



RESEARCH ARTICLE

ENTREPRENEURSHIP AND TOURISM IN SOUTH AFRICA

Angelo Nicolaides

Faculty of Human Sciences, VUT, South Africa, PO BOX 21357, Helderkruijn, 1733

ARTICLE INFO

Article History:

Received 21st March, 2011
Received in revised form
7th April, 2011
Accepted 9th May, 2011
Published online 2nd June 2011

Key words:

Natural resources,
South Africa is a country,
Socio-political environment,
Small businesses,
Private sector.

ABSTRACT

South Africa is a country blessed with an abundance of natural resources and yet has wide disparities of wealth with implications for its broader socio-political environment. Small businesses in South Africa absorb over 50% of the people employed in the private sector and these contribute about 42% of the country's GDP. There are approximately 3 million micro enterprises in the country. Given that entrepreneurship is globally recognised as a vital source of employment which contributes to economic growth and industrialization, increases the tax base of a nation and goes a long way to improving living standards, a key objective of the government is to create an enabling environment for small enterprises. It also wishes to strengthen cohesion between small enterprises and stimulate sector-focused growth whilst preparing small business to face the challenges of a globally competitive economy. The core of this paper is an attempt to answer four important questions:

- ✚ Are entrepreneurs trained to identify gaps in markets or are they born entrepreneurs and if they are able to be trained do they have support networks through which knowledge and necessary skills can be passed down to them?
- ✚ Which environmental forces motivate entrepreneurial thinking and what can we learn from the Singaporean experience in terms of strengthening entrepreneurship?
- ✚ What is the current institutional and governmental support framework for SMMEs like in South Africa?
- ✚ Why do some entrepreneurs succeed while others fail and how would support networks help?

Answering these questions will hopefully contribute to a greater understanding of the economic and social importance of entrepreneurship in South Africa and will throw light on the opportunities that exist in South African to make a strategic contribution to the furtherance of entrepreneurial awareness and training initiatives.

© Copy Right, IJCR, 2011, Academic Journals. All rights reserved

INTRODUCTION

The last 30 or so years have witnessed major transformations in the global economy. Entrepreneurs make major contributions to economic growth and industrialisation in the countries in which they live. They increase the tax base of a nation and go a long way to improving their living standards and those of others they may employ. Schumpeter (1947:150-157) described innovators and asserted that entrepreneurship is innovative and a dynamic force which revolutionises the patterns of production by the exploitation of an innovation or new invention and leads to economic equilibrium. The question is can a person be taught to be innovative and creative?

The Entrepreneur

In contrast to Schumpeter, Kirzner (1982) argued that entrepreneurs are not innovative but rather individuals who

identify gaps in a market that they can exploit for economic gain. In terms of the idea postulated by Kirzner, entrepreneurs would be able to benefit from education and especially management training. This implies that entrepreneurs do not therefore have to be innovative but do need education for entrepreneurship and support services. Yet despite the recognition that there is indeed a need for education in entrepreneurship, there is no consistency on what precisely entrepreneurship is or how it should be taught (Authers, 1998). Historically, entrepreneurs have not had formal business training or pursued higher education levels. In a developing economy such as in South Africa, there is a need to increase the learning and training opportunities for budding entrepreneurs and to develop networks which can assist them. There is clearly a difference between Schumpeterian innovation and the idea of learning managerial skills which will allow one to operate a small business enterprise.

Kuratko and Hodgetts (1998:97) are of the opinion that every individual has the potential and free choice to become an entrepreneur. What motivates each individual is not entirely clear but the motivators differ greatly from person to person. There are clearly a number of socio-economic and psychosocial factors which may motivate an individual to strive for autonomy as an entrepreneur. On the positive side, these factors could include, inter-alia, the desire for independence and the hope of greater earnings. On the negative side, an individual may feel that he or she no longer 'fits' in a particular work environment due to an overbearing boss, perceived discrimination in the workplace or even fear of retrenchment, and is thus obliged by circumstances to seek alternative opportunities for earning an income. Especially women and immigrants may opt for entrepreneurial ventures as they are the most vulnerable when it comes to discrimination in the workplace (Deakins & Whittam, 2000: 117-129).

According to Bolton and Thompson (2000:13), there is a psychological connection between a person's entrepreneurial orientation and their emotional state of mind which drives them to become innovative and creative. Some creative people are driven by their need to achieve greater independence and self-determination and become even more creative as they strive to break free from the 'shackles' of bureaucracy which are stifling their individuality, whether real or imaginary. There are others who feel that they are ready for new experiences and when an entrepreneurial opportunity presents itself, see this in a context which facilitates their creative instincts (Chell, 200:227). Entrepreneurship, whether the result of push or pull-factors, is far more likely to flourish in an environment which is supportive of it. A well developed infrastructure in a benevolent environment attracts entrepreneurial enterprise (Jack & Anderson, 1998:14-22). The entrepreneur thus responds to the environment in which he or she lives. Individuals who are enterprising may convert a simplistic often ill-defined idea into a working reality (Kets de Vries, 1997), but will need a great deal of mentoring and support. In South Africa there is a particular need for small business training to be relevant to the small, medium and micro-enterprises (SMMEs) sector and it should not hinge on the way in which larger businesses are managed (Govender, 1991 : 326). Recent econometric evidence points to the fact that entrepreneurship is a vital determinant of economic development in all countries (Caree & Thurik, 2003: 437-471).

Support Networks

From the days of antiquity in Ancient Greece, Persia, India and Babylonia, a business was passed down from a father to his sons who were encouraged to be more innovative and creative than he had been so as to maintain a competitive edge in the market. In this way, guilds developed in the Middle Ages in Europe which gradually controlled access to the numerous sectors of economic activity. A father who was a potter, for example, passed on the necessary skills and know-how to his sons who continued to manage his pottery business after his death. European entrepreneurial training was thus directly influenced by personal relationships rather than by any formal educational establishment. It was a matter of time before craftsmen gathered and created associations to protect their vested interests in common trades. These collections of

craftsmen appointed experts in their fields to conduct quality control and also served as mentors for new entrepreneurs. They carefully scrutinised the work of especially newer members and offered them a strong support structure to call on for assistance and advice. In the Orient, clans of certain ethnic groups formed associations which became the vehicles through which entrepreneurial skills and vocational education could be passed on to successive generations of fledgling entrepreneurs. These ethnic networks remain in place to this day in countries such as Singapore, India, Malaysia and Indonesia and provide the fledgling entrepreneur with specialised training, mentorship on marketing, sourcing and even customer care and a wide range of technical assistance. This has been referred to in work by Min and Jaret (1985 : 412-435), Wong (1987: 125-130) and Dana *et al* (2000:27-45).

Why become part of an Entrepreneurial Support Network?

Some people opt to become mentors in a support network because it allows them to give something back to their community and their country. In any event, they are more likely to learn something new for themselves as well. Would be entrepreneurs need sound advice as well as emotional backing and will happily learn from the mistakes and successes of others. Mentors also usually have an expanded social network that has developed over time and this may be useful to new entrepreneurs. Having a mentor from the same ethnic background who understands the problems faced by an entrepreneur will allow the entrepreneur to feel more relaxed and confident. This creates a good basis for trust and for the ultimate success of a fledgling enterprise. Weekly or even monthly meetings on an informal basis will allow the mentor in the support network to share his/her experiences simultaneously with numerous new entrepreneurs who can also build their skills by learning from their peers.

Entrepreneurial training and education of ethnic Chinese in Singapore

On a recent visit to Singapore, one of the world's smallest (618 square kilometres) yet most successful economies, I was struck by the fact that the Hokkien ethnic Chinese are the largest group of ethnic Chinese who concentrate on large commercial enterprise. Other ethnic Chinese who engage in minor commerce are the lesser groupings of Hokchias, Foochows and Henghuas. Each of these ethnic Chinese groupings is very successful in business and in its preferred entrepreneurial activity. They are more involved in the Singaporean economy than the Tamils and the Malaysians who inhabit this 3 million strong island success story. Their training as entrepreneurs is Kirznerian and has resulted in a very wealthy class of owners of small, medium and micro-enterprises (SMME). The Hokkiens tend to live and work in the same suburbs as others who speak the same language. Most of the Hokkien entrepreneurs tend to operate greengrocer and general dealerships in China Street and Chulia Street in Singapore a stepping-stone to that sought after address in the famous Orchard Road. The other ethnic Chinese groupings tend to specialize in other goods such as tobacco, rice, silk and furniture and many are artisans and restaurant owners. If and when new immigrants of the same dialect group appear

they network with entrepreneurs they can communicate with and are thus able to create similar business ventures in similar sectors to those who mentor them. Chinese immigrants in Johannesburg tend to adopt similar strategies and in this way entire suburbs such as Cyrildene and Bruma, which were seemingly stagnating, have become hives of bustling Chinese business activity. Occupational clustering becomes the order of the day such as at the Oriental Plaza in Johannesburg where there are many cloth merchants of Indian extraction in one shopping mall-many of whom have inherited their businesses from their fathers and grandfathers.

South Africa and fledgling entrepreneurs

Can the successful entrepreneurship of ethnic Chinese communities in Singapore be trans-located to the indigenous South African economy? The South African Government identified SMMEs as a major priority in job creation and as an essential means of reducing the unacceptably high levels of unemployment in South Africa and the adjacent region. South Africa has some 5 million unemployed people out of an economically active population of roughly 16 million and the ratio of unemployed is increasing gradually as the labour force grows (Nieman, 2001: 445-450). This is why more and more people should be encouraged and supported to initiate start-up efforts. If there were support networks in place in even the rural areas, entrepreneurs could be guided from the conception phase of a new business right up to the establishment of the business, by individuals who speak the same language and have the same cultural mindset. The prevalence of inhibiting factors such as the lack of education which is faced by especially blacks, due to the previous political dispensation will be greatly minimised by a network support system as is evident in Singapore. The spiritual basis of African societies is found in the concept of the Zulu word *Ubuntu* and its aphorism *umuntu ngumuntu ngabantu*, which means "a person is a person through other persons" (Shutte, 1993 : 46). This social ethic lends itself very well to the idea of support networks which is further supported by *simunye* meaning "we are one" (Broodryk, 1997 : 7). Africans prefer *shosholozo* or "to work as one". It is therefore not going to be a major task to inculcate the support network idea for entrepreneurs as *Ubuntu* acknowledges that it is every person's responsibility to be "his brothers keeper".

South Africa could learn a great deal from this enterprising training of ethnic Chinese in Singapore for would be entrepreneurs. The Oriental networks idea could be employed on ethnic and regional lines in South Africa as it is networks such as these which are fundamental to the training of entrepreneurs (Dubini and Aldrich, 1991: 305-313). Entrepreneurial training and networking should however work hand-in-hand and be undertaken with equity in mind so that the benefits thereof can be distributed fairly among the diverse population groups in South Africa. Local people should be encouraged to become entrepreneurs by people in the know who speak the same language as them and who preferably emanate from the same tribal or ethnic background. This will create greater trust and promote successful entrepreneurship. Institutions of learning in each of the nine provinces should be encouraged and expected to undertake community service based entrepreneurial training and education followed by economic planning analyses prior to the commencement of

any entrepreneurial venture. The profile of entrepreneurship within society must be raised so that more people are exposed to the possibility of starting their own business. A support network in rural areas would undoubtedly offer a means for upward social mobility and provide necessary advice and mentorship. The proponents of the enterprise culture, especially the political elites, must give greater practical support to the idea of community-centred entrepreneurship and the possibilities of support networks. The idea of support networks warrants further investigation and merits deeper study as do entrepreneurial ability and motivations that embody a complicated and ethereal mix of socio-economic and psycho-social factors

Careful consideration should also be given to the particular level of education of each individual fledgling entrepreneur as well as the role of his/her family in terms of inheritance of an entrepreneurial tradition and societal approval of entrepreneurship as an option, as in the case of Singaporean ethnic Chinese. Families are strong social class and ethnic networks that are invaluable in the creation of early business ventures. This has been clearly demonstrated in the Greek and Indian communities in South Africa respectively where many current restaurant owners and merchants are the great grandchildren of pioneering entrepreneurs.

A careful assessment of a new entrepreneur, monitoring and mediation programme should also be conducted by support network mentors in order to allow local people to take advantage of other suitable opportunities or to enable them to respond to gradual or sudden changes in their particular circumstances and which could impact on their ability to become successful entrepreneurs. While there is training for services and commercial operations more training is necessary for market-related production in South Africa (De Waal, 1997 : 12). This is a challenge for Higher Education institutions to meet. There is no doubt that in the South African scenario, there is more likely to be a Kirznerian type of owner-manager class in SMMEs based mainly in the informal sector. This is where the necessary mentorship support network will aid entrepreneurs professionally and will also be able to advise them on economic and financial aspects so that they may become effective agents of change in the years ahead.

A network of mentors will be in a position to offer business skills training as well as entrepreneurial training. In the former, orthodox management training should be paramount, whilst in the latter, creativity and the desire to start a venture without fear of failure should be promoted as essential traits for success. While there are some 10 000 individual SMME support bodies in South Africa (Kalashe, 1996 : 9), the majority of these are in Gauteng. A networking system will undoubtedly serve a major function in underdeveloped economic regions such as the Eastern Cape Province and the Northern Province. The more supportive the environment is, the greater the likelihood of successful entrepreneurial ventures. Jack and Anderson (1998) demonstrate how with support networks in place and in a munificent environment, entrepreneurs respond well to the challenges they may face. After all, entrepreneurs are to a very large extent products of their society (Morrison, 2000 : 99-105).

The current institutional support framework

Entrepreneurial training in South Africa is still very fragmented and probably in the hands of too many role-players and training interventions which are aimed at personal motivation and entrepreneurial skills are rather the exception than the rule (Nieman, 2001 : 445-450). There are a number of institutions, three of which are mentioned below, which offer support to entrepreneurs and SMMEs, but not much is done to ensure entrepreneurial activity for the impoverished masses. Support networks as in the Oriental experience would enhance the prospects of greater entrepreneurial growth. The NEF Trust (previously National Empowerment Fund) was established to facilitate a measure of redressing of economic disparity from past unfair discrimination and this Trust is mainly capitalized through receiving shares of State-owned enterprises (SOEs) that are undergoing restructuring. It is envisaged that this Trust will promote black empowerment by buying shares in privatisation utilities from government at a discounted price of up to 20% to resell to previously disadvantaged people. The NEF is also tasked with educating investors to ensure awareness of economic environment and economic literacy. Its role could be expanded to create support networks in rural areas and to an extent in urban areas as the need arises. The labour absorptive capacity of the SMME sector is very high and its average capital cost per job created is usually much lower than in big business making this sector vital to the economy (Department of Trade and Industry : WPA / 1995)

Another vital task has been tackled head-on by the Ntsika Enterprise Promotion Agency. Ntsika builds capacity in the retail distribution network and in direct services to SMMEs through retailers. It also renders targeted assistance and non-financial support services to the SMME sector through a broad range of intermediaries and is achieved primarily through excellent initiatives in the areas of management and in the development of entrepreneurs. By May 2003, Ntsika established 3979 SMMEs through its various programmes. It has also assisted 797445 SMMEs since its launch and provided training to over 100074 entrepreneurs. Khula Enterprise Finance on the other hand is a wholesale agency which provides financial support for small businesses through numerous intermediaries including 30 Micro Credit Offices in all nine provinces and 2800 bank branches which have access to the Standard and Emerging Credit Guarantee schemes. Business Partners Ltd is another specialist investment group which has invested in entrepreneurs for over 20 years and it provides finance for viable start-ups as well as customised and integrated investment and mentorship for SMMEs in South Africa (Indian Consulate Johannesburg : 2003)

Conclusion

This paper has endeavoured to proffer the belief that support networks as per the Singaporean example, are economically and socially beneficial and should be further investigated for the South African scenario. Current government and institutional efforts are all commendable but do they go far enough and what of the subsistence entrepreneur? Our world is shrinking at a rapid rate and yet, paradoxically, the gap between rich and poor is ever-increasing. The vast majority in South Africa need minimal housing and jobs. An alternate

methodology which creates a class of entrepreneurs is very desirable and necessary. We must be careful not to translocate Western vocational education into areas where strong ethnic links could serve a far greater purpose. The exchange between mentors and entrepreneurs in a support network scheme will enable entrepreneurs to learn and to survive. A sense of trust and partnership will gradually develop and this relationship between mentor and entrepreneur and this will mobilise the poor to help themselves. To quote an ancient Chinese proverb: "A lake evaporates upward and thus gradually dries up; but when two lakes are joined, they do not dry up so readily, for one replenishes the other" (I-Ching : 58). If we use support networks along Singaporean lines, we will enable entrepreneurs to deal with unexpected obstacles and they will motivate them, help manage risk and lead them to greater success. These support networks will play an important role in the economy of South Africa as they target especially the uneducated entrepreneur who is living hand-to-mouth. They will also serve as agents of change, being sources of innovative activity especially in rural areas. The useful and stimulating intercourse with kindred-spirits with whom entrepreneurs hold discussions and are able to practice applying new things and old things cannot be replaced by formal education. The ongoing meeting of minds will further stimulate the evolution of greater industry and generate new jobs.

The role of the government with regard to support networks should be enabling in nature and it should foster the dissemination of knowledge by any means. It should do everything in its power to support the increase of skills and the human capital of the workforce. Government must facilitate the ability of all South Africans who want to work for a boss as well as those who wish to start new firms. Support networks would in our opinion, be vehicles for the unique personal growth of all South Africans and could also be effective in resolving the myriad of social issues that are plaguing our society such as crime. Above all, support networks mean that entrepreneurship as an option for job-generation will not be a "paper-tiger" but rather a real means of helping a society to help itself, especially in remote areas where there is far less business activity and fewer jobs. Precisely how the support network structure could be developed and used in each Province is a matter for future research but the fact that it has made a strategic impact in the Orient is indisputable. Can we afford not to take note of this community-based initiative from a socio-economic, political and cultural context when the forecasts for future unemployment are massive?

References

- Authers, J., 1998. *The fine art of enterprise*. Financial Times
- Bolton, B. and Thompson, J. 2000. *Entrepreneurs : Talent, Temperament, Technique*, Butterworth- Heinemann, Oxford
- Broodryk, J. 1997. *Ubuntu management and motivation*, Department of Welfare : Ubuntu School of Philosophy, Pretoria
- Caree, M. A. and Thurik, A.R. 2003. "The impact of entrepreneurship on economic growth. Audretsch, D.B. & Acs, Z.J., *Handbook of Entrepreneurship Research*, Kluwer, Boston

- Chell, E., 2001. Entrepreneurship : globalization, innovation and development, Thompson Learning, London
- Dana, L.P., Etemad, H. and Wright, R.W., 2000. The global reach of symbiotic networks, Dana, L.P., *Global Marketing Co-Operation and Networks*, International Business Press, Binghampton
- de Waal, D., 1997. The perceptions of educators and trainers regarding African small business ventures. SAIMS- 9th Annual Conference proceedings.
- Deakins, D. and Whittam, D, 2000. Business start-up : theory, practice and policy”, Carter, S., Jones-Evans, D., *Enterprise and Small Business*, Pearson Education, London
- Department of Trade and Industry, 1995. White Paper on National Strategy for the Development and Promotion of Small Business in South Africa”, WPA/1995
- Dubini, P. & Aldrich, H.E., 1991. Personal and extended networks are central to the entrepreneurship process. *Journal of Business Venturing*, 6, 5
- Govender, K.K., 1991. Small business education and training in Transkei. *Development Southern Africa*, 8, 3, 313-328
- I-CHING, Hexagram 58, Tui
- Jack, S.L. and Anderson, A.R., 1998. Entrepreneurship within the rural environment, Insead, Fontainebleau
- Kalashe, L., 1996. An investigation of the support systems available to micro-enterprises in the rural areas of the Transkei”, *EBM Research Conference Paper*.
- Kets de Vries, M., 1997. Creative rebels with a cause”, Birley, S., Muzyka, D., *Mastering Enterprise*, Pitman, London
- Kirzner, I.M., 1982. Method, Process and Austrian Economics, Lexington Books, Lexington, MA
- Kuratko, D. and Hodgetts, R., 1998. Entrepreneurship: A Contemporary Approach, Dryden Press, New York, NY
- Min, P.G. and Jaret, C., 1985. Ethnic business success : the case of Korean small business in Atlanta. *Sociology and Social Research*, 69, 3
- Morrison, A., 2000. Initiating entrepreneurship”, Carter, S. & Jones-Evans, D., *Enterprise and Small Business*, Pearson Education, London.
- Nieman, G., 1999. Training entrepreneurs and small business enterprises in South Africa: A situational analysis. *Education and Training*, Vol. 43, 8/9
- Schumpeter, J., 1947. The Creative Response in Economic History. *Journal of Economic History*, 7, Cambridge, MA
- Shutte, A. 1993. Philosophy for Africa, UCT Press, Rondebosch
- Wong, B., 1987. The role of ethnicity in enclave entrepreneurs: a study of the Chinese garment factory in New York City. *Human Organization*, 66, 2.
