



Bridging the Gap Between Theory and Practice: Enhancing Small Businesses through Student-Led Community Engagement

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ABSTRACT

This article presents the outcomes of an action research project conducted by 30 Honours students from a comprehensive university in KwaZulu-Natal, South Africa. The academic assignment required students to engage directly with 30 small and informal businesses operating in rural and peri-urban communities. The main objective was to identify operational challenges faced by these businesses and propose context-specific, practical solutions. The study highlights the value of experiential learning in simultaneously enhancing student competencies and contributing to local community development. Using business diagnostic tools such as SWOT and PESTEL analyses, students assessed each business and co-developed tailored interventions, ranging from infrastructure improvements to digital marketing strategies. Commonly identified problems included power outages, poor financial literacy, informal operations, low customer retention, and limited scalability. Corresponding solutions included the use of solar energy, social media marketing, basic bookkeeping templates, and partnership development strategies. Reflections submitted by students demonstrated high levels of contextual awareness, creativity, and diagnostic accuracy, though challenges were observed in areas such as research triangulation, feasibility planning, and academic writing. The project culminated in the development of a Mini Solution Toolkit, featuring templates and checklists tailored to the needs of informal entrepreneurs. This research contributes to the growing body of literature on community-engaged scholarship and practical entrepreneurship education, with implications for curriculum design, local policymaking, and small enterprise support. It positions academic institutions as potential catalysts for inclusive economic development.

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1. INTRODUCTION

This article documents an action research initiative that illustrates the potential of university-community partnerships in tackling the challenges of informal and small businesses in South Africa. Conducted by Honours students from a comprehensive university in KwaZulu Natal, South Africa, the project positioned students as problem-solvers within their communities, transforming an academic requirement into a meaningful societal intervention. The assignment was designed to test the real-world application of business tools and theories by requiring students to identify business challenges and provide viable, cost-effective solutions.

The study is academically significant as it demonstrates how engaged pedagogy, rooted in experiential learning, can lead to transformative outcomes for both learners and community stakeholders. It echoes calls for universities in Africa to bridge the gap between theoretical knowledge and practical community impact (Franz, 2021; Tshuma & Jari, 2022). Moreover, it responds to the growing body of literature advocating for the integration of entrepreneurship education with community engagement to address unemployment and underdevelopment in marginalised areas (Mahadea & Kaseeram, 2020).

According to Statistics South Africa (StatsSA, 2023), the informal sector employs approximately 2.5 million individuals, contributing significantly to household income and job creation—especially in rural and peri-urban regions. Despite its socio-economic importance, this sector is plagued by constraints such as

inadequate infrastructure, limited digital capacity, low formalization, and exclusion from mainstream financial services (Rogerson, 2021).

However, many academic interventions have tended to remain abstract and disconnected from these real-world constraints. This study attempts to fill that gap by analysing these challenges from the ground up and offering student-developed, context-sensitive solutions tested directly in community settings.

The research addresses the following core questions:

1. What are the main operational and strategic challenges faced by small and informal businesses in KwaZulu Natal?
2. How can business diagnostic tools be applied to contextualise these challenges and co-develop feasible solutions?
3. What learning outcomes are gained by students engaging in direct community-based action research?

The structure of the paper is as follows: The literature review provides theoretical and contextual grounding. The methodology outlines the action research approach. The findings section presents thematic issues and solutions, while the discussion connects them to existing literature. The article concludes with reflections, recommendations, and directions for future research.

2. LITERATURE REVIEW

2.1. Informal Enterprises in South Africa: Economic Significance and Challenges

The informal business sector is a vital pillar of South Africa's economy, contributing significantly to employment, poverty reduction, and local economic activity, especially in rural and peri-urban areas. According to Statistics South Africa (StatsSA, 2023), nearly 2.5 million people are employed in this sector. Despite its scale, the sector is characterised by limited policy support, vulnerability to market shocks, and structural instability (Rogerson, 2021).

These businesses frequently operate without access to formal finance, secure premises, or reliable infrastructure. In many communities, lack of electricity, transportation, and security presents day-to-day operational challenges (Charman & Petersen, 2021). Although national policies such as the National Informal Business Upliftment Strategy (NIBUS) have been introduced to support the sector, implementation remains inconsistent and poorly coordinated (DSBD, 2022).

This study builds on these findings by examining how student-led initiatives can respond to such systemic gaps through micro-level, community-based engagement.

2.2. Experiential Learning as a Transformative Pedagogy

To frame the academic approach, this study draws on Experiential Learning Theory (ELT) developed by Kolb (2015). ELT proposes that deep learning occurs through a four-stage cycle:

1. Concrete experience
2. Reflective observation
3. Abstract conceptualisation, and
4. Active experimentation.

Within this research, students underwent the full experiential cycle by identifying real-world problems, reflecting on local contexts, applying business analysis tools (SWOT, PESTEL), and co-designing viable interventions.

This process not only facilitated learning but also allowed for practical impact, validating the pedagogical value of embedded, real-world problem-solving.

2.3. Community-Based Research in Entrepreneurial Contexts

This project is also informed by the principles of Community-Based Participatory Research (CBPR), which positions local stakeholders as co-researchers rather than passive subjects. According to Israel et al. (2017), CBPR enhances the relevance, ownership, and long-term sustainability of research outcomes.

The collaboration between Honours students and local entrepreneurs mirrors this model, fostering reciprocal learning and ensuring that proposed solutions align with the lived experiences of business owners. In

this sense, the study reinforces the role of academic institutions as facilitators of grassroots innovation rather than top-down providers of knowledge.

2.4. Entrepreneurship Education and the Informal Economy: Bridging the Policy-Practice Divide

Entrepreneurship education in South Africa has historically prioritised theory over practice, resulting in a gap between what is taught in classrooms and the challenges faced by micro-enterprises (Ndofirepi, 2020). However, recent reforms stress the importance of impact-driven, context-specific, and experiential learning models.

Research by Mahlalela (2022) and Nani (2021) demonstrates that student-led interventions can produce measurable improvements in informal business operations when projects are embedded in local contexts.

Nevertheless, informal businesses continue to exist within a policy vacuum—a space where formal institutions are either ineffective or entirely absent. These institutional voids (Khavul et al., 2020) hinder business growth and limit access to critical support systems.

This study responds directly to these gaps by operationalising action research as a tool for applied intervention. By working alongside entrepreneurs, students helped co-produce low-cost tools and strategies that address specific constraints—such as lack of branding, poor record-keeping, and energy insecurity. In doing so, the project offers a replicable academic framework that fills the “missing middle” between national policy ambitions and on-the-ground realities.

3. METHOD

This study adopted an action research methodology, positioning students as both researchers and change agents in their communities. Action research is particularly appropriate for educational contexts where the dual aim is to generate academic insights and implement practical solutions (McNiff, 2017). The participatory nature of this approach encourages mutual learning between students and community members.

A total of 30 Honours students were each assigned to a different small or informal business located in rural or peri-urban areas of KwaZulu-Natal, South Africa. The intervention was conducted over a 6-week period during the academic semester.

To guide their assessments, students applied diagnostic business tools—specifically SWOT (Strengths, Weaknesses, Opportunities, Threats) and PESTEL (Political, Economic, Social, Technological, Environmental, and Legal) analyses. These tools enabled students to contextualise business operations and identify both internal limitations and external influences. Data collection methods included:

1. Semi-structured interviews with business owners (30–60 minutes per session)
2. Direct field observations of day-to-day operations
3. Basic document analysis (e.g., receipts, handwritten logs, or customer records, where available).

To ensure research integrity, all participating students received training on ethical research practices. Prior to data collection, informed consent was obtained from each business owner. Participants were assured of confidentiality, and no identifying information was included in the final reports.

Following the engagement period, students co-designed tailored solutions in consultation with the business owners. These interventions included templates, guides, or marketing strategies designed to address specific business constraints.

The outcomes of each project were compiled into academic assignments, which were evaluated using a rubric that assessed:

1. Problem identification
2. Contextual analysis
3. Solution development
4. Academic rigour and reflection.

After submission, a thematic analysis was conducted across all 30 assignments to identify common categories of challenges and the range of solutions proposed. In addition, reflective journals submitted by students were reviewed to assess their academic and personal growth during the process. The overall action research cycle involved four key stages:

1. Planning (assignment design and ethical preparation)
2. Action (business engagement and diagnosis)
3. Observation (data collection and documentation), and
4. Reflection (submission of assignments and peer feedback).

4. RESULT AND DISCUSSION

4.1. Results

Thematic analysis of the 30 student engagement projects uncovered six core categories of challenges consistently experienced by small and informal businesses in rural and peri-urban KwaZulu-Natal. These were matched with practical, context-specific solutions that students co-designed with business owners. Below is a synthesis of the key themes:

1. **Infrastructure and Utilities**
 Common Challenges: Intermittent electricity, lack of access to clean water, inadequate workspaces.
 Proposed Solutions: Deployment of solar-powered lights, JoJo tanks for water collection, and mobile kiosks for flexibility and security.
 A student working with a roadside hairdresser shared: "She would lose 3–4 clients a day during blackouts. With a solar lantern and a small mirror, she could operate late into the evening. That small change changed her business". This intervention highlights how basic infrastructure solutions can significantly improve productivity and client flow.
2. **Marketing and Customer Retention**
 Common Challenges: Lack of visibility, poor brand identity, weak customer relationships.
 Proposed Solutions: Creation of Facebook Business pages, WhatsApp status marketing, loyalty stamp cards, and engagement of student brand ambassadors. These marketing tools were especially impactful for businesses relying on word-of-mouth and informal networks. A vendor of homemade juices saw orders double after promoting through a university WhatsApp group.
3. **Competition and Informality**
 Common Challenges: Intense price competition, lack of official registration or licensing, limited legal knowledge.
 Proposed Solutions: Encouragement to formalise via CIPC, develop unique selling points, and offer exclusive student discounts. This approach enabled businesses to establish legitimacy and market differentiation. However, several owners expressed reluctance to formalise due to fear of taxation—indicating a policy-level trust gap.
4. **Operational Management**
 Common Challenges: Absence of bookkeeping, irregular hours, reliance on single operators.
 Proposed Solutions: Use of basic bookkeeping templates, shift schedules, and recruitment of family or part-time staff.
 One student reported: "Before I joined, the owner didn't even write down sales. After introducing a simple ledger, she saw how much she was actually earning—and wasting".
5. **Location and Environmental Barriers**
 Common Challenges: Insecure premises, poor lighting, seasonal traffic drops.
 Proposed Solutions: Introduction of portable stalls, solar lights, and inventory rotation strategies to handle demand fluctuations. This was particularly effective for food vendors operating near transportation hubs with unpredictable customer flow.
6. **Growth and Scalability**
 Common Challenges: Fear of expansion, absence of mentorship, unclear financial planning.
 Proposed Solutions: Development of simple business growth roadmaps, peer mentoring connections, and testing new product lines on a trial basis. Despite the creative strategies, many businesses remained cautious due to resource constraints and uncertainty about long-term viability.

4.2. Discussion

The findings provide strong support for the value of experiential learning and community-based research in entrepreneurship education. Through direct engagement, students not only applied business theory but also learned to navigate the socio-economic complexities that characterize the informal sector.

- a. **Link to Experiential Learning Theory (ELT)**
 Consistent with Kolb's ELT (2015), the students experienced all four learning stages:
 - Concrete Experience: Interviews and shadowing of entrepreneurs.
 - Reflective Observation: Weekly field journals and peer discussions.

- Abstract Conceptualisation: Application of SWOT and PESTEL analyses.
- Active Experimentation: Piloting real-world business interventions.

The design of the assignment encouraged cyclical reflection, promoting both practical problem-solving and deep personal insight. “One student wrote in their reflection: ‘I’ve studied strategy for three years, but I learned more about what it means in three days of sitting with a street vendor.’”

This aligns with literature that emphasizes the superiority of experiential over theoretical learning in preparing students for complex socio-economic environments (Mahlalela, 2022).

b. Link to CBPR and Local Impact

The project operationalized Community-Based Participatory Research (CBPR) by embedding students in the lived realities of entrepreneurs. The approach:

- Treated business owners as co-creators, not subjects.
- Emphasized reciprocal benefits—learning for students, and value for businesses.
- Demonstrated respect for local knowledge and adaptive strategies.

This contrasts with conventional outreach programs, which often apply one-size-fits-all solutions. Here, students produced interventions that were financially feasible, locally relevant, and immediately usable.

c. Comparison to Prior Studies

Compared to previous research:

- Ndofirepi (2020) critiqued the lack of connection between entrepreneurship curricula and local contexts.
- Mago & Toro (2023) found that university-SME collaboration increases micro-enterprise performance.
- This study expands that discourse by integrating student-led diagnostics, ethical engagement, and a practical toolkit tailored for informal businesses.

The creation of a Mini Solution Toolkit—containing templates for marketing, stock management, and customer tracking—represents a tangible legacy of this action research.

d. Limitations and Lessons

Despite the overall success, several weaknesses were noted:

- Some students proposed overly ambitious interventions beyond the capacity of target businesses.
- Triangulation of data was limited; most projects relied on single interviews or observations.
- Several reports exhibited weak referencing and unclear impact metrics.

Future iterations should strengthen support in research methods, budget planning, and impact evaluation.

e. Contribution to SDGs and Policy Implications

The project strongly supports UN SDG 8 (Decent Work and Economic Growth) by fostering entrepreneurial resilience and youth empowerment. It also illustrates how higher education institutions can act as policy bridges, filling institutional voids in communities with low state reach. “Universities shouldn’t just publish research about inequality—they should be part of solving it,” one student concluded.

5. CONCLUSION

This article has demonstrated how Honours students, when guided through structured academic support and embedded in real-world contexts, can make meaningful contributions to small business development. By engaging directly with informal entrepreneurs, students were able to translate theoretical knowledge into practical, co-designed solutions. These interventions, though modest in scale, proved effective in addressing key operational challenges such as marketing, infrastructure, and business planning.

The findings illustrate that even in resource-constrained environments, universities can serve as catalysts for inclusive economic empowerment through experiential and community-based learning models. This reinforces the notion that higher education institutions should not only generate knowledge, but also mobilise it for direct social impact.

Importantly, the challenges identified in the study—ranging from infrastructural gaps to informal operations—are reflective of wider structural issues in South Africa’s informal economy. The student-led responses offer a bottom-up model of micro-intervention that complements top-down policy efforts like the National Informal Business Upliftment Strategy (NIBUS). As such, this study provides practical insights for policymakers and development agencies seeking to bridge the “last mile” of small enterprise support.

Policy Implications:

- a. Universities should be formally integrated into national and local entrepreneurship ecosystems, particularly through partnerships with SMME support agencies and municipalities.
- b. Support should be provided for scaling student-led toolkits and training modules for broader application.
- c. Curriculum reforms should embed experiential learning components as core requirements in business and social science faculties.

Study Limitations:

Despite its contributions, this study faced several limitations:

- a. The sample was limited to 30 students and businesses within one geographic area, affecting generalisability.
- b. Data triangulation was limited, as most findings were based on single interactions or observations.
- c. The short duration of engagement (approximately 6 weeks) limited the ability to assess long-term impact.

Recommendations for Future Research:

- a. Future studies should employ longitudinal designs to assess the sustainability of student-led interventions over time.
- b. Mixed-methods approaches combining qualitative insights with quantitative metrics can provide richer data.
- c. Comparative studies across regions or countries can help understand how local context shapes intervention success.
- d. Further investigation is needed into how institutional incentives and curriculum design affect student motivation and project outcomes.

In sum, this initiative makes a valuable contribution to the discourse on entrepreneurship education, community engagement, and inclusive development. It offers a replicable model for how universities—particularly in the Global South—can become active agents of grassroots transformation, shaping students not only as learners, but also as local changemakers.

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