrastructure elements can enhance economic performance and competitiveness in African SMEs (Alabladejo & Schmitz, 2001). The absence of infrastructure, particularly in rural areas, significantly affects the performance of SMMEs (Ndiaye et al., 2018).

Despite their substantial contributions, small businesses in rural regions face a range of obstacles. GEM (2021) identifies access to financing as a significant obstacle for small businesses in the rural sector. One major contributing factor is the inability of banks to provide finance to SMMEs in rural areas due to the lack of collateral, which reduces the risks associated with loans (Shah et al., 2013; Haider, 2018). As a result, many entrepreneurs in rural communities rely on their family and friends to source capital for starting their businesses.
2.2 Role of small businesses

Small and medium-sized enterprises (SMMEs) comprise the majority of businesses and are crucial to the growth of the economy and the creation of jobs. The ability of SMMEs to actively participate in the economies of Brazil, Russia, India, China, and South Africa (BRICS) makes them vital to the country's foreign trade and economic growth (Khan et al., 2020). Due to its persistently high unemployment rate, South Africa continues to face significant development challenges despite these efforts. By utilising labour-intensive production techniques that not only increase employment opportunities but also support equitable income distribution, SMMEs present a promising solution, especially in provinces with a strong agricultural base (Guertler & Sick, 2021).

The vitality and prosperity of society are largely dependent on entrepreneurship. It is a powerful generator of economic expansion. It promotes the essential innovation required not only to exploit new opportunities, promote productivity, and create employment but also to address some of society's greatest challenges, such as the Sustainable Development Goals (SDGs) or shocks from different global events (GEM, 2024). Governments and other stakeholders increasingly need robust and credible data to make key decisions, stimulate sustainable forms of entrepreneurship, and promote ecosystems worldwide with a specific focus on small businesses in rural areas in South Africa.

SMTEs in many developing countries play an imperative role in providing the impetus for economic growth (Lee, 2004). South Africa's small business sector is well poised as a catalyst to address economic issues. SMTEs are very important as they make a crucial contribution not only to the South African economy but also to society and the community. The SMTE sector contributes to local economies by bringing growth and innovation to the communities in which the businesses are established (Zulu, 2015). Small businesses can help include those businesses which were previously marginalised to participate in the mainstream economy (Nieman, 2011).

2.3 Level of skills amongst business owners in the rural communities

Small businesses often attract innovative employees who can implement new solutions for existing problems. According to Vallabh and Mhlanga (2015), the lack of education presents a significant challenge in terms of human resources for small businesses in the tourism sector in rural areas. They emphasise that human capital is crucial for the long-term development of the tourism sector as a whole. The proficiency level of entrepreneurs operating in rural areas is a crucial factor in determining the viability and success of small businesses.

Small, medium, and micro-sized enterprises (SMMEs) provide employment opportunities to individuals of all ages and with varying skill levels. Additionally, SMMEs play a vital role in developing and delivering competitive tourism products that meet the evolving needs of customers and contribute to addressing societal challenges such as poverty (Vallabh & Mhlanga, 2015).

While education plays a pivotal role in entrepreneurship, it can be argued that entrepreneurial skills, attributes, and behaviours can be acquired through the entrepreneurial journey. Therefore, entrepreneurial education, training, and skills development are essential for any small business venture (Vallabh & Mhlanga, 2015). The GEM (2016) indicates that South Africa has one of the lowest levels of entrepreneurship in the world. The report highlights that the majority of small businesses in rural areas struggle to survive their first year of operation. One of the major challenges identified is the lack of skills and training among small business managers. Unfortunately, there is a scarcity of literature addressing the lack of skills and the consequent challenges faced by small businesses. Consequently, the small business sector encounters various obstacles, including a shortage of qualified managers and a lack of skills, training, and experience among SMMEs (Department of Trade and Industry [DTI], 2011; Vallabh, 2014). Therefore, skills development is critical for the success of these businesses in the context of Mquma Municipality in the Eastern Cape.
3. Methodology

The researcher employed a quantitative methodology to gather data from owners and managers of small and medium-sized tourism enterprises (SMTEs). In order to achieve this, a descriptive research design was adopted to provide a detailed account of the phenomena being studied. The study's population consisted of SMTE owners and managers operating within the Mnquma Municipality, located in the Eastern Cape, South Africa. This particular area was selected due to its distinctive characteristics and relevance to the research objectives. A purposive sampling technique was utilised to select 64 participants. This method was chosen to ensure that the selected individuals possessed the necessary knowledge and experience relevant to the study. Self-administered questionnaires were employed to collect information from these 64 SMTE entrepreneurs. The questionnaires were carefully designed to align with the research objectives and comprehensively address the research questions. The questionnaire consisted of sections pertaining to demographic information, such as age, gender, and educational level, as well as other relevant areas. These sections were crucial for gaining a comprehensive understanding of the participant's background and context, thereby enhancing the depth and accuracy of the collected data.

To capture and analyse the data, the researcher utilised the Statistical Package for the Social Sciences (SPSS). This software facilitated data processing by calculating percentages, which allowed for an effective interpretation of the results. The use of SPSS ensured that the data analysis was rigorous and reliable, providing a solid foundation for the study's conclusions. Additionally, ethical considerations were thoroughly observed throughout the study. This included obtaining informed consent from all participants, ensuring their confidentiality and anonymity, and adhering to ethical guidelines for conducting research with human subjects. The researcher made every effort to respect the rights and dignity of the participants, recognising the importance of ethical conduct in maintaining the integrity of the research process.

4. Results and Discussions

This study investigated the education, skills development, and management skills of owners/managers of rural small, medium, and micro enterprises (SMMEs). The subsequent section presents the findings of this constrained study. These results were derived from the distribution of questionnaires. This section comprises the feedback obtained from participants representing SMMEs in Mnquma Municipality.

4.1 Highest educational qualification obtained

Managers/owners of the rural SMTEs were requested to state the highest educational qualification they obtained. Table 1 depicts levels of education.

<table>
<thead>
<tr>
<th>EDUCATION</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 10 or Lower</td>
<td>8</td>
<td>13.8%</td>
</tr>
<tr>
<td>Grade 12 or Matriculation</td>
<td>16</td>
<td>29.3%</td>
</tr>
<tr>
<td>Diploma/ Degree</td>
<td>29</td>
<td>51.7%</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>4</td>
<td>8.6</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>5.2</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researchers own construction
In Table 1, the results of the level of education are depicted. The findings indicate that 43.1% of respondents had either a diploma or degree qualification, whilst 29.3% had matric certificates. Furthermore, 13.8% of respondents had completed Grade 10 or lower. However, 8.6% had a postgraduate qualification, and lastly, 5.2% of respondents had other educational qualifications. It appears that poor skill levels amongst owners/managers could be attributed to a lack of education, inappropriate publicly funded training, and a low level of investment in training to help the owners/managers of these businesses.

4.2 Training and skills development workshops, seminars and conferences to build their managerial skills

Table 2 depicts the results of the business respondents based on the Likert scale of strongly agree and strongly disagree questions to owners/managers in relation to attending training and skills development workshops, seminars, and conferences to build their managerial skills within their SMTEs.

Table 2: Training and skills development workshops, seminars and conferences skills

<table>
<thead>
<tr>
<th>TRAINING AND SKILLS DEVELOPMENT</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>28</td>
<td>48.3%</td>
</tr>
<tr>
<td>Agree</td>
<td>17</td>
<td>29.3%</td>
</tr>
<tr>
<td>Undecided</td>
<td>8</td>
<td>15.5%</td>
</tr>
<tr>
<td>Do not agree</td>
<td>3</td>
<td>5.2%</td>
</tr>
<tr>
<td>Strongly do not agree</td>
<td>1</td>
<td>1.7%</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher’s own construction

Table 2 shows that 48.3% of the respondents strongly agreed, whilst 29.3% of the respondents agreed that training and skills development workshops, seminars, and conferences are necessary to build their managerial skills. However, 15.2% of the respondents were undecided, and 5.2% did not agree. Lastly, 1.7% of the respondents strongly disagreed. The owner/manager respondents seem to have an inclination towards training and skills development workshops, seminars, and conferences to build managerial skills. This is significant in the small business sector, particularly in the context of developing destinations such as Mnquma Municipality. Skills development and training can potentially enable the owner/managers to run the enterprises optimally.

4.3 Skills Development Initiatives help me become better in order to execute my managerial responsibilities

Skills development initiatives are essential for owners/managers to become proficient in managing their enterprise and executing managerial responsibilities. This study sought to ascertain how skills development initiatives could help owners/managers become better at discharging their managerial responsibilities. Table 3 presents the findings of the study.

Table 3: The skills development initiatives help

<table>
<thead>
<tr>
<th>The skills development initiatives</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>20</td>
<td>34.5%</td>
</tr>
<tr>
<td>Agree</td>
<td>19</td>
<td>32.8%</td>
</tr>
<tr>
<td>Undecided</td>
<td>8</td>
<td>13.8%</td>
</tr>
</tbody>
</table>
Do not agree 9 15.5%
Strongly do not agree 2 3.4%
Total 58 100

Source: Researcher’s own construction

Table 3 shows that 34.5% of the respondents strongly agree, whereas 32.8% agree. In contrast, 15.5% of respondents were undecided, while 13.8% of respondents do not agree, and 3.4% strongly disagree. It is argued that skills development enables owners/managers to execute their managerial responsibilities. It is argued that when managers/owners have gone through a skills development initiative, they are likely to execute their managerial responsibilities effectively. Thus, skills development forms an integral part of managing a sustainable tourism venture.

Table 4: Skills development forms part of management capacity building

<table>
<thead>
<tr>
<th>The skills development forms part management capacity building</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>20</td>
<td>34.5%</td>
</tr>
<tr>
<td>Agree</td>
<td>23</td>
<td>39.7%</td>
</tr>
<tr>
<td>Undecided</td>
<td>6</td>
<td>10.3%</td>
</tr>
<tr>
<td>Do not agree</td>
<td>6</td>
<td>10.3%</td>
</tr>
<tr>
<td>Strongly do not agree</td>
<td>3</td>
<td>5.2%</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher’s own construction

Table 4 demonstrates that 39.7% of respondents agreed that skills development forms part of management capacity building, while 34.5% strongly agreed. Additionally, 10.3% of business respondents were uncertain or did not agree, and 5.17% strongly disagreed. The results indicate that the majority of business respondents recognised the significance of skills development in enhancing management capacity within the small business sector. Therefore, improving management capacity has the potential to enable managers to effectively work towards achieving strategic objectives.

5. Discussion of Findings

The findings of the study provide significant insights into the educational qualifications and skills development among the owners and managers of SMTEs in Mquma Municipality. The data indicates that 51.7% of respondents hold a diploma or degree, while 29.3% have a matriculation certificate, and 13.8% have education levels of Grade 10 or lower. Only 8.6% possess postgraduate qualifications. These findings align with Mxunyelwa (2017), who identified a considerable portion of SMTE owners as having at least a national diploma. The relatively low level of postgraduate qualifications among respondents suggests a potential gap in advanced managerial and entrepreneurial skills, which could be a contributing factor to the challenges faced by SMTEs in this region.

The study also highlights the respondents' attitudes towards training and skills development workshops, seminars, and conferences. A significant majority, 48.3%, strongly agree, and 29.3% agree that these initiatives are beneficial for building their managerial skills. This finding is consistent with Kotler and Keller (2014), who emphasised that better entrepreneurial and managerial skills could positively impact the performance of SMTEs. However, the 15.5% of respondents who were
undecided and the 6.9% who did not agree indicate that there may be barriers to accessing or perceiving the value of these training opportunities. This underscores the need for tailored training programs that address the specific needs and circumstances of SMTE managers in rural areas.

Moreover, the study examined the role of skills development initiatives in enabling managers to execute their responsibilities effectively. With 34.5% of respondents strongly agreeing and 32.8% agreeing, it is evident that there is a recognition of the importance of skills development in managerial capacity building. These findings are in line with the arguments of Tassiopoulos (2011) and Vallabh (2014), who asserted that the poor performance of small businesses often stems from a lack of managerial competencies. The positive reception of skills development initiatives highlights a critical opportunity for policymakers and stakeholders to invest in comprehensive training programs. By doing so, they can enhance the operational efficiency and sustainability of SMTEs, thereby contributing to the broader economic growth and development goals outlined by the National Development Plan (2011) and other strategic frameworks.

6. Conclusions

The study findings demonstrate the significant impact of educational qualifications and skills development on the managerial competencies and overall performance of small, medium, and micro enterprises (SMTEs) in Mnquma Municipality. The data reveals that a considerable number of owners and managers possess at least a diploma or degree. However, there is a noticeable gap in advanced qualifications. It is worth noting that the majority of respondents hold a positive perception of training and skills development initiatives, highlighting the critical need for continuous professional development. Nevertheless, there are barriers hindering access to these opportunities, indicating the necessity for more accessible and tailored training programs. These findings are consistent with existing literature, emphasising the fundamental role of improved managerial skills in enhancing the operational efficiency and sustainability of SMTEs. In turn, this contributes to economic growth and poverty alleviation in rural areas.

Based on the study's findings, it is recommended that policymakers and stakeholders invest in comprehensive and accessible training programs specifically designed to cater to the needs of SMTE managers in rural areas. These programs should prioritise the development of advanced managerial skills, financial management, and general business administration in order to bridge the existing skills gap. Additionally, efforts should be made to increase awareness and perceived value of these training initiatives among SMTE owners and managers. Collaborating with educational institutions and industry experts can enhance the relevance and effectiveness of the training provided. Furthermore, the establishment of local training centres and the provision of online learning opportunities can help overcome access barriers, ensuring that all SMTE managers can benefit from these essential skill development programs. By implementing these recommendations, the performance and sustainability of SMTEs in Mnquma Municipality can be significantly enhanced, fostering economic growth and development in the region.

7. Declarations

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