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## ARTICLE INFO

Nsizwazikhona Simon Chili and Simiso Lindokuhle Mabaso (2016). The challenges of developing small tourism enterprises in townships: case of Umlazi, South Africa. *Problems and Perspectives in Management*, 14(1-1), 201-205. doi: [10.21511/ppm.14\(1-1\).2016.08](https://doi.org/10.21511/ppm.14(1-1).2016.08)

## DOI

[http://dx.doi.org/10.21511/ppm.14\(1-1\).2016.08](http://dx.doi.org/10.21511/ppm.14(1-1).2016.08)

## RELEASED ON

Monday, 11 April 2016

## JOURNAL

"Problems and Perspectives in Management"

## FOUNDER

LLC “Consulting Publishing Company “Business Perspectives”



NUMBER OF REFERENCES

0



NUMBER OF FIGURES

0



NUMBER OF TABLES

0

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## The challenges of developing small tourism enterprises in townships: case of Umlazi, South Africa

### Abstract

Township tourism in South Africa has grown in popularity since 1994 and is considered by some researchers to be an appropriate mechanism for stimulating local economic development. Opportunities for the development of black-owned enterprises in South Africa began for the first time when the country integrated into the global tourism economy after many years of international sanctions. The growth of township tourism thus can provide the context for potential economic opportunities for local entrepreneurs to enter the business, an activity that traditionally has been the domain of established white South African entrepreneurs. The main objective of the study is to present findings on the challenges that face a certain group of small tourism enterprises in townships with more attention being specifically paid to Umlazi as the second biggest township in the Southern hemisphere. The main reason for the choice of the study is due to the fact that there is only a limited literature that explores the conditions of small-scale and informal tourism entrepreneurs operating in South Africa's black townships. The focus falls upon the challenges of developing small tourism entrepreneurs for black owners in the township, especially because South African tourism industry is highly concentrated and dominated by small elite group of large, mostly locally owned, tourism organizations which drive the tourism economy that unfortunately excludes and sidelines that of the townships.

**Keywords:** township tourism, small business enterprises, entrepreneurs, challenges.

**JEL Classification:** O10.

### Introduction

Most literature reviewed suggest that the bulk of scholarship relates to developed rather than developing countries when it comes to the existing research on entrepreneurship on the operation of small tourism enterprises (Rogerson, 2004e). The main objective of the study is to present findings on the challenges that face a certain group of small tourism enterprises in townships with more attention being specifically paid to Umlazi as the second biggest township in the Southern hemisphere. The main reason for the choice of the study is due to the fact that there is only limited literature that explores the conditions of small-scale and informal tourism entrepreneurs operating in South Africa's black townships (Rogerson, 2004e; Thomas, 2005). More explicitly, the focus falls upon the challenges of developing small tourism entrepreneurs for black owners in the township, especially because, South African tourism industry is highly concentrated and dominated by small elite group of large, mostly locally owned, tourism organizations which drive the tourism economy that unfortunately excludes and sidelines that of the townships (Rogerson & Visser, 2004). Ironically, this is contrary to one of the major policy commitments made by the democratic government in South Africa after 1994 political transition to support the upgrading and role of the small, medium and micro-enterprises (SMMEs) economy. The argument of the paper is on the premise

that challenges of developing small enterprises in township need collective effort and concentration led by all sectors of government.

### 1. Research and the development of small tourism enterprises

Existing analysis on the micro-development and organization of tourism activities and small service providers at the destination level "very much concentrated in Western Europe countries particularly the UK" ( Alteljevic & Doornne, 2004). According to Shaw (2004), Getz & Petersen (2005) small tourism enterprises encounter difficulties related to: lack of financial resources and management skills; limited access to expertise in core business disciplines; and life-style motivations that create long-term economic problems. Several managerial characteristics have been identified as distinguishing the operations of small tourism firms from those of large enterprises. Among the most important of these features are a short-term business horizon, often limited knowledge of the business environment, and 'owner-managed structures in which attitudes, personal qualities (i.e., leadership skills) and experience influence the way tasks are managed (Ateljevic & Doorne, 2004).

Within a developing world context it's now widely acknowledged that the common economic objectives of increased earnings, foreign exchange, investment, job opportunities as well as the minimization of adverse social and cultural effects might be best achieved through the promotion of small tourism enterprises rather than large enterprises (Roe et al., 2004). Despite such assertions, at present, there is only a limited volume of

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detailed empirical study on small tourism entrepreneurship in the townships of South Africa with notable works of Kokkranikal & Morrison (2002).

A major finding of research of South African townships is that the growth prospects of small tourism enterprises are frequently and severely constrained by the power and competitive dominance enjoyed by large tourism enterprises (Bah & Goodwin, 2003). Consequently, the most promising opportunities for small tourism enterprises occur not in mass tourism but instead in alternative 'niche' forms of tourism or low-budget tourism such as backpacking (Hampton, 2003). It has therefore been recommended that local control and local small enterprise development of tourism in the townships might be supported by the provision of special government fiscal and monetary incentives to enable local entrepreneurs to own and operate small tourism establishments (Tosun, 2005).

## **2. Township tourism and emerging black entrepreneurs**

Opportunities for the development of black-owned enterprises in South Africa began for the first time when the country integrated into the global tourism economy after many years of international sanctions (Nemasetoni & Rogers, 2005). The townships contain important sites for heritage and political tourism (Ashworth, 2004). The emergence of township tourism is largely a phenomenon of the post-apartheid period, unfortunately tourism is still a missed opportunity to the second biggest township of Umlazi in the eastern side of Durban – one of the biggest cities in South Africa. While township tourism is supposed to bring visitors to the sites of significance to the anti-apartheid as well as improving tourists' understanding of poverty issues of historically oppressed communities of townships, Umlazi is not at all a recipient of tourism.

The growth of township tourism thus can provide the context for potential economic opportunities for local entrepreneurs to enter the business, an activity that traditionally has been the domain of established white South African entrepreneurs (Milner, 2004; Ramchander, 2004; Rogerson, 2004). It is critically imperative and of utmost importance to comprehend challenges faced by Umlazi black owned tourism enterprises regarding real opportunities for economic and social empowerment of entrepreneurs and township residents. The matter has been addressed by conducting interviews with 50 structured respondents undertaken in August 2015 in Umlazi Township. Themes of concern for interviewing processes examined the origins, and current problems of business development of the emerging black tourism enterprises in Umlazi.

## **3. Enterprise development**

The Department of Environmental Affairs and Tourism (DEAT), and Tourism Enterprise Program and Kwazulu-Natal Tourism Authority confessed that there is no formal set of government regulations that controls the registration of tour operators and other emerging entrepreneurs in South Africa. A profile of emerging black tourism entrepreneurs in the township can be gleaned from the findings conducted of the 50 survey respondents interviewed in August 2015 21 years after democracy. The majority of entrepreneurs were ranging between 30 and 50 years of age. Only a small proportion of entrepreneurs were classified as youthful. Entrepreneurship is mostly dominated by males although about 20 percent is run by women when some of them converted their houses to either guest houses or bed and breakfast after losing husbands as spouses. Although most respondents are educated and possess accredited training courses and certificates in tourism, some as tour operators unfortunately their business hardly kicks-off, and gives satisfactory results. Almost all the businesses, with the exception of the well-established and famous businesses found within the same radius called Eyadini and KwaMax Lifestyle respectively, are supposed to be run and operated from home but unfortunately very few tourists visit on extremely rare occasions.

## **4. Challenges and impediments faced by emerging small businesses**

According to survey the development of black tourism enterprises is confronted and faced with numerous challenges and impediments regarding their running. Findings through interviews disclosed some of the problems of black entrepreneurs, and include access to financial sources, i.e., funding, non-racial market and marketing support.

Almost 100 percent of enterprises surveyed suggested that there is absolutely no access to finance at all let alone getting finance for vehicle purchases. Starting up a business is not only stifled by finance but by market and marketing. Even the two most popular enterprises in the township of uMlazi started up using their own savings or funds. Some used funds from retrenchment pay-outs and inheritances after their wealthy husbands died. For instance one responded echoing and said that "my business was funded by my retirement savings". Even worse most entrepreneurs were not aware of existing government and private support programs for emerging black small business expansions. Several small entrepreneurs had applied for financial support from the public-sector organizations without success. Below is a depiction of frustration and disappointments of emerging black township entrepreneurs when trying to solicit finance to start-up their businesses. "A business plan that was requested

by financial institutions claiming to work with government entities such as treasury in order to grant and help small businesses was turned down on the basis of being sub-standard and inadequate". "Getting funding is the major obstacle. You end up turning in circle as banks refer you to government entities that also do the same after it has been very difficult to get the exact government employee who deals and assists small emerging entrepreneurs to access funding".

The inability to access funds from the so called funding support systems through national government support programs for small entrepreneurs, lack of collateral or credit track record stifles enterprise development. One emerging business woman owning a bread and breakfast said "having no collateral makes it impossible to get a loan from the bank". Other respondents made mentioned about the unwillingness of banks to fund them even if a business plan is available. The KwaZulu-Natal Tourism Authority provided support for some entrepreneurs, especially the tour operators to participate at local tourism trade shows or exhibitions, most importantly the annual tourism Indaba that takes place at International Conventional Centre popularly known as ICC.

According to Rogerson (2004e) tourism represents an economic sector that is marketing-intensive. Matters of access to markets and support for marketing emerge as the second critical set of challenges for emerging small entrepreneurs. The competitive power and dominance of the entrepreneurs business is understood as a serious constraint on the market penetration of small tourism entrepreneurship.

### 5. Difficulties and the developing of small tourism enterprises in the township

The market growth and marketing at large in the Umlazi Township is a mammoth task, if not a difficult exercise, and this is so because there are no local and tourists especially white people visiting the area, because Durban townships are still no go area to them. It is not a secret in South Africa that the businesses of black communities can never flourish, unless there is support from whites who are still advantaged economically. Besides the tourism industry is still dominated by them as role players, as they have better opportunities compared to blacks in terms of access to information. Studies conducted on township tourism suggest that whites as role players are a barrier to black-owned companies that are growing. According to Nemasetoni & Rogerson (2005) white operators for instance do not want to share with black tour operators, and the industry is dominated by them. Some of the difficulties expressed by several interviewees are as follows:

- ◆ "I could not access the market since big companies are mostly white dominated and therefore preferred".
- ◆ "Establishing consumerism is so difficult even today, as a result I rely solely on other segments that service locals".
- ◆ "Others never recognize my bed and breakfast, they just regard it as rooms for locals who want to fulfil and enjoy themselves romantically".
- ◆ "It is still a myth that our country has transformed and effected positive economic changes to black communities. Retrenchments and poverty are order of the day in South Africa".
- ◆ "This country brought changes to a chosen few, as they are connected to the political elites".

There is, however, little evidence that the poor benefit significantly from tourism generally or more specifically from township tourism (Nemasetoni and Rogerson, 2005; Ramchander, 2007; Rogerson, 2004; Saayman et al., 2012). Local entrepreneurs, who initially organized township tourism, face various challenges such as fierce competition from established, predominantly white owned tour operators who have, since entered the market, limited skills and access to finance and weak product base (Rogerson, 2004, 2008, 2013; Rolfes, 2010). Other researchers argue that township tourism needs to be developed more responsibly to ensure economic opportunities for emerging small enterprises and local communities (Booyens, 2010; Briedenham & Ramchander, 2006). Any such development would include access to entrepreneurship and employment opportunities, small business support and participation in decision-making for local tourism product ownership. Existing local government or local municipality should also ensure that small business enterprises are financially supported to create more space for the employment of township residents. It is the responsibility of the tourism industry and government to ensure that local communities share the benefits of township tourism and are not exploited in the process (Briedenham & Ramchander, 2006). There are absolutely no tourism businesses that take place in the township of Umlazi which simply means no competitive strength acknowledged. Tour operators working in the township lack access and marketing abilities that give them access to international tourists. The two multi-functional tourist attractions found within the radius of 2000 metres apart, though do get visited by international tourists at times, but still it does not make a big township like Umlazi, a tourism market orientated business destination that benefits residents economically and socially.

### Conclusion

Research suggests that in the townships of South Africa such as Gauteng and Cape Town specifically

are draw cards for international tourists whose intention is to indulge themselves with an African heritage and township tourism. It is also noticeable that township tourism has played an integral role in the development of small enterprises and local communities. Unfortunately and contrary to the above assertions and suggestions, tourism seems to fail dismally to play a role of a developmental strategy for emerging black entrepreneurs and local residents to enable them to be recipients and beneficiaries for tourism demand at Umlazi Township specifically.

The South African experience offers a useful case study in the problems of emerging small enterprises in black townships which are a culmination of the apartheid system. The system excluded the country's black entrepreneurs from participation in the tourism economy and the development of the South African tourism economy of the 1970s and 1980s was built up and consolidated through the expansion of large

locally-owned tourism enterprises. Although more recently, a tier of white-owned small enterprises has emerged in the services such as accommodation, tour agencies and tour operation, it is evident that these developments have taken place at the expense of black-owned small enterprises of the township, as they cannot at all compete with their white established counterparts in terms of finance and skill. The results of this study on emerging black small enterprises in the township of Umlazi represent a cautionary tale in that they point to a set of serious challenges that expose the present democratic government on its claim, and myth of tourism being construed as a panacea and hope to change the lives of black residents in the townships. In order for black townships with uMlazi singled-out and illuminated, the challenges echoed above need to be confronted in order for the government's objectives for real and genuine transformation of the entire poor residents of South Africa are achievable through small enterprise development.

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