An analysis of business skills and training needs in the Plastic Manufacturing Industry in the Eastern Cape Province

by

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ABSTRACT

Skills development is one of the major challenges faced by South Africans, with more than 60% of the labour force being unskilled. This affects many industries around the country as are they forced to employ unskilled employees a development which has a negative bearing on the quality of products having a negative bearing on the quality of products. The Plastic Manufacturing Industry in the Eastern Cape Province is a prime example of firms that are affected by the short supply of skilled personnel on the labour market. Required skills range from business skills that are essential for the operating of a business, to technical skills that are essential for the employees who are involved in the production of goods and services. Training in skills has been proven to be a key to success.

The primary objective of this study was to undertake an analysis concerning the significance of business skills and training needs for business success. Secondary objectives were to determine whether training in business skills as well as technical skills for the employees, could bring on success to the business. The study further went on to investigate the importance of training programmes for businesses. Research methodology included literature review and an empirical study, making use of the survey method through self-administered questionnaires. The statistical analyses included descriptive statistics, frequencies, Chi-square tests and linear regression and ANOVA. The Cronbach's alpha was used to measure reliability of the research results.

The research findings established that training in business skills and related types of skills was essential for the success of a business. The findings further showed that, due to training, there was improvement in sales, annual turnover, and product quality and employee skills. Recommendations included advice to invest in human capital through training which then should improve the quality of products. Further studies in other regions other than the Eastern Cape Province were recommended.

DECLARATION

I, the undersigned, Richard Macheke hereby declare that this dissertation is my own original work and that it has not been submitted, and will not be presented at any other University for a similar or any other degree award.

Richard Macheke

…………………………………..

Signature

25/04/2013

……………………………….

Date

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I dedicate this project to the Lord God Almighty; To God be the Glory, great things He has done for me. To all SDASM members thank you for your prayers.

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CHAPTER ONE

INTRODUCTION

1.1 <u>BACKGROUND TO THE RESEARCH</u>

There are unique success factors that determine the efficiency and success of all businesses. Once these unique success factors are determined, they should be promoted for the benefit of new entrants in the market place. This being the case, there is a great need for new upcoming businesses to display the same toughness and skills for survival in this global world of business. All firms should also apply these success factors for survival and growth in this economically challenging world. These success factors manifest themselves in the skills and leadership qualities that should be passed on by managers to their employees and other stakeholders for the satisfaction of customer needs and service delivery.

However, not all businesses are experiencing positive benefits and some end up closing down at an early stage. This could be attributed to the view that the opportunity was miscalculated, and unforeseen threats that are too daunting for the business to overcome, lack of essential information on running the business as well as lack of proper funding of the business (Monk, 2000:1). There are many other issues that may appear insignificant when the business is launched, but could overpower the business over time and eventually lead to its downfall. Seemingly, there is a lot that needs to be done in all fields that may prevent the loss of jobs, revenue and an increase in poverty in all communities, in order to prevent the failure of businesses. Apart from the financial problems that may affect a business, the input of the owner as well as business skills, (Smith & Perks, 2006:17) are very important in keeping any business afloat. Subsequently a study that provides a rigorous and systematic analysis of the entrepreneurial and business skills and training needs in the Plastic Manufacturing Industry (PMI) in the Eastern Cape Province of South Africa is imperative.

The attainment of necessary skills, could not only promote business and manufacturing efficiency, but they could also benefit the country at large. Therefore, it is vitally important to assess and specify success factors that promote efficiency and survival of theme that could serve as benchmarks for emerging PMIs. It is also important to assess whether training can play a role in the acquisition of these skills by entrepreneurs. Training in business skills and technically skills which are explained further in the literature section is vital for the success of the organisation.

Theme concentrates in the production of packaging materials, wire and cable casings, pipes, film and sheeting, appliances, construction materials, agriculture, footwear and automotive products. The products are produced through various processes such as injection moulding, blow moulding and extrusion. The PMI is part of the chemical sector which requires many skilled personnel in producing the products. It also employs a lesser number of highly qualified engineers and scientists. The focus of this study impertinently centred on skills of technicians and artisans, as well as attainment of related skills of the majority of workers who have a minimum level of education (Van Zyl, Wetten, Bredell, Kiely, Laing, Botha & Hardy, 2008:44). Nowadays, a need for an industry to be competitive is imperative, because of the threats of products from China that flood the local markets as well as the need for quality, especially in the automobile industry, where the majority of motor vehicles are produced for export purposes.

The PMI was chosen for this research because of its importance to the Eastern Cape Province. This province is one of the poorest in South Africa and has a level of high unemployment. According to the Eastern Cape Development Corporation (ECDC, 2009) the economy in the province is growing and the PMI is playing an extensive role in boosting the economy in the province which means that this study could assist in strengthening the PMI sector. The presence of a vibrant PMI is very crucial; therefore the purpose of this study is to determine the important related skills needed as well as the impact of such training on the success of the PMIs. This study should enable new

businesses in the industry to survive and keep growing, thus benefiting the province in development, employment and the country in revenue.

The chapter introduces the background to the research study at hand, identifying the statement of the problem which prompted this study. The research objectives which are to be achieved by this study are outlined and so are the hypotheses of the study. A summarised literature review to give the background to the concepts to be discussed in length in the chapters that follow is given. A brief outline of the research methodology of this study is formulated and the research outline concludes this chapter.

1.2 <u>STATEMENT OF THE PROBLEM</u>

The success of any business is mainly attributed to the ability of the manager to guide the business through good management, a lack of which could cause its downfall as well. For a firm to be prosperous it should be well-managed and the manager should acquire the necessary resources to drive the business. There is also a need to obtain necessary skills for the work to be done. According to Van Zyl, *et al.*, (2008, 46) 68% of the workers in the PMI sector are unskilled. This definitely impacts production, because the lack of skills hampers the quality of products. At the moment, most industries are still recovering from the Global Financial Crisis which affected most firms attached to the automobile industry (Gabru, 2009:1), resulting in the laying off of workers. All firms are now geared to get back to normal business and resultantly, have to hire new workers, the most of whom are not skilled. Consequently, the hired workers need to be trained in order to acquire the skills required in the production of plastic products. This study intends to find a link between success and training that can justify the need for training in the PMI.

1.3 <u>OBJECTIVES OF THE RESEARCH</u>

The following Primary and Secondary objectives are explored.

1.3.1 Primary Objectives

Below is the primary objective of the study.

- To identify specific business skills and training needs that are essential for the success of PMI.

1.3.2 Secondary Objective

The secondary objectives are explored below.

- To find out whether training in PMI related skills is linked to the success of the PMI.
- To establish what type of training skills is necessary for the success of PMI.
- To establish whether programmes exist to supply relevant training.
- To be able to recommend training programmes.

1.4 <u>HYPOTHESES OF THE RESEARCH</u>

The following Primary and Secondary hypotheses are explored:

1.4.1 Primary Hypothesis

Below is the primary hypothesis of the study.

- H_0 The success of PMI is not dependent on business skills training needs.
- H_1 The success of PMI is dependent on business skills training needs.

1.4.2 Secondary Hypotheses

The secondary hypotheses of the study are discussed below.

- $H_{2:0}$ Training in PMI skills is not a determinant of a successful PMI.
- $H_{2:1}$ Training in PMI skills is a determinant of a successful PMI.
- $H_{3:0}$ Business skills are not a determinant of success in the PMI.
- $H_{3:1}$ Business skills are a determinant of success in the PMI.
- $H_{4:0}$ Related types of training in skills is not a determinant of success in PMI.
- $H_{4:1}$ Related types of training in skills is a determinant of success in PMI.
- $H_{5:0}$ Training programmes are not relevant in quality training.
- $H_{5:1}$ Training programmes are relevant in quality training.

1.5   SIGNIFICANCE OF THE STUDY

This research is relevant to stakeholders, such as the management of PMIs, and skills training providers. Through this study, the management of PMIs would be able to acquire knowledge about the relevant skills needed to run their businesses smoothly and how training can improve the performance of their businesses. The results of this study could give an insight to government and service providers (training)about certain skills that need to be obtained by management as well as employees to boost this industry in the province. This research could also assist by producing findings on how best the government and service providers, through various programmes, can successfully assist management, to provide training in the necessary skills.

Since the purpose of skills training is to sustain the businesses, this research should have an indirect impact on the South African economy. Through this research, the PMI could be more successful which, in turn, could be seen as a positive factor for the national Gross Domestic Product and the economy and could be able to create and sustain jobs in the country. When the outcomes of this study are duly implemented, it could happen that living standards of the people in the country could be improved as well as reducing poverty and crime through creation of employment.

1.6   LITERATURE REVIEW

According to Saunders, Lewis and Thornhill (2000:44) a literature review forms the framework for research, as it helps in developing a good understanding of the topic and it should provide an insight into relevant previous research and emerging trends. Based on key points drawn from the literature review, the author presents the reader with some background knowledge of research questions and objectives in the section that follows. This should place this study in context with regard to previous research work on the subject.

1.6.1 Theoretical Paradigm

This part focuses mainly on the core of the research which is business skills and training needs in the PMI. It explains the business skills that are needed for business success and the need for training in the acquiring of skills. The discussion on the next section starts with business skills.

1.6.1.1Business Skills (B/S)

Business skills are required to run any business on a daily basis (Botha, 2006:70). One of the definitions of good management is the skilful use of materials and time towards the achievement of business objectives (Sackett, Rose & Adamson, 2003:298). Midlane (1997) researched critical success factors for a small knowledge-based service and found from a general point of view that managerial competence is rated as the most critical success factor. Business skills cover all the conventional management training areas in a business (Van Vuuren & Nieman, 1999:4; Monk, 2000:12). Accordingly Nieman and Bennet (2006: 4), mention that there are certain functional areas in a business which are essential for any entrepreneur and include general management, marketing management, financial management, human management, production and operations management, corporate communications management, information management and e-business, purchasing and materials management and technical skills (Ibrahim & Soufani, 2002). Lack of the above mentioned skills training education has been cited as an effective way to reduce failure (Ibrahim & Soufani, 2002).

1.6.1.2 Training needs

According to Hackett (2004:15), training is basically a learning experience, which seeks a relatively permanent change in individual's skills, knowledge, attitudes or social behaviour. According to Vemic (2007:211), training and development does not imply only obtaining new knowledge, abilities and skills, but also the possibility to promote entrepreneurship, introduce employees to changes, encourage the changes of their attitude, introduce the employees to important business decisions and involve them actively in the process of decision-making. Many studies have revealed that training contributes significantly in business growth. Edgcomb (2002:45) established that training has a significant impact on participant characteristics and final participant outcomes. Training adds to the skills of the managers/owners, changes their behaviour on how they perceive and conduct business activities and in turn enhances their ability to perform better. With the right skills, the managers/owners can gain important advantages even under a competitive environment. Roomi, Harrison and Beaumont-Kerridge (2009:7) add that through training, the manager/owner can acquire networks, transfer technology, develop commercial entities and acquire new and better management techniques because training is mainly geared towards building entrepreneurial skills and traits of the recipients in order to better their business practices. Business skills are also deemed necessary in the transformation of the business hence the owner/managers should likewise undergo training (Kessy & Urio, 2006:54).

1.6.2 Research Constructs

Previous studies have established specific business skills essential to the success of businesses, whilst their absence negatively impacts the performance of the business. According to Botha (2006: 252), the absence or low levels of key skills such as motivation, the ability to gather resources, financial management, human resource management, marketing and technical skills, may lead to zero performance, while

weakness in a particular element would decrease effectiveness in the overall performance of the venture. This, thus, means that an increase in the capacity of any of these skills can lead to an increase in the performance of the business (Botha, 2006: 252). The absence of supportive skills on the other hand, would reduce performance, yet not completely destroy the business. This also means that an increase in the capacity of any of these supporting skills will also assist attainment of business performance. This gives the view that it is important to have all the core skills in place so as to get the desired performance and also the supportive skills of employees to boost business performance.

Business skills can be acquired through on-the-job or training at institute. According to Antonites (2003: 138), the transfer of skills can effectively take place by means of participation of skilled individuals/employees in the learning of unskilled individuals. The fact that the Umsobomvu Youth Fund (2004: 4) also offers some training programs alludes to the need for successful owner/managers to secure competitive businesses. It indicates that relative business skills are vital to the sustainability of the business and should, therefore, be taught to aspiring management of PMIs. The above mentioned constructs thus form the theoretical framework underlying of this study.

1.7   RESEARCH METHODOLOGY AND DESIGN

Research methodology refers to the way in which data is gathered for a research project. According to Zindiye (2008:123) it is the 'blue print' for the collection, measurement, and analysis of data in order to achieve the objectives of the research project. Research methodology is important in a research work because it specifies the sampling design (Zindiye, 2008:123). This section explains the methodology applied in the survey, where and from whom the data were collected, how many respondents participated in the study and the instrument used to collect the primary data. It comprises the research design, population and sample, data collection procedure, data analysis and delimitation of the study.

1.7.1 Research Design and Plan

The study uses the quantitative research method. The purpose of quantitative research is to produce findings that are precise and can be generalised (Rubin & Babbie, 2001:48). Cooper and Schindler (2006:303) define a quantitative design as a systematic process in which numerical data are utilised to obtain information about the phenomenon under study. In a quantitative research study, the emphasis is on measuring the variables and testing hypotheses that are linked to the general causal explanations (Churchill & Brown, 2004:90). So, since this study examines the skills that are needed for success in the PMI and impact of training, the data has to be collected and numerically as well as by PMI employees, analysed and hence the quantitative approach is the best fit for this study.

1.7.2 Population and Sample

A survey population is the total composition of elements from which the sample is drawn (Wheather & Cook, 2000:201). Burns and Grove (2001:236) describe the population as all elements/subjects that meet the criteria for inclusion in a study. According to the Eastern Cape Development Corporation (ECDC, 2009) there are 90 firms in the Plastic Manufacturing Industry in the province.

1.7.2.1   Sample size

Tustin, Ligthelm, Martins and Van Wyk (2005:359), note that the correct sample size in a study is dependent on the nature of the population and the purpose of the study. The sample size usually depends on the population to be sampled, although there are no general rules (Cooper & Schindler, 2006:446). Generally, sample sizes larger than 30 and smaller than 500 are appropriate for most research studies (Tustin *et al.*,

2005:360). Nevertheless, the determination of the sample size is usually a balance between the margin of error and the confidence level.

According to Raosoft (2011) the margin of error is the amount of error you can tolerate and this is selected by the researcher depending on the precision needed to make population estimates for a given sample. The margin of error in business generally ranges from 3% to 7%. The confidence level is the estimated probability that a population lies within a given margin of error - it is the amount of uncertainty you can tolerate (Tustin *et al.*, 2005:360). Confidence level in business ranges from 90% to 100% (Raosoft, 2011). Thus for the purpose of this study, the population is 90 and using a margin of error of 5% (which is usually used in business research), a confidence level of 95% and a response distribution of 50% gives a sample size of 74 (Raosoft, 2011).

1.7.2.2   Sampling Method

The research used the probability sampling method. It comprises samples in which the elements being included have a known chance of being selected (Proctor, 2000:91). According to Tustin *et al.*, (2005:345), each element in probability sampling, has a known non-zero probability of being included in the sample. It enables the sampling error to be estimated. Random sampling then follows in the choice of firms from which data is collected. Simple random sampling is when the probability of being selected in the sample is known and equal for all members of the population (Churchill & Brown, 2004:140). So this research used the random sampling to collect the data from the respondents.

1.7.3 Data Collection Instruments

The researcher used the questionnaire in the collection of data. A questionnaire is a form containing a set of questions, especially one addressed to a statistically significant number of subjects as a way of gathering information for a survey (Tustin *et al.*, 2005:385). The questionnaire consists of open-ended questions, as well as closed– ended questions consisting of dichotomous questions, multiple-choice questions and Likert-scale questions (Cooper & Schindler, 2006:395). The researcher delivered the questionnaires to the firms' location of operation and collected them after two weeks. This gave the owner/managers time to complete the questionnaires.

1.7.4 Editing and Coding of data

After the data was collected, data editing followed. According to Cooper and Schindler (2006:236), editing involves a thorough and critical examination of the competed questionnaire, in terms of compliance with the criteria for collecting meaningful data, in order to deal with questionnaires not duly competed. Editing of data detects errors and omissions, corrects them where possible and certifies that minimum data quality standards have been achieved (Tustin *et al.*, 2005:452). Data coding involves assigning of numbers or other symbols to answers so that responses can be grouped into a number of classes and categories (Zindiye, 2008:140). Coding assists the researcher in reducing the number of replies into a few categories containing critical information required for analysis.

1.7.5 Data Analysis Procedure

The collected data was analysed by the Statistics Department of the University of Fort Hare. The package made use of included the statistical Analysis System V8 which is used to provide descriptive analysis and Statistical interpretation for graphical analysis. The analytical methods used were descriptive analysis used to count data and the

correlation used for testing associations of respondents. Correlation usually refers to the degree to which a linear predictive relationship exists between random variables, as measured by a correlation coefficient (Kunene, 2008:169).

The research also made use of inferential statistical tests in the data analysis. Inferential statistics is the method used to draw conclusions about the population itself. It allows the researcher to draw conclusions about the population on the basis of data obtained from samples (Terre Blanche & Durrheim, 2002:105). It involved the use of the chi-square test, the t-test and ANOVA. The chi-square test is a binominal test that is appropriate for situations in which a test for differences between samples is required especially where the population is viewed as only two cases, such as successful and less successful and all observations fall into one or the other of these categories (Cooper & Schindler, 2001:484). The t-test is used to test a proposition stating that the mean scores variable will be significantly different for two independent sample groups (Zikmund, 2003:524). It tests for difference of means, assuming that the two samples are drawn from normal distributions. Lastly One-way Analysis of Variance (ANOVA) was used and it tests the null proposition such that the means of several populations are equal (Kunene, 2008:170). It is used to test the main and interaction effects of categorical variables on a continuous dependent variable, controlling for the effects of selected other continuous variables which co-vary with the dependent.

1.7.6 Reliability and Validity

Mbonyane (2006:23) defines reliability as "constituency of measurements whereas validity of an instrument that measures what they are supposed to measure which is correct." Reliability is "the instrument which measures the repetition of the research findings", where the validity is the extent to which research findings accurately represent what is really happening in the situation (Mbonyane, 2006:23). This study used Cronbach's alpha as a measure of reliability. Cronbach's alpha is a test for survey's internal consistency. It is also called scale reliability test. It is a measure of how well

each individual items in a scale correlates with the remaining items. Validity relates to the extent to which the research data and the methods for obtaining the data are accurate, honest and on target (Denscombe, 2003:201). According to Cooper and Schindler (2006:212) the researcher may choose to do it alone or may use a panel of experts to judge how well the instrument meets standards. The questionnaire which was used in this study was given to a statistician to evaluate it for face and content validity as well as for conceptual clarity and investigative bias. The questionnaire is pre-tested among a few industries before being used to the rest of the population to check for the reliability and validity of the questionnaire. The results of the final data collection were consistent with the results from the pre-testing.

1.8 <u>LIMITATIONS TO THE STUDY</u>

The study is mainly focused on the importance of skills training in the Plastic Manufacturing Industry. It only covers the industries in the geographical area of Eastern Cape and not the whole of South Africa. This research can however be used to portray the situation of the PMI in South Africa, since the geographical location had little influence on the study. Also there are errors that are expected in a research project. The major types of errors in research are sampling, response and non-response errors (Babbie, 2007:195). Sampling errors arise from estimating a population characteristic by looking at only one portion of the population rather than the entire population (Cooper & Schindler, 2006:332). The response errors are found when the researcher makes an error in the design of the measurement instrument or may not properly define the problem and the related information required (Churchill & Brown, 2004:138). Babbie (2007:196) describes a non-response error as an error caused by failure to contact all members of a sample and/or the failure of some contacted members of the sample to respond to all or a specific part of the questionnaire. The researcher on the other hand, tried to reduce these errors so that the results may be as reliable as possible.

1.9   OUTLINE OF PROPOSED RESEARCH REPORT

The entire research is summarised below.

Chapter One

Chapter one of this research project focuses on the introduction of the research topic, the research problem and its background. It also covers the research questions, objectives and the hypotheses. It is the guide to the entire research project.

Chapter Two

The need for business skills is discussed in the literature review in this chapter. It covers the understanding of business skills and how the skills are important in the survival of businesses. It also brings clarity about type of skills needed in the PMI in the Eastern Cape.

Chapter Three

The chapter discusses the need for training in PMIs. It goes further to discuss the challenges encountered in training and how these challenges can be addressed to provide quality training.

Chapter Four

The research methodology of the study is explained in detail in chapter four. It covers the research method, how the research is carried out, and the population under study, how the sample population is selected as well as the instrument of data collection to be used. It also highlights how the data are analysed.

Chapter Five

All the data findings are presented in chapter five. The data is presented in a form of tables and graphs so that it will be easy to read and understand.

Chapter Six

The last chapter incorporates the conclusions on the findings of the study. Recommendations to improve the performance of PMI are discussed in the chapter. The limitations of the study are highlighted in the chapter. Finally, areas for further research in relation to PMI are highlighted.

1.10 <u>SUMMARY</u>

This chapter highlights the importance of businesses to obtain sustained economic growth, employment creation and poverty alleviation in South Africa. Lack of skills is highlighted as a major concern for the PMI, a problem that could be addressed through training. The chapter formulates the research objectives, the research hypotheses and discusses the significance of the research. Furthermore, the chapter highlights the literature review and the research methodology, the limitations of the study and the layout. The next chapter focuses on business skills.

CHAPTER TWO

THE CONCEPT OF BUSINESS SKILLS

2.1 <u>INTRODUCTION</u>

This chapter focuses on the business skills that are relevant for the good functioning of a business such as in the PMI. These business skills, if correctly implemented, will strengthen the business as the owner/management have got the necessary skills to deal with the challenges and opportunities that face their business operation. These skills include general management skills, human resources, marketing, legal, networking, financial management, technical skills, ICT skills and operational skills.

2.2 <u>BUSINESS SKILLS</u>

Business skills are required to operate a business on a daily basis. Business skills cover all the conventional management training areas in a business (Van Vuuren & Nieman, 1999:4). Organizations that are well managed develop a loyal customer base, grow and prosper. Having inadequate business management skills is one of the most prominent reasons for failure of firms (Monk, 2000:12). It is possible to identify various skills of effective and efficient managers who operate successful businesses. Each of these is discussed in the sections that follow starting with general management skills.

2.2.1 General management skills

General management can be defined as the process of getting things accomplished with and through people by guiding and motivating their efforts toward common objectives (Boone & Kurtz, 2006:269). Epstein and Rogers (2002:183) summarise the competencies of a skilled manager as follows, which are that he/she manages rewards;

recognising achievement; communicates effectively; presenting a clear vision; manages teams effectively; manages the environment; matches people's skills with tasks; provides on-going training; allocates resources generous and fair, and demonstrates high motivation and enthusiasm in his/her work. Nieman and Bennett (2002:89) describe the above-mentioned skills in terms of the management process of planning, organising, leading and control.

2.2.1.1   Planning

Planning is the process of anticipating future events and conditions and determining courses of action for achieving organisational objectives. According to Weihrich (2005:3) planning involves the devising of a systematic process for attaining the goals of the organisation; which should prepare them the organisation for the future. It is the setting of goals, objectives, policies, procedures and other plans needed to achieve the purposes of the organisation. Effective planning can help the business to crystallise its vision, as well as avoid costly mistakes and seize opportunities. Effective planning requires an evaluation of the business environment which resembles a well-designed road map of the actions needed to lead a firm forward (Boone & Kurtz, 2006:269).Planning skills important for business success include goal setting, careful planning of time and resource usage as well as the business plan development (Friedrich, Glaub, Gramberg & Freese, 2003:2).

2.2.1.2   Organising

This is the means by which managers blend human and material resources through a formal structure of tasks and authority. It can also be said to be arranging and distribution of work among workers to achieve the organisation's goals (Hill, 2007:5). It involves classifying organisational objectives, grouping tasks into a logical pattern and assigning them to specific personnel. It includes the focus on division, coordination, and control of tasks and the flow of information within the organisation (Weihrich, 2005:5).

Managers must staff the firm with employees capable of performing the necessary tasks and assigning authority and responsibility to these individuals. It also involves studying the company's existing structure and determining whether to reorganise it so that the company can better meet its objectives (Boone & Kurtz, 2006:269).

2.2.1.3   Leading

This is the process of guiding and motivating employees to accomplish organisational objectives. It includes guiding, teaching, motivating, explaining procedures, issuing orders and seeing that mistakes are corrected (Weihrich, 2005:6). This may include attempting to develop employees to their full potential by directing and coaching them. Managers have to create a climate that is conducive for employee satisfaction and high employee morale whilst achieving the goals of organisation (Friedrich *et al.*, 2003:4). Managers may also get employees to agree on how to they will meet objectives and inspire them to care about customer satisfaction or their contribution to the company (Boone & Kurtz, 2006:269).

2.2.1.4   Controlling

This is the evaluation of an organisation's performance to determine whether it is accomplishing its objectives. The purpose of controlling is to assess the success of the planning function. Controlling leads to identification of problems that in turn need to be addressed through establishment of performance standards and measuring performance (Hill, 2007:6). It is to make sure that the actual performance is in line with intended performance and taking corrective action as needed. It also provides feedback for future rounds of planning. There are four basic steps of controlling which are to establish performance standards, monitor actual performance, compare actual performance with established standards and take corrective action if required (Boone & Kurtz, 2006:269).

2.2.2 Financial management skills

Financial management skills and systems are important criteria in the on-going success of a business. Financial management abilities are knowledge of the resources required to run the type of business and the ability to monitor and control these resources (Gartner, Starr & Bhat, 1999:219; Ayotte, 2007:179). Hill (2007:2) mentions that it is the application of a set of skills that individuals and businesses use to manage their money, particularly the differences between income and expenditure and the risks of their investments.

Financial management includes knowledge and understanding of accounting principles, financial planning knowledge of how to find alternative sources of finance, bookkeeping, cash flow management, credit management, cost management, payroll, stock control, supplier payments, maintaining financial records and accounts, tax management and computations, dealing with computerised accounting systems, profit versus income performance measurement, realistic economic estimates, drafting and interpreting financial statements including income, balance and cash flow statements and general knowledge of the sources of finance (Nieuwenhuizen & Kroon, 2002:162; Perks & Struwig, 2005:173; Tustin, 2003:26). A great marketing team may generate the necessary sales, but unless the cash is managed and a constant flow of cash maintained, the business will fail in the short term (Scarborough & Zimmerer 2000:32; Swanepoel *et al.*, 2000:201).

2.2.3 Marketing skills

Marketing skills important for business success include knowledge about customers and how to sell to them. According to Tustin (2003:23), marketing skills include the conducting of market research and analysis, understanding the needs of the market, devising a marketing strategy, marketing plan, identifying the marketing mix (price, product, place, promotion), identifying a target market, selecting a selling strategy for

that market and positioning of the business in that market, quality driven client service based on client needs, as well as actual selling of products. It also includes product development, promotions, advertising, merchandising, public relations, e-commerce, competitor knowledge, analysis and developing strategies to surpass the competition (Tustin, 2003:23). It is of importance to know in what way to craft and communicate a compelling message to the right target audience that generates business and boosts profitable revenue streams. Marketing is a very important aspect in the success of any business.

2.2.4 Networking skills

A network is a special type of relation linking a defined set of persons, objects or events or a set within certain types of mutually rewarding relationships exist, from where an entrepreneur can obtain resources and get critically needed support for the development and growth of a business. Resources that can be obtained through networking include information about business opportunities, innovation, referrals, business linkages, shared costs, networks of business partners, professionals, technicians, specialists as well as generalised consultants. It also includes the supply chain, potential contractors, bankers, distributors, clients, customer linkages, sector-based trade associations, professional memberships, chambers of commerce, institutional ties as well as networks of collaboration and coordination (Jansen, 2003; Li & Ferreira, 2006:49).

2.2.5 Supply value chain management skills

Supply value chain management skills are defined as those abilities needed to secure sources of supply, control stock, identifying raw materials needed, procuring suppliers, wholesalers and retailers as well as buying and selling all required inputs (Gundry & Welsh, 2001:457). Poor controls within a business are a direct contributor to business failure. These controls include financial and inventory controls. Inventory can be seen

as cash in another form, and therefore it impacts directly on financial controls. Overstocking ties-up cash unnecessarily, and under-stocking leads to the loss of sales. Similarly, debtors are also able to consume cash unnecessarily. This requires consistent and tight controls to ensure that the current assets of the firm are well controlled (Nieman *et al.,* 2003:274). It means that the balance of stock should be acceptable and the business owners/management that have got success in mind, should be able to control stock.

2.2.6 Operational skills

Operational skills are defined as the know-how to make/produce the products and services according to a given standard. Operational management includes production management/trading skills, process management, and quality control. Seeking competitive advantage, meeting and surpassing quality of competitors is a benefit of operational skills (Tustin, 2003:26).

2.2.7 Human resources management skills

In short, the term human resources encompass all people within the business. Human resources management is defined as a method used to identify, select, develop, retain and motivate a workforce that possess superior abilities, that apply their abilities in their work-related activities and whose work related activities result in these firms achieving superior intermediate indicators of firm performance (Way, 2002:766).

Human resources management includes recruitment, selection, training and development of employees on a continuous basis. It also includes interpersonal relations, handling of employees, identification of key performance areas, performance reviews, arranging teamwork, giving positive and constructive feedback, assigning tasks, resolving conflict, allocating resources, motivating employees and delegating

(Thornhill & Amit, 2003:506). It also deals with the devising of an equitable compensation system and rates of pay.

2.2.8 Legal skills

Legal skills include the ability to deal with business forms, contractual law, understand the necessity for ethical behaviour within a business as well as the ability to register trademarks, logos and designs (Botha, 2006:71). This helps the business to operate according to the applicable laws and the ability to avoid some unnecessary law suits that may damage the reputation of the firm.

2.2.9 Business systems and processes skills

Business systems skills are those skills that allow management to set up and run procedures, processes, and record-keeping towards effectiveness and efficiency. McKeiver and Gadenne (2005:513) note that in practice the majority of firms are following a resistant strategy when it comes to business systems.

Business systems include organisational structures, record keeping and information systems, planning and control systems, financial accounting systems, marketing as well as customer management systems. It also includes operations systems, administration systems, and communication systems, human resources systems, including grievance procedures, disciplinary procedures, effective human resources performance and the reward system. Nieuwenhuizen and Kroon (2002:159) add that important record-keeping includes incoming stock purchase records, stock-taking records, inventory books, inventory control, organisational management as well as clerical accounting. It also includes letters, filing systems, customer records systems, accounts payable, payroll records, cash records, fixed assets records and the business insurance register.

Record-keeping systems are important as they provide any business with the information necessary to run the business successfully and detect fraud. An effective record keeping system makes it possible for the organisation to evaluate the business on a weekly/monthly basis and to focus on the most important issues.

2.2.10 Information and Communication Technology (ICT) skills

ICT skills are defined as those skills that allow the business owners/management the optimal use of IT, including specific computer applications which give the business a strategic competitive advantage, as well as everyday business operations (Baard & Van den Berg, 2004:2). The skills include typing and keyboard skills, basic internet and e-mail skills, computer programming, computer system analysis, information and communication technology, network design, website development, hardware support, software support, computer assistance, computer equipment operation, technology and ICT applications.

Appropriate ICT applications can assist firms to respond promptly to its external environment, tap into global information, networks and markets, gain in efficiency and business performance, increase managerial competence, reduce costs, increase turnover, increase profitability as well as reduce work in progress. It can also improve the working environment, improve effectiveness and ability to retain existing clients plus achieving more flexibility and speed (Bridges, 2002:3).

2.2.11 Technical skills

Technical or vocational skills are defined as those specific skills needed to work within a specific occupation. Smith and Perks (2006:4) defines it as the ability to use tools, procedures and techniques of a specialised field. Technical skills include expertise, the knowledge of the industry, its standard and practices, the ability to use the tools, procedures and techniques of the specified tools, the understanding of how specific

things work, products/service-specific knowledge that enables one to know what the particular product could do and what it could be used for, process knowledge or how to manufacture the relevant product and all steps that need to be taken to develop and produce the product or perform the tasks necessary to render the service. This skill requires the ability to use a special proficiency or expertise to perform particular tasks. Managers acquire these skills initially through formal education and then further develop them through training and job experience. Technical skills are most important at lower levels of management. Lack of technical skills or related experience in the chosen business also has an enormous impact on the ability of the business to succeed (Swanepoel *et al.,* 2000:201).

2.3 <u>SUMMARY OF BUSINESS SKILLS WHICH TRAINING COULD IMPROVE</u>

The summary of business skills needed in a business which could be offered to owners/managers through training (Kunene, 2008:135) are displayed on the next page.

Table 2.1: Summary of business skills which training could improve

Skill	Explanation
Effective business systems and procedures	This includes business systems, procedures, processes and records, the organizational structure, business planning systems, control mechanism, measurement systems, reporting systems and relationships, as well as reward systems
Business linkages	This includes business associates, business contracts, industry clustering and networking
Computer literacy	This includes information and communication technology, ICT applications, computer systems, typing, keyboard, internet, e-mail, computer programming, data-processing, information networks and practices
Creativity, innovation and opportunity identification	This includes the ability to create, to innovate, to be alert, to identify and to discern viable business opportunities.
Financial management	This includes cash flow management, working capital management, forecasting, costing, financial analysis, financial control, bookkeeping, accounting, and capital budgeting, credit and collection management
Human Resource Management	This includes employee relations, delegation, organisational planning, leadership, managing personnel, employee training, career development, teamwork, job evaluation, vision, conflict management, personalities, characters and culture at work.
Legal	This includes business registration, government relations, legislation, regulations, incentives, support, and tax laws
Marketing	This includes marketing, sales, market research, business intelligence, customer care, customer relations promotions, competitor's knowledge, competitor analysis, increasing sales, international trade, government tenders, securing contracts, market planning, product pricing, sales management, direct selling and distribution management
Operations	This includes quality control, production planning, and production scheduling and efficient production techniques
Research and development	This includes technical, market and product specific research.
Strategic planning	This includes strategy development, planning, business plan development, organisational control, organizing, strategic awareness, goal orientation and plan implementation
Supplier management	This includes purchasing, inventory, stock control, cost analysis, value chain and supplier management
Technical ability	This includes vocational training, industry-specific knowledge, product-specific knowledge on how to construct product or service, knowledge of industry standards and practices

Source: Kunene (2008:135)

2.4 <u>SUMMARY</u>

This chapter's main focus was on business skills and the manner in which they are able to contribute to the smooth running of any business. These skills need to be learnt, meaning that owners/management that do not have these necessary skills, should undergo training in order to obtain these skills. Due to global changes a need arises to keep the employees well-trained in necessary skills and establish the need to undergo re-training in certain skills. The next chapter focuses on skills training, its benefits as well as the challenges inherent to this concept.

CHAPTER THREE

SKILLS TRAINING, BENEFITS AND CHALLENGES

3.1 <u>INTRODUCTION</u>

This chapter discusses the concept of training of skills, for owners, management as well as employees in an organisation. It covers the need for training, the delineation between training and education, the impact of training on the business, the types of training and the benefits and challenges of training. The necessity of employee training is also discussed in this chapter. This chapter starts with the definition of training and the elements that trigger training in an organisation.

3.2 <u>TRAINING</u>

According to Shadare, (2010:2), in any work organisation across the world, productivity, improved performance and competitive advantage have become issues of concern among the stakeholders. It has been argued invariably that workers' training tends to foster effective utilisation of organisational resources. Armstrong (2002:45) asserts that training is concerned with providing learning and development opportunities, implementing training intervention and planning as well as conducting and evaluating training programmes. The author discloses that the overall aim of manpower development programmes is to see that the organisation has the quality of workforce it needs to attain its goals for improved performance and growth.

According to Hackett (2004:15), training is basically a learning experience, which seeks a relatively permanent change in individual's skills, knowledge, attitudes or social behaviour. Hellriegel, Jackson, Slocum, Staude, Klopper, Louw and Oosthuizen (2001:251) refer to training as the improving of an employee's skills to the point where

he or she can do the current job more effectively. Training interventions and methods are thus aimed at changing the current level of skills and knowledge regarding a job. Training enables participants to change behaviour and how they perceive their activities (Kessy and Temu, 2010:105). According to Vemic (2007:211), training and development does not imply only obtaining new knowledge, abilities and skills, but also the possibility to promote entrepreneurship, introduce employees to changes, encourage the changes of their attitude, introduce the employees to important business decisions and involve them actively in the process of decision-making.

Many expert commentators argue that training has become increasingly important to the survival of organisations as a result of changes both in the context of organisations, and within organisations (Gilley & Maycunich, 2000:142). The importance of training is primarily attributed to rapid and continuous change in the organisation's environment (Coetzer, 2002:3). According to Gilley and Maycunich (2000:142), forces such as globalisation, technological innovation, changing consumer preferences and deregulation are thought to be responsible for change initiatives. Some commentators believe that organisations that learn faster will be able to adapt quicker and thus avoid the economic evolutionary weeding-out process (Burke & Hopkins, 2000:5).Shadare (2010:3) submits that the objective of training in any work organisation is achieved by ensuring as far as possible, that everyone in the organisation has the knowledge and skills and reaches the level of competence required to carry out their required job effectively. Similarly, Armstrong (2002:47) contendsthat the performance of individual employees and teams in work organisation is subject to continuous improvement on their skills and employees should be developed in a way that maximizes their potentials.

Different theories have been used to explain performance and growth of enterprises. The human motivation view also explains the effects of a business owner's reaction to the performance of business. According to Benzing and Chu (2009:11), subscribers of this theory assert that the social and psychological motive can significantly influence growth-seeking behaviour and therefore growth of the business. They further argue that

personal needs of owner/managers motivate them to seek further growth and that these needs are socially generated, sustained and changed. These factors and human needs can be shaped through training. Singh and Belwal (2008:76), argue that other motivation for growth includes the completion of challenging tasks, having control over one's own job, upward movement of business activities, creating more opportunities for businesses, learning new skills by working in challenging environments and sometimes the poverty reduction motive. Bratton and Gold (2003:59) mention that some of these motivation characteristics can be acquired through training and learning from others.

3.2.1 Importance of training

The importance of training as a tool for business growth has been recognised worldwide. Many studies have revealed that training contributes significantly in business growth. Edgcomb (2002:45) established that training has a significant impact on participant characteristics and final participant outcomes. Training adds to the skills of the managers/owners, changes their behaviour on how they perceive and conduct business activities and in turn enhances their ability to perform better. With the right skills, the managers/owners can gain important advantages even under a competitive environment. Roomi, Harrison and Beaumont-Kerridge (2009:7) add that through training, the manager/owner can acquire networks, transfer technology, develop commercial entities and acquire new and better management techniques because training is mainly geared towards building entrepreneurial skills and traits of the recipients in order to better their business practices. Business skills are also deemed necessary in the transformation of the business hence the owner/managers should likewise undergo training (Kessy & Urio, 2006:54).

Furthermore a study by Kessy and Temu (2010) also showed that training is very important in the facilitation of business growth. It revealed that businesses owned by individuals who underwent business related training, demonstrated higher growth than those owned by individuals who have never had any kind of business training (Kessy

&Temu, 2010:109). They found out that training helps business owners/managers and potential entrepreneurs to meet challenges of today's business environment, manage the ever-changing world and plan for the future of their business. They further argue that this could be achieved, because, in order to effectively pursue growth strategies, the business manger requires business skills to improve business management and skills obtained in training which should become an asset that can help to overcome uncertainty in decision-making and also open avenues for opportunities. Guzik (2002:1) concludes by saying that training and developing employees for optimum performance is crucial to organisational success, as it represents a planned effort by an organisation to facilitate employees' learning of job-related behaviours. There is however a need to distinguish between the closely linked concepts of training and education.

3.3 <u>TRAINING AND EDUCATION</u>

There is a close link between training and education with these concepts being usually used interchangeably. The key concept of these two terms is that both involve the transferring of knowledge, though this may involve making use of different methods, information and skills, involving different stages in the life of a person. Distinguishing between these concepts is of great importance, so that their meaning can be understood. It is also accepted that the ability of an individual to acquire knowledge, skills and attitudes in a training context, may depend directly or indirectly on the quality of previous educational experiences (Buckley & Caple, 2004:6). On the other hand, education is influenced by the skills which an individual has acquired through training and involves exploiting of new learning situations. According to Branchard and Thacker (2007:35), training on the other hand, usually involves the acquisition of behaviours and facts that are more easily defined in a specific job context. Training is more job-oriented than person-oriented, education is more person-oriented and is a broader process of change. Its objectives are less amenable to precise definition.

Perceived from another angle, training can be seen as a more mechanistic process which revolves around uniform and predictable responses to standard guidance and instruction reinforced by practice and repetition. Education, on the other hand, is a more organic process bringing about less predictable changes in the individual (Buckley & Caple, 2006:7; Branchard & Thacker, 2007:35). Training aims to provide knowledge and skills to initiate the attitudes which are needed to perform specific tasks. Education usually provides theoretical and conceptual frameworks designed to stimulate an individual's analytical and critical abilities (Hackett, 2004:24). Changes brought about by training are more immediately observable in the short term where as the outcomes of education and development is more long-term and possibly observable in a more profound way.

The next section revolves around concepts inherent to training.

3.4 <u>TRAINING CYCLE</u>

Training needs careful planning for it to be in proper order. The training cycle identified by Certo (2006:440), appears on figure 3.1 on the next page, shows the steps that need to be followed in planned training in order to achieve a successful training session. As part of the cycle, the first step should be the assessing of needs for training. This involves the identification of the various needs for training in an organisation (Certo, 2006:441). The second phase involves the planning stage which paves way for the setting of objectives. Objectives again, are based on a comparison of the current and desired level of performance as well as skills. It is imperative that the training objectives should meet the criteria for effective objectives which are written, clear, measurable, specific and challenging, but achievable (Certo, 2006:441). Erasmus *et al.*, (2005:49) adds that such training objectives should also support the organisation's goals.

Once the planning is done, the next step is an organisation to do an evaluation on who is supposed to undergo training and this depends on the training needs which are

discussed in the next section. The next step involves the actual training commencing and the organisation having to decide whether to hire someone to do the training or whether it will be done by an experienced employee from within the organisation. The organisation's management now has to choose the methods of training to be used, preferably combining a variety of methods, because individuals have different learning styles, and they approach a subject and retain information in varying ways (Certo, 2006:441). According to Hackett (2004:27), training methods should include visuals and audios as well as a chance to involve employees in trying out what they learn. The process of evaluation is the last step, which involves an assessment as to whether the employees learnt something and also to identify needs for additional training. The training cycle appears in figure 3.1 below.

<u>Figure 3.1: Training Cycle</u>

Source: Certo (2006:440)

Figure 3.1 can be seen as a process starting with the assessment of training needs and ending with the evaluation of training, a cycle which is discussed in detail in the next section.

3.5 <u>TRAINING NEEDS ASSESSMENT</u>

According to Erasmaus, Loedolff, Mda and Nel (2005:49), this is a process of discovering precisely what gaps exist between what people know, do or feel and what they should know, do or feel in order to perform competently. It deals with identifying the gap between current and expected results. For training to be effective, it is necessary to determine the training needs not only of the individuals and groups but to ascertain how their needs fit the overall objectives of the organisation (Hackett, 2004:25). The four types of training needs assessment are organisational, group, individual and job needs assessment. They are discussed below, starting with organisational needs assessment.

3.5.1 Organisational needs assessment

These are needs which are unique to the organisation and include improving productivity, building morale and improving competitive status (Buckley & Caple, 2004:9). It is concerned with the core components of the organisation, including examination of organisational goals, resources, external and internal constraints. This may include the aspects such as government policy, economic realities and value systems and the organisation's future plans, organisation's training climate, facilities and resources. Erasmus *et al.*, (2005:49), add that such needs are difficult to assess sometimes, since they have to be derived from group activities where aspects such as organisational goals, objectives and priorities are determined.

3.5.2 Group needs

These are related to a number of employees doing the same type of work, who lack certain skills and also refers to a specific job level or category (Mackey & Livsey, 2006:199; Hackett, 2004:25). This category of needs should enable the designer of identity requirements in respect of specific job-related training, leadership and management training.

3.5.3 Individual needs assessment

These are specifically related to an employee and that could include lack of certain skills understanding or behaviours that limit performance (Blanchard & Thacker, 2007:56). Such needs can be identified by analysing the background, education and training, aptitude, personality, experience, knowledge and skills of the individual employees (Mickey & Livsey, 2006:199). They are addressed by a variety of individual developmental programmes such as induction training, technical training, supervisory and executive development.

3.5.4 Job needs assessment

This entails the analysis of individual jobs and tasks in order to determine the context of training in terms of what the employee must be able to do (Erasmus *et al.,* 2005:50). This may involve the reviewing of a particular job which can lead to addition of new tasks that in turn will require further training of employees.

3.6 <u>EMPLOYEE TRAINING</u>

According to Burke and Hopkins (2000:5), we have entered a knowledge-based era where the emphasis is increasingly on human capital, rather than financial and physical assets. Knowledge is regarded as a key asset of employees, and their ability to acquire

and use it is considered a core competence (Coetzer, 2002:3). The organisational models of the present era make it virtually impossible for managers to operate according to the old hierarchical paradigms. Individuals at every level have to think for themselves, exercise initiative, innovate, and solve problems at the source as quickly as possible (Poell, Chivers, Van Der Krigt & Wildermeersch, 2000:43). This knowledge can be passed on to the employees through training them in the necessary skills.

Understanding the phenomenon of employee training requires understanding of all the changes that take place as a result of learning. As the generator of new knowledge, employee training is placed within a broader strategic context of human resources management, that is, global organisational management, as a planned staff education and development, both individual and group, with the goal to benefit both the organisation and employees (Vemic, 2007:210). To preserve its obtained positions and increase competitive advantage, the organisation needs to be able to create new knowledge, and should not only rely solely on utilisation of the existing knowledge of employees thus, continuous employee training and development has a significant role in the development of individual and organisational performance (Drucker, 2001:55). The strategic procedure of employee training needs is to encourage creativity, ensure inventiveness and be able to shape the entire organisational knowledge that eventually provides the organisation with uniqueness and thus differentiates it from the others (Tisen, Andriesen & Depre, 2006:23).

The obtaining of knowledge, learning, education, could have a real effect on the quality of labour only in the instance where they are harmonised with the needs of a particular organisation, its goals and the goals of its employees (Coetzer, 2002:5). Vermic (2007:214) argues that resultantly, the choice of educational contents and educational methods, and the efficiency of educational effectiveness, depend on clearly defined educational goals and needs, and should provide answers to the questions of which knowledge is necessary in order to realise the strategy and ultimately the survival of the organisation in general. It should be clearly defined which employees need to possess

this knowledge in order to be able to solve specific organisational problems. The most important required knowledge is knowledge with strategic importance to the company, knowledge that helps to increase the value of the company, as well as knowledge significant to the strategy of the company (Kukrika, 2003:19). It is not about knowledge for the sake of knowledge, but rather knowledge according to the needs, applicable knowledge, knowledge to create innovation and competitive advantage.

In any work situation the most wanted employees are those people who possess particular knowledge, skills and abilities. According to Susnjar and Zimanji, (2006:34),managers must learn to manage them, and organisations should strive to employ and retain them. Knowledge-based organisations must preserve their competitive advantage by retaining a skilled workforce, making workers knowledgeable, strengthening their motivation and improving the reward and compensation systems according to the workers' performances (Tisen, Andriesen & Depre, 2006:27). Within the context of learning, it is not sufficient for the worker only to add value to the organisation based on his/her knowledge, but he/she also has to receive knowledge. Kukrika (2003:20) argues that the wage incentive only is no longer a sufficient incentive, but employees also need to invest in themselves in a sense of investing in their knowledge through training. Employees should no longer work for money alone, nor can they be influenced by traditional attractive financial packages.

It should also be kept in mind that a considerable relationship exists between training and productivity. Schaffner (2001:200) in his study asserts that a relationship can be found between job training and productivity; however job training tends to lose value when the workers change jobs, therefore increasing the cost of retaining trained employees. A relationship between job training and turnover is another issue to consider. Many studies such as that of Batt (2002:56), find out that "high-involvement" practices such as autonomy, team collaboration, and training do tend to reduce employee turnover and increased productivity. In support, Bradley, Petrescu and Simmons (2004:47), give an idea that untrained workers change jobs more often than

trained workers. Along the same line, Mudor and Tooksoon (2011:43) found out that an increase in high-performance work practices result in a decrease in turnover. Training programs are often targeted because employee turnover is generally higher during times of economic uncertainty (Mudor & Tooksoon, 2011:43). Even in good times, organisations must decide how much to invest in employee training, balancing the benefits of increased productivity against the costs of training. An organization with untrained or poorly trained employees runs significantly more risk for accidents and injuries, costing the company more money in compensation of workers.

Oloyede (2005:38) contends that human assets grow and increase in value, thus by maintaining and upgrading employees' skills not only tends to increase productivity, but also increases commitment and motivation. The authors assert further that the approach to training within the firm will vary according to the technology, traditional policies and the value of management. Shadare (2010:12) posits that multinational firms in Nigeria had invested heavily in manpower development programmes to develop their talents and skills and had virtually impacted employees' improved performance and organizational productivity.

On the other hand, trained workers can migrate easily to other organisations, without paying the cost of training at the organisation they were trained at (Batt, 2002:56). As a result, job satisfaction needs to be attained in order to influence the workers to stay longer at their organisation (Conti, 2005:7). The relationship between job satisfaction and training has also been addressed in some previous studies and Bradley *et al.*, (2004:65), explain that creating on-going learning as well as training in the workplace, has a highly significant effect on job satisfaction. In addition, their study indicates that training increases the probability of the worker being completely satisfied, enhancing employee motivation and commitment. In other words, on-going training has a positive association to job satisfaction. Dearden, Reed and van Reenen (2006:276), found some evidence of the impact of training on productivity; in the instance where employees and employers were able to share the benefits from training.

Furthermore training is also increasingly important for employees to ensure their employability. According to Dearden *et al.,* (2006:278), the employability of a person and the capacity to adapt, are linked to the way they are able to combine the different types of knowledge and build on them. In this context, individuals become the principle constructor of their own abilities and can combine the skills acquired through the traditional institutional routes, relying on those acquired through their occupational experience and those acquired by virtue of their personal training effort. Organisations expect employees to be flexible, adaptable and constantly learning to perform new and changing tasks (Poell *et al.*, 2000:43). Although organisations no longer can provide employment security, the employees' ability and willingness to learn and adapt is a key determinant of their employability (Gilley & Maycunich, 2000:142).

Training, thus, is no longer applicable to top management and skilled labour, but has become the need of everyone in an organisation. The larger the organisations, the more funds they spend on training and thus are able to provide their employees with greater and diverse possibilities of education and development (Vemic, 2007:211). According to Drucker (2001:56), understanding the tremendous significance of training for the modern organisation and being confident that it represents a good and remunerative investment, present day organisations should set aside more and more resources towards this activity. Most of the organisations invest 3 to 5% of their revenue into training and it is estimated that the organisations that desire to keep the pace with organisational change, need to provide their employees with 2% of total annual fund of working hours for training and education (Vemic, 2007:211).

Unfortunately, the procedures of employee training and development within organisations are underdeveloped. Such procedures are mainly performed occasionally, and not connected with organisational strategy, nor do they have specific strategic significance (Drucker, 2001:56). Training is mostly enforced when business problems occur or perceived as issues that are considered to be solved in the event by organising

training, of a course or seminar for some of the employees. Susnjar and Zimanji (2006:35) suggest that employees view training as an imposed obligation, rather than a way to maximise their potential and do not actually realise that by improving their performances and innovation of their knowledge, they may contribute to better business results of the organisation they belong to. Unfortunately, top managers do not realise this as well and employees are still treated as an expense, rather than an investment worthy of investing in (Tisen *et al.*, 2006:28).

Vemic (2007:215) explains that unfortunately, many managers are under the influence of prejudices such as: training is expensive, training is an expense burdening the current business, it is not rewarding, and training is for the young. Kukrika (2003:20) goes on to say that although knowledge is expensive, ignorance is even more expensive. Human possibilities to learn are unlimited, unless individuals do not limit their abilities within their minds. Many studies have shown that investing in employee training and development has larger business effects than investing in equipment and other material resources (Vemic, 2007:215). It should be realised that organisations must harmonise their approach with employee development. Gilley and Maycunich (2000:144) add that employee training and development has to be connected with the organisational goals and strategies, and need to fulfil the changing requirements of the environment. Subsequently, employee training and development needs to become a managerial function. It should be a managerial challenge to consider the employees of the organisation from a strategic perspective and constantly monitor and encourage the development of new skills and knowledge as the foundation of organisational development (Susnjar & Zimanji, 2006:35). Having discussed employee training in detail, there is a need to explore the types of training these employees.

3.7 <u>TYPES OF TRAINING</u>

There are basically two types of training that business may embark on in a bid to equip their employees with the necessary skills to perform specific jobs, which can include on-the-job training and off-the-job training. The choice between on-the-job and off-the-job training depends on a number of considerations such as the organisation's training policy, the precise needs to be met, the urgency of the needs, the resources available inside the organisation and their location, the resources available outside the organisation and finally the state of the training budget (Hackett, 2004:40). The two methods of training are discussed in the next section starting with on-the-job training.

3.7.1 On-the-job training

On-the-job training is a planned, job-specific training conducted at the work site by a supervisor or an experienced fellow employee, using the actual equipment, tools and processes of a specific job (Steinbach, 2005:6). With on-the-job training, employees receive training whilst at their workplace. Once an employee is hired, it is the organisation's responsibility to provide training in the specific skills necessary to do the job correctly. Providing good on-the-job skills training allows the manager to focus on finding people with right attitudes who can then be trained to do the job correctly (Mallet, Kowalski-Trakflor, Vaught, Wiehagen, Peters & Keating, 2005: 12).

There are four main methods of on-the-job training, namely demonstration/instruction, coaching, job rotation and projects, which are discussed below, starting with demonstration/instruction (Mallet *et al.,* 2005:13):

- Demonstration/Instruction is about showing the trainee how to do the job. The instructor uses some equipment to demonstrate how the job is done, allowing the trainee to repeat the procedure in a hands-on practical session to reinforce the

learning process. Guzik (2002:4) adds that the mistakes made by trainees are immediately corrected to reinforce the proper procedure. Direct demonstration is a very effective method of instruction, especially when trainees have the opportunity to repeat the procedures.

- Coaching is a more intensive method that involves a close working relationship between an experienced employee and the trainee. Trainees are assigned coaches or supervisors whose responsibility it is to develop a plan how to impart the knowledge and skills needed by the trainee. Coaches also have to conduct an official evaluation to determine whether trainees have achieved an acceptable level of performance. One aspect of successful coaching is ensuring that the goals set by the individual are clear and realistic (Neenan & Dryden, 2001:50).

- Job rotation is when the trainee is given several jobs in order to gain experience of a wide range of activities. Job rotation is position-oriented, with management determining the need of the specific job (Edwards, 2005:74). Holle (2005:8) adds that job rotation is an opportunity for the employee for learning new skills. He further goes on to say that it is a way of reducing employee boredom and it facilitates more understanding about the job and the organization. Eriksson and Ortega (2004:2) add that job rotation motivates employees who would otherwise become bored and tired of always performing the same tasks. According to Rohr (2000:20), job rotation provides an organisational overview, encourages interdepartmental cooperation, brings fresh viewpoints to otherwise stagnant sections of the organisation, and thus promoting flexibility. Malinski (2002:9) sums it up by saying that it reduces work stress, absenteeism, and turnover and brings about an increase in innovation, production and loyalty.

- Projects - this is when employees join a project team which gives them exposure to other parts of the business and allow them to take part in new activities. This type of training reduces pressure on the trainees as they have to work within a team where

they are given smaller tasks to perform. Due to close mentorship from other experienced colleagues, trainees are able to quickly adapt to the new job.

Having explored the types of on-the-job training, the advantage and disadvantages of this type of training are discussed in table below:

Table 3.1: Advantages and Disadvantages of on-the-job training

Advantages	Disadvantages
Generally most cost-effective Employees are actually productive Opportunity to learn whilst doing the job Training alongside colleagues	Quality depends on the ability of trainer and time available Bad habits might be passed on Learning environment may not be conducive Potential disruption to production

Source (Steinbach, 2005:17).

3.7.2 Off-the-job training

This is when an employee is sent to another location outside the business to learn a skill or acquire important knowledge (Steinbach, 2005:6). According to Erasmus *et al*., (2005:51), this is a way to acquire background knowledge needed for some jobs. Indeed, relevant off-the-job learning, in the form of academic study about vocational training, is likely to form part of the employee specification for recruitment. Off-the-job techniques include lectures, special study, films, television conferences or discussions, case studies, role playing, simulation, programmed instruction and laboratory training (Roberts & Seldon, 2000:19). Off-the-job training can be done using six methods that are explained in the next page, starting with day release (Steinbach, 2005:17):

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- Day release is when employees take time off work to attend a college or training centre.
- Distance learning/evening classes; is when employees have to go for training at some facility or attend evening training after work.
- Block release courses are taken when employees have to go for training that can take weeks to months at a college.
- Sandwich course; is where the employees spend a longer period of time at college before returning to work.
- Sponsor courses in higher education.
- Self-study, computer-based training.

After exploring the methods of off-the-job training, on the next page, in table 3.2 are the advantages and disadvantages of the type of training.

Table 3.2 Advantages and Disadvantages of off-the-job training

Advantages	Disadvantages
A wider range of skills or qualifications can be obtained.	More expensive i.e. transport and accommodation.
Can learn from outside specialists or expects.	Lost working time and potential output from employee.
Employees can be more confident when starting the job.	New employees may still need some induction training.
Employees learn without slowing the output or reducing the quality of output.	Employees now have new skills/qualifications may leave for better jobs

Source (Steinbach, 2005:18).

Training brings on a lot of benefits to the employees and the organisation as well and after the discussion on the types of training, the benefits of training are thereby discussed in the other section that follows.

3.8 BENEFITS OF TRAINING

The benefits of training, according to Kunene, (2008:122) appears in the next section.

- Training improves the probability of getting things right and could reduce failure rates.
- Training facilitates the implementation of an organisation's strategy by providing required skills to perform in the working situation and know-how of procedures and business processes that help the business implement its strategy with fewer difficulties.
- Training improves skills that enhance business performance in terms of productivity, competitiveness and profitability, and brings about an increase in sales, assets and employees.
- Training and practice can enhance leadership and can boost the need for achievement, enhance self confidence and influence growth-related entrepreneurial and managerial attitudes and perceptions as well as to alleviate the fear of failure.
- Training can help identify growth patterns and successfully address key barriers to entrepreneurship.
- A first business attempt may fail, but a trained and educated entrepreneur will retain knowledge and abilities to try again.
- Training implies a short period of learning which leads to less costly training, a decrease in wastage, fewer accidents, less absenteeism, lower labour turnover and greater customer satisfaction.
- Training contributes towards the achievement of current organisational objectives. It can even play a direct role in the long-term strategy of an organisation through the nature of the actual training context. In this respect, training can move away from individual skills and can deal with leadership, groups and organisational issues.
- The training function can potentially impact in a positive and major way on the management of change. It helps managers to develop the capacity to deal successfully with change itself. Training and development programmes can be

designed to ensure that the necessary abilities to handle the uncertainties associated which change are acquired.

- Training can affect the organisation's culture indirectly through the management of individual and group training. This involves training a group at one level in the organisation, then allowing them to pass on the content and attendance attitudes to others further down the chain.

- Through training programmes, an organisation can be exposed to evaluate the current performance and the operating environment. Trainers are often in a good position to diagnose the causes of poor performance and suggest what and how improvements can be made.

- A need for new knowledge, skills and attitudes within the organisation will make a contribution through identification of training needs and through implementation of relevant strategies to meet these needs.

- Through training, employees gain intrinsic or extrinsic job satisfaction. Intrinsic job satisfaction comes from performing the task well and being able to exercise a new repertoire of skills. Extrinsic job satisfaction may be derived from extra earnings accrued through improved job performance and the enhancement of career and promotion prospects both within and outside the organisation.

Though training appears to be the best thing an organisation could do, there are also some challenges that are encountered when it comes to training in South Africa.

3.9 <u>CHALLENGES OF TRAINING</u>

Though much can be said about training in South Africa, there is still a shortfall in skills training. Various role-players have put much effort in training but many people blame the education and training system in South Africa for the lack of business excellence in the country. Shortages of management skills raise questions about the availability and quality of training provided to businesses (Freeman, 2000:372). There are barriers in the supply side and execution of training and skill development initiatives. It will work better for the development of skills if these barriers can be identified. The barriers can

be categorised into cultural, diagnostic, finance, service provider, appropriateness, as well as content and other relevant factors.

3.9.1 Culture

Culture plays a major role in training strategy as it influences attitudes, understanding and behaviour of businesses in training activities which tend to influence quality and quantity of its provision (Mayrholer & Hendriks, 2003:599). Culture prepares the mind set of the people to participate in a training programme and has an influence on their confidence, attitude and behaviour as well as their willingness to take risks (Pretorius *et al.*, 2005b:423). It happens that the government might be offering specific training, but that the owner/managers themselves are not taking part in such training that could be essential for their businesses' performance. Unfortunately, owner/managers are hesitant to engage in learning or regular formal training and there seems to be a lack of interest from the workforce when training is offered, which caused the actual rate of usage of training opportunities and programmes to be very low (Matlay, 2004:512; Strydom & Tustin, 2003:4).

It is also unfortunate that many owner/managers are uncertain of and misunderstand the role of training. Many others do not believe that training pays off in the short term, nor are they convinced of the link between training and business growth (Kunene, 2008:124). Some researchers support this, saying there is still need to know whether training people in these core competencies could facilitate business success and then there are others who argue that businesses learn better from experience than from lessons delivered in classrooms (Pittaway & Thedham, 2005:403). Subsequently, many businesses fail to plan for training, because for them training is a problem-solving issue, only to be implemented when urgent functional needs crop up, not as part and parcel of a continuous long-term skills development plan (Massey, 2004:465).Even if they do plan for training, the actual steps many owners take in professional development remain illusory.

3.9.2 Diagnosis

Many owner/managers tend to be unaware of business skills that are needed for their success and hence fail to recognise the need for training in these skills. Some also lack information on the impact of investment in business skills development, hence they do not bother to go for training (Massey, 2004:465). It also happens that those who are aware of the training needs of the business often misdiagnose the problem areas and are often unable to describe their training needs; not correctly assessing how developing of these skills will contribute to the business. There is a missing link to the relationship between the services on offer, the training selected, the needs of employees in terms of their jobs and the needs of the organisation (Matlay, 2004:504). According to Strydom and Tustin (2003:2), barriers to knowledge are also a factor, since some owners/managers are not aware of the availability of industrial training opportunities in the market. Owners/managers do not know where to find sources of information on skills, different training offerings available and the relevant skills development initiatives as well as the training strategies available.

3.9.3 Finance

Financial resources have been a cause of concern to organisations and even in the skills development sector, the owners find themselves having other, more urgent priorities than channelling their funds for the cause of training and thus do not send workers for formal training or hire professional trainers to conduct internal training (Strydom & Tustin, 2003:4). The South African government through Skills Education Training Authorities has given non-financial support to the businesses to help them in the education and training of management and staff. However, access to resources to pursue training is a challenge for many firms who struggle to access government sponsored training, skills grants and financial assistance (Matlay, 2001:402). Lastly, the trained employee may be approached to join a competitor after training, which then costs the firm more in an attempt to train another employee.

3.9.4 Time

According to Mayrholer and Hendriks (2003:599), time constraints are cited by organisations as a reason for not attending training as many owners/managers cannot afford to spend time away from work, both for workers and themselves. Thus most firms prefer in-house training methods. However, in-house training on the other hand, is very expensive, as the trainers have to deal with an individual firm per given period.

3.9.5 Appropriate and relevant training

Lack of access to appropriate, relevant and quality training programmes has been a major concern in South Africa. Firms are not getting the high-quality training they need to keep their companies competitive. Factors that affect training quality include the unavailability of direct, clearly relevant, appropriate and formal training that will match their specific human resource development needs and limited resources (Klofsten & Spaeth, 2004:8). Businesses feel that the government does not consider their needs with regard to training and services offered because they are rather inflexible, over-structured and supply driven. This is particularly relevant to services relating to finance, business management and Human Resources Management, whereas the growth of businesses is often more driven by market changes (Mayrholer & Hendriks, 2003:596).

Unfortunately, the government also tends not to evaluate the effectiveness and impact of training that they have offered. It thus happens that most training programmes do not meet the needs or expectations of the businesses nor are they transferable to the workplace (Kunene, 2008:126). The programmes also fail to take on board the cultural, educational and social background of local entrepreneurs leading to ineffective training and support programmes. It was found that some of the programmes have been successful in other industries or countries, but proved unsuitable and ineffective in local areas or environments (Robertson, 2003:470).

3.9.6 Service providers

There are seemingly too many role-players in the training arena in South Africa. According to Kunene (2008:127), there are estimated 9 395 service providers involved in business, technical and administrative training in South Africa. Some of them are listed below, which are:

- government agencies and government-sponsored organisations;
- local Business Service Centres;
- tertiary institutions, universities and colleges and technikons;
- NGOs and community-based organisations;
- entrepreneurs and other individuals connected to the business;
- foreign donor agencies;
- chambers of commerce, trade associations and Industry training organisations (ITO) including the South African institute for entrepreneurship;
- private training consultancies and mentors;
- national vocational qualifications, apprenticeships and learnerships;
- banks (Standard bank with Mindset, ABSA, FNB and Nedbank SME desks); and
- youth development programmes like Umsobomvu, Junior Achievement and Maths centre.

Owners/managers seem to be sceptical of organisations offering training, especially when the service provider has no or little experience or understanding of the business environment that the organisations are operating in. Unfortunately, most service providers do not base their training programmes on research about conditions on ground level (Ibrahim & Soufani, 2002:425).

3.9.7 Intervention types

There are clearly different interventions needed for the different stages of the business cycle. There is a difference between training targeted at the pre-start-up phase, focusing on training the aspiring entrepreneur, and the post-start up, focusing on training the established business (Botha 2006:58). Types of interventions are highlighted in the table below.

Table 3.3: Types of Interventions

Stage of Business	Types of intervention needed per stage of business
Pre-start	Creation of ideas, assessment of opportunities, networks, decision-making, counselling and planning.
Start-up (external)	Customer, supplier, financier consultation, business plan, procurement and sourcing as well as seeking advice.
Start-up (Internal)	Finance, resources, marketing, administration, systems, secure expertise and staff, financial management, partners, balancing ownership and management.
Established business	New ideas, specialist guidance and investments, idea generation, spin off, technology, banking, accounting
Growth	Market expansion, other opportunities, exports, product development, strategic approach, management skills, finance, control of growth, trading, staff retention, development, networking and new technologies.
Decline	Confidence building, new markets, customers, money, strategic review as well as planning.
Termination	Legal advice and counselling.
All stages	Business sectors, business support, initiatives and incentives.

Source: Adapted from Botha (2006:60)

3.9.8 Different training methods

There are considerable differences in the ways in which intervention can occur (Kunune, 2008:129) including the following:

- Experimental learning strategies, including hands-on practicals, role models, forum for interaction between owners/managers, field trips, internships as well as on-the-job training.
- Observational learning including case studies, role-plays, real world examples and scenarios.
- Instructor-centred strategies including expert advice, lecturing, presentations, hand-outs, videos, graphics equipment, job aids one-on-one delivery, supervision and oral presentations.
- Individual learning strategies including learning from mistakes, long distance teaching, training manuals, videotapes, e-learning and online learning.
- Interactive strategies including mentoring, counselling, face to face contact with a local consultant, group discussions, team work, peer review, conferences, workshops, networking, and comparing their own approaches with others.
- Internet based learning.

If the above mentioned challenges could be addressed, training could have tremendous impact on organisations. Resultantly, it is important for the service providers to study their trainees and find out which stage of growth they are in, the skills that they have not been trained in and what type of training is convenient to them so that they could benefit from training services being offered.

3.10 <u>SUMMARY</u>

This chapter introduced the concept of training, and how training is needed for growth, quality, low turnover of employees and job satisfaction. The need for training assessments were also discussed in the chapter, starting with the organisational, group, individual and job needs. Employee training was discussed to highlight their needs for training. Two types of training were discussed and the advantages and disadvantages thereof were discussed. Finally the benefits and challenges of training were discussed in this chapter. The next chapter discusses the methodology of the research.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 <u>INTRODUCTION</u>

Research methodology refers to the method by which data are gathered for a research project. According to Zindiye (2008:123), it is a 'blueprint' for the collection, measurement and analysis of data in order to achieve the objectives of a research project. Research methodology is important in a research work because it specifies the sampling design. Here, the researcher explicitly defines the target population and the sampling method. The motivation for choosing a specific sampling method is also provided. The chapter also explains the survey at hand in terms of the study area, the study unit and the population. Furthermore, the chapter highlights the organisation and design of the questionnaire as well as the method of data collection. Finally, the researcher identifies the methods of data analysis and describes data handling as well as statistical tests.

4.2 <u>OBJECTIVE OF THE STUDY</u>

The main purpose of this study was to enquire about the business skills and training needs for employees that are essential for business success in the Plastic Manufacturing Industry. If these skills are identified there is also a need to find out how training in these skills may lead to success or how lack of the skills may also lead to business failure. It will, in the end, bring to conclusion the argument whether training in the identified essential skills plays an important part in the success of the business.

4.3 <u>SCOPE OF THE STUDY</u>

The scope of the study provides answers to questions such as, where the study was conducted, what was researched and who was studied. These questions have to be answered if resources are to be used efficiently, because without the knowledge of the population, the study unit to be studied and the study area, resources would not be adequately spent. Population refers to the total elements included in the research study. The study unit is the sample elements to be researched and the study area refers to the place where the study was done (Wheather & Cook, 2000:203). Lastly it covers the sampling technique that was used to select the respondents who participated in this research.

4.3.1 The study area

The research was conducted in the Eastern Cape Province of South Africa. The Eastern Cape Province is one of the most industrialised provinces in South Africa. It boasts as the host of the largest automotive companies and other large companies. The manufacturing sector is the second largest in the province after business services and personal services. Large companies such as General Motors, Volkswagen, DaimlerChrysler, Coega Industrial Development Zone are found in this province.

4.3.2 The study unit

This study focused on the Plastic Manufacturing Industry (PMI) in the province. This industry covers all the diverse manufacturers of plastic products, which include the automobile, agriculture, electric, household and building manufacturers in the Eastern Cape Province.

4.3.3 Study population

A survey population is a list of the population elements from which the sample will be drawn (Wheather & Cook, 2000:201). According to Welman and Kruger (2002:46), a population is the study object, which may be individuals, groups, organisations, human products and events, or the conditions to which they are exposed. Cooper and Schindler (2006:440), refer to a population as any group that is the subject of research interest. The population of this study is restricted to the PMI in the Eastern Cape of South Africa. According to the Eastern Cape Development Corporation (ECDC, 2009), there are 90 firms in the PMI in this province.

4.3.4 Sample size

The sample size is the total amount of elements included in the research (Hague, Hague & Morgan, 2004:82). The sample size ought to be large enough to ensure that reliable and valid conclusions can be made about the population. Generally, sample sizes larger than 30 and smaller than 500 are appropriate for most research studies (Tustin, Ligthelm, Martins &Van Wyk, 2005:360). Churchill and Brown (2004:163), state that even though the sample size could increase for more important decisions, and where more information needs to be collected from more respondents, this however increases the costs. The Raosoft (2011) sample size calculator was used to calculate the sample size. Raosoft sample size calculator is a statistical software package that enables researchers to determine the sample size given the following variables:

4.3.4.1   The margin of error

The margin of error also known as the confidence interval, is the amount of error that can be tolerated (Hague *et al.*, 2004:83). It measures the precision with which an estimate from a single sample approximates the population value. The margin of error

ranges from 3% to 7% in business research, with 5% being the most commonly accepted (Raosoft, 2011). A lower margin of error requires a larger sample size.

4.3.4.2   The confidence level

The confidence level is the amount of uncertainty that can be tolerated (Churchill & Brown, 2004:206). It is the estimated probability that a population estimate lies within a given margin of error. A higher confidence level requires a larger sample size. The confidence interval in business research varies from 90% to 100% with 95% being the most commonly accepted (Raosoft, 2011).This study used a 95% confidence level.

4.3.4.3   The expected response distribution

That is to say, that for each question, what will be the expected results. If the sample is skewed highly one way or the other; the population probably is, too. If it is not known, then a distribution response of 50% is used, which gives the largest sample size. Thus for the purpose of this study, the population is 90 and using a margin of error of 5% (which is usually used in business research), a confidence level of 95% and a response distribution of 50%, gives a sample size of 74 (Raosoft, 2011).

4.3.5 Sampling Methodology

Cooper and Schindler (2006:432) describe sampling as the procedure by which some elements of a given population are selected as representative of the entire population. The primary idea of sampling is that by selecting some elements of a population, the researcher can draw conclusions about the entire population. The following section examines the sampling method selected by the researcher for the study, and the motivation for selecting the sampling method.

There are mainly two types of sampling used in business research namely probability and non-probability sampling. Bryman and Bell (2003:199) define probability sampling as a controlled procedure that assures that each population element is given a known non-zero chance of selection. In contrast, non-probability sampling, is arbitrary (non-random) and subjective. Each element of the population does not have a known non-zero chance of being included in the study. Probability sampling was used in this study because as pointed out by Bryman and Bell (2003:199) it allows the researcher to make inferences from information about a random sample to the population from which it is selected. This implies that findings derived from a sample can be generalised to the population. With probability sampling, there is substantial confidence that the sample is representative of the population from which it is drawn. Therefore this study makes use of the probability sampling.

Cooper and Schindler (2006:433) identify four major types of probability sampling. These are systematic sampling, stratified sampling, cluster sampling and simple random sampling. With simple random sampling, each member of the population has an equal probability of inclusion in the sample (Cooper &Schindler, 2006:434). According to Cant *et al.*, (2011:168), every element is selected independently. This study used the simple random sampling method. Simple random sampling is simple to apply, in that a random sample is chosen from a population without any order.

In order to include certain PMIs in this study, the researcher used the snowballing technique. This is when subsequent participants are referred by current sample elements (Churchill & Brown, 2004:99). This was due to the lack of information concerning the PMIs. Some PMIs do not have websites and those that are known, referred the researcher to the next respondents. The researcher could not find the whole list of the PMIs from the Department of Trade and Industry as expected. The Eastern Cape Development Corporation, also due to confidentiality, could not release the names of the PMIs. The list of the PMIs was then drawn from the Chamber of Commerce in Port Elizabeth, the Brabys (2011) and the Telephone directory.

4.4 <u>RESEARCH DESIGN</u>

A research design is the 'blueprint' for fulfilling research objectives and answering questions (Cooper & Schindler, 2006:193). They further point out that a research design provides the 'glue' that hold a research project together. According to Churchill and Brown (2004:90), it is simply a framework or plan for a study used as a guide in collecting and analysing data. The research design involves plans that promote the systematic management of data collection. Therefore, the research design is the plan, structure and strategy of investigation so as to obtain answers to research questions and control variances (Malhotra, 2007:50). The research design includes an outline of what the researcher does from writing the hypotheses and their operational implications to the final analysis of the data. It is used to structure the research, to show how all of the major parts of the research project such as sampling, data collection and data analysis are used to try to address the central research questions (Kolb, 2008:24). According to Bradley (2010:125), research design provides answers to questions such as: What techniques will be used to gather data? What sampling techniques will be used? How will time and cost constraints be dealt with?

There are basically three types of designs that are widely used and are: exploratory, descriptive and casual. This research made use of causal research and is explained below.

4.4.1 Causal research

Cooper and Schindler (2006:200) point out that causal research examines whether one variable causes or determines the value of another variable. A variable is a symbol or concept that can assume any one of a set of values. Causal research reveals a cause-and-effect relationship between dependent and independent variables (Cooper & Schindler, 2006:201). A dependent variable is a symbol or concept that is expected to

be caused by an independent variable. An independent variable is a symbol or concept over which the researcher has some control. It is hypothesised that the independent variable causes or influences the dependent variable (Churchill & Brown, 2004:99). Researchers can also use causal research to test hypothesis. This study used the causal research through Pearson's correlation to test for the relationship between variables.

4.5 <u>RESEARCH METHOD</u>

There are two main approaches to researching and obtaining data on the subject matter being analysed, which are the qualitative approach and the quantitative approach. A key distinction between the quantitative and qualitative approaches is that qualitative research tends to be associated with subject responses, narratives or observation data to identify themes, whereas quantitative analysis tends to be associated with numbers and variables (Kolb, 2008:26). According to Rajaram (2008:83), most of the research undertaken in the manufacturing industry is done based on the quantitative methodology approach; an approach which this study then makes use of.

4.5.1 Quantitative approach

Cooper and Schindler (2006:195) define quantitative research as a systematic collection of numerical information and analysis of that information using statistical procedures, meaning that the data are measured making use of numbers. According to Churchill and Brown (2004:124), quantitative research is taken to mean deductive theory testing, making use of objective and positivist processes. It is used to answer questions about relationships among variables with the purpose of explaining, predicting and controlling phenomena (Cant, Gerber-Nel, Nel & Kotze: 2011:88).Descriptive statistics, such as the mean, mode, median and standard deviation, just to name a few, are used to describe and summarise the data obtained from the respondents (Kolb, 2008:27). Inferential statistics, such as the chi-square test, form part of quantitative research, as well as t-tests, and the one-way analysis of variance (ANOVA).

4.6 <u>DATA COLLECTION METHOD</u>

There are mainly two methods of data collection that can be used in research, and they are; Primary data collection and Secondary data collection.

4.6.1 Secondary Data Collection

Secondary data is data that already exists. According to Cant *et al.,*(2011: 66), the data was gathered or collected for other research purposes, but may help resolve existing research problems.   Secondary data can be obtained from books, journals, computerised database, the internet, newspapers, periodicals and many more other sources with stored information (Cooper & Schindler, 2006:200). According to Burns and Burns (2008:49) secondary data is used to shed light on the research topic, relevant methodology and existing knowledge and was used in the research for the same purpose.

4.6.2 Primary Data Collection

According to Cooper and Schindler (2006:89), primary data is the data collected by the researcher to address a specific problem at hand, which is the research problem. Cant *et al.,*(2011:45) identify three primary data collection methods namely observation, experiment and survey. This research made use of the survey method and is explained below.

4.6.2.1 Survey

Cant *et al.,* (2011:89) point out that, surveys are used to collect primary data from respondents via mail, telephone or in person. Surveys can be used to identify the characteristics of the target population. The advantages of using surveys are that surveys offer quick, inexpensive, efficient and accurate ways of gathering information

(Burns & Burns, 2008:51). The other advantage of the survey method is that surveys are useful in describing the characteristics of a large population. No other method of data collection can provide this general capability. The researcher used the survey method by way of self-administered questionnaires. The self-administered questionnaires are research questionnaires personally delivered to the respondent by the interviewer but completed by the respondent with no interviewer involvement (Cooper & Schindler,2006:202). The decision to use self-administered questionnaires was because:

- Self-administered questionnaires ensure anonymity and privacy of the respondents thereby encouraging more candid and honest responses.
- Self-administered questionnaires have proved to have a higher response rate than other data gathering techniques such as mail surveys.
- Self-administered questionnaires are less expensive than other data gathering methods such as personal interviews where the researcher must be present with respondents at all times (Cooper & Schindler, 2006:203).

The survey was done by visiting the selected businesses by means of walk-ins and explanations regarding the purpose of the study and request for participation so that a personal commitment could be established from the respondents. Questionnaires were handed out to the respondents. A cover letter as well as a declaration of confidentiality were issued to each respondent and signed by them. Assistance was offered where required. Questionnaires were collected personally by the researcher to allow for evaluation of any problems that the researcher may experience. The purpose behind this approach was to have some control over the quality of the responses as well as clarifying reasons behind choices made.

The collection time was two weeks, however response times varied and some respondents did not meet the two-week response, due to other commitments. Phone call follow-ups were made regularly to find out how respondents were progressing or whether they needed assistance. The reason for personally visiting respondents as

opposed to using a mailing system is to determine that the business in fact exists and also to ensure a better commitment to completing of the questionnaire through personal contact and assistance.

A personal introduction and motivation for the research helped to put people at ease and increased cooperation. A verbal overview of the topic of the survey as well as the purpose behind it was given to the respondents. The introduction removes the first perceived threat by some respondents receiving a postal questionnaire and making assumptions about it or deciding to ignore it. Some respondents assume the researcher is from SARS and need to be reassured that they are merely part of a research study for academic reasons. Personal collection of the questionnaires offered the opportunity for a brief check to ensure that the questions were understood and that every part of the questionnaire was completed.

4.7 DATA COLLECTION INSTRUMENT

A structured research instrument, in the form of a questionnaire was used to collect data for this study. A questionnaire is a form containing a set of questions, especially one addressed to a statistically significant number of subjects as a way of gathering information for a survey (Churchill & Brown, 2004:100). They further describe a questionnaire as a booklet of structured standardized procedure, pre-coded and containing open ended questions at times that are used to collect information from the respondents who record their own answers. Wheather and Cook (2000:30) define a questionnaire as a formalised set of questions for obtaining information from respondents. The questions were developed from the information provided in the previous chapters, especially chapter three and are also aligned to the research objectives. The reason to use the questionnaires was that:

- Questionnaires help to ensure that information from different respondents is comparable.

- Questionnaires increase the speed and accuracy of recording.

- Questionnaires facilitate data processing.

- Questionnaires are economic in terms of money and time.

- Questionnaires enable the respondents to remain anonymous and thus be honest in their responses. It is economical in terms of time and money.

4.7.1 Questionnaire design

There are basically two question-response formats that can be included in the questionnaire design, namely open-ended response format and closed-ended response format. The two formats are discussed below, starting with open-ended response format.

4.7.1.1 Open-ended responses

According to Tustin *et al.*, (2005:396), an open-ended response is free in that; it calls for responses in the respondent's own words and is normally unaided. The response variations may be vast. No set of alternative responses is supplied. Open-ended responses are very versatile. Using this response type, various types of primary data can be collected, from demographic characteristics to opinions, attitudes and behaviour. Open-ended responses are of great value in exploring complex and variable topics. They are often used to probe for additional information through questions such as 'Why?' (Cooper & Schindler, 2006:375). Cant *et al.,* (2011:103) further note that the use of open-ended questions should be limited for self-administered questionnaires because respondents will often give very elaborate answers. The research used but a limited number of open-ended questions.

4.7.1.2 Closed-ended questions

Cant *et al.,* (2011:151) point out that, closed-ended (structured) questions specify the permitted responses and make information available to respondents. For self-administered questionnaires, respondent cooperation is improved if the majority of the questions are structured. Closed-ended response format questions offer a respondent a selection of possible responses. The questionnaire used by the researcher comprised structured questions which made it easy for the respondents to indicate their views.There are three types of closed-ended responses which are dichotomous responses, multiple-choice responses and scaled responses or Likert Scale. A brief discussion of each type follows below.

- Dichotomous responses: is the simplest form of closed-ended responses and allows only two possible responses which are normally opposing each other (Tustin *et al.*, 2005:398). Dichotomous responses generate nominal data for example, yes or no. For these responses to be valid, the answer must fall into one of the two categories (Cooper & Schindler, 2003:377). According to Cant *et al.*, (2011:152) they are easy to code and analyse but response is influenced by the wording of the question.

- Multiple-choice responses: is fixed-alternative response but it offers more than two fixed-alternative responses (Hague, *et al.*, 2004:101).Respondents are asked to give one alternative that correctly expresses their opinion or, in some instances, to indicate all the alternatives that apply (Tustin *et al.*, 2005:398). These types of response are used when information can be classified into reasonably fixed categories, or when the respondent's thoughts are deliberately channeled in a certain direction. When the choices are numbers, this response structure will produce at least interval and sometimes ratio data. When the choices represent ordered numerical ranges (for example a question on family income), the multiple choice question generates ordinal data (Cooper & Schindler, 2003:379).

- Scaled-responses: scaling permits the measurement of the intensity of respondents' answers to multiple-choice responses (Cant *et al.,* 2011:155). Furthermore, many scale-responses incorporate numbers, which may be used directly as codes. The marketing researcher is able to employ far more powerful statistical tools by using some scaled-responses. Ordinal and interval data can be generated from the rating scale (Tustin *et al.*, 2005:400; Cooper & Schindler, 2003:375).

4.7.2 Questionnaire structure

Questions that focus on business skills and how training can influence success of PMIs are asked. Each of the questions were checked by the supervisor of the study for whether they are appropriate, if the question is of proper scope and coverage, if the respondent could adequately answer the question and if the respondent will be willing to answer the question. They were also checked to ensure that there was no double meaning, bias and that the respondent would not mistake the meaning of a question.

The instrument was structured in such a way that the first section (A) of the questionnaire was asking for demographic background of owners/managers. The owners/manager factors considered include age; gender; levels of education and ethnic group. Section B is based on the general characteristics of the firm. The firm factors include product, turnover, number of employees, age of business, form of business and business location. The demographics section was important as statistical significance variance can be checked for all demographic variables that impact business performance (Kangasharju, 2003:37).

The third section (C) of the questionnaire focused on the skills and the training thereof. It explored the skills acquired and how the training received might have influenced successful firms. The first set of questions, in this section, was trying to find out whether business skills are deemed vital for success and growth of the business. The second set asks about the importance of technical skills which employees are expected to

possess. The questions were aimed at finding out the relationship between training in certain skills sets and business success. The last section (D) is based on the outcomes of training. The main purpose is to find out whether there had been a positive change in the business due to the training received either by the owners/managers or the employees.

4.7.3 Covering letter

A covering letter was collected from the Department of Business Management of the University of Fort Hare, explaining the nature of the research and, indicating that the information collected from respondents were kept in strict confidence. The covering letter was provided to respondents to read before the questionnaire was handed out to them. The covering letter also described the project, stating why the respondents were chosen and emphasised the benefits to the respondents of completing the questionnaire (Zindye, 2008:152).

4.8 <u>LIMITATIONS</u>

A sample survey, even when properly conducted, can yield only estimates, but not exact values. A sample survey is a survey in which a sample is selected to be representative of the whole population (Churchill & Brown, 2004:127). The major types of errors in research are sampling, response and non-response errors (Babbie, 2007:195). Each of these errors is discussed in more detail on the next page.

4.8.1 Sampling errors

Sampling errors arise from estimating a population characteristic by looking at only one portion of the population rather than the entire population (Cooper & Schindler, 2006:332). It refers to the difference between the estimate derived from a sample

survey, and the true value that would result if the whole population was tested under the same conditions (Babbie, 2007:196). Sampling errors were minimised in the survey by using a large sample size of approximately ninety five percent (95%) of the population. A large sample size is more representative of the population.

4.8.2 Response error

Response errors are the estimated inaccuracy that can be introduced by the researcher, the interviewer or the respondents. The researcher may make the error in the design of the measurement instrument or may not properly define the problem and the related information required (Tustin *et al.*, 2005:378). Response errors can also occur when the respondent deliberately or mistakenly provides incorrect answers to the survey questions (Cooper & Schindler, 2003:332; Cant, *et al.*, 2003:79). Response errors were minimized by carefully constructing and pre-testing the questionnaires. The use of self-administered questionnaires, also, assisted in reducing response errors, because unclear questions were clarified by the researcher to the respondents. However, data for the study at hand was only obtained from the respondents who were willing to complete the questionnaire. This might have created a bias relative to respondents who refused to participate in the survey.

4.8.3 Non-response error

Babbie (2007:196) describes a non-response error as an error caused by failure to contact all members of a sample and/or the failure of some contacted members of the sample to respond to all or a specific part of the questionnaire. The non-response error occurs because people who respond to the survey might not have characteristics similar to those who do not. Non-response errors are reduced to the absolute minimum in the research study by repeated telephone calls and visits to the respondents (Roberts-Lombard, 2002:117). The researcher reached out the respondents through telephone

calls and visiting them to get the missing information. After the collection of data, data analysis follows and is discussed in the next section.

4.9 DATA ANALYSIS PROCEDURE

Data analysis describes what happens to the collected data to achieve the objectives of the study. It covers the editing and coding of data after collection, validity and reliability of the collected data and the statistical analysis of the data that concludes the chapter.

4.9.1 Data Editing

Responses from each item of the questionnaire were edited. According to Cooper and Schindler (2006:492), editing involves a thorough and critical examination of the completed questionnaire, in terms of compliance with the criteria for collecting meaningful data, and in order to deal with questionnaires not duly completed. Editing of data detects errors and omissions, corrects them where possible and certifies that the minimum data quality standards have been achieved (Cant *et al.*, 2011:188). Therefore, the primary purpose of editing is to guarantee that data is accurate, consistent with the intent of the questions, uniformly entered, complete and arranged to simplify coding and tabulation. Data collected from the respondents was edited to achieve these objectives. The completed questionnaires were edited and organised to simplify the process of coding.

4.9.2 Coding

Coding involves assigning numbers or other symbols to answers so that responses can be grouped into a limited number of classes or categories (Cooper & Schindler, 2006:493). The classifying of data into limited categories sacrifices some data but is necessary for efficient analysis. Instead of requesting the word male or female in

response to a question that asks for the identification of one's gender, the codes "M" or "F" can be used (Cooper & Schindler, 2006, 494). The purpose of coding is to transform respondents' answers to survey questions into codes or symbols that can easily be entered into and read by a statistical analysis software package. In preparing for the transformation of answers into a computer-friendly format, it is necessary to first think about the structure of the required result (Cant, *et al.*, 2011:191).

In this study, two approaches to coding were done. The first was pre-coding which refers to assigning codes to response options before field work begins and hence printing the relevant codes on the questionnaire. Pre-coding was done to dichotomous questions by assigning numbers; 1 for Yes and 2 for No as reflected in table 4.1 below.

Table 4.1: Pre-coding of dichotomous questions

Yes	1	
No	2	

Secondly, final coding was done during which the data is entered into Microsoft Excel so that it can be compatible for data analysis software. After data coding, the data was checked for validity and reliability before it could be analysed and this is discussed below.

4.9.3 Statistical analysis of Data

After editing and coding, the collected data was analysed by the Statistics Department of the University of Fort Hare. The package which was used is the Statistical Packages for Social Sciences which provide descriptive analysis and statistical interpretation which are used for graphical analysis. The analytical methods used are descriptive analysis used to count data and the correlation which is used for testing associations of

respondents; correlation usually refers to the degree to which a linear predictive relationship exists between random variables, as measured by a correlation coefficient (Churchill & Brown, 2004:132). The following statistical tests were used in data analysis, chi-square, regression analysis and ANOVA.

4.10 <u>ETHICAL CONSIDERATIONS</u>

The (American) Academy of Management published a Code of Ethical Conduct which included a section on research. The preamble to the code outlines a number of responsibilities these include prudence in research design, human subject use, confidentiality; result reporting and proper attribution of work is a necessity. The code itself deals with the following:

- The need for honesty in the conduct of research;
- The need for rigor in the design, execution and reporting of studies; and
- The protection of research participants.

The researcher had a cover letter to give the respondents the assurance that this was purely academic work and the information gathered therefore will not be used against them. Also the questionnaire maintained anonymity so that the respondents will be free to answer without fear of victimization.

4.11 <u>SUMMARY</u>

The chapter explained in detail how the population was selected and how data was collected from the selected respondents. The survey area of the study is discussed to support the choice of the researcher. It further went on to discuss the instruments for data collection and how data analysis was conducted and the method of this analysis was discussed. The next chapter presents the research findings from the analysed data.

CHAPTER FIVE

RESEARCH FINDINGS

5.1 <u>INTRODUCTION</u>

The chapter presents the research findings from the primary data that was collected and analysed as described in chapter four. The first section provides graphical and descriptive statistics related to the primary data. Bar graphs and charts; percentages and frequency tables have been calculated using SPSS to present the personal and business demographic data of the respondents. The descriptive statistics include the mean, mode, median and standard deviation where appropriate. These statistics serve to confirm the results of the chi-square, regression analysis and ANOVA that were used in hypotheses testing. All the null hypotheses were tested using the above mentioned tests.

5.2 <u>RESEARCH OBJECTIVES</u>

The main purpose of this study was to identify specific business skills and training needs that are essential for the success of the Plastic Manufacturing Industry (PMI) in the Eastern Cape Province in South Africa. The secondary objectives are as follows:

- To identify the necessary business skills for the PMI.
- To find out whether training in PMI related skills is linked to the success of the PMI.
- To establish what type of training skills is necessary for the success of PMI.
- To establish whether programmes exist to supply relevant training.
- To be able to recommend training programmes.

5.3 <u>SCOPE OF THE STUDY</u>

The study was undertaken in the Eastern Cape, including all the registered PMIs with a population of 90. This study made use of the quantitative research method and the data was collected using a self-administered questionnaire. The target respondents were the owners and the managers of PMIs in the target area.

5.4 <u>RESPONSE RATE</u>

The target population to this research project was 90. With reference to chapter 4 (4.4.4), the sample size calculation reduced the sample size to 74. The researcher then distributed 74 questionnaires to the respondents and 63 were returned and the remainder (11) where either not returned or were not answered. This is an 85.13% response rate and this is acceptable in research. The test for normality was done. According to Coakes (2005:35) the normality of the data can be determined by using the Kolmogorov-Smirnov test (if the sample size is above 100) and the Shapiro-Wilks test (if the sample size is below 100). If the significance level is greater than 0.05 using either of these two tests, then normality is assumed. This study used the Shapiro-Wilks test to determine the normality of the data, because the sample size was less than 100. The significance of the Shapiro-Wilks test was greater than 0.05 in all the tests. This implies that the normality of the data can be assumed. Having discussed the response rate, the next section shows the information gathered from the respondents starting with personal demographic information.

5.5 <u>PERSONAL DEMOGRAPHICS</u>

The personal demographics outlined the personal information that was collected about the respondents which include gender, age, ethnicity and education to see whether it influences the way in which the respondents conduct their business.

Question 1: Your Gender

The figure 5.1 below describes the findings of the study in respect of the gender of the respondents. This was to find out the gender balance of the respondents.

Figure 5.1: Gender of respondents
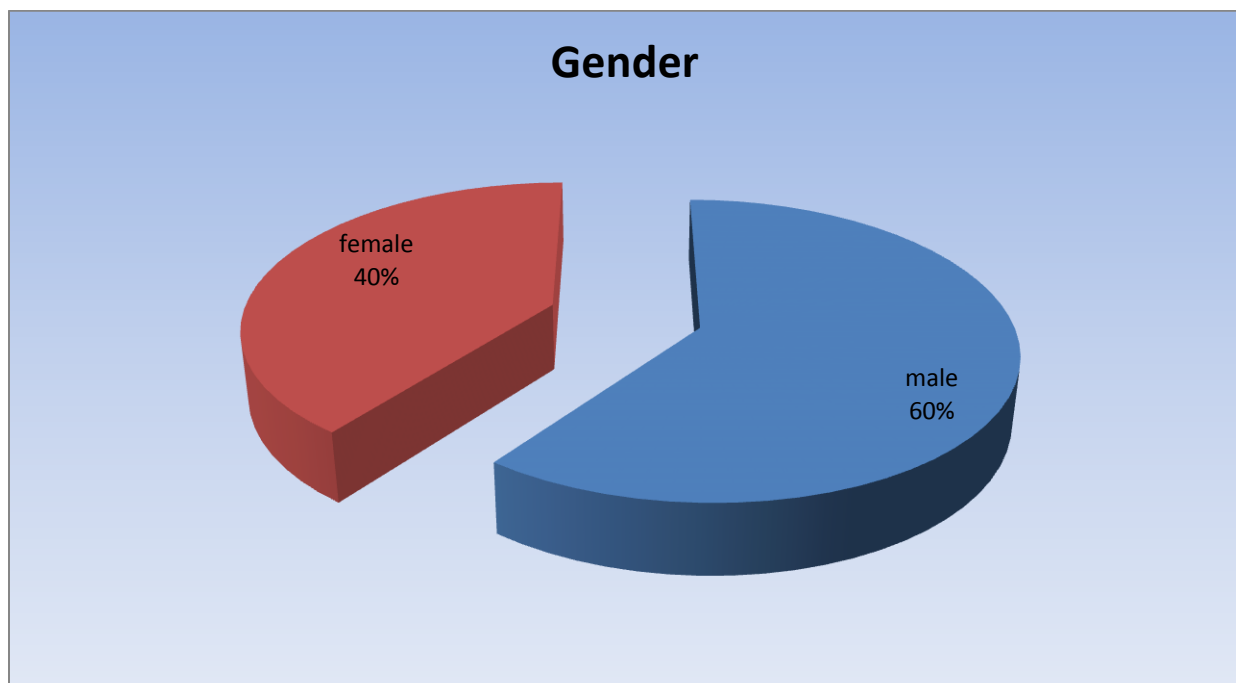
Figure 5.1 shows that this is a male dominated industry with 60% of the respondents being male. Women constitute the remaining 40% of the respondents. The respondents were either the owners of the business or the managers of the business. This is consistent with the study of Matarirano (2007), which revealed the same statistics. He alluded to the fact that women generally are not risk takers; thereby most businesses are owned and run by men who are willing to take risks. Completed research studies, as an example, a study by Langowitz and Minniti (2007), using a stratified representative sample of 2000 individuals per country in 17 countries, found out that the level of female involvement in business activities tend to be significantly lower than that of men (Langowitz & Minniti, 2007:341).

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Question 2: Your age

The figure 5.2 below shows the frequency of the age categories of respondents to find out the active age group in the industry which can affect the business operations.

<u>Figure 5.2: Age of respondents</u>
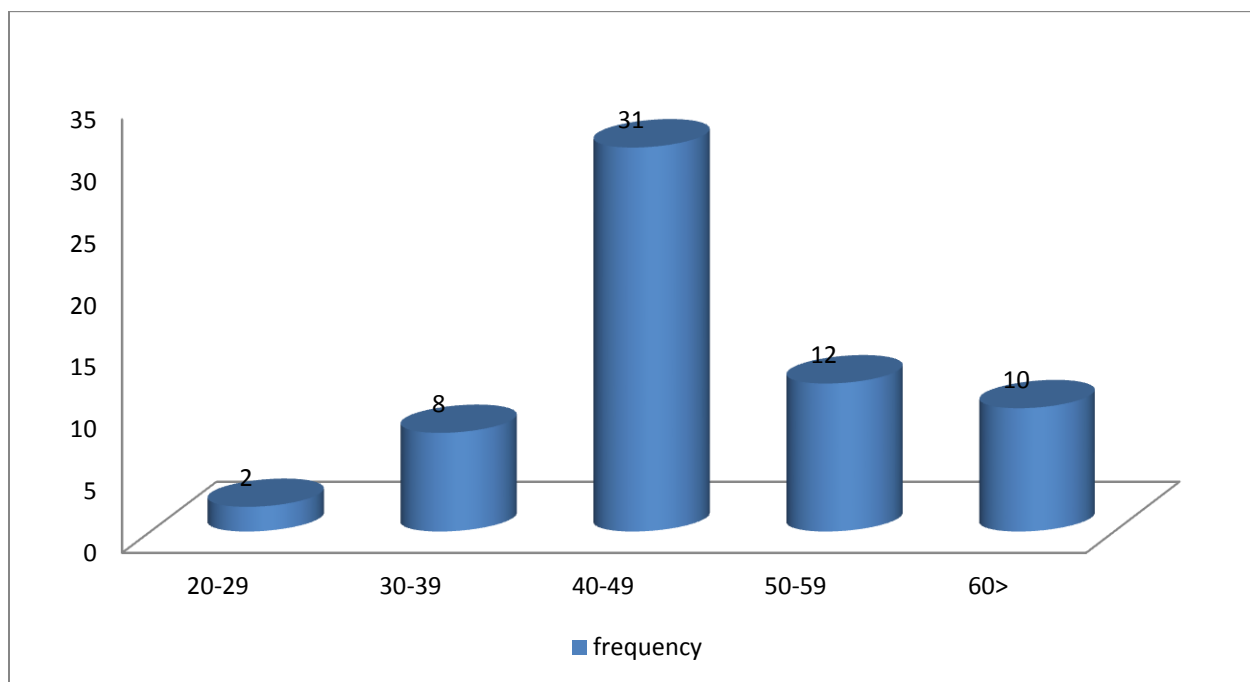
The information presented in figure 5.2 above shows that the main active respondents in business ownership are between the ages of 40-49, with 49.2% of the respondents falling in that category. The ages between 20-29 have got the least respondents with only 3.2%. This is consistent with previous research, which found out that most people generally venture into business in their 40s with 47.8 years being the peak (De Kok, Ichou & Verheul, 2010:10). They further argue that young owners may lack relevant experience to operate the business whilst the older have more time to build up a network and are expected to have better access to information in networks. According to Henriquez, Verheul, Van Der Knaap and Bischoff (2001:9), young people (less than 25 years) and the old (more than 60 years old) are less likely to be running businesses.

Question 3: Your ethnic group

Ethnic grouping appears in table 5.1 below, to show the ethnic component of the respondents in the industry.

Table 5.1 Ethnic Grouping

Group	Frequency	Percent	Valid Percent	Cumulative Percent
Black	9	14.3	14.3	14.3
Coloured	10	15.9	15.9	30.2
Indian	11	17.5	17.5	47.6
White	33	52.3	52.3	100.0
Total	63	100.0	100.0	

Table 5.1illustrates that the majority of respondents are Whites (52.3%) followed by Indians (17.5%), the Coloureds (15.9%) and lastly Blacks (14.3%). This is consistent with the results by Smorfitt (2008:185). This shows that this is a white dominated industry. There are a number of scenarios that could explain this scenario according to Smorfitt (2008:185). Firstly, due to the poor education that most black people have received and are still receiving, they may not have sufficient education to run or own a business. Secondly, the whites dominated the business sector prior to the end of Apartheid, and they may have retained that domination through business know-how and market knowledge which other race groups have yet to acquire to the same standard/level (Smorfitt, 2008:185). Thirdly, it could be related to the fact that the Chamber of Commerce still has a predominantly white membership. This, in turn, could be a historical issue, or it could be that Chambers of Commerce is not marketing adequately to include people of other race groups, or alternatively that other race groups do not join Chambers of Commerce simply because they do not perceive value in such membership (Smorfitt, 2008:185).

Question 4: What is the highest level of education you are in possession of?

The level of education is important in the ownership and managing of a firm and the information on the level of education from respondents appears in figure 5.3 below.

Figure 5.3 Education
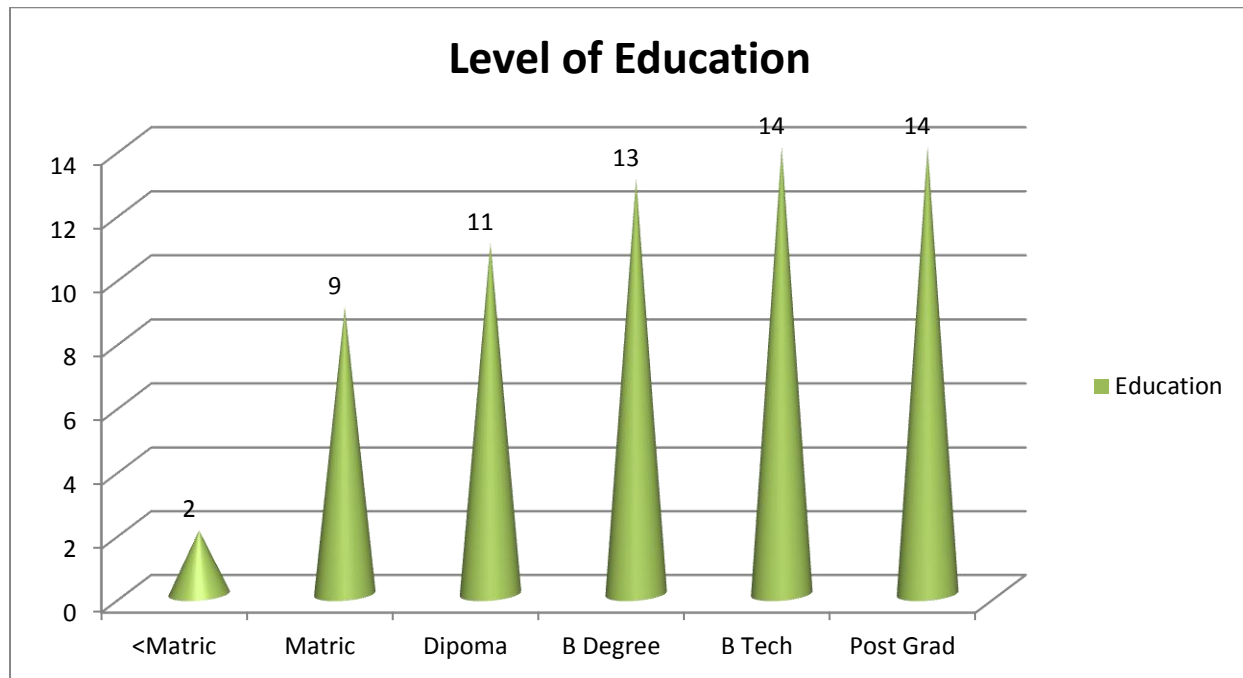
As shown in figure 5.3 above, most of the respondents have a Post Graduate Degree (22.2%) and Bachelor of Technology Degree (22.2%), followed by Bachelors' Degree holders (20.6%), Diploma holders (17.5%), Matric graduates (14.3%) and those without Matric (3.2%). Marten (2005:12) in a study on the success of businesses in Canada, found that the education of the owner is positively related to the success of the business. Businesses operated by people who possess tertiary education, had their revenues grow more than twice as fast compared to enterprises managed by individuals with less than tertiary education. This is consistent with the research findings by Shafeek (2006: 101) on businesses in the Eastern Cape where 73% of the respondents had a post-secondary qualification. Driver, Wood, Segal and Herrington (2001:13) argue

that in South Africa, individuals with a tertiary education are significantly more likely to own a business than those without tertiary education.

Having discussed the personal information of respondents, the next section discusses the business information that was gathered from the respondents.

5.6 <u>BUSINESS INFORMATION</u>

The business information section in the questionnaire was used to obtain information about business operations of respondents. This included the time in business, number of workers, annual turnover, and type of the business, the product and area of operation. It is surmised that these factors may have an influence on the success of the business.

Question 5: How long have you been in business?

The time in business is very important to develop and acquire more skills that will keep the business running. Established businesses now know most of the business linkages and have the capacity to acquire and retain skilled personal that are so important in the business life cycle. The information about time in business appears in table 5.2 below.

<u>Table 5.2 Time in Business</u>

Years	Frequency	Percent	Valid Percent	Cumulative Percent
<3yrs	8	12.7	12.7	12.7
<5yrs	13	20.6	20.6	33.3
<10yrs	20	31.8	31.8	65.1
10yrs>	22	34.9	34.9	100.0
Total	63	100.0	100.0	

As displayed in table 5.2, the majority of the respondents indicated that their businesses have been operating for more than 10 years (34.9%), followed by less than 10 years of existence but more than 5 years (31.8%), followed by less than 5 years of existence but more than 3 years (20.6%) and lastly, less than 3 years of existence (12.7%). This is consistent with the study by Loderer, Nuesser and Waelchli (2010:13), who argue that young firms are vulnerable to exit risk because they lack stable internal organizational structures and a track record with stakeholders. Moreover, they often fail because the entrepreneurs do not possess the necessary management skills (Tornhill & Amit, 2003). As firms grow older, they develop closer ties with their stakeholders, which protect them against exit risk. Therefore, the argument is that, the risk of mortality initially concurs with age of the firm (Hannan, Pólos, and Carroll, 2007).

Question 6: What form of business do you have?

The type of business is important in the function of the business and has certain implications in its growth abilities. In figure 5.3below is displayed the information on the type of businesses which was acquired from the respondents.

Table 5.3 Business Type

Type of Business	Frequency	Percentage
Sole Proprietors	6	10%
Partnership	8	13%
Close Corporation	16	25%
Company (Pty) Limited	21	33%
Business Trust	12	19%

The information on the form of business is shown in the table 5.3above.The findings indicate that most of the respondents own Companies (Pty) Limited (33%), followed by

the Close Corporation (25%), Business Trusts (19%), Partnerships (13%) and lastly Sole Proprietors (10%). This is to be expected, as Closed Corporations are the cheapest form of legal persona in South Africa, which offers the owner a certain level of protection from creditors (Shafeek, 2006: 101). There is no financial audit required which reduces the cost of compliance dramatically for the owner. The use of (Pty) Limited Companies is also to be expected, because there are a lot more compliance issues to be dealt with, including a financial audit, but there is greater protection from creditors than is available to the Close Corporation. On the other end of the spectrum are the Sole Proprietors who would possibly have recently commenced business, and they see no benefit in a formalised legal *persona*, because they usually use their own savings in operating the business.

Question 7: Indicate an estimate of the annual turnover of your business

Annual turnover is an important indicator of growth of a firm and figure 5.4 below displays the annual turnover information from respondents.

Figure 5.4 Annual Turnover
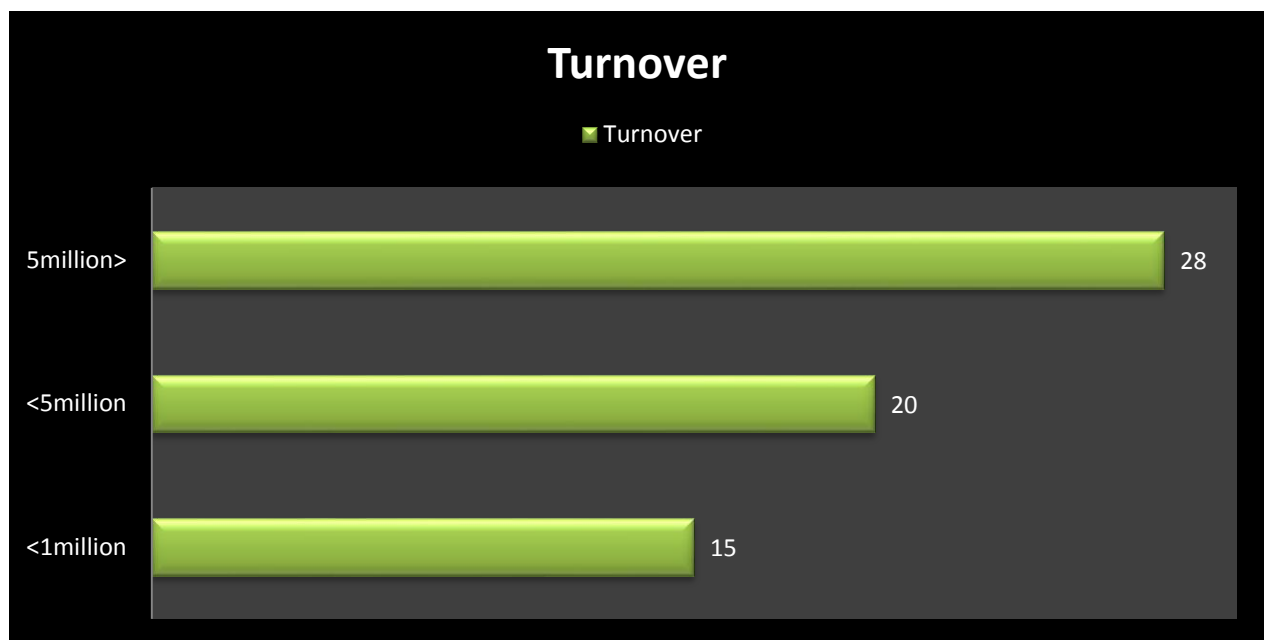
The information on annual turnover is presented by the bar chart on the previous page in figure 5.4. Most of respondents (44.4%) have an annual income turnover of more than R5 million, followed by those respondents (31.7%) with income turnover of less than R5 million but more than R1 million. The last category (23.9%) had an annual income less than R1 million. It has been proved that the higher the income organisation earns, the more it grows, because this shows that the business has been able to generate more revenue (Marten, 2005:12). With the generation of more revenue, there is a possibility of the firm being able to expand its operations.

Question 8: Where do you operate your business from?

The table 5.4 below displays the information from the respondents on the location of their businesses. Location of the business may affect the growth of the firm due to accessibility and other infrastructural problems.

Table5.4 Area of business operation

Area	Frequency	Percent	Valid Percent	Cumulative Percent
City Centre	28	44.4	44.4	44.4
Suburbs	22	35.0	35.0	79.4
Townships	13	20.6	20.6	100.0
Total	63	100.0	100.0	

Information from table 5.4 illustrates the location of the business operations of respondents. Most of the respondents are located in the City Centre (44.4%), which usually is close to business connections. This is a good location for business, but it is more expensive in terms of rentals. The second highest location is the Suburbs (35.0%), which offer less expensive rentals and finally Township (20.6%), which is

usually less expensive in terms of rentals and is close to the labour force. According to Longenecker, Moore and Petty (2003: 271), the location decision is influenced by the costs and impracticality of pulling up stakes and moving an established business. Mutezo (2005: 43) underlines the need for the suitable location by saying that a business will fail if it is in a unsuitable location.

Question 9: What is the number of employees in your business?

The number of workers in categories is shown below on figure 5.6 below.

Figure 5.5 Number of Employees
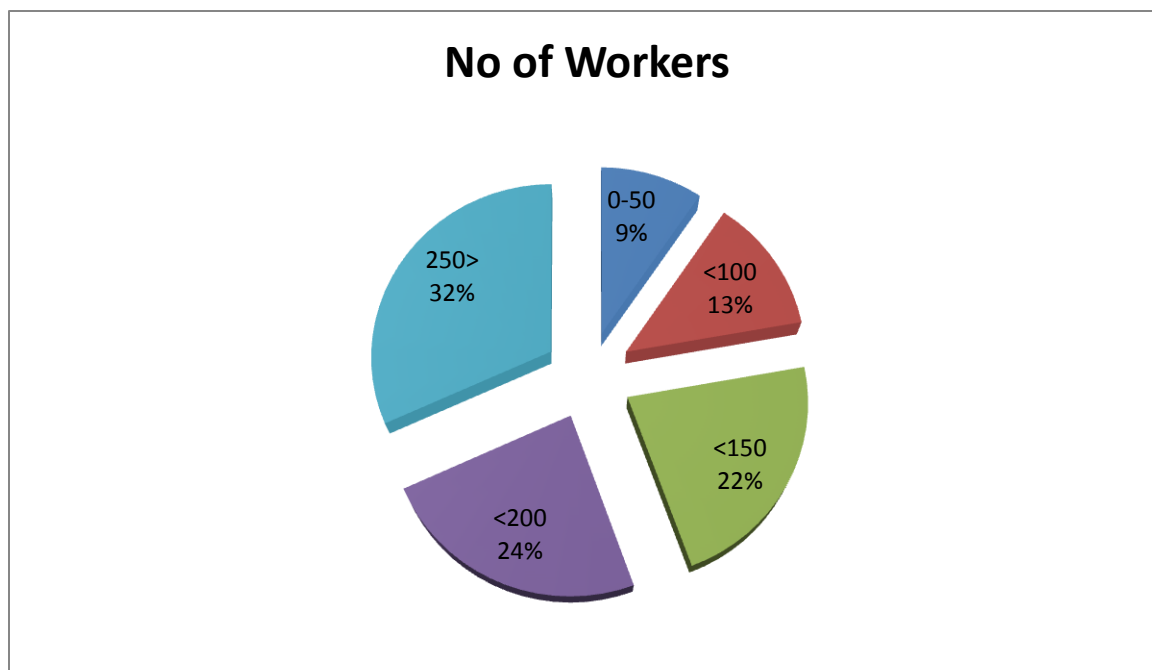
Figure 5.5 above illustrates that the least respondents resorted in the 0-50 category with 9%, in the less than 100 category were 13% of the respondents, followed by the less than 150 category which was (22%).The less than 200 category revealed (24%) response rate and lastly more than 200 category a (32%) response rate. Most of the companies that have responded with a lesser number of workers also indicated fewer years in business. Firms tend to start with a small number of workers and the number

grows as the firm grows. This shows that as the company grows, so does the workforce and this is a good indicator of success. It also occurs that companies tend to downsize their workforce when they are in financial crisis or in decline.

Question 10: What is the main product manufactured by the business?

The choice of the product may affect the success of a firm due to factors like market and raw materials. Below in figure 5.6 is displayed the information on the products produced by respondents.

Figure 5.6 Product
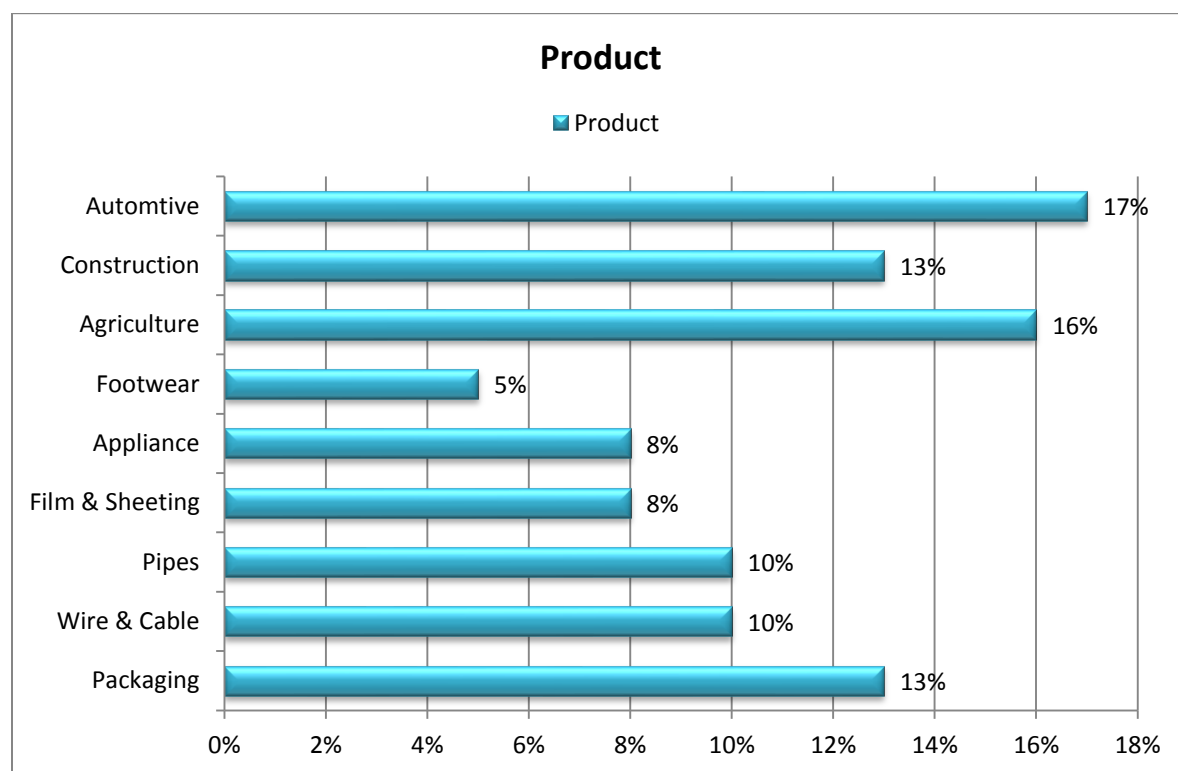
From figure 5.6 above, the Automobile industry and Agriculture have the most respondents of (17%) and (16%) respectively and the Footwear industry having the least respondents of only (5%). In between the upper and the lower categories, Appliance and Film and Sheeting Industries have only (8%) respondents each, Pipes

and Wire and Cables (10%) respondents each and Construction and Packaging (13%) respondents each. The data collected on the type of product manufactured, has shown how diverse this industry is and that it is not based largely on a certain product. Infrastructure development has also been on the rise in the Eastern Cape and this has helped the industry in terms of securing the customers who are interested in their products.

Question 10.1: What other types of products do you produce?

The above question is a follow-up to question 10, asking about the other types of products the organisation is producing and the responses are shown in table 5.5 below.

Table5.5What other types products produced

Type of product	Other product
Automobile	no
Construction	agriculture
Agriculture	pipes
Footwear	no
Packaging	no
Wires and Cables	no
Appliances	no
Film & Sheeting	no
Pipes	no

As displayed in table 5.5; most of the respondents noted that they produce one main line of products. This is to say that those in Automobile industry, only concentrate on the manufacturing of related products and those in pipes also concentrate on that line of products. Some respondents in the Agriculture and Construction sector noted that they also produce other products like pipes which are similar to what they produce. This may

be explained by the capital intensity which may not be flexible enough to allow the firm to produce a variety of products.

5.7 TRAINING OUTCOMES

The following information is based on the data collected from the respondents on the importance of skills in the PMIs and the impact of training.

Question 11: How important are the following skills for your employees?

The information on the importance of skills to the employees is displayed in figure 5.7 below.

Figure 5.7 Importance of skills
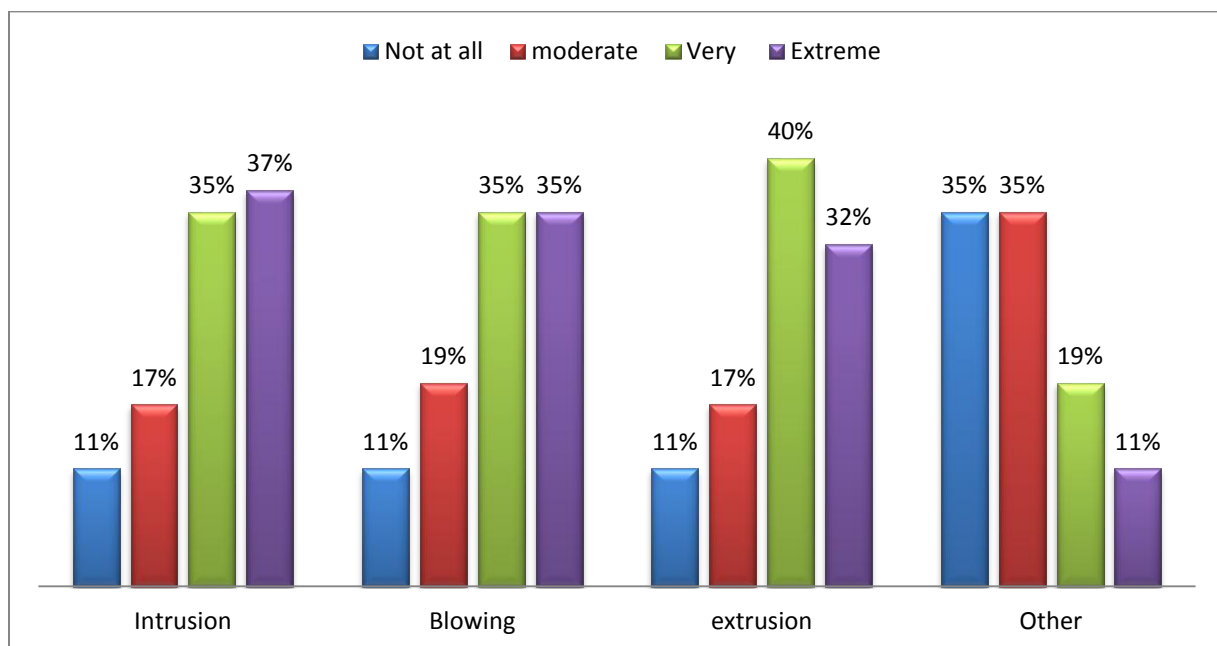
According to figure 5.7, most of the respondents agreed to the fact that certain skills are important for their employees to have. The respondents were asked to rank the skills according to their importance, with the least important, not at all and the most important

skills as extreme. These skills include intrusion (very important, 35% and extreme important, 37%), blowing (very important, 35% and extremely important, 35%) and extrusion (very important, 40% and extremely important, 32%). The majority of the respondents also cited that the other skills (moderate 35% and not at all, 35%) that were not cited here were very, and extremely important for the success of the business. A few respondents (11%) acknowledged the unimportance of skills and a few more (19%) a moderate response on the importance of skills. It can be concluded that the above skills are considered important for business in the PMI sector.

Question 13: To what extent do you agree with the following statements about the training you received?

The information gathered on the impact of training received is shown in figure 5.8 below.

<u>Figure 5.8 Training outcomes</u>
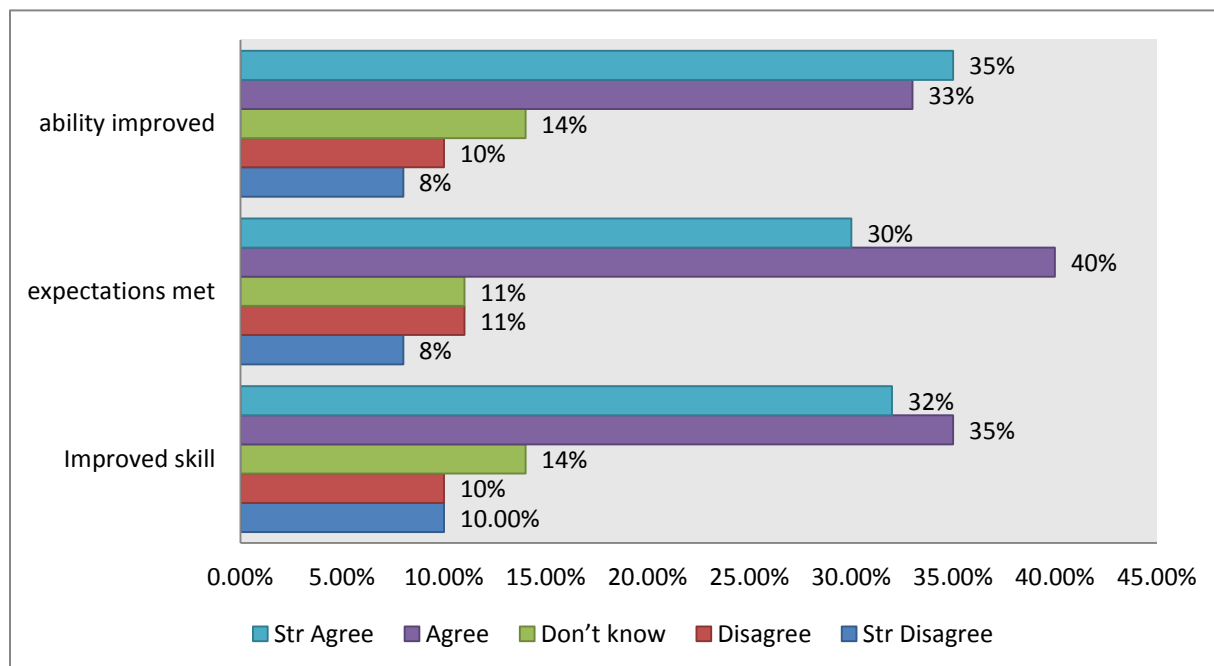
According to the response to training outcomes in figure 5.8, there is a marked improvement in the skills after training (35% agree and 32% strongly agree), (14%) of

the respondents in doubt of the impact of training and lastly (10%) disagreeing and other (10%) strongly disagreeing. The next statement was whether the training expectations were met by the training attended and (40%) agreed and (30%) strongly agreed. However, (8%) strongly disagreed with the statement and (11%) disagreed and lastly (11%) did not know the outcome of the training. The last statement was whether the work ability of the workers also improved after training and (33%) agreed and (35%) strongly agreed. However, (14%) of the respondents did not know the outcome of training, (10%) disagreed and further (8%) strongly disagree with the statement. It can be concluded that the respondents acknowledge a remarkable and positive change in their organisation due to the training received by the employees.

It concludes the questions that were posed in the questionnaire, and the next section is dealing with descriptive statistical analysis for hypotheses testing.

5.8 <u>DESCRIPTIVE STATISTICAL ANALYSIS</u>

Inferential statistics allows the researcher to draw conclusions about the population on the basis of data obtained from samples (Terre-Blanche & Durheim, 2002:105). It is used to draw conclusions about the population itself. According to Burns and Burns (2008:235), the method of testing is done to indicate what percentage of the sampling distribution lies beyond the sample statistics on the curve by comparing the probability values (p values) with the significant level (a). The proposition is either rejected or not rejected basing on the results. If the p value is less than the significant level, the proposition is rejected and if the p value is greater or equal to the significance level, the proposition is not rejected. However validity and reliability of the data was checked before the analysis of the data receives attention.

5.8.1 Validity

Botha (2006:197) defines reliability as "constituency of measurements whereas validity is an instrument that measures what they are supposed to measure which is correct." Validity relates to the extent to which the research data and the methods for obtaining the data are accurate, honest and on target (Denscombe, 2003:201). Validity, when used in research, may mean the ability of a scale or measuring instrument to measure what it is intended to measure (Zikmund 2003: 302). The literature on research methodology identifies three major and common ways of ensuring validity namely; content validity, construct validity and criterion-related validity. The researcher ensured that content validity for the research instrument was carried out.

5.8.1.1   Content validity

The content validity or face validity of a measuring instrument provides adequate coverage of the concept. According to Cooper and Schindler (2006: 211), if the instrument contains a representative sample of the universe of the subject of interest, then content validity is good. The research literature agrees that content validation is a judgemental process that can be done in many ways. According to Cooper and Schindler (2006:212) the researcher may choose to do it alone or may use a panel of experts to judge how well the instrument meets standards. The questionnaire which was used in this study was given to a statistician to evaluate it for face and content validity as well as for conceptual clarity and investigative bias. In terms of using the information gathered through the questionnaire, it must be emphasised that no summative scores were used for interpretation purposes but rather the answers to individual items in the questionnaire.

The validity criterion was achieved by considering the following issues:
• There is an avoidance of leading and loaded questions to maintain neutrality;
• Questions are not offensive and ambiguous;

- Questions are applicable to all respondents;

- Questions are structured to reduce fatigue effect with easy to answer questions at the end;

- The Likert Scale was used in the investigation, whereby the respondents are required to pick a number from the scale to show how much they agreed or disagreed with the statement/question (Botha, 2006:198);

- Use of closed questions was made, as they are easier and quicker to respond to and allow for ease of comparison when analysing results; and,

- Use of open-ended questions was also done to extract information that might not be predictable from the respondents.

5.8.2 Reliability

Reliability is concerned with the consistency of measures. The level of an instrument's reliability is dependent on its ability to produce the same result when used repeatedly (Cant, Gerber-Nel, Nel & Kotze, 2005:188). There are a number of procedures used to assess the reliability of measurement scales used in surveys (Cant, et al., 2005:188). This study used the Cronbach's alpha as a measure of reliability. Cronbach's alpha is a test for a survey's internal consistency. It is the average value of the reliability coefficients one would obtain for all possible combinations of items when split into two half-tests (Gliem & Gliem, 2003:84). It is also called a scale reliability test. It is a measure of how well each individual items in a scale correlates with the remaining items. Reliability measurements of a test remain consistent over repeated tests on the same subject. The Cronbach Alpha coefficient is regarded as one of the most important reliability estimates. Alpha coefficient ranges in value from 0 to 1. The acceptable threshold of Cronbach alphas ranges from 0.600 to 0.999 and indicates reliability (Cooper & Schindler, 2001:216-17). The Cronbach Alpha results are displayed in table 5.6 on the next page.

Table 5.6 Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.807	.801	19

The Cronbach Alpha value of 0.807 was obtained for all the variables used. This indicates that the instrument actually measured the concepts aimed to be measured and it shows significant consistency. After the two check-ups, the data was now ready for analysis.

The next section is on hypotheses testing using chi-square.

5.8.3 Chi-square

The chi-square was used to test the significant differences between the success of the organisation and the training in business skills and other skills needed in the organisation. The confidence level used was 95%, meaning that the p value must be lower than 0.05. The chi-square test is a non-parametric test of significance used for nominal measurements. The chi-square is presented to indicate the nominal variables with significant differences. Any appropriately performed test of statistical significance indicates the degree of confidence one can have in accepting or rejecting a proposition. Typically the propositions tested with chi-square were whether or not two different samples were different enough in some characteristic or aspect of their behaviour to allow for the generalisation that the population from which the sample was drawn was also different and characteristic. The chi-square is a rough estimate of confidence, it accepts weaker, less accurate data as input than parametric tests and therefore has less in the pantheon of statistical tests and that is why it is widely used in research. The above chi-square was used for the testing of the first two hypotheses.

5.8.3.1 Hypotheses 1

H$_0$ The success of PMI is not dependent on business skills training needs.

H$_1$ The success of PMI is dependent on business skills training needs.

The information in table 5.7 below is used for the hypothesis testing of the above hypothesis, to find out if the success of PMI is dependent on business skills and training needs. The chi-square was used to find out whether a significant difference exists between the manager/owners on how they depend on business skills in the business. This measured how the female owners/managers determined the importance of the business skills as compared to the male owners/managers respondents.

<u>Table 5.7 Chi-square on importance of skills for the business</u>

Skills	P Value	DF	SIG (2-Sided)
Business Systems	4.589[a]	3	.003
Business Linkages	5.115[a]	3	.004
Communication	2.541[a]	3	.005
Computer Literacy	5.346[a]	3	.003
Financial Management	2.043[a]	3	.003
HRM	15.609[a]	3	.001
Legal	23.384[a]	3	.008
Marketing	21.856[a]	3	.000
Operations	22.677[a]	3	.000
Research & Development	26.642[a]	3	.000
Strategy	34.223[a]	3	.000
Supplier	12.781[a]	3	.005
Resources	12.336[a]	3	.005
Technical	13.054[a]	3	.000

α=0.05, Confidence Interval= 95%

From table 5.7on the previous page it became evident that there were significant differences between the male owners/managers and female owners/managers in terms of how they depend on training of the business skills for their success with a p-value of 0.003. **The hypothesis: SMEs' success is not dependent on business skills and skills training needs; is thereby rejected.**

5.8.3.2 Hypotheses 2

$H_{2:0}$ *Training in PMI skills is not a determinant of a successful PMI.*
$H_{2:1}$ *Training in PMI skills is a determinant of a successful PMI.*

The information in table 5.8 below is used for the hypothesis testing of the above hypothesis. The second chi-square test was performed to determine whether training in skills was a determinant of success in PMIs. This was done to find out whether skills training had an influence in the success of PMIs. It measured the significant difference between male owners/managers and female owners/managers, on the aspect whether they depend on skills training for the success of their businesses. The 95% confidence interval was also used and the *p* value was 0.05.

Table 5.8 Chi-square on dependence on training

Statement	P Value	DF	SIG (2-Sided)
Productivity improved	13.649[a]	1	.000
Quality improved	26.885[a]	1	.000
Sales improved	20.193[a]	1	.000
Turnover increased	28.904[a]	1	.000
Training relevance	16.648[a]	1	.000
Training expectations	9.947[a]	1	.002
Improved ability	23.621[a]	1	.000
Improved skills	15.928[a]	1	.000

α=0.05, Confidence Interval= 95%

According to table 5.8 on the previous page, there were significant differences between the male owners/managers and female owners/managers in terms of how they depend on skills training for the success of PMIs with a p-value of 0.002. The response to the question whether there was an improvement in the following areas due to training: productivity, product quality, sales, annual turnover; relevance of training, training expectations, ability to operate the business and improved skills. This implies that training was essential for business success in the PMIs. **The hypothesis: SMEs' success is not dependent on business skills and entrepreneurship training is thereby rejected.**

The remaining hypotheses were tested using Analysis of Variance and regression.

5.8.4 Analysis of Variance (ANOVA)

The statistical method of testing the null proposition such that the means of several populations are equal is called the analysis of variance (ANOVA) (Burns & Burns, 2008:289). The testing of two independent variables calls for the introduction of ANOVA and is used to test the main and interaction effects of categorical variables on a continuous dependent variable, controlling for the effects of selected other continuous variables which co-vary with the dependent (Cooper & Schindler, 2006:493). ANOVA is a versatile statistic which tests for the significant differences between two or more groups of means and additionally breaks down the variability of a set of data into its component sources of variation. ANOVA is carried out in order to provide a more in-depth analysis of the data. As with correlations, some of the study's propositions are built on the significant differences between variables and factors. ANOVA is therefore used to prove or disprove the last three hypotheses of the study.

5.8.4.1. Hypothesis 3

$H_{3:0}$ *Business skills are not a determinant of success in the PMI.*

$H_{3:1}$ *Business skills are a determinant of success in the PMI.*

The information on table 5.9 below is used for the hypothesis testing of the above hypothesis. It indicates the regression model that predicts the outcome variable significantly well.

Table 5.9 ANOVAb 1

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.224	13	1.248	.760	.004[a]
Residual	78.825	48	1.642		
Total	95.048	61			

a. Predictors: (Constant), technical & vocational skills, legal, supplier, communication, marketing, HRM, ICT, strategy development, operations, business linkages, business skills, research & d, financial management

b. Dependent Variable: turnover

Table 5.9 above indicates the statistical significance of the regression model that was applied. The p value is 0.004 which is less than 0.05 and indicates that, overall, the model applied is significantly good enough in predicting the outcome variable.

The statistical programmes ANOVA (Analysis of variance) was employed to statistically test the significance of this assertion on table 5.10 on the next page.

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Table 5.10 Coeficients^a 1

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	2.628	2.199		1.195	.038	-1.794	7.049
Business skills	.098	.204	.071	.480	.033	-.312	.508
Business linkages	-.125	.189	-.096	-.660	.012	-.506	.256
Communication	.187	.184	.146	1.019	.013	-.182	.556
ICT	.095	.190	.070	.499	.020	-.288	.477
Financial management	.102	.218	.072	.467	.043	-.336	.539
HRM	-.110	.173	-.088	-.633	.030	-.458	.239
Legal	-.039	.173	-.033	-.228	.021	-.387	.308
Marketing	.014	.205	.010	.071	.044	-.398	.427
Operations	-.319	.195	-.232	-1.639	.018	-.711	.072
Research& Development	.200	.170	.174	1.180	.044	-.141	.541
Strategy Development	.271	.184	.213	1.471	.048	-.099	.641
Supplier	-.056	.208	-.039	-.268	.040	-.474	.363
Technical& Vocational skills	.071	.194	.055	.364	.017	-.320	.462

a. Dependent Variable: turnover

The above information appearing in table 5.10in which the ANOVA and regression analysis determined whether business skills which include Business systems, procedures, processes and records; Business linkages, industry clusters and

networking; Communication and access to relevant information; Computer literacy and information technology (ICT applications); Financial Management including cash flow, forecasting, pricing and costing; Human Resources Management and organizational planning; Legal (Business registration, government requirements, regulations and incentives); Marketing, promotions, customer relations and competitor analysis; Technical and vocational skills; Research & development including technical, market and product development; Strategy development, business planning, contingency plans and organizational control; Supplier, purchasing and inventory management and operations, including quality control and production planning, are all vital in the success of PMI sector. Using a 5% significance level, the test results shows that the above mentioned business skills play a significant role in the success of the PMI, with $p<0.05$.Therefore the hypotheses: **Business skills are not a determinant of success in the PMI is rejected.**

5.8.4.2 Hypotheses 4

$H_{4:0}$ *Related types of training in skills is not a determinant of success in PMI.*

$H_{4:1}$ *Related types of training in skills is a determinant of success in PMI.*

The information in table 5.11 on the next page is used for the hypothesis testing of the above hypothesis. It indicates the regression model that predicts the outcome variable significantly well.

Table 5.11 ANOVA[b] 2

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.119	4	.280	.163	.003[a]
Residual	99.770	58	1.720		
Total	100.889	62			

a. Predictors: (Constant), other, injection, extrusion, blow mouldingb. Dependent Variable: skills

Table 5.11 above indicates the statistical significance of the regression model that was applied. The p value is 0.003 which is less than 0.05 and indicates that, overall, the model applied is significantly good enough in predicting the outcome variable.

The statistical programmes ANOVA (Analysis of variance was employed to statistically test the significance of this assertion.The ANOVA was once again used to determine the relationship between training in skills and the success of PMIs. The identified skills in this research were injection moulding, blow moulding and other skills that are relevant for the production of plastic products. All these were tested against the improvement of skills due to training offered. This was done to find out whether training in the above skills had an impact on the success of the business. This is to say that, with right training in the above skills in PMIs, employees get equipped with the necessary skills to do their job. The information is displayed in table 5.12 below.

Table 5.12 Coefficients[a] 2

| Model | Unstandardised Coefficients | | Standardised Coefficients | t | Sig. | 95.0% Confidence Interval for B | |
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	4.218	1.290		3.269	.002	1.635	6.801
injection	-.050	.189	-.039	-.264	.033	-.429	.329
blow	.048	.191	.038	.252	.002	-.334	.430
extrusion	-.054	.172	-.041	-.313	.045	-.397	.290
other	-.093	.179	-.068	-.519	.026	-.450	.265

a. Dependent Variable: skills

Using a 5% significance level, the test results in table 5.12show that the above mentioned skills play a significant role in the success of the PMI, with p<0.05. The hypotheses: **Related types of training in skills, is not a determinant of success in PMI is thereby rejected.**

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5.8.4.3 Hypotheses 5

H$_{5:0}$ Training programmes are not relevant in quality training.

H$_{5:1}$ Training programmes are relevant in quality training.

The information in table 5.13 below is used for the hypothesis testing of the above hypothesis. It indicates the regression model that predicts the outcome variable significantly well.

Table 5.13 ANOVA[b] 3

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	4.973	2	2.487	1.862	.002[a]
Residual	80.106	60	1.335		
Total	85.079	62			

a. Predictors: (Constant), training expectations, quality expectations

b. Dependent Variable: relevant

Table 5.13indicates the statistical significance of the regression model that was applied. The p value is 0.002 which is less than 0.05 and indicates that; overall, the model applied is significantly good enough in predicting the outcome variable.

The statistical programmes ANOVA (Analysis of variance) as well as a regression analysis were employed to statistically test the significance of this assertion. The ANOVA and regression analysis was used to find whether the training programmes were of use during training and training campaigns or awareness. The relevance of training programmes was tested against the expectations on the training received by both the employees and the owners/managers. The information on ANOVA is displayed in table 5.14 on the next page.

Table 5.14 Coefficients^a 3

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	3.166	.566		5.591	.000	2.033	4.299
Training expectations	.216	.112	.246	1.928	.039	-.008	.441
Quality expectations	-.035	.121	-.037	-.289	.027	-.278	.208

a. Dependent Variable: relevant

From table 5.14 it was evident that the respondents acknowledged that they needed the training programmes that will give them useful information on what is going to be offered and who can attend such training. Using the 5% significance level, the test results shows that training programmes play a significant role in skills training, with p<0.05. Therefore the hypotheses: **Training programmes are not relevant in quality training is rejected.**

The summary of the rejected and the accepted propositions is shown in table 5.15 in the next section.

5.9 SUMMARY OF THE HYPOTHESES TESTING

The summary of the hypotheses testing that was done in order to reject or accept the null hypotheses and is presented on the next page.

Table 5.15 Summary of hypotheses testing

	Hypotheses	Outcome
H_1	The success of PMI is not dependent on business skills training needs.	Rejected
H_2	Training in PMI skills is not a determinant of a successful PMI.	Rejected
H_3	Business skills are not a determinant of success in the PMI.	Rejected
H_4	Related types of training in skills are not a determinant of success in PMI.	Rejected
H_5	Training programmes are not relevant in quality training.	Rejected

From the table 5.14 above, it is evident that all the hypotheses that were rejected, meaning that all the alternative hypotheses were accepted. This is to confirm that training in skills is vital for the success and growth of the business. Training programmes also served a good purpose in training as they offer vital information of what is to be offered in skills training.

5.10 SUMMARY

This chapter showed the results of the data that was collected from the 63 respondents, starting with the personal demographic findings, followed by the business demographics. The last part concentrated on the statistical analysis where the null hypotheses were tested. All the five null hypotheses were rejected depending on the results from the tests. Chi-square, the ANOVA and regression analysis were used to determine the acceptance and the rejection of the hypotheses. The next chapter discusses the findings of the research.

CHAPTER SIX

SUMMARY AND CONCLUSION

6.1 <u>INTRODUCTION</u>

This chapter is the conclusion of a study done to determine the business skills and training needs that are influential in the success of PMIs in the Eastern Cape Province of South Africa. This study was undertaken due to the lack of skills in the PMIs. The literature reviewed had shown that it is important to partake in training in business skills and technical skills for the success of the business. The quantitative research method was used for the gathering of data. The results were presented in the previous chapter were the hypotheses were either accepted or rejected. Finally, the chapter is going to give a summary of all the chapters as well the conclusion to the results, citing the results of the hypothesis that were tested. The value added by this research will be highlighted further in this chapter. Recommendations, limitations and areas of further study will conclude the chapter.

6.2 <u>RESEARCH APPROACH</u>

The first chapter introduced the main problem which was lack of skills and led to the research project being done. Identifying the business skills and training therefore could help the business to grow. More than half of the workers in the PMI are either semi-skilled or not skilled at all. Training in skills could help in the growth and competitiveness of the firms in the PMI. The study objectives and hypotheses were discussed, followed by the significance of the study. The chapter concluded with a literature review and outline of research methodology followed. The second chapter concentrated on the business skills that are essential for business success and proper functioning. These are the skills the management and owners should at least possess so that they could be efficient in operating the business.

The third chapter concentrated on the skills training, benefits and challenges of training. This chapter elaborated on the training on skills and the types of trainings that can be adopted for the best of the organisation, together with the resources available. It goes further to give the benefits of training which is followed by the challenges that come along with training in skills. Research methodology was the fourth chapter of this research project and it gave the overview of how the research project was carried out. It outlined the target population, the target area and the sampling of the research project. It stated the data collection method and how data was collected. It further went on to describe how the data was analysed and the form of statistical data analysis used which included the chi-square, regression analysis and ANOVA.

Chapter five then was based on the reporting of the results from the data collected for the research. It dealt with the personal demographic results first and showed how the respondents responded. The second was the business demographics and it also showed the responses of the respondents. Reliability and validity were tested using the Cronbach alpha. The hypotheses were then tested and the results were shown in this chapter. All the hypotheses were tested through the chi-square, regression analysis and the ANOVA. All of the hypotheses were rejected in the chi-square, regression analysis and ANOVA.

6.3 <u>RESEARCH OBJECTIVES</u>

The main objective of this study was to find out the business skills and training needs that are influential in the success of PMIs. In training needs, this was to find out the training that is necessary for the success of the PMIs, targeting the employees as well as the owners/managers. After identifying the business skills and the skills needed, there was a need to find out whether training in these skills was vital for the success of the business.

The following objectives were projected for this study:

6.3.1 Primary Objective

- To identify specific business skills and training needs that are essential for the success of PMI.

6.3.2 Secondary Objectives

- To identify the necessary business skills for the PMI.
- To find out whether training in PMI related skills is linked to the success of the PMI.
- To establish what type of training skills is necessary for the success of PMI.
- To establish whether programmes exist to supply relevant training.
- To be able to recommend training programmes.

Next are the research hypotheses of the study.

6.4 <u>RESEARCH HYPOTHESES</u>

Below are the research hypotheses that were tested in this study.

- H_0 The success of PMI is not dependent on business skills training needs.
- H_1 The success of PMI is dependent on business skills training needs.
- $H_{2:0}$ Training in PMI skills is not a determinant of a successful PMI.
- $H_{2:1}$ Training in PMI skills is a determinant of a successful PMI.
- $H_{3:0}$ Business skills are not a determinant of success in the PMI.

- $H_{3:1}$ Business skills are a determinant of success in the PMI.

- $H_{4:0}$ Related types of training in skills is not a determinant of success in PMI.

- $H_{4:1}$ Related types of training in skills is a determinant of success in PMI.

- $H_{5:0}$ Training programmes are not relevant in quality training.

- $H_{5:1}$ Training programmes are relevant in quality training.

6.5<u>RESEARCH RESULTS REVISITED</u>

A summary of research results that emanated from in this study, starting with personal demographics, business demographics and then descriptive statistics appear in the following paragraphs.

6.5.1 Personal Demographics

Results from analysis of the questionnaire revealed that there are more men than women in the Plastic Manufacturing Industry (PMI), with 38 of the 63 respondents being male and 25 being women. Business, in the view of South African culture, has supported men to venture into businesses with high risk than women. It has also shown that access to loans and other debt equity have also hampered women doing business.

On the category of age, the research has found out that most of the respondents are in the 40-49 category. This is the age category that has got vast experience and has got the resources to either starting their own business or take up higher management post. Past this age category, most of the people retire or give the business to their offspring to manage though they might be still there to support the business. The low categories on the other hand have got few respondents due to lack of experience, opportunities, and capital. It needs more bravery to take the risk at an early age, with most of the younger owners inheriting the businesses or running family businesses.

On the ethnic group category, most of the respondents are white in this industry, with the blacks being the least. It also goes to the issues of distribution of wealth among the people in South Africa with minority white having much wealth than the majority blacks. Most whites happen to have better business linkages than the other races. The Black Economic Empowerment seemingly is slow in making noticeable change to rest of the majority blacks but rather it has benefited some few blacks.

Finally on the education category, the respondents are rather spread across all the levels of education but most respondents have got tertiary education. This clearly indicates that education is very important in the running of the businesses. On the other hand, most of these respondents have got Science and Chemical Engineering degree which makes logic for them to undergo training in business skills. Education reinforced with experience tends to produce very good results.

6.5.2 Business Information

The research has found that 8 of the 63 respondents had indicated that their businesses have been in existence for less than 3 years, 13 for less than 5 years, 20 for less than 10 years and 22 for more than 10 years. This shows that the business is dominated by already established organisations and there have been less entry of new businesses of late. These businesses need to be maintained and the creation of new businesses is encouraged.

The secondly, the type of business operated. The Private Companies (Pty) and Close Corporations (CC) dominated this category. The Business Trusts (BT) though few, most of them were also successful. Capital input may have worked positively to this trend as the Pty, CC and BT as they may have enough collateral to borrow from the banks and other financial institutions. They are usually eligible for bigger loans than the Sole Proprietors and Partnerships who may have to put personal property as collateral.

The thirdly, area of operation, of which most of the businesses indicated that they operated in town, followed by the suburbs located respondents and lastly the township based. This shows that the location of the business might be very influential to the business success. There seems to be more business opportunities in town than in the townships and suburbs.

The fourth is the product under production by the respondent firms. There was no big difference on the spread of respondents according to the product with the building plumbing, electrical and household product having high respondents with the commercial and automobile having fewer respondents. This shows that any product that is produced can be profitable enough to keep the business going as long as there is proper management of the business.

The fifth demography is the annual turnover for the respondents. Most of the respondents indicated that they had annual turnover of more than R5 million followed by those with less than R5 million but more than R1 million and lastly those with less than R1 million. The amount of annual turnover strongly indicate the success of the firm, as a low turnover might lead to lack of funds to invest into the business thus leading to failure.

The number of employees is another success determinant as only those who are successful are able to increase their workforce and attract skilled employees. Failure has always been associated with the scaling down of the workforce. The numbers of workers indicated by the respondents were spread across all the categories, with most of the respondents having more than 150 employees.

6.5.3 Training outcomes

This research has found that through training, there has been an increase in the productivity as well as improved product quality, according to the respondents. The

trained respondents also acknowledged that the training that they received was useful to their businesses and met their expectations. They also agreed that there was an improvement in the sales due to the training received. Operational ability, skills levels and confidence have also been noticed to have improved due to the training received by the respondents. This is a good motivation for owners/managers who happen shun training to consider it as it has good benefits.

6.6 <u>DISCUSSION OF RESULTS</u>

The Cronbach Alpha coefficient was used to measure the reliability and the validity of the data used in this research project. It confirmed that the data was valid and reliable. The chi-square which was part of the statistical data analysis used, helped out in the testing of the hypothesis. The other hypotheses were tested using ANOVA and the confidence level used was 95% meaning that the p value must be lower than 0.05. The discussion of the findings starts with the first hypotheses below.

6.6.1 Dependence on business skills

H_0 *The success of PMI is not dependent on business skills training needs.*
H_1 *The success of PMI is dependent on business skills training needs.*

The first hypothesis was on the dependence on business skills: the above hypothesis was rejected and the alternative accepted. This was measured using the chi-square and the p=0.003 was less than 0.05. This means that the PMIs dependent on the business skills for their success. This have shown that the business skills are very important for the success of the PMIs and it is of great importance to have them correctly transferred to the users so that they can benefit the PMIs. This also encourages owner/managers to make a huge effort to get equipped with the skills they lack. Of the 13 business skills listed, most respondents acknowledge that they had not been training in at least five of

the skills. This call for the owner/managers to train it the skills that they did not train for as it will boost their overall performance.

6.6.2 Training and Success

H$_{2:0}$ Training in PMI skills is not a determinant of a successful PMI.

H$_{2:1}$ Training in PMI skills is a determinant of a successful PMI.

The second hypothesis was on the importance of training: SMEs' success is not dependent on business skills and entrepreneurship training was also rejected and the alternative accepted. The chi-square was use again in testing the hypotheses and it produced a $p=0.002$ with is far less than the $p>0.05$ value. This shows that training in skills is needed to transfer the skills to the owner/managers and employees in the industry, so as to maintain and foster success. For a firm to be successful, it has to invest in the human capital. There is also need for constant upgrading of the skills to meet the changes that happens in the global world especially in the PMI where there is use of technology and chemicals.

6.6.3 Business skills and Success

- *H$_{3:0}$ Business skills are not a determinant of success in the PMI.*
- *H$_{3:1}$ Business skills are a determinant of success in the PMI.*

The third hypotheses investigated the link between the business skills and success. Using ANOVA the above hypotheses was rejected and the alternative was accepted with a $p>0.004$. The results show that there is a strong link between business skills and success, meaning training in business skills by the owners/managers is likely to enhance the success opportunities of the business. According to   Van Zyl, *et al.*, (2008,

37), the PMI industry requires science degrees for managers and hence there is a need for them to have business skills in addition to their science qualification.

6.6.4 Employee skills and success

- *$H_{4:0}$ Related types of training in skills is not a determinant of success in PMI.*
- *$H_{4:1}$ Related types of training in skills is a determinant of success in PMI.*

The fourth hypotheses investigated the link between the training in related type of skills and success. Using the ANOVA, $p=0.003$, the hypotheses was thereby rejected and the alternative hypotheses was accepted. The related types of skills are the technical skills that are needed by the employees to perform their task well. The PMI really need training in these skills due to the nature of the industry and the processes involved in production. This is more important because the quality of the products is dependent on the skills level of the employees and their competences.

6.6.5 Training programmes

- *$H_{5:0}$ Training programmes are not relevant in quality training.*
- *$H_{5:1}$ Training programmes are relevant in quality training.*

The final hypotheses focused on the role of training programmes in training. Using the ANOVA, $p=0.002$, the above hypotheses was rejected and the alternative was accepted. The respondents acknowledged that the training programmes are vital in giving enough information on what is going to be offered, at what time for their convenience. As business people they got a lot to attend to and having the programme helps them with their own programmes. After the recap on the findings of the study, the next section discusses the contribution of the study.

6.7 <u>THEORETICAL IMPLICATIONS</u>

- The study revealed that skills are very important and essential in the success of PMIs. These skills have to be trained to the owner/manager so that they can use them for the success of the business. Some also need to be transferred directly to the workers so that they may use them, like the technical skills. Training should be demand based and not supply based so as to suite the required needs especially on these most important skills.

- The second contribution of this study is all the skills that have been laid down to help the PMI grow or maintain growth. With all these skills that have been mentioned being rightly trained to the right people, the PMI will endure a great success in the province. Right channels of training also need to be followed; including on-the-job training to avoid lose of time in attending training in other places.

- The study has also come up with a strong need for training. This has proved to be a major problem facing businesses in every industry, lack of skills. Training is the only way the unlearned can learn. Skills development training workshops should be done in accordance to the industry so that the training is not generalised but it covers specific solutions to a specific industry.

- This study could be usefully in the construction of a relevant skills development plan for the PMIs and the provision of more appropriate training programmes. This is because it have got all the information that PMIs view as essential when it comes to training and the desired skills as well. It also has got the insights on how they want the training to be conducted.

- The study also found out that training programmes are vital and need to offer accurate information about the training to be offered. This also follows that the information given on the programmes should be followed so that the participants get what they expected from the training.

- This study contributes to the body of knowledge in the field and adds o the massive and on-going research gathering of reliable and accurate information about PMIs in the Eastern Cape as well as South Africa as a whole.

- To the international community, the results of this research can be used as a case study upon which various measures could be taken. The results serve as a lesson for the other countries embarking on skills development.

After the contribution of the study, the limitations to the study are discussed in the next section.

6.8 LIMITATIONS OF THE STUDY

According to Cooper and Schindler (2001:616), it is widely accepted that all forms of research have certain limitations and the reader should therefore be aware of this study:

- It must never be assumed that what holds true for an industry in one part of the world can therefore form a legitimate basis for studies elsewhere (Drakopoulou & Patra, 2002:117). The study mainly done in the Plastic Manufacturing industry in the Eastern Cape Province and the outcome therefore is in reference to the given industry and location. This means that the results do not at all represent the whole of South Africa though they can be used as an estimate or can add value at national level.
- The study was based on some literature review that was mainly focusing on USA and European contexts, which made it difficult to apply the theory to non-USA contexts.
- It must be noted that skills development is only a part of the complex set of variables needed for business success. This study only focused on investigating one variable (skills training) as contributing to business success. However in reality it is not possible to separate factors that influence business success.
- The study focuses only on information collected in 2011. The cross-sectional survey methodology has inherent weaknesses as the relationship is correlational (Gurol & Atsan, 2006:35). As the business cycle occurs over time, it is difficult to research this process using conventional cross-sectional methodologies which capture respondents in various stages of their firm's life cycle (Rogerson, 2001:117). It has

been argued that the dynamics of business development can only be fully understood only in the light of longitudinal studies that seek to monitor the condition of the business cycle over a period of time (Erikson, 2002:277).

- The study's research design relies on the perspective of the individuals who are respondents. There are potential validity problems with a perceptual measure of competence as the self-evaluation is regarded as inherently biased. Furthermore, many businesses are not willing to supply researchers with information needed for objective measures because of their suspicion of academic research and its motives (Miller *et al.*, 2003:215; Rauch & Frese, 2000:15).

Having discussed the limitations to the study, the section below discusses the recommendations from this research project.

6.9 <u>RECOMMENDATIONS</u>

The following recommendations have been noticed from the results that were analysed in this research project:

- The most important business skills like business linkages, business systems, communication, computer literacy and financial management should be integrated into all training programmes, in all the stages of the business cycle.

- Training should also incorporate all the identified skills. These skills must be analysed into those that important at some stage of the business cycle, so that training priority could be given to them and less important may be considered later.

- New managers and new owners should ensure that they know about the skills that are important for business success. They should test themselves to check their level of ability in all the identified skill areas and then seek assistance to formulate skill development plans that will ensure that they have a plan that will get them the required skills. This may also be done with the workers to find out if they possess the relevant skills and also which areas need immediate attention for training.

- Organisations should continually assess their employees for the required skills. They should enrol themselves in outcome based skills development programmes that

furnish them with competence in the identified key skill areas needed for business' success and then strive to acquire all the relevant support skills according to the requirements for each of the stage of business cycle.

- Private training consultancies, mentors, tertiary institutions; NGOs, community-based organisations and industry training organisations who focus on skills development should be able to determine the level of competence for each trainee in each area, be able to deliver a basic course focusing on transferring the basic comprehension level and be able to give customised local area for all the skills categories. The next section explores the areas of further study.

6.10 <u>AREAS FOR FURTHER STUDY</u>

It is hoped that the findings of this study will spur further research in this area. Further research that could come out of this study includes:

- Studies can investigate the competence of the owners/managers in the skills that they have been trained in so as to give an evaluation on success of the training programmes.
- Studies can be carried out on a national level than the provincial level and can be inter-industry to find out if the results are the same and can be validated on national level.
- Longitudinal studies which will indicate changes in skill acquisition process over designated periods to verify the findings and recommendations of this study.

6.11 <u>CONCLUSION</u>

This chapter have served as the conclusion of this research project that was investigating the business skills and training needs for the success PMIs in the Eastern Cape Province. The chapter highlighted the findings of the study from chapter five, recommendations, contribution to the study and areas of further study. The objectives of the research study were met and it was concluded that training is very essential for the

business success. Training in business and technical skills was the major important aspect of business success; the businesses are encouraged to consider training for their employees as well as management, for the businesses to gain and maintain success, they should consider investing in the human capital as more as the machinery as well.

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APPENDIX A

QUESTIONNAIRE

University of Fort Hare

Together in Excellence

I am conducting a research on the analysis of business skills and training needs in the Plastic Manufacturing Industry in the Eastern Cape. The main objective is to find out whether skills training is contributing towards the success of businesses. The information received in this research will be used for academic purposes only. Your response will be kept in strict confidentiality. I will appreciate your co-operation.

Regards

Richard Macheke

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Instruction

1. For the Multiple choice questions indicate your answers by an (**X**) and for Open-ended questions express yourself freely.

SECTION A: DEMOGRAPHIC INFORMATION

1. Your Gender:

Male	1
Female	2

2. Your Ethnic group:

Black	1
Coloured	2
Indian	3
White	4
Other (Specify)	5

3. What is your age?

20-29	30-39	40-49	50-59	60 & Above
1	2	3	4	5

4. What is the highest level of education you are in possession of?

Below Matric	Matric	National Diploma	Bachelors Degree	B Tech Degree	Post Grad Degree
1	2	3	4	5	6

SECTION B: BUSINESS INFORMATION

5. How long have you been in business?

Less than 3 years	Less than 5 years	Less than 10 years	More than 10 years
1	2	3	4

6. What form of business do you have?

Sole trader	Partnership	Close Corporation	Company (Pty) Ltd	Business Trust
1	2	3	4	5

7. Please indicate an estimate of the annual turnover of your business.

Above R150, 000 but not more than 1 million p/a	1
Above 1 million but not more than 5 million p/a	2
More than 5 million p/a	3

8. Where do you operate your business from?

City Centre	Township	Rural Area	Suburbs
1	2	3	4

8.1 Other, specify

………………………………………………………………………………………………..

9. What is the number of employees in your business?

Below 50	51-100	101-150	151-200	Above 200
1	2	3	4	5

10. What is the main product manufactured by business?

…………………………………………………………………………………………………

10.1 What other types of products do you produce?

…………………………………………………………………………………………………

SECTION C: SKILLS TRAINING

11. How important are the following skills for your business?

List of types of skills	Not at all 1	Moderate 2	Very 3	Extremely 4
Business systems, procedures, processes and records				
Business linkages, industry clusters and networking				
Communication and access to relevant information				
Computer literacy and information technology (ICT applications)				
Financial Management including cash flow, forecasting, pricing and costing				
Human Resources Management and organizational planning				
Legal (Business registration, government requirements, regulations and incentives)				
Marketing, promotions, customer relations and competitor analysis				
Operations including quality control and production planning				
Research & development including technical, market and product development				
Strategy development, business planning, contingency plans and organizational control				
Supplier, purchasing and inventory management				
Technical and vocational skills				

11.1 In which of the above areas have you received training recently?

…………………………………………………………………………………………………

12. How important are the following skills for your employees?

List of types of skills training	Not at all 1	Moderate 2	Very 3	Extremely 4
Injection moulding				
Blow moulding				
Extrusion				
Other technical and vocational skills				

12.1 Other technical and vocational skills, specify which are needed

……………………………………………………………………………………………….

……………………………………………………………………………………………….

SECTION D: TRAINING OUTCOMES

13. To what extent do you agree or disagree with the following statements about training employees received?

Statement	Disagree Strongly 1	Disagree 2	Don't know 3	Agree 4	Strongly Agree 5
Productivity has improved					
Product quality has improved					
Sales improved					
Annual turnover increased					
Training programmes are relevant for quality training.					
The quality of training received met expectations					
Training has enhanced the ability of employees to handle all operations					
Skills level of employees has improved					

14. To what extent do you agree with the following statements about the training you received?

Statement	Disagree Strongly1	Disagree 2	Don't know 3	Agree 4	Strongly Agree 5
The business skills improved after training					
Training offered met your expectations					
Training improved your work ability					

SECTION E: GENERAL INFORMATION

15. Please give your general comments on skills necessary to improve the training intervention of your employees.

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Thank you for your cooperation and participation.

APPENDIX B

TO WHOM IT CONCERN

Ref: <u>Permission to conduct research</u>

This serves to confirm that Mr Richard Macheke is a final year Master of Commerce student in the department of Business Management. As criteria in the completion of the empirical component of his studies, he requires your assistance with the completion of research questionnaire which will be used as a yardstick in generating a research finding in the concluding part of the study. It would be much appreciated if you could provide him with necessary assistance in this regard. The research title of Mr Macheke's dissertation is as follows:

"An analysis of business skills and training needs in the Plastic Manufacturing Industry in the Eastern Cape"

In conclusion, since this study will be of immense contribution to the body of knowledge, it is of great importance that he receives your valued support (s)

Thank you for your cooperation

Yours Sincerely,

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Dr. W. Smith
(Supervisor)