

**University of KwaZulu-Natal**

**Empowering disadvantaged businesses through LED projects: A  
practitioner's approach**

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## **Definition of terms**

**Squatter camps** (also known as slums) are clusters of small houses constructed of corrugated iron, cardboard, plastic and mud by disadvantaged communities who cannot afford to build proper houses (see appendix). Such houses are mostly found in the outskirts of thriving South African cities such as Durban or Johannesburg, but can also be found in rural areas.

**Local Economic Development (LED)** is a process whereby all stakeholders within a locality and its related environments, which include government, business community and non-governmental organizations, come together to work towards poverty reduction, employment generation and ultimately economic growth.

**Disadvantaged business groups** referred to in this research are those groups of people who are already doing business, but have not registered their companies for various reasons. Some of the common obstacles they are faced with include lack of information, bureaucracy of registering, lack of finance or simply lack of simple resources, thus making it very difficult for them to run a small business. These informal groups are mostly comprised of the youth, pensioners who depend on government grants, the disabled and women, but are not limited to them alone.

**Small businesses** referred to in this research are those businesses which are registered with the government and are recognized by the respective authorities and the tax authorities as responsible tax payers and service providers. As such businesses are already up and running, they are therefore in a position to help disadvantaged groups who experiencing problems as they (small businesses) have already been through the process of getting information on how to get registered, getting a loan from a bank, registering their businesses and so on.

**Entrepreneurial Finance Lab (EFL)** refers to a program that was started by two Harvard University academics in order to test the business credibility and viability of candidates from financially disadvantaged backgrounds who need funds for their small businesses. These computerized tests scrutinize the minds of the candidates through a set of questions in order to predict the appropriate amount of money that should be offered to the candidate.

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## **Abstract**

This thesis has been written in the context of Local Economic Development (LED). LED is recognized as a process that requires a number of role players which include government, business institutions and ordinary people representing themselves as various organizations and as individuals. From all these groups of role players, the focus of this study is on the group of business institutions, particularly small businesses from disadvantaged groups.

The aim of this study has been to investigate theoretical and practical ways that small business owners in disadvantaged communities can contribute to their own business development and that of their fellows within a framework of LED. The purpose has been twofold and synergistic – to consider both empowerment and the creation of an enabling support framework. The primary goals of this study are job creation, poverty alleviation and ultimately economic development of the disadvantaged areas through the leadership of local small business owners.

This study has been conducted using a qualitative research method, drawing on interviews, focus groups and learning journal as tools of data collection. This study highlighted some information from disadvantaged small businesses in squatter camps/slums that could be useful to the development of LED in Durban and in extension to the development of LED in the country. Such information drawn from the disadvantaged small business groups can be useful to the whole country because of the similar challenges faced by disadvantaged small business groups in other major towns and cities in South Africa. Such challenges are mostly around inequality and uneven economic development in different race groups, especially amongst black South Africans.

Findings revealed that people from disadvantaged areas lack education and business skills and that the businesses within these areas are mostly informal and are desperately in need of finance. This study has shown that small businesses in disadvantaged areas have no formal structures in place and are not in a position to help each other financially. However, small businesses in disadvantaged areas have been found to be capable of helping each other to overcome other issues such as crime and disorder that have a negative impact on their viability. This study has shown that other role players are wary of coming into disadvantaged communities to help with investment that will bring about job creation, poverty eradication and economic development because of the crime and general disorder that prevails in disadvantaged communities.

This study concludes by emphasizing the need for small business owners in disadvantaged communities to take a leading role in the fight against any issue that dissuades other role players from the outside. In conclusion it is also noted that the leadership role to be assumed by the small business within the disadvantaged areas cannot be effective without the full commitment from the government, business institutions and ordinary community members found in that locality.

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Firstly and above all, I would like to thank my Lord and God Jesus Christ for providing me with all I needed to do this study. I would also like to thank my lovely wife Nickie Hlekani Ndlovu-Farisani, for her support that helped me overcome the many challenges that came in between the time I started this study and today.

My supervisor, Dr Stan Hardman, has been very helpful and patient when I asked to see him even without appointment due to questions that arose in my mind at the time. I would like to thank him for that.

Without the co-operation from the Durban Chamber of Commerce and Industry and the leaders of the Cato Manor and Banana City squatter camps/informal settlements, it would have been impossible for me to assemble all the data and bring forth the information contained in this study. I therefore want to thank all the leaders and community members who freely gave their time and made this study possible.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the study

Sener and Pirinçciler (2011:72–88) indicated that the global economic meltdown that started in the USA in 2007 spilled to the whole world, especially the developed world, leaving developing countries less damaged than developed countries. The work of Sener and Pirinçciler (2011: 72–88) confirmed and built on the work of Thalassinios (2009: 177-180) who had examined the impact of the global economic meltdown or recession as it has been widely referred to. Thalassinios (2009: 177-180) pointed out that despite the sting of the global economic meltdown, developing countries like South Africa could still provide jobs and several basic services to its citizens since the economy had been relatively resilient, even during the global economic meltdown. A joint research paper by Bianconi, Yoshino, and Machado de Sousa (2013:76–109) agree with Thalassinios (2009:177-180) and Sener and Pirincciler (2011:72–88), but makes special reference to BRICS countries (Brazil, Russia, India, China and South Africa).

Nevertheless, Huchzermeyer (2010: 129-148) maintains that while the people of South Africa have heard about job creation and poverty reduction, they have not seen much of it since it has been happening at a such a slow pace since the birth of democracy in 1994. Marais and Ntema (2013: 85-95) elaborated further by pointing out that development that brings jobs to the poor is scattered and rare, especially with respect to the disadvantaged communities living in the rural areas and those living in the squatter camps (also known as slums). Walker, Mclean, Dison and Peppin-Vaughan (2009:565-572) point out that although the current South African administration is aware of this problem, it seems unable to develop solid intervention measures to put in practice which could empower the disadvantaged groups.

More and more researchers, working in collaboration with different communities, are coming to the realization that Local Economic Development (LED) is a process whereby all stakeholders, which includes government, business communities and non-governmental organizations (NGOs), within a locality and its related environments can come together to work towards poverty reduction, employment generation and, ultimately, the economic growth of those regions and eventually the whole country (Barberia and Biderman, 2010: 951-962; Meyer- Stamer ,2003:34 and Bartik, 1990: 361–370).

Nel and McQuaid (2002: 60-74) put it this way:

*“The LED process can arise when agencies or individuals seize the initiative and engage in actions that unify communities, businesses and other relevant parties in the local area to improve economic and social conditions”.*

The main reason for all such stakeholders to work together is to combine their different perspectives and ideas for LED.

Morgan (2004: 871-889), however, elaborated that while most government officials and researchers agree that LED is a way to overcome poverty and unemployment, few have come up with intervention measures that meet with the combined approval of government, researchers, business people and the people on the ground, based on the changes they can see and feel (Marais and Ntema, 2013: 85-95). Barberia and Biderman (2010:951-962), while doing LED focused research in Brazil, which is a developing country such as ours (South Africa), found similar evidence which supports Morgan’s research. These authors confirmed the long held view that researchers, government officials and economists, among other developmental agents within society, agree that small businesses and small business groups can play an important role in regional or LED, especially in job creation (Barberia and Biderman, 2010:951-962).

In the research by Fairbourne and Christensen (2010:595-601) and also in similar earlier research by Venkatesan, Gajendiran and Viswanathan (2008: 300-319) it was established that although the rate of small business establishments continued to rise, most of such businesses ended up failing, and that the reasons for such failures varied. This obviously poses a big problem to the LED role in job creation, poverty reduction and economic growth.

Local government has LED departments that are tasked to assist the deserving small businesses who have the potential to contribute to Local Economic Development, but this is not necessarily happening. According to Werna and Keivani (2001: 65-118), many of the small businesses in developing countries complain that they are treated unfairly with regard to the granting of tenders or funding to develop business. Most of this blame would fall on the local government authorities who are in charge of granting the tenders that the majority of the owners of such small businesses seek. Economic development researchers (Nel, Binns and Bek, 2009: 224-237; Puga, 2002: 372-406; and Krugman, 1991: 483-499) have found

that governments of developing countries, including South Africa, have responded to such complaints from small business groups by implementing policy that roots out corruption and makes sure there is a fair process in tender advertisement and allocation. However, this has not stopped the complaints from small businesses

Business and economic development does not come from nowhere, but can be self-created, created by others or be a result of natural events. This was pointed out by Short, Ketchen, Shook and Ireland (2010:40–65), who said, “*either opportunities are discovered or they are created*”. In my research study, I discovered that many small businesses owners, including myself, have only themselves to blame if their small businesses fail. Lee and Hor (2010:185-199) found similar findings in their research. If small business owners and their staff had had the advantage of financial training, business mentoring for small business or had joined appropriate business organizations for business development it would have been almost impossible for them to fail unless they had acted wrongly, such as mismanaging funds, or had had disputes amongst their workers (Baron, 2006: 104-119 and Short, Ketchen, Shook and Ireland, 2010:40-65).

Several entrepreneur researchers such as Shane (2000: 448–469); Shepherd; McMullen and Jennings (2007:75–95) and Tripsas (2008:79) found that the frustration experienced by entrepreneurs or prospective small business owners in setting up a business can be a powerful driving tool in helping them to come up with better new business ventures. The research by Meyer-Stamer (2003:34) found that linking common frustrations between self and others can give birth to an economic development path in the mind of the entrepreneur or community developer.

Furthermore, the latest research by Neumayer and de Soysa (2011) clearly explains the benefits that come from fair treatment in an organization, particularly in terms of those who were or are disadvantaged. This is displayed through giving them the same treatment and opportunities that everyone else in the organization enjoys. Neumayer and de Soysa (2011) show evidence through their research that such fairness is beneficial not only to the receiver, but that it is also important to the giver and the environment that the giver and the receiver live in. Many big businesses have come to understand this to a certain degree and are seen to be doing various things to empower their communities. They not only gain publicity from such community projects, but win the confidence of the community members who are then more likely to support them in preference to a company offering similar products.

The focus of this research, therefore, is connecting disadvantaged groups with other groups, both previously disadvantaged, but now successful despite their background, as well as other relevant groups so that the disadvantaged groups can learn how they overcame their challenges in getting properly established. I am focusing and exploiting the linkages on how those who have claimed unfair treatment in the past can find a way to help others who can benefit from what they can offer. In simple words, this research proposes to link and use successes and failures of small businesses in disadvantaged areas in order to find new solutions to struggling disadvantaged small businesses and other groups concerned in LED of disadvantaged areas by coming up with business ideas and initiatives that solve some of the problems experienced by disadvantaged people or disadvantaged groups.

However, the research on how other disadvantaged groups can use their limited resources to empower others who are more disadvantaged than them is scarce. Most researchers such as Abbott, 2002: 303-315; Abbott and Douglas, 2003:3-19; Westaway, 2006:175-189; Ziraba, Madise, Mills, Kyobutungi and Ezech, 2009:1-8) merely generalized and did not offer much theoretical and practical information that could be useful for LED in disadvantaged areas, especially in informal settlements. As a result the theory and practice of how disadvantaged groups can assist each other is thin and the theory of how small business people can participate in the improvement of their community through empowerment of disadvantaged small business groups like themselves or those who are less fortunate than them has not been fully researched (Barberia and Biderman, 2010: 951-962).

I am convinced, together with other researchers (Quisumbing and Pandolfelli, 2010: 581-592), that there is a need to research both theoretical and practical interventions that can help small businesses to empower not only each other, but also small groups who have business projects that have the potential to advance the cause of LED. As Tang, Kacmar and Busenitz (2012:77-94) put it “*The emergence of new ideas and how they can lead to commercializable opportunities are central to the field of entrepreneurship*”. New ideas for support are central to the development of small businesses and the communities that such small businesses serve.

I chose to do my research in the Cato Manor and Banana City squatter camps, which are two of the squatter settlements within the borders of the eThekweni (Durban) municipality. The reason I chose squatter camps to be appropriate areas to conduct my research are because these are areas populated by disadvantaged people living in desperate conditions, many of whom are trying various ways of earning a living. Many small business endeavors have

sprung up which have potential for LED. I chose these two particular squatter camps because there was development in the two areas which would be helpful to my research which was not evident in other settlements. For example, a project to provide better houses has just started in Banana City, while at Cato Manor a similar housing project was already at an advanced/final stage. Since such projects are conducted along with many other projects, such as provision of clean water and electricity, it was important for me to compare initiatives and small businesses that had naturally evolved at different stages during the projects to establish whether there was any evidence of, or opportunities for, LED. Other aspects that had to be taken into account were the history of the area, land disputes, development in community services, types of small business and projects, poverty, unemployment, crime and my own safety. Furthermore, these areas are close to where I live and have my own business, which made it easier for me to gather data and be as practical as possible as a practitioner researcher.

I also included the Durban Chamber of Commerce and Industry in my research due to the many activities and LED related projects that the Durban Chamber of Commerce and Industry are involved in. Furthermore, the DCCI provides a platform for various committees, such as small business, infrastructure and economic committees, which meet regularly to account for what they are doing to develop the local community as well as to examine their role nationally and globally. As a participating member of both the economic and SMME committees of the DCCI, I have gained both knowledge and business links that paved the way for me to get funding from the Standard Bank, which is also a member institution of the DCCI. Since this study takes the form of action research, my learning was complimented by my relationship with the DCCI.



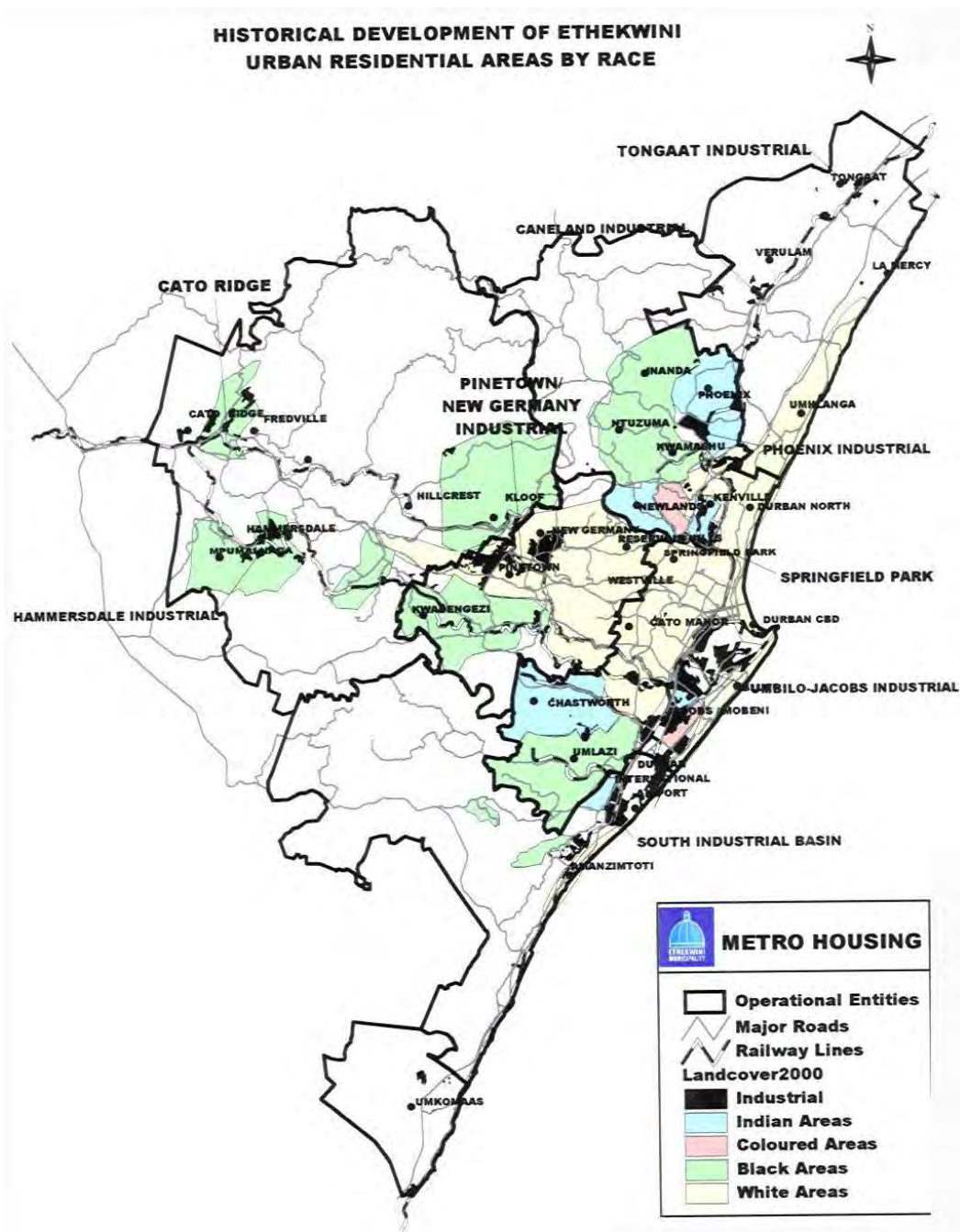
## 1.2 Background of the study areas

The map below shows the position of Durban (EThekweni) in Southern Africa.



**Fig 1: Map of South Africa.** Source: CIA fact book cited by Charlton and Marx (2003)

The map below shows the historical development of EThekweni (Durban) urban residential areas by race. The Banana City squatter camp is situated in the Westville area and the Cato Manor squatter camp is situated in Cato Manor, both slightly to the west of Durban.



**Fig2: The Historical Development of EThekweni (Durban) urban areas by race.**

Source: Charlton and Marx (2003).

### 1.2.1 The squatter camps - Cato Manor and Banana City

Cato Manor is situated 7 kilometers from the Durban city Centre. This informal development benefitted from a government initiative that ran from 1990 to 2003. The Cato Manor Development Project (CMDP) was one of the Special Integrated Presidential Projects which aimed at uplifting the community by providing affordable housing and other facilities and services that offered economic opportunities and development. From the picture below one can see part of the housing project that is taking place in the area and several of the services that have been implemented, such as schools, a library and a community hall. Although this area has electricity and running water, residents still make use of illegal electricity connections.



**Fig3: The Cato Manor project and its surrounding areas**

(source: Beall and Todes, 2004: 301–310).



While the Cato Manor settlement has been the subject of vast improvements, some of the community members are still living in the original dwellings which are constructed of planks, corrugated iron, mud, plastic and any other material that can be used as a makeshift wall or roof to protect them from the cold and heat.



**Fig 4: The Cato Manor squatter camp site** (Source:

<http://littlefingersandfrosting.blogspot.com/2009/03/our-new-sunday-school-site-in-cato.html>)

Banana City is located on the north side of the Westville campus of the University of KwaZulu-Natal (UKZN). Banana City was built on land that originally belonged to the university and became involved in a land dispute when the university tried to evict the settlers. The dispute attracted the attention of the media as well as people who were concerned about the treatment and eviction of the poor from the land where they lived. Walsh (2008) recorded in his paper how the land dispute between the University and Banana City settlers affected the residents, some of whom expressed that they felt as if they were being neglected by their own government for being thrown out of their homes where they have lived for the past 70 years.

The picture below shows the location of Banana city. The slum is situated on the middle left of the picture, a few meters above the rugby field of University of KwaZulu-Natal Westville Campus. Upper

right is the view of the Indian Ocean. It is a stone's throw from the female residence of the university and extends to Madrass road at Reservoir Hills, Westville.



**Fig 5: Location of Banana City informal settlement.**

According to Mr. Majozi, the community leader of Banana city, there are approximately 400 households with an average of four people per household. As in the Cato Mano settlement, many of the dwellings are built out of recycled materials and mud. Although there was evidence of illegal electricity connections at the time of the research (2011), there was no official electricity supply and the entire community relied on three (3) taps for their water. The residents used pit toilets.

More land was assigned to Banana city after the court reached a compromise between the community of Banana city and UKZN, on whose land the squatter camp had originally sprung up and some corrugated iron houses were built for the people who had to move from

the UKZN land as a result of a court order. These houses, together with four toilet blocks, were built with the assistance of the local councilor. Mr. Majozi explained, “*Makgoba (UKZN) and Banana city have finally agreed on the land assigned to the Banana city shack dwellers and that is why we have moved those in the land of the university and moved them to a place assigned to them.*”



**Fig 6: The new area of Banana City.**

The picture above shows the corrugated iron houses that have been built on the land allocated the squatters. Four toilet blocks, 2 male and 2 female, with flushing toilets were also erected. Gravel roads and a car can be seen in the new area of Banana City, showing that cars can now access Banana City slum village with much ease compared to before the area received the current attention as a result of media releases and court orders.





**Fig 7: Another view of Banana City**

This picture shows the main gravel road that cars and people use to access the village. One can see the poles of street lights along the gravel road going to the village. These street lights are no longer working because the project was suspended due to vandalism and illegal electricity connections. The lush vegetation shows that the land is fertile.

The pictures above help us to understand the landscape, the environment, the living conditions as well as the distance and direction of both Cato Manor and Banana City from the central business district of Durban and the sea. The materials that people of such areas build their houses as well as their general living conditions, as seen in the pictures above, are evidence of the poverty in those informal settlements. At the time of this research, poverty and unemployment in both settlements, Banana city and Cato Manor, were still as high as when Makhathini and Xaba (1995) did their research in 1995. Charlton (2006) indicated that despite the efforts of the national government of South Africa between 1994 and 2004 to reduce and ultimately stop informal settlements, the number of informal settlements had not decreased nationally, but had increased from 1.5 million to 2 million. Although 1.6 million houses have been reported to have been built for the poor or 'low income' people, the rate of

development has been too slow in relation to the number of poor or low income people who end up in informal settlements (Charlton, 2006). Burra, Patel and Kerr (2003) reasoned that such an increase of poverty is a direct result of lack of proper consultation amongst the relevant stakeholders within that particular region. Roma, E; Buckley, C; Jefferson, B and Jeffrey, P.(2010) reported that *“The worst scenarios faced by eThekwin lie in the urban areas, where an estimated 1 million people of African/Black ethnicity live in densely-populated settlements (1 437 people/km<sup>2</sup>) under conditions of informal land tenure.”* A 2005 UN report indicated that there is an inequality of income distribution nationally in South Africans with 34% of the population living below the poverty line.

Although both the Banana City and Cato Manor informal settlements have schools close by, the residents do not always take advantage of these services. The picture below shows the large number of young children at the local pre-school in Cato Manor, which is a community project that was started with the help of a charity sponsor. The overcrowding and children sitting on the ground highlight the poverty in the area. However, the picture also captures the children’s desire to learn. This indicates the need for further development in the area



**Fig8: Overcrowding at Cato Manor pre-school**

(source: <http://littlefingersandfrosting.blogspot.com/2009/03/our-new-sunday-school-site-in-cato.html>)



Hindson, Foster and Eising (2003) mention that crime is of concern in squatter camps/slums and the same is true for Cato Manor and Banana City. Moodley and Bob (2008) confirmed the work of Hindson, Foster and Eising (2003) through their research in Reservoir Hills, Durban that showed that informal settlements are amongst the most dangerous places as far as crime is concerned. These authors found that out of the 8 areas deemed to be unsafe by the residents of Reservoir Hills, informal settlements scored the highest percentage (36%), while the other areas they identified were open grounds/parks (34%), central town/city (30%), African townships (21%), public spaces (18%), shopping areas (18%), bushes, where people could hide (15%) and parks, where people could hide or consume alcohol (13%) (Moodley and Bob, 2008).

Taking the findings of Moodley and Bob (2008) into account, it is therefore understandable why Varsity Road in Reservoir Hills, which passes close to the Banana City squatter camp, is a notorious crime scene where people are robbed at knife and gun point by criminals who grab their belongings and run into the forest facing the Banana City squatter camp. Varsity Road is a combination of what are regarded as 'unsafe areas' because it is very close to an informal settlement, it passes through bushes where people can hide and it is surrounded by vacant land of the university where people can hide or consume alcohol. For my own personal safety, it was therefore important for me to understand such dynamics and know where I was safe and where not to go, as well as good times to get data.

Because I do most of my business in and around the university, it was more convenient for me to arrange interviews and go to community of practice meetings at Banana City than at Cato Manor. As most people in the squatter camps are not too concerned with time, they were either always late for appointments or forgot them altogether and needed to be reminded to attend such meetings and interviews.

I found it almost impossible to source any research that has been done at Banana City that might have contained important information for my research, since it is a small area and mostly hidden to the broader community. Information on Cato Manor, on the other hand, was more easily available as a few researchers have recorded its history, both economic and socially, as well as various development projects that have taken place. Amongst such researchers are Beall and Todes (2004:301–310,) who narrate the history of Cato Manor from as early as 1945 when the population of the area was mostly Indian. However, the residents of Cato Manor were evacuated by Apartheid legislation that classified the area as white in 1960. Black people started returning in the early 1990s and the area remained predominately

settled by Africans, as it is today. A few Indians are still, visible running restaurants and other businesses (Beall and Todes (2004:301–310)).

I found that certain projects that are currently being carried out at Banana City are either already at an advanced stage or have been completed at Cato Manor. Such projects are implemented in phases. Phase 1 deal with the installation of electricity and street lights, phase 2, proper concrete roads and phase 3, 4-room houses that are equipped with toilets, bathroom, kitchen, geysers, running water and electricity. Currently, the developments in Banana City are still in phase 1, while most parts of Cato Manor have completed all 3 phases, with a few areas still being developed. This helped me to understand how such projects are managed and how the people can benefit from them by establishing small businesses in the area, such as catering businesses, small retail shops, known as spaza shops, construction and so on. It also helped me to understand the outcomes of such projects, as well as the impact these had on the small businesses that took part in the development of the area. Dewar and Kaplan (2003) recorded that only 14% of the population of Cato Manor squatter camp were involved in small businesses (less than 1/5 of the community) and that most of them were woman. My observation is that not much has changed.

There are continuing land disputes in both study areas. Most of the land disputes at Cato Manor have been settled, which gives way to initiatives and projects that need land space (Beall and Todes, 2004:301–310). However, land disputes at Banana City are still in progress and while the university and municipality recognize that there are people living in the area, those people have not been given legal rights to do as they wish with the land, which obviously has an impact concerning initiatives and projects that would need land space. Even although the university has been unable to remove the Banana City squatters, it has managed to stop them from building more shacks, arguing that the site where Banana city is located is very important grassland that is important for research, especially for biologist and biogeography researchers.

Certain initiatives have been undertaken to develop and empower both Cato Manor and Banana City as a number of stakeholders within the surrounding areas have endeavored to supply clean water, electricity, toilets and better houses. However, such development and empowerment efforts are complicated by corruption, illegal electricity connections or simply theft.

### **1.2.2 The Durban Chamber of Commerce and Industry**

The Durban Chamber of Commerce and Industry (DCCI) was formed in 1856 as a platform for different businesses (both small and big) to use to develop themselves and their communities. That was to be achieved through interaction with municipality and government entities such as Eskom, the South African Post Office and the Durban Port. The main intention was to promote the establishment of infrastructure and services that created an environment where business could thrive within the city and its vicinity or immediate areas.

The current location of the Durban Chamber of Commerce and Industry is at 190 Stalwart Simelane Street in the Central Business District (CBD) of Durban, which is within the EThekweni municipality. The Chamber (as the employees and members of Durban Chamber of Commerce and Industry refer to it) has grown from its humble beginnings and it is now a global player with members that include big banks, such as ABSA and the Standard Bank, contributing finance and skills support to projects and initiatives at the Chamber.

More relevant to this research, are the Chamber's small, medium and micro enterprise (SMME) help desk, its economic departments and its committees. These committees offer services such as mentoring; linking small businesses with big businesses; as well as helping newcomers into business to cope more easily. I am a member of these committees and attend their meetings regularly in order help my business practice and to be part of the development of my community. They also give me the opportunity to learn about LED projects and initiatives from the best sources in my area.

### **1.3 Statement of purpose**

The aim of this research is to investigate theoretical and practical ways that small business owners in disadvantaged communities can contribute to their own business development as well as that of their fellows within a framework of LED. The purpose is thus twofold and synergistic – to consider both empowerment and the creation of an enabling support framework.

### **1.4 Objectives of the study**

**The objectives of the study are:**

- To examine practical and theoretical ways that small business can bring co-empowerment to disadvantaged business groups

- To determine suitable intervention measures needed in co-empowerments
- To evaluate whether small business has what is needed in bringing forth such co-empowerment to disadvantaged business groups

### **1.5 Research questions**

- What intervention measures can existing small businesses undertake to empower disadvantaged business groups?
- What steps can be taken to ensure that the efforts of small businesses will lead to co-empowerment?
- How can small businesses ensure inclusiveness in their co-empowerment efforts?
- What measures can be taken to assist such projects to interconnect with other initiatives for financial and community support?

### **1.6 Chapter outline**

Chapter one provides an introduction to the study and gives a brief overview of the squatter camps and the Durban Chamber of Commerce. It also outlines the aim and objectives of the study and the research questions.

Chapter two presents the literature review. The theory and academic arguments of LED projects and initiatives are presented in seven sections and several relevant subsections. The theory and academic arguments are presented in order to trace the background of the LED projects/initiatives as well as their related future.

Chapter three justifies the methodology used in this research. The approaches and data collection tools are defined and presented and their limitations as well as their uses are examined.

Chapter four describes the results of the research, which are presented in respect of each tool used and then their collective summary is discussed in detail.

Chapter five summarizes the major findings of the research and presents the recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

According to Nel (1999); Valler and Wood (2010:139–51) and Rogerson (2010:481-495), various significant projects and initiatives of LED have existed and prospered as early as 1990 due to the active efforts of community based organizations or non-governmental organizations in poverty eradication or employment generation. However, Stock (1995); Pike, Rodriguez-Pose and Tomaney (2006) pointed out that what community based organisations or non-governmental organizations have managed to achieve had limits in practice. Such limits will be elaborated on further in this chapter.

This chapter gives a brief description of the informal economy that operates in squatter camps and the reasons why these communities lack economic growth. The chapter also looks into projects and initiatives that have been designed by communities and individuals in order to eradicate poverty and create jobs. It is hoped that by examining the background of informal settlements, past mistakes will be highlighted and new ways can be found for implementing LED (Stock,1995; Pike, Rodriguez-Pose and Tomaney,2006;Nel,1999; Valler and Wood,2010:139-51; andRogerson,2010:481-495).

Zaaijer and Sara (1993:127-142) define LED as *“a process in which local governments and/or community based groups manage their existing resources and enter into partnership arrangements with the private sector, or with each-other, to create new jobs and stimulate economic activity in an economic area.”*McQuaid’s (1997) definition of the process of LED is similar to that of Zaaijer and Sara (1993:127-142), but also includes individuals who start initiatives that unify communities, businesses and other existing parties in a given locality in order to improve economic and social conditions.

#### **2.2Characteristics of an informal economy**

This section provides a basis for understanding the type of economy one finds in the informal settlements and will be discussed in relation to the findings of other researchers.

As Dewar and Kaplan (2003); Wekesa, Steyn and Otieno (2011: 238-245) and Falkfinger and Grossman (2013: 206–215) explain,there are no major corporations or retail shops in informal settlements and thatpeople living there mainly sustain themselves through small

individual and community projects, small shops called spaza shops, informal street vending and door to door selling. There are no large farms, but some vegetables are grown in small community gardens.

The picture below shows some of the small businesses in Banana City, Westville. The picture shows from the left, a bar and spaza shop, which also sells alcohol, as well as a hair cutting business, which is the small shack to the right of the car. The lady with a baby carried on her back is buying goods from a business owner at the spaza shop.



**Fig 9: Small informal businesses in Banana City, Westville** (Photographed by researcher)

According to Beall and Todes (2004: 301–310), these kinds of businesses are mostly unregistered and do not bank at all. They do business in cash and pay their bills in cash. If they have employees, they are also paid in cash. Most of these businesses in informal settlements do all the work themselves simply because the business is usually small and they are not busy most of the time. Also, these businesses do not pay taxes and cannot be given direct benefits by the government or central economy due to them being faceless.

According to Harris and Todaro (1970:126–142) informal settlements are not conducive for thriving industries or companies. These authors described such settlements as being stagnant and unproductive, serving only as a refuge for the urban unemployed as well as a receiving station for newly arriving rural migrants on their way to the formal sector jobs.

Nevertheless, this perception of informal settlements being unproductive and a burden to the formal economy, as indicated by researchers such as Todaro (1969: 134–148) and Harris and Todaro (1970), has changed. More recent literature by Bhattacharya (2011: 820–830) has indicated that the informal economy can make a positive contribution to the overall economy in many areas such as job creation and labor. Bhattacharya (2011: 820–830) argues that “*the empirical literature increasingly sees the informal sector as dynamic, efficient, contributing significantly to national output and capable of attracting and sustaining labour in its own right*”. Bhattacharya (2011: 820-830) goes on to point out that it is not only possible for companies to survive, but they can contribute to the Local Economic Development in the area.

The picture below (Fig 10) is a good example in support of Bhattacharya (2011: 820–830) as it shows a business that is based in a squatter camps that is not only providing a trash collecting service to suburbs, but is also providing employment for some people. The owner of this business employs four other people to collect trash from surrounding suburbs and institutions and takes it to this site in Banana City where they separate the papers from the bottles and sell them to recycling organizations.



**Fig10: Recycling business** (Photographed by the researcher).

The picture shows how the trash is dumped in one place before being separated (what you see on the ground). The contents are then separated into bottles, plastic or papers and put into bags/sacks for recycling. See complete full sack/bag behind the man on the picture.

## **2.3 Reasons for lack of economic growth in some sectors**

### **2.3.1 Disadvantaged groups**

The history of South Africa as a country has been described or explained in different ways as the country has gone through various changes and transformation throughout its history. Even the historians themselves don't agree about various aspects about the history of South Africa. Many historians have chosen to describe South African history as pre-colonial, colonial and post-colonial. However, since the introduction of the new democratic government in 1994, periods in South African history are now commonly referred to the apartheid era and post-apartheid (Nel and McQuaid, 2002: 60-74).

However, even though this research is not meant to take part or sides in the academic arguments of South African historians, I find myself taking a decision to take the definition that describes periods of South African history in terms of old South Africa (apartheid era) and new South Africa (post-apartheid era). I find this helpful to me because it exemplifies the gap between the previously advantaged and previously disadvantaged from an economic perspective.

The old South Africa was ruled and controlled by one race which was white, while the majority of South Africans categorized as blacks (African, Indian and coloreds), were not classified as first citizens of the country. Maitra (2002:123-134) points out that such classification had an impact on the economic development of both the white and black groups and the role they played in growing the South African economy. Blacks were excluded from being part of the decision making process and wealth creation of the economy. This was achieved in many ways, one of which being the Bantu education system which hindered the development of blacks in economic circles, both within the country and globally.

As a result, even although the new South Africa is 19 years old, the majority of blacks still find themselves unable to recover from the oppressive system that lasted a period of more than three times the age of the new South Africa. Gumede (2010) points out that *“47% of South Africans live below the poverty line while 56% of blacks live in poverty compared to 2% of whites”*. According to Nel, Binns and Bek (2009: 224-237), even although many black South Africans are now taking part in the decision making and growth of the South African economy, the majority of South Africans are still poor and the blacks still remain the majority of the poor and therefore take little part in the economic development of the country.



However, Rogerson, 2010: 481-495) maintains that recent findings have revealed that poverty is not only affecting the black population, but that there is an increasing number of poor whites due to the recent policies of black empowerment equity and other policies that make it hard for whites to get jobs, create jobs and participate in economic development. The white people who live in tents and shacks in the Krugersdorp Park are a good example of the growing number of unemployed and poverty stricken white communities.

Manona (2005: 13-15) quoted Coleman (2001), who argued that when we define poverty, we should go beyond income and include denial of choices, lack of opportunities, poor health, nutrition and other areas of development. Coleman's definition seems to have fallen into fertile ground as a similar definition was given by the provincial government of the Eastern Cape Province in 2004 as it sought intervention methods and criteria that could be used in addressing poverty.

Kepe (2001) classified dimensions of poverty or disadvantaged communities into five clusters, namely physical poverty proper, physical weakness, physical or social isolation, vulnerability and powerlessness. Physical poverty proper is the absence of adequate income or property that can be used to generate income. Physical weakness is as a result of poor nutrition, disability or sickness. Physical or social isolation can come about as a result of a number of different things; amongst them illiteracy, ignorance, lack of access to goods, lack of access to services or living in a peripheral location. Vulnerability is classified as people who are at risk of becoming even poorer due to the locations and conditions they live in. Examples of this would be the people who might lose their property as a result of winter floods in Cape Town or winter fires in squatter camps due self-made heaters called *mbaula*. Powerlessness is a situation in which a member of the community or section of community has no say or input in their social, economic or political structures within their community. Powerlessness is easily understood when one talks to the people as they are the ones who are in a good position to explain their circumstances.

In light of the above, I believe that it is safe to classify disadvantaged communities by deprived conditions in which they live and work rather than by race or color. For the purpose of this study, therefore, disadvantaged groups are those groups of people who are South Africans who want to take part in the economic development of their country, but face obstacles that prevent them. Among those obstacles are residual policy implications from apartheid South Africa (in education, business and politics) that made it difficult for them in

the past or factors in the new South Africa (black empowerment equity) that continue to make it hard for them to take part in economic development.

### **2.3.2 Education and economic growth**

According to Hanushek and Woessmann (2012: 497–512), “*educational achievement is a direct measure of human capital*”. These authors went on to indicate that there is a direct link between educational achievement and the economic development of any particular area. Lewis (1954: 139-191) is among the early researchers who argued that people who operate within an informal economy have education barriers that prevent them from being employed in the formal economy. Fields (1990) supported the findings of Lewis (1954: 139-191) by showing that workers in the informal economy earn little as compared to those in the formal economy who do the same jobs, but are better educated. In an earlier paper, Hanushek and Woessmann (2008: 607-668) tried to justify why those better educated people working in the formal economy should earn more, and concluded that they were better skilled as a result of relevant education.

However, another group of researchers presented a different view. Among these were Gindling (1991) and Maloney (2004). Although these two researchers wrote separate papers, they both argued that those who chose to do their business or work in the informal economy might not be there because of lack of education or experience, but based on relevant opportunities they see within the informal settlements/informal economy. They also suggest that people might be working in the informal economy because they feel the need to use their skills or experience to improve the lives of other people (Gindling, 1991: 585-603 and Maloney, 2004: 1159-1178).

Having looked at the above arguments, one might become confused about what to believe. Maitra (2002:123-134), however, makes it clear by showing that in South Africa, the majority of the people (blacks) have been educationally disadvantaged by the system of education that was put in place by an oppressive government and which lasted for a long time. It is these people who are mostly in the informal settlements and also within the informal economy.

The work of Nel, Binns and Bek (2009: 224-237), which focused on the economic development of disadvantaged communities, supports the views of Maitra (2002:123-134) and goes on to highlight the relationship between education and the economic development of disadvantaged communities, such as informal settlements. Papers by Engerman and

Sokoloff (2005) and Falklinger and Grossman (2005) argue that unless they are equipped with the relevant education pertaining to development (such as Hydrology), the people who might have land or other natural resources, such as abundant water, will not be able to use it for their own development. Furthermore, because of a lack of education, people in informal settlements seem to prefer the types of work that require little to no education to operate.

### **2.3.3. Lack of available natural resources**

Falkfenger and Grossman (2013) pointed out that “*the ownership concentration of land or other natural resources plays an important role for entrepreneurship, structural change, and economic development*”. While none of the land on which the informal settlements are situated actually belongs to the people living there, there are two types of vacant land on which these settlements can develop. In some cases the vacant pockets of land that become occupied by the squatters can be used for economic development purposes, such as agricultural business, but in most cases, however, these bits of vacant land are not suitable for economic development ventures (Beall and Todes, 2004: 301–310).

Land that is part of somebody’s farm, a game reserve or other viable land that is not being used and monitored at the time of occupation (as in the Banana City informal settlement) could be used by entrepreneurs or by the settlers to cultivate crops.



**Fig 11: A vegetable gardening initiative in Cato Manor** (source: Beall and Todes, 2004: 301–310)

The ladies in the above picture are working in a gardening initiative in a drive to combat the poverty and unemployment that exists in their area. In a project like this, the participants

receive no salaries, but the vegetable harvest and profit from the vegetable sales is shared equally amongst them as a reward for their efforts. They are therefore better off as compared to many others who have no jobs, income or healthy food in their area.

On the other hand, much of the vacant land is not fit for human settlements, which is why it was vacant in the first place. Such areas are not suitable for economic development ventures. Wekesa, Steyn and Otieno (2011: 238-245) argue that even if squatters do manage to acquire the land on which they settled illegally, in most cases the land was not worth fighting for because of the lack of economic use the previous land owner could derive from it. See the picture below which shows that this piece of land is not a suitable place for people to live as it is close to major power lines and is too small to sustain the community that lives there.



**Fig 12: An informal settlement on inappropriate land** (Source: Wekesa, Steyn and Otieno, 2011: 238-245).

In their paper, Galor, Moav and Vollrath (2009: 143–179) argued that delays in land disputes can further slow economic development. Furthermore, such disputes are costly and if the settlers are awarded the land, the associated legal costs can have a negative effect on economic development of the area.

Vandalism is another factor that has a negative effect on the economy.

## **2.4 Finding a solution**

Rotmans and Loorbach (2010: 237-246) and Kepe (2001) and Aliber (2003:473-490) are in agreement in that the community members in disadvantaged communities should be involved with all other stakeholders in finding solutions that can work for them. Rotmans and Loorbach (2010: 237-246), together with Lee and Hor (2010:185-199), argue that entrepreneurs or small business people of the area are the people who are best positioned to lead their communities in finding solutions to their underdevelopment and poverty since they are already doing something to empower others through the services they offer and the jobs they have created through their small businesses or inventions. Beall and Todes(2005:301-310) found through their research that such individuals with entrepreneurial minds do exist in the Cato Manor squatter camps and, even although they have certain limitations, that strategic small businesses and initiatives that could help address the problems of people living there are already in place.

This research focuses on those individuals who are already doing business, but have obstacles that prevent them from registering their companies, either because of lack of information, bureaucracy of registering, lack of finance or simply lack of resources that other small business people who are not experiencing obstacles in that area would find easy to overcome. According to Manona (2005: 13-15) and Aliber (2003:473-490), this group, who are generally disadvantaged, includes the youth, Aids orphans, pensioners who depend on government grants, those who are disabled and women, but is not limited to them alone. The majority of slum or shack dwellers in South Africa are African and Colored. There are also a few Indians and even fewer whites, as it seems that these groups tend to come up with initiatives and small businesses in such areas (Beall and Todes, 2005:301–310).

Nel and Goldman (2006) found that before 2006, municipalities had not done much to assist small businesses in their respective areas, despite their acknowledgement that small business plays a vital role in poverty reduction. Between 2006 and 2009, most municipalities started to understand the importance and urgency of LED and the role that small business and local initiatives can play in this respect. However, even although there was a subsequent increase in funding and assistance from local municipalities, there were still limitations in certain areas, such as funding accessibility (knowing how to get the funds from relevant municipal office) and corruption (Nel, Binns and Bek, 2009: 224-237).

## **2.5 Historical development of LED and its related policies**

Rodriguez-Pose and Tijmstra (2007: 516–536) explained in their research that historically, the economic development of a country was seen as something that could only come as a result of the initiatives of central government. According to these authors, this was not only applicable to developing countries, but also to the developed countries as well.

According to Jackson (2007), people assumed that the head of an organization or the head office should generate all the ideas and initiatives and that their orders would be implemented by the employees. They thought and likened this to a military procedure, whereby the senior commanders decide on the target as well as the strategy and the junior soldiers are expected to implement their orders without raising follow up questions or coming up with alternative ideas and strategies.

However, as time went by, the initiatives of some central governments did little to improve people's lives, and as a result, development that was geographically uneven could be observed globally and within different countries (Harvey, 2006). Jackson (2000) explained that it was as a result of uneven development and poor performance by some central governments that people and institutions under these governments started to look at the reasons as to why everything was going wrong. Jackson (2007) pointed out that after a long period of blaming each other, finger pointing and changing the people responsible, the governments still did not manage to accomplish the necessary development. According to Jackson (2007), the various role players came to the realization that there was nothing fundamentally wrong with the government, but that the task that is expected from development initiatives was too complex for the decision makers in central government to undertake without the input of other stakeholders in the community.

Most governments, including South Africa, started to encourage their local governments to come up with economic development initiatives that would suit the area and the people in that particular area (Swyngedouw, 1989: 31–42 and Tendler, 2002). That seemed a little better than having the central government do it all. However, over time, people realized that even the local governments and their political allies could not do it alone and therefore opened the gates of economic development wide open to all who could contribute towards reducing poverty, creating jobs and developing the economy (Goetz and Clarke, 1993 and Tendler, 2002).

Since 2006, LED in South Africa has been put at the forefront of policy and the developmental agenda of the department of Local Government and municipalities. However, the roots and causes of LED started as early as 1994. This was as a result of policies and strategies that were put in place by Nelson Mandela's administration to deliver services that had been promised before 1994 elections.

Nel and John(2006: 208–229) argue that the most well-known and relevant policies and strategies to reduce poverty and bolster economic growth while creating jobs are the Reconstruction and Development Program (RDP) and the Growth, Employment and Redistribution Strategy, known as GEAR,. However, the Local Government White Paper (1998), the 1996 Constitution (RSA, 1996), the Local Government Systems Act (2000), and the Local Government Structures Act (2000) are also considered relevant (Nel and John, 2006: 208–229).

In his preamble in the White Paper (1994) concerning the Reconstruction and Development Program (RDP), the former President Nelson Mandela has been recorded as saying that his Government of National Unity is committed to alleviating problems of poverty and gross inequality evident in almost all aspects of South African society. It was further stated in the white paper that the government would take the leading role in implementing the RDP, but with clear criteria so that all citizens can become involved in implementation and can monitor the government's progress.

According to Aliber (2003: 473-490), the central theme of the RDP was the need to reduce the poverty afflicting the country's then 40 million people, thereby redressing inequalities and injustices of the past. Making jobs, water, education, land and healthcare accessible were among the priorities highlighted in the RDP. One of the government's strategies on how to foster employment for people was the development and community empowerment that came during the process of building houses for the poor, houses that came to be known as RDP houses. These were four-room houses that were mostly built of cement and bricks made of sand. The outside the houses were plastered with the same material that was used between the bricks and the doors were made of corrugated iron.

RDP houses were built in a way that was easily understood by local builders from the local communities. They needed large amounts of water from local suppliers, cement from local suppliers and staff to distribute building materials and monitor the development. Nel, Binns and Bek (2009: 224-237) pointed out that many businesses were started or merged in order to

be awarded tenders for RDP housing projects. Even although incidents of corruption caused an outcry, there was a general increase of income that naturally came with jobs associated with the construction of RDP houses. Kepe (2002) argued that although such increases in income to rural area settlers were temporary, it had a positive effect on their livelihoods and also on the LED in such rural areas. As Kepe (2002) also noted, it was within the aims of the RDP to integrate development, growth, reconstruction and redistribution into a single unified program, thereby pursuing its key goals to making basic services such as water, electricity, health and education available at the same time as housing construction and delivery.

Aliber (2003: 473-490) pointed out that the closure of the RDP offices in 1996 was planned and was followed by the introduction of the Growth, Employment and Redistribution (GEAR) program by the Department of Finance. According to the then Deputy President Mbeki (1996), the RDP and GEAR complemented each other because the RDP represented an integrated and sustainable vision for enabling the creation of the post-apartheid state while GEAR, on the other hand, was a macroeconomic policy which was meant to guide the rest of the sectorial growth and developmental programs that were aimed at achieving the set objectives of the RDP. Moving from RDP to GEAR was seen as a process of development rather than the discontinuation of one for the other.

Manona (2005: 13-15) and Aliber (2003: 473-490) indicated that the emphasis of GEAR was mainly around fiscal restraint, control of inflation and interest rates, as well as the relaxation of foreign exchange controls, which was welcomed by the business organizations at the time this was announced. The strategy of GEAR, which was launched in 1996, was aimed at economic growth and job creation through the reduction of the amount of debt that the country had to pay each year on its previous loans.

Critics of GEAR, such as Adelzadeh, Alvillar, and Mather (1998), argued that the GEAR strategy was not an appropriate approach to solve South Africa's urgent economic problems, which included poverty and unemployment. Manona (2005:13-15) argued that the actual annual economic growth, formal sector employment growth and investment projections have not been in line with GEAR projections, which led to a phenomenon of joblessness around 2000. Nevertheless, Aliber (2003:473-490) argued that despite the robust debates around South Africa's RDP and macro-economic framework (GEAR) since 1994, there are indeed signs that government is making some inroads in denting poverty in its broader sense, particularly from the angle of service delivery.



GEAR also played a role in the further awareness of LED because it targeted growth and employment through recognizing the role played by market driven initiatives of local actors. GEAR further acknowledged that local government's role was that of facilitation in areas such as infrastructure in market based development that was initiated by the locals themselves. The 1996 Constitution of South Africa was helpful to the development of LED because it not only clearly defined the roles of municipalities, but extended their mandate into pro-active economic and social development.

It was in the 1998 Local Government White Paper (DPLG, 1998) that LED was identified as a core element in the development role that the local government was expected to carry out, which was decentralization and democratization. Binns and Nel (2002: 921–932) indicated the Systems Act (2000) defined how participatory processes and powers of local government were to engage in Integrated Development Planning, of which LED is a key element.

However, Nel, Binns and Bek (2009: 224-237) argued that it was only after 2006 that LED was explicitly recognized in South African policy, even although the powers of local government were extended in 2000 to act in line with LED targets. It is therefore important that LED related policies in South Africa are understood properly from the viewpoint of the people on the ground, who are mostly the poor.

According to Nel and Rogerson (2005) and Rodriguez-Pose and Tijmstra (2005), South Africa is arguably the only country in Africa that has over the last two decades produced LED policies that can stand in comparison with the rest of the world and especially with developed countries. Rogerson (2010:481-495) is in agreement with this and argued that although South African LED policies might not be perfect, they are good policies because they are constantly debated and argued in a democratic environment and therefore non-governmental bodies, business people and academics are among the groups or stakeholders that are given a chance or platform to raise their concerns and therefore contribute to policy development.

The evidence of such debates is visible when one looks at the creation and demise of South Africa's two most important policies, namely the RDP and GEAR. Aliber (2003: 473-490) rightly pointed out that although the two above mentioned policies were created to deal with poverty, job creation and economic development, they did not escape criticism from all stakeholders that came from all groups of society within South Africa and beyond South

African borders and, as a result, more appropriate policies are emerging as the debate and consultations among all the stakeholders continues.

Although the South African government has developed various policies and initiatives to empower the disadvantaged citizens of the country, Nel, Binns and Bek (2009: 224-237) argued that the impact in reducing poverty and creating decent permanent jobs, which are the main targets of LED, remain marginal at best. It is therefore important that we should understand empowerment that could really change people's lives for the better.

## **2.6 Research on Empowerment**

Ulrich (1983; 1988; 1998:137-153 and 2003: 137-153; 2005) has done an overwhelming amount of research over the years with the help of critical systems heuristics that exposed many tactics that managers and planners have used and continue to use as a means of empowering others in economic development ventures within different societies. Jackson (2005) explains critical systems heuristics as *“a framework for reflective practice based on practical philosophy and systems thinking. The name stands for three major concerns. First, the aim is to enhance the ‘critical’ (reflective) competence not only of well-trained professionals and decision-makers, but also of ordinary people. Second, reflective practice cannot be secured by theoretical means only but requires ‘heuristic’ support in the form of questions and argumentation tools that make a difference in practice. And third, ‘systems’ thinking can provide us with a useful starting point for understanding the methodological requirements of such an approach to reflective practice”* Jackson (2007) criticized Ulrich's work as focusing too much on eliminating discrimination and disempowerment, rather than finding practical intervention measures that would be helpful in bringing equality and empowerment.

Beer (1990, 1994) explored similar issues as Ulrich. However, he went further in advancing the research and knowledge in ensuring fairness to disadvantaged groups who find themselves faced with managers and planners with discriminating and disempowering agendas. Jackson (2000) critiqued the work of Beer, citing that not enough clarity has been provided as to what practical intervention measures are appropriate. He specifically noted that Beer's findings were not useful to small businesses, the groups that really need such practical intervention directions.

Anand and Lea (2011) found that throughout the world, but especially in developing countries and within developmental groupings, those in charge of policy making together with social academics have shown great interest to use empowerment at two levels, namely the individual and the community, in order to lead a fight on poverty reduction and employment creation. Batliwala (1995) argued that women are one of the groups (other groups are disabled, elderly, youth and the illiterate) that get very little from empowerment efforts of government. This author also makes the point that it is important that empowerment should be looked at from the view point of whether the disadvantaged will get greater control materially and intellectually as compared to before empowerment efforts. The view of Batliwala (1995) is shared by Anand and Lea (2011) in response to common efforts of governments and individuals that claim to empower people while they did nothing to empower the ones that deserve empowerment the most.

Anand and Lea (2011) found in their study that when the people who the empowerment is supposed to help are not included or required to contribute to the initiative, they do not really benefit. However, these authors cautioned that some psychological disabilities can contribute in the recognition or lack of recognition by the disadvantaged communities as to whether they have been empowered or not. Anand and Lea's (2011) findings can be seen as an advanced research version of Underlid (2007: 65-74), who researched the matter earlier. In line with the findings above and also as a further search into empowerment efforts to disadvantaged communities, it is therefore important to look at empowerment efforts that have already taken place in order to learn more about empowerment.

## **2.7 LED initiatives / project case studies**

### **2.7.1 The Cato Manor Development Project (CMDP)**

The Cato Manor Development Project (CMDP) was a government initiative that ran from 1990 to 2003 as one of the Special Integrated Presidential Projects. This project was in the Cato Manor area, about seven kilometers from the city center of Durban, in the Province of KwaZulu-Natal, South Africa. The project had specific goals, some which were successfully implemented and some that failed. The goals, as recorded by Beall and Todes (2004:301–310), were:

- To provide affordable housing to 40 000 in the Cato Manor community

- To contribute to the ongoing task of restructuring the city towards integration and compaction
- To offer a convenient environment for multi-sectorial development which included facilities and a range of services that offered economic opportunities
- To infuse development with a participatory approach

#### **2.7.1.1 Successes of the Cato Manor Development Project (CMDP)**

According to Robinson and Foster, 2002 and Beall and Todes, 2004:301–310], the successes of the CMDP included:

- The housing was completed in a reasonable time, which was in accordance with normal expectations of such construction work due to rapid delivery of the necessary building materials. Moreover, the houses were built on well-located land close to the Durban CBD that would have normally been impossible for the poor to have access to.
- Various facilities were provided, such as sports grounds, a recreation park, child care centers, a library, schools and community halls, which accommodated the needs of the whole community regardless of age, gender or disability. Figure 3, page 8 shows these facilities.
- It was recognized that the slum area was full of people who needed to acquire skills and education. Therefore economic, social, political and environmental skills programs were set in place, which benefitted the community. Over 500 businesses emerged, over 4000 people received home ownership education and about a thousand acquired economic life skills, to name a few.
- Corruption was not given much chance to dominate the empowerment efforts due to a transparent participatory process that was put in place by all stakeholders of the Cato Manor project.

#### **2.7.1.2 Failures of the Cato Manor Development Project (CMDP)**

The project was not able to include all of the poor who were listed or recognized by the project administrators. This created bitterness amongst those who were not provided with housing while their fellow neighbors were covered by the project. Even though promises

were made to build more houses, the pace to fulfill such promises seemed too slow for those who had already waited for a long time and saw others moving into their new houses.

The CMDP did little to create an environment where middle income people could live alongside low income people, thus making the area a “poor people’s area”, which is not good for such communities since people have few economic role models among themselves to inspire the youth. The project achieved little to no race integration. .

Little was done to accommodate public transport as there were few roads; bus stops and taxi pick up areas. Furthermore, the private sector did not find the place attractive enough to bring their businesses there and contribute to the economic development of the area.

Even although there was participation from various stakeholders, Robinson and Foster (2002) argues that there could have been a deeper participation including more community stakeholders such as academics, ordinary people, small business people and politicians from all political parties, which would have yielded a deeper development than what has been seen. Another criticism of the CMDP is that it focused more on economic and political aspects of the community and little on environmental and social aspects, making the development one sided.

### **2.7.2 The Stutterheim LED project**

This was a local government and community led project which was carried out in Stutterheim, a poor rural town in the Eastern Cape Province. The project ran for over 10 years and was one of the first LED initiatives to be done and recorded as such (Nel and McQuaid, 2002: 60-74). This project naturally attracted a lot of attention from the provincial and national government as well as NGOs and other interested parties as it was the first time such a project had been undertaken. This project, like others, had goals, successes and failures.

The goals of the Stutterheim LED project were:

- To eliminate poverty and unemployment through government and community supported initiatives and projects
- To respond to market failure and address the specific needs of poor people (DPLG, 2000, 2003)
- To reconcile black and white communities post 1994 after the apartheid era

### **2.7.2.1 Successes of the Stutterheim LED project**

According to Nel and McQuaid, (2002: 60-74), this project had 6 main successes which included:

1. The establishment of the Stutterheim Business Advice Centre to support emerging entrepreneurs from the township;
2. The provision of 988 serviced housing sites or plots, which helped address the town's chronic housing shortage. More than 600 community contractors and laborers from the township gained part-time employment and received skills training through this action;
3. The building of schools and community halls;
4. The provision of reticulated water to the townships;
5. Upgrading of educational programs in the schools; and
6. The establishment of pre-schools in the townships (Community Self-Reliance, 1999).

### **2.7.2.2 Failures of Stutterheim LED project**

Because the Stutterheim LED project relied on government funding and had no other external funders, it was limited in what it could provide to the poor community. McCarthy (1995) and Bond (1998), who followed the developments of the Stutterheim LED project, recorded that as a result, the targeted job creation, poverty eradication and economic development that were thought to be achievable by optimistic governmental departments and early commentators was not achieved at the end of the project.

Bond (1998) pointed out that vision of the Stutterheim LED project was narrow because of the lack of participation from the business community, academics, and environmental and other stakeholders and it was therefore difficult to foresee potential failures. Bond (1998) goes on to argue that broader participation would have paved a way for other stakeholders to come up with alternative ways to fund the initiatives that could have contributed economically, environmentally or socially.

## **2.8 The role of small business in LED projects: targeting poverty, creating jobs and growing the economy**

Throughout the above sections in this literature review, I have presented arguments that highlight that LED has evolved considerably in government, business, political and community thinking in South Africa. However, there is a lack of evidence recognizing the contribution that small businesses can make in empowering the community of their areas during such LED projects, policies and general development. As already highlighted above, government, big business, political representatives and ordinary community members have traditionally been considered the stakeholders in LED circles, while up until 2006 the role of small business has been ignored (Nel and Goldman, 2006; Nel, Binns and Bek, 2009: 224-237). Lack of funding, corruption and lack of deeper participation processes have also been identified as barriers that need to be overcome. This study will examine the role that small businesses can play in LED projects in conjunction with the large stakeholders such as government, business, and political as well as ordinary community members.

The research by Kepe (2002) and Nel, Binns and Bek (2009: 224-237), as quoted above, showed us how some small businesses in disadvantaged areas were able to benefit from RDP policy (which was mainly for poverty eradication rather than economic development as GEAR was) and therefore brought to light the link of community development (mainly the social aspect) to economic development and small business in particular. Because the development of a community promotes small business, this study will consider the several roles that small business can play in conjunction with big business and other stakeholders in the process of LED.

### **2.8.1 Micro-franchising**

Berg (2013: 195-205) pointed out that it is very difficult to access loans for the development of small business because the prospective owners are not usually able to provide the necessary security, such as documented records of business income or property. However, Sireau (2011) presents micro franchising as a way of achieving economic development for the poor and their small businesses. Fairbourne (2006: 595-601) defines the term micro-franchising, explaining that micro is derived from the concept of micro credit (or micro finance), which are small loans that are provided to the poor to enable self-employment, and that franchising refers to structures that could allow systemization and replication of known enterprises that have proved to be successful.

According to Sireau (2011), micro franchising enables people with little education and few resources to establish small businesses. Sireau (2011) suggests that individuals could be identified and then mentored and trained in financial management, with the aim of starting a small franchise. According to Sireau (2011), big businesses such as Motorola (a cell phone company) and Vision Spring have been quite successful in establishing micro franchising enterprises to disadvantaged communities by helping individuals to start a small business that they would be able to run themselves.

Sireau (2011) pointed out, however, that gaining the acceptance of community members could be difficult, especially if there are local small businesses who are already selling something that could be affected by the new franchising initiative. Taking this into account, I propose that it would be much better to empower the already existing small businesses through mentoring and training.

### **2.8.2 Overcoming racism and xenophobia as a barrier to economic development**

According to Robinson and Foster (2002) and Beall and Todes (2004: 301-310), one of the successes of the Stutterheim case study was that of racial integration. This aspect was not adequately addressed in the Cato Manor project. If one looks closely at that settlement, there is evidence of racism and xenophobia. These are important issues that rural and slum settlements need to deal with, since all community members need each other for economic development. Nel and McQuaid (2002: 60-74) put it this way *“in light of the country’s history, achieving community and racial reconciliation is often a pre requisite before LED can be pursued”*.

However, Sireau’s (2011) advice to those who might want to help local small business through micro franchising initiatives was that they should employ as many locals and as few foreign people as possible in order to reduce the jealousy that might be ignited by locals who need jobs having a foreigner come into their midst and getting better opportunities than them.

### **2.8.3 Empowering the disabled community members**

According to Anand and Lea (2011) and Park and Turnbull (2002: 151-70), there is evidence that shows that disability and poverty are related concepts and that one can contribute to the other. A disability can make it difficult for someone to get a proper education, job or start their own initiative or business, thus leading to poverty. Poverty, on the other hand can lead



to malnutrition, which in turn can lead to disabilities such as partial eyesight or blindness. It is therefore appropriate to find a way of linking disability to economic development.

Moharana; Mohapatra and Pattanaik (2009:164-170) warn about dependency on charity and its negative impact on economic development in the poor areas that are receiving such charitable work free of charge and free of responsibility. Sireau (2011) points out that this freedom from responsibility affects poor communities negatively as they then relax and wait for handouts and do not attempt to think of ways to combat their poverty.

#### **2.8.4 Encouraging wider participation of the community stakeholders in LED projects and initiatives**

According to Beall and Todes (2004:301–310), there is plenty of evidence showing that a lot of different small businesses normally operate in one slum village. However, Hall (2009: 243-263) pointed out that although many of the government policies are aimed at uplifting the poor, these do not take into account the practical views of the poor themselves. Turok and Watson (2001: 119-138) and Ryan and Zeng (2012: 239-248) argue that policies need to be implemented that are more inclusive of the input of the poor.

When one takes into account the number of small businesses that operate in informal settlements and the need to include the input of locals, it is easy to see that small businesses can play a role in economic development by acting as facilitators by sponsoring small posters and spreading the news of local committees by word of mouth to their customers all day long as they go about their business.

The earlier research by Bramwell and Lane (2000) and the research of March and Wilkinson (2009: 455-462) pointed out the need, in community development interventions, for all community members and stakeholders to have regular meetings. Such meetings should have equal representation of all stakeholders, including the disabled, the youth and women. Sub-committees could be established, as well as a central committee in order to discuss all issues at all levels.

#### **2.8.5 Tourism initiatives for poverty eradication and local economic growth**

Rotmans and Loorbach (2010: 237-246) stated that small businesses can identify the areas that are of significance that can be used for LED in their respective areas. This is supported by Lee and Hor (2010:185-199), who highlight small business owners' initiatives in tourism

in areas of environmental and geological significance in villages and townships throughout the country.

In a paper that reviewed the ways that tourism can reduce poverty in China, Ryan and Zeng (2012: 239-248) stated that, “*Since the 1990s, tourism as an instrument to reduce poverty has been an important research topic, particularly in developing countries*”. With reference to the success of programmes of the United Nations World Tourism Organization (WTO) in poverty alleviation in developing countries, Ryan and Zeng (2012: 239-248), building on the work of Sofield; Bauer; De Lac; Lipman and Daugherty (2004), argued that tourism is increasingly being seen as a powerful alternative initiative for reducing poverty in developing countries.

What commonly happens is that more focus is placed on the problem of disadvantaged communities than the solutions. This was pointed out by Mbaiwa and Darkoh (2006) and Rogerson (2007: 361–379), who explained that lack of initiative or entrepreneurial mind set of locals to turn a rich heritage or cultural place into a tourism destination is a common, but serious problem. As a result, companies that are not locally owned come and take such opportunities from them. Rogerson (2008:395–411) pointed out that Soweto is a good example of how ordinary people can take advantage of their heritage and the cultural and historical events that have taken place in their areas and use them to their advantage for creating small and medium business enterprises.

To those who hide behind the argument of lack of funding for such businesses, we find that researchers such as Leimgruber (2007) refute such claims. Leimgruber (2007) and Hampton (2003: 85–101) argue that to start a tourism business or initiative that would attract people needs more thought than funding because the moment someone comes with a deserving and appropriate LED initiative, people of all sectors of the community, including business, NGOs and governmental organizations amongst others are likely to assist with funding.

Thomas, Shaw and Page (2011: 963-976) pointed out the need and potential of tourism in LED. While these authors put forward a similar argument as Leimgruber (2007) and Hampton (2003: 85–101), they also mention the importance of including the entire community so that all in the concerned area can speak in one voice and act together. The inclusion of the whole community goes a long way in addressing the goals of LED, which are poverty eradication, job creation and economic development to disadvantaged communities together with the establishment of small businesses within that locality.

### **2.8.6 Finding appropriate projects/initiatives for informal settlements.**

Hall and Rusher (2004) pointed out that it is widely understood among business practitioners, that businesses that become successful are businesses that are relevant to the area in which they are situated. However, according to Wekesa, Steyn and Otieno (2011: 238-245), small business people in slums who have opened trash collecting and cleaning initiatives have done little to use that thinking to improve their own health and environment, hence the dirt in most South African slums

Instead of complaining about the trash in their slums, Wekesa, Steyn and Otieno (2011: 238-245) and Rotmans and Loorbach (2010: 237-246) suggest that a small business could take advantage of such an opportunity to be entrepreneurial, a worthwhile initiative to clean up the environment would get funding from many stakeholders such as government and big business, thereby serving as an example to other slums around Africa and beyond.

There are already a number of agricultural projects in different informal settlements and rural areas, which are thought to reduce unemployment and poverty as these projects not only provide work and food for those who are involved with the project, but it is also cheaper for the poor to buy food directly from such projects than buying the same quality of food from big companies such as Shoprite or Pick'n Pay. However, as Balbo (2001) and Nel and Rogerson (2005) point out, such projects depend on funding from the government and big businesses and many of them fail simply because the funders stay far from such rural areas or are simply not convinced that it is an area worth investing money in.

Thomas, Shaw and Page (2011: 963-976) point out that although small business people are everywhere, they do not become involved in economic development projects because they believe that their contribution would be insignificant. However, according to Westaway (2006:175–189); Rogerson (2008:395–411) and Marais and Ntema (2013: 85-95), it would not take much funding (a few hundred to few thousand Rand) to bring needed development such as a garden initiative for healthy food to the impoverished kids in the slums or perhaps a borehole to provide water for the agricultural projects, which might be within the scope of small businesses or individuals who have an average salary and do not have many people to support.

### **2.8.7 Targeting corruption, illegal electricity connections and robbery**

According to Wekesa, Steyn and Otieno (2011: 238-245), corruption is one of the biggest enemies to development in the disadvantaged communities. The type of corruption that takes place in housing developments is when people who are influential, such as politicians, give contracts to their friends or those that support them politically and put their friends and preferred people forward on the housing lists.

Keen (2004) argued that successful small business people are important development agents within their area because they are also influential people in the environment in which they operate. They are not only successful in their initiatives, but they spend the whole day in the village or slums when the majority of people have gone to work and are therefore in a position to observe and expose such corrupt actions and practices.

Hindson, Foster and Eising (2003) reported that small business people are in a good position for reducing crime and illegal activity, as they can report illegal activity, such as illegal electricity connections, that are performed by residents. According to Wekesa, Steyn and Otieno (2011: 238-245), this could help to alleviate corruption and illegal activities that have been cited by some business and governmental department as to why they cannot help much in the development of slum areas.

### **2.8.8 Linking resources and knowledge**

The research paper of Werna and Keivani (2001: 65-118) shows that although small business people and community members had relevant knowledge of disadvantaged communities, they were not included in the decisions regarding the design and materials needed to build RDP houses that are appropriate for their communities. As a result, the houses are not necessarily appropriate for the areas or the people that they are built for, but are accepted by the communities since they feel that anything is better than what most people have who live in a slum area. Again, small business people could do more to participate through forming local small business committees that liaise with the contractors that are tasked with the job of building such houses.

Through the community of practice style meetings that are described by Wenger (2000: 225-246), small business people could meet on an informal basis as often as possible to discuss what roles they can play in the empowerment of the community in existing projects as well as

upcoming projects. They can look at what they have not tried and what other intervention measures they can come up with that might benefit themselves and their respective communities.

Pansiri (2008: 101-115) highlights the need for functional management and strategy to be interrelated. This author suggests that development cannot be expected if those involved are not planning their future actions (Pansiri, 2008: 101-115). The latest research by Thomas, Shaw and Page (2011: 963-976) confirms the views of Wenger (2000: 225-246) that what could be described or seen as an informal communications could be important in coming up with management approaches that would contribute to the success of small businesses and the economic development of the informal settlements.

### **2.8.9 Business mentoring to struggling small business owners**

There is overwhelming evidence within the developmental studies presented over the years by the World Bank (2006), DPLG (2006) and other researchers mentioned above (Meyer-Stammer, 2003, Nel and Rogerson, 2005) that show that good relationships between different community stakeholders are vital to the development of the whole community. However, once again, we find the contribution that small business can make as an agent in assisting its fellow disadvantaged business communities that are being developed by government initiatives has been overlooked.

Wekesa, Steyn and Otieno (2011: 238-245) have highlighted the fact that government and other organizations associated with economic development and trade and industry ministries spend a great deal of money teaching and mentoring people on how to comply with SARS. These services could be supplied for free by inspired small business volunteers who understand small business and the initiatives that are taking place within their communities. Such volunteers could play a big part in mentoring the majority of the informal traders to become part of the formal economy by simply helping them to register their companies and to form business partnerships and coalitions.

## **2.9 Conclusion**

While I have strived to present as much information as possible with respect to the proposed study, I have found it difficult to source literature on certain aspects as limited research has been conducted in these areas. It proved very difficult to find research that has been conducted that focuses specifically on the role of small business in an informal economy, particularly with respect to informal settlements. Furthermore, LED researchers have not

given much attention to the role of small business from disadvantaged groups, especially in informal settlements. While such lack of research made it difficult to find sufficient academic arguments and case studies, it did give me an opportunity to contribute to the knowledge as far as disadvantaged business groups in LED projects are concerned. This chapter has provided the history and current situation concerning small businesses and initiative drivers in LED from the perspective of other academics and practitioners.

## CHAPTER THREE

### Methodology

#### 3.1. Introduction

Marshall and Rossman (1989:79-111) stated that *“by using a combination of observation, interviewing and document analysing the field worker is able to use different data sources to validate and cross check findings”*. Marshall and Rossman (1989:79-111) explain that the reason is that each way of collecting data and each source of data has its own strengths and weaknesses and, therefore, by using a combination of approaches and sources, the strength of one approach will compensate for the weakness of another.

Tashakkorri and Teddlie (1998) agree with Marshall and Rossman (1989:79-111) by pointing out that by using a variety of sources and resources, the researcher can build on the strength and weakness of each approach. In light of this advice from Tashakkorri and Teddlie (1998) and Marshall and Rossman (1989:79-111), I chose Action Research, Grounded Theory (GT) and Living Theory as my preferred methodology approaches. These approaches will be defined in their respective sections below.

The reason I chose a combination of Action Research, Grounded Theory (GT) and Living Theory is that the three approaches allow one approach to build on the other. Action Research allows me to conduct research on my practice with the goal to improve my practice (Whyte, 1989), Living Theory allows me to relate my practice and values of life with my research (Whitehead and McNiff, 2006), while GT allow me to generate theory from the data collected from my practice (Glasser, 2000: 1-8).

#### 3.2. Grounded theory

According to Glasser (2000: 1-8) *“grounded theory focuses on the process of generating theory rather than a particular theoretical content”*. Glasser and Strauss (1967:5-6) explained that generating a theory from data is a process in which most hypotheses and concepts not only come from the data, *“but are systematically worked out in relation to the data during the course of the research”*.

Whyte (1984) and Becker (1970) described GT as a theory that puts an emphasis on *“inductive strategies of theory development in contrast to theory generated by logical deduction from a prior assumption”*. In defending GT theory, Blummer (1987) argues that

*“the empirical social world consists of on-going group life and one has to get close to this life to know what is going on in it”.*

As Strauss and Corbin (1998) elaborated, a set of coding procedures to help provide some standardization and rigor is offered by using GT as a framework. Confirming the work of Strauss and Corbin (1998), Glasser (2000:1-8) points out that in qualitative analysis, GT provides quite specific methods and systematic procedures. However, Glasser (2000:1-8) further argues that GT is a general method and that *“it can be used on any data or combination of data”*. In defence of GT as an approach, Patton (2002) argues that *“GT is the most influential paradigm for qualitative research in the social sciences today”*.

### **3.3. Action research**

Altrichter, Kemmis, McTaggart and Zuber-Skerrett (1990, p. 13 and 19), give the following detailed explanation of Action Research in simple language:

*“if yours is a situation in which: people reflect and improve (or develop) their own work and their own situations; by tightly interlinking their reflection and action; and also making their experience public not only to other participants but also to other persons interested in and concerned about the work and the situation, i.e. their (public) theories and practices of the work and the situation, then yours is a situation in which action research is occurring”.*

Whyte (1989) explains that because Action Research aims at solving specific problems within a community, program or organisation *“action research explicitly and purposefully becomes part of the change process by engaging the people in the program or organisation in studying their own problems in order to solve those problems”*. Bawden and Packham, (1998: 403-12) state that Action Research inquiry *“can yield specific insight and findings that can change practice to those who participate in the inquiry”* and further help them to *“learn to think more systematically about what they are doing and their own relationship to those with whom they work”*.

### **3.4. Living theory**

Living theory is a self-study methodology that was started by Whitehead in his quest to improve his practice (Samaras, 2010; Whitehead, 1999). Whitehead (2009) explains how he



found himself with the need to improve his practice as an educator and then developed the living theory in order to learn from his own work through practitioner research. This is how he described it: *“My commitment to action research emerged in 1971 as I asked, researched and answered my question, ‘How do I improve what I am doing?’ in the educational contexts of my work as a teacher of science in a comprehensive school in London.”* According to Whitehead and McNiff, (2006) *“The assumption of living theory researchers is that the individual decides how they are going to conduct their research and how they should live their lives in negotiation with like-minded people”*.

### **3.4.1 My Living theory**

I was born in the village of Madodonga, where poverty was exacerbated by poor rain seasons as well as lack of service delivery by the local municipality. Although lack of basic services such as municipality supported toilets, running water, street lights, tar roads and electricity could have sparked many of the protests we see today on television around the country, many of our generation were encouraged by community members as well as their families to take education more seriously and study hard so that we would be ambassadors of development to our villages and country. Today, the village that I was born in has experienced much development because many of the educated people that came from there are now working for the municipality, government and other private businesses. They have helped transform an impoverished hutted village into a village that has some of the most beautiful houses in the region as well as boosting different professions that contribute to the economic development of the area. People have dug their own boreholes to access the water that is needed to water their vegetable initiatives successfully.

Personally, I was in what is regarded as the hopeless situation of a child raised in poverty. The odds were against me as both my parents passed away. My father died when I was 3 years old and my mother when I was 11. However, like others in my village, I took my education seriously. I endured great challenges of poverty and lack of family support, but made it to university in the end. While at school and university, I continued to grow as a student and community youth leader until I was a national awards winning student leader. I became General Secretary of several structures in the university, such as the campus television and the Sports Union at the University of KwaZulu-Natal, as well as National Chairperson of South African Student Sports Union Bodybuilding, just to mention few. I also

became known for motivating others to do their best in the organizations that I serve and lead. Academically I was awarded 2 scholarships and am currently a fellow of a joint program between UKZN and the Department of Economic Development and Tourism in KwaZulu-Natal.

Over the past 10 years, I have been part of a number of initiatives and also started a number of initiatives myself, with the hope of contributing to the economic empowerment of both myself and other people from disadvantaged communities such as me. Some of these initiatives were more successful than others. Having worked for several small business initiatives that provided cleaning and security, I decided to start my own business and was successful in getting it registered. The reason I started my own small business was that I believed that I could serve humanity better.

While at university, I was asked by my bodybuilding coach to join a team of 'bouncers', which is the term given to the muscular guards who are employed to keep control at some of the student functions. I later became the coach myself, and the leader of the team and registered the company with CIPRO, making it a legal entity and employing up to 20 security guards depending on the work tenders. However, although I had achieved a good reputation in the business for treating the students fairly, I was unable to achieve the growth that I had hoped for a year after registering my small security business; I still only had weekend contracts. This was not enough to provide me or my staff with a decent living.

After a considerable amount of time, I asked myself how I could improve my practice so that I could achieve my goal of bettering my life as well as those in my employ. I read Whitehead's(2008: 103-126) article that the improvement of his practice was a result of his action research. This proved to be my point of motivation.

In striving to achieve my purpose, I decided to study further, but at the same time try to improve people's lives through small donations such as clothes and school fees to those in need. Even though I initially thought that my contributions were too small to make an impact, I was surprised to see the joy on people's faces as they told me how such small donations had helped them. This positive feedback that I received from time to time gave me the strength to continue helping others even although I needed help myself to grow my business. Occasionally, such acts would lead to a new tender due the publicity it generated. A good example of this was when my efforts in helping the UKZN student cultural dancers with finances, information, transport and other things led to recognition by senior executive

members of the university. That recognition made it easy for me to get information about the tendering process that would probably not have come to my attention if I had not been told about it by the people at the university that I had grown close to as a result of my charity work. I realized then that my success is closely dependent on how I treat others.

Another memorable example of the fruit of empowering others that proved fruitful for me was when I formed my own cultural group. As a result of my long service of helping the community, I was awarded, together with my group, a number of humbling opportunities. Amongst them was to perform for his Majesty King Goodwill Zwelithini at a cultural function in Durban, to welcome the then deputy President Jacob Zuma who was visiting the Naicker memorial at the former University of Durban Westville (UDW) in 2003 and also to welcome President Thabo Mbeki when he visited UKZN in 2004.

After successfully completing my Post Graduate Diploma in leadership studies, I then realized that reflecting on my practice through continuous action research is very helpful in improving my practice. Reflecting on my practice through action research is a process whereby I record every relevant and important action that happens in my daily working life in 'a diary like' learning journal.

Even after all these realizations, I still had a problem of how to make my business grow and how to have a positive impact on people's lives. However, I was even more convinced than ever that through further action research, I would be able to find a link between my Postgraduate Diploma in leadership studies research, my values and beliefs and my experiences that would be helpful for small business people who want to grow their businesses despite all the seemingly unfairness within the Local Economic Development ventures that are provided by the local government of EThekweni.

I am further convinced that through helping other disadvantaged people who feel as if the playing field is not level; the small business community can indeed come to help themselves overcome their situation which includes being overlooked by those who give tenders. Over the past few years, I have helped a small number of people to write their business plans, which helped them in getting registered as small business owners.

I am currently running several initiatives together with leaders of the Banana City informal settlements that help disadvantaged small businesses as well as those who want to start their own businesses cope with various challenges that I know how to fix, such as a viable

business plan as well as acquiring funding for their initiatives. I also use the services, and encourage others to use the services, of people in the informal settlements, such as labor, pre-school for their children, shoe fixing and other convenient services whenever possible. I do that with a sincere heart to help, as well as to contribute to the economic and social development of the community.

During the process of my Post Graduate Diploma research, I had learnt, as a business practitioner, to act on my findings and respond quickly to opportunities that presented themselves. It was in the process of doing this study (Masters Research) that I discovered a new financial assistance method that assesses the business credibility and viability of candidates from financially disadvantaged backgrounds who need funds for their small businesses. These computerized tests scrutinize the minds of the candidates through a set of questions in order to predict the appropriate amount of money that should be offered to the candidate. I responded quickly to this opportunity that presented itself.

I learnt about the Entrepreneurial Finance Lab (EFL) from Standard Bank officials when I was attending a DCCI SMME meeting. I subsequently did the test at the Standard Bank and passed. I was therefore given financial assistance which opened new doors and continues to open new doors in various business ventures, such as networking, transportation and textile businesses. My networking business focuses on small business vendors from disadvantaged rural areas who need to be connected to affordable retail services that are available in big cities, but are scarce in smaller towns. My transportation and textile business currently supplies its service to people from disadvantaged communities at Marianhill, Inanda and suburban Reservoir Hills areas as well as informal settlements. I am also in the process of bidding for office space and seeking appropriate funding that would allow me to have offices in a formal suburban area.

At the center of my practice of trying to better people's lives are my values and beliefs of practicing love, justice, fairness and peace. I find all that to be closely related because I am convinced that the only way to achieve fairness within my community is to love them as much as I would like to be loved. I have discovered the benefits of love in practice. Treating others with consideration and fairness feels good and generates a peaceful environment. Those people feel the peace and will in turn treat others accordingly and feel good themselves. This creates a good environment for success (Keeping in mind that conflict is also good if it leads to a better or broader peace).

### **3.5 Data Collection**

#### **3.5.1 A learning journal**

##### **3.5.1.1 Motivation**

According to Moon (1999), a learning journal is made up of a combination of collected thoughts, observation, notes and other appropriate materials that are relevant to the fieldworker/researcher, which has been collected over a period of time from one's working experience, learning or study. The purpose of a learning journal is to improve one's own learning through thinking, reflecting and writing about one's learning experiences. A learning journal may be an electronic document or a notebook. According to Mark (2006), a learning journal is a tool that not only allows observations of others and their environment to be recorded, but also allows people to reflect on themselves and their practice, thereby also making the researcher a research tool. In explaining the importance of being a participant researcher recording information through a tool such as a learning journal, Panton (2002) explained, "*our very first conclusion was that we would never have understood the program without personally experiencing it. It bore little resemblance to our expectations, what people had told us or the official opening description*". The above mentioned reason made the learning journal a must for me to have at all times during my field work.

##### **3.5.1.2 Strategy of a learning journal**

Costley and Armsby (2007: 131-145) maintain that a strategy is required when using a learning journal. This is consistent with the views of Moon (1990) in that collecting information through a learning journal is a process that requires observations, thoughts, experiences and ideas to be recorded on a daily basis as the learning continues. Such information is recorded using a notebook or an electronic document.

##### **3.5.1.3 Advantages of using a learning journal**

A learning journal allows the researcher to be part of the research or an 'insider'. Barturek and Louis (1996) explain that "*people who are insiders to a setting being studied often have a view of the setting and any findings about it quite different from that of the outside researcher who is conducting the study*". According to Denzin (1978:18), because a learning journal allows the researcher to be a participant, it provides the researcher with an opportunity to "*simultaneously combine document analysis, interview of respondents and informants, direct participation and observation and introspection*". The learning journal is also useful in that it

allows one to keep a record of their thoughts and ideas throughout their fieldwork. Such a record could be further useful in identifying strengths and weaknesses in the process of learning.

#### **3.5.1.4 Disadvantages of using a learning journal**

Because the researcher is a participant, there might be some biasness that the researcher is not aware of. Furthermore, the researcher would need to be writing most of the time in order to avoid forgetting their thoughts and ideas in the fieldwork, which could be very hard to do (see disadvantages of participant observation below).

### **3.5.2. Interviews**

#### **3.5.2.1 Motivation**

Frey and Oishi (1995:01) define an interview as "*a purposeful conversation in which one person asks prepared questions (interviewer) and another answers them (respondent)*". Jensen and Jankowski (1991:101) argued that interviews are a useful tool which can lead to further research using other methodologies such as observation and experiments. Patton (2002) agrees, and states that "*a good interview lays open thoughts, feelings, knowledge and experience not only to the interviewee but also to the interviewer*". Interviews were therefore an appropriate method to use alongside the other methods I have chosen.

#### **3.5.2.2 Strategy of interviews**

According to Nichols (1991:131), an open ended interview is "*an informal interview, not structured by a standard list of questions*". Brekwell, Hammond and Fife-Schaw (1995:231) go on to explain that fieldworkers in an open-ended interview "*are free to deal with the topics of interest in any order and to phrase their questions as they think best.*" Breakwell, Hammond and Fife-Schaw (1995:231) further states that how the "*interview develops*" will determine the questions that follow.

#### **3.5.2.3 Advantages of using interviews**

Wimmer and Dominick (1997:156) explain that one of the advantages of using open-ended questions in an interview is that it allows the interviewer to ask relevant follow up questions in order to probe deeper into the initial responses of the respondent to "*gain a more detailed answer to the question*". Wimmer and Dominick (1997:156) further point out that some

issues that the interviewer had not considered could come to light during an open ended interview.

Jensen and Jankowski (1991:155) suggest that an advantage of using open ended questions is that it gives the respondent a feeling of control in the interview situation because the respondent has the freedom to answer as they wish or see fit. Jensen and Jankowski (1991:155) elaborate further by pointing that open ended interviews are important for disadvantaged groups in society as they need to be given the liberty to voice their feeling without a specified answer being expected from them.

#### **3.5.2.4 Disadvantages of using interviews**

Open ended interviews can be time consuming, not only because of the possibility of too much irrelevant detail from the respondent, but also because of the time needed to analyse such responses (Wimmer and Dominick 1997:139). Open questions used in an unstructured interview approach can cause confusion, either because of the lack of understanding of the question by the informant or by the lack of understanding of the respondent's answer by the interviewer (Wimmer and Dominick 1997:140). Because of the many interviews that might be necessary with different respondents, the interview process could be very expensive for the interviewer, especially if they have to travel long distances.

#### **3.5.3. Focus group interviews**

##### **3.5.3.1 Motivation**

According to Paton (2002), a focus group is just another type of interview tool, but instead of one person being interviewed at a time, a group of 6-10 respondents from the same background are interviewed on a specific topic. Higgin-botham and Cox (1979) are in agreement with Krueger and Casey (2000) in pointing out that the information gathered during focus group interviews should be very accurate due to the ability of respondents to correct each other in the process of the focus group interview. Krueger (1994) argues that focus groups are the best interview method for researchers who need to save both money and time as it makes it possible to interview several people at the same time. According to Higgin-botham and Cox (1979), focus groups are an interview method that has been well tested and has proved to be amongst the best data collecting tools since as early as 1950.

### **3.5.3.2 Strategy of focus groups**

Nichols (1991:14) pointed out that it is the responsibility of the interviewer to ensure that the respondents in a focus group feel at ease with each other. This author suggested that for the focus group process to be successful, the respondents must know each other and/or have similar backgrounds. According to Wimmer and Dominick (1997:97), conversation in a focus group could either be unstructured or structured and should last between 1 and 2 hours, with 6-12 respondents.

### **3.5.3.3 Advantages of focus groups**

Wimmer and Dominick (1997:97) identified the advantages of using a focus group interview as *“much cheaper and quicker to run, than intensive one to one interviews”* and that the responses are more *“complete and less inhibited”*.

Frey and Oishi (1995:03) mentioned that one of the advantages of a focus group as opposed to a mailed questionnaire is that it is a method that allows questioning to be guided in the way the researcher sees fit, as well as being able to clarify points that need to be made clearer.

The advantage of focus groups, according to Wimmer and Dominick (1997:97) is that they *“allow for the collection of preliminary information about a topic which may be used in pilot studies to detect ideas that will be further investigated using another research method”*.

Furthermore, Patton (2002) points out that the respondents in a focus group are able to provide checks and balances on each other concerning the information they give due to their similar backgrounds and knowledge.

### **3.5.3.4 Disadvantages of focus group**

According to Wimmer and Dominick (1997:461), it is possible that there might be one respondent who may consistently undermine other respondents and dominate the conversation process. Such domination may affect the quality of the data from the interview as others might feel pressured. Wimmer and Dominick (1997:107) are also of the opinion that the quality of information from a focus group is not as good as a one to one interview.

Breakwell, Hammond and Fife-Schaw's (1995:238) comments about the disadvantages of focus groups are consistent with those of Wimmer and Dominick (1997:107) in that this method relies on the interviewees to willingly give accurate and complete answers.



Breakwell, Hammond and Fife-Schaw (1995:238) suggest that if, for some reason, the respondent feels “*embarrassment, inadequacy, and lack of knowledge on the topic, nervousness, memory loss or confusion*”, they might lie in order to keep up with the others.

Patton (2002) points out, however, that the questions to be asked and the topics to be discussed are limited since the entire group of respondents have to have a chance to speak. There is also a limited amount of time and therefore the information that one particular respondent can contribute is also limited.

### **3.5.4 Participant observation**

#### **3.5.4.1 Advantages of using participant observation**

Patton (2002) and Lofland (1971:93) summarized the advantages of participant observation this way:

1. *Through direct observation the inquiries is better able to understand and capture the context within which people interact. Understanding context is essential to a holistic perspective*
2. *First-hand experience with a setting and the people in the setting allows an inquirer to be open, discovery orientated and inductive because, by being on site, the observer has less need to rely on prior conceptualizations of the setting, weather those prior conceptualizations are from written documents or verbal reports.*
3. *The inquirer has the opportunity to see things that may routinely escape awareness among the people in the setting. For someone to provide information in an interview, he or she must be aware enough to report the desired information.*
4. *The chance to learn things that people would be unwilling to talk about in an interview. Interviewees may be unwilling to provide information on sensitive topics, especially to strangers.*

#### **3.5.4.2 Disadvantages of using participant observation**

Lofland (1971: 93) pointed out that “*the writing of field notes takes personal discipline and time. It is all too easy to put off accrual writing notes for a given day and to skip one or more days, because the actual writing of the notes may take as long as or longer than did the observation*”. The researcher has the on-going responsibility to remain objective and not take sides with the participants in the research. The participants might not agree with the role of

the researcher as a participant and furthermore, as a participant, some important information might escape the view of the researcher as they are busy participating.

### **3.5.5 Fieldwork**

#### **3.5.5.1 Strengths in the fieldwork**

The community members and their leaders were very welcoming and did not interfere with my research or research methods. The community leader at Banana City introduced to me to the people and allowed me the opportunity to address them. I explained the purpose of my research and how I would go about it. I explained I would be conducting interviews to ask them questions, both one on one and together as a focus group and would be using the tape recorder. This made everybody comfortable with my research tools. The people were able to ask me questions about my research in front of their leaders which I answered. I assured them that the purpose of the questions was for research and that their answers would be handled confidentially. This gave them the assurance that they could freely give sensitive information without worrying about being seen as a sellout of the community.

Even although I had obtained the ethics approval to do fieldwork in my study areas in August 2011, I was well known to many of the participants. As a business practitioner and community developer, I had previously worked with some of the people in my study areas in various projects or initiatives. Such long standing relationships made it easy to get the leaders' trust and therefore their cooperation in making this study a success.

The chairperson of the Economic Affairs committee at the Durban Chamber of Commerce and Industry (DCCI) was very accommodating and through him I was able to get the documents that I needed which provided information about the services that DCCI offers to the poor. Members of the SMME and Economic Affairs committees at the DCCI who represented major companies were also very helpful., I would have found it much more difficult to gather information on their services if I had had to go through the normal channels of writing letters to their gatekeepers. Through their documents that were freely given to all members in attendance at DCCI meetings, I was able to get information about their services that relate to this research. Moreover, I was able to ask questions after their presentations or after looking at their brochures that were handed out to members of DCCI. I was also able to compare different services that were competing in LED, such as some of the major banks which were in attendance.

### **3.5.5.2 Weaknesses in the fieldwork**

Brajuha and Hallowell (1986: 454-478) put themselves on record as warning the researcher about the risks and dangers that there could be within their study areas. I was aware of the danger I exposed myself to during my field work at the squatter camp. I was increasingly aware that I was carrying expensive tools for research purposes and that I was an easy target in a place where there was little respect for the law. Even although I was assured of my safety by the local leaders, I am afraid that my fears could have had an impact on me conducting less focus groups and recorded interviews than I would have wanted to. There were times when I should have been conducting research or recording important meetings that were happening at the DCCI or Banana City in my journals, but could not due to my own business and other family commitments. It also took me some time to write participants' answers down during interviews as I had to try to figure out what they meant.

### **3.5.6 Secondary Data**

I found it easy to get information about Cato Manor squatter camp as journals and reports from local companies that focus on LED were freely available. These described everything that I wished to know about the life and businesses there. One such document was sent to me by a representative of the Urban-Econ company. This document was compiled for the EThekweni municipality to have access to all the relevant information about small businesses in Cato Manor so that the municipality could act on such information in terms of assistance and compliance with municipality regulations in job creation and economic development. Although my original intention was to compare the LED initiatives in two squatter camps in order to inform my own thinking, the information in this document was so comprehensive that I decided that I would compare the findings on the documents about Cato Manor with the finding from my interviews at Banana City squatter camp instead of repeating all the interviews at Cato Manor. However, the limitation of using secondary data is that the information on the documents might be old and sometimes irrelevant to the current situation.

### **3.5.7 Use of photographs**

Patton (1999) explained the need and use of camera photographs by saying, *“looking at photographs during analysis helped me recall the details of certain activities that I had not fully recorded in my written notes. I relied heavily on photographs to add details to descriptions of places where critical events occurred in the grand canyon initiation story I*

*wrote about coming of age in modern society*". In this study, photographs made it possible to show the reader exactly what I am talking about in the informal settlements/slums. The limitation of using photographs is when the pictures are not clear enough for the reader to see what is being shown in the picture.

### **3.6. Sampling**

Patton (2002) elaborated that the sample depends on what the researcher wants to know, the purpose of the study, what is at stake, what credibility it will have and what can be done keeping in mind the available time and resources. In choosing my sample to be interviewed (See table 1.1 on pg 120 for sampling time frames), I looked at the occupation, level of education and type of businesses conducted by the respondents' in as far as small businesses are concerned. I did that in order to make sure that all the different stakeholders in the research areas were covered. However, not all people I wanted to interview agreed to participate and I believe I would have had more information if everybody I selected had agreed to participate.

I did not have a particular sample size (but sampled only within my study area) as the learning journal that I used between 18/08/2011-20/10/11 allowed me to record everyone and everything that I saw as important to note. I also recorded my own learning experiences. Moon (1999) pointed out that the purpose of the learning journal is to enhance one's own learning through the process of thinking and writing about one's own learning experiences.

Although I interviewed different people from different backgrounds, they all had something in common. While they were raised differently and came from different areas, they were all living in the same squatter camps.

I interviewed five small business owners from Banana City who owned different types of small businesses in order that most small businesses in the squatter camps were represented in my sample. These businesses included a spaza (mini shop) shop, a salon, vegetable sales, traditional clothing and a catering business. I interviewed them one by one, depending on their availability as well as mine. Although the questions were standardized, I was flexible enough to allow a natural interacting process to take place, thereby allowing respondents to answer at their own speed and length so that they could express their feelings such as disappointment or joy as they wished.

I also interviewed four members of the DCCI on a one to one basis and these included the chairperson of the Economic Affairs committee, the LED consultancy, the electricity providing company and a Port related business company. I wrote down their answers as they spoke, and some of my respondents wanted to check what I had written to ensure that they had not been wrongly quoted.

My focus group was made up of six females who are influential in the Banana City squatter camps through the different services they provide, which included cleaning, child care, construction, catering and a traditional clothing business. A tape recorder was used during the discussions of this focus group with the permission of the respondents. Although these women provided a variety of different services to the community, the common thing about them was that they all wanted to start small businesses, but were facing several obstacles.

### **3.7. Grounded Theory data analysis**

Glasser (2001:12) described the process of data analysis using Grounded Theory (GT) methodology in this way “*GT leaves nothing to chance by giving you rules for every stage on what to do and what to do next. The typical falling out of the package is to yield to the thrill of developing of few new capturing categories and then yielding to use that is unending conceptual description and incident tripping rather than analysis by constant comparison*”. Strauss and Corbin (1998:7) offered a similar definition of the GT data analysis process by pointing out that GT is a process that begins with a basic description, which is then followed by conceptual ordering. They described the process of Grounded Theory as “*organising data into discreet categories according to their properties and dimensions and then using descriptions to elucidate those categories and then theorising conceiving or intuiting ideas-concept –then also formatting them into a logical, systematic, and explanatory scheme*”(Strauss and Corbin, 1998:7).

Panton (2002) stated that “*in doing our analysis we conceptualise and classify events, acts and outcomes*” and goes on to point out that the categories that emerge along with their relationships are the foundations on which our theory develops. The earlier definition of the process of GT data analysis by Strauss and Corbin (1998:66) was that “*doing line-by-line coding through which categories, their properties, and relationships emerge automatically takes us beyond description and put us into a conceptual mode of analysis*”.

I have discussed all the tools that were used to collect the data that gave rise to the categories and themes that were used to generate the theory that is represented in the data. In doing my data analysis, I also took into consideration the advice of Strauss and Corbin (1998:53), who explained that *“it is important to maintain a balance between the qualities of objectivity and sensitivity when doing analysis”*. Strauss and Corbin (1998:53) go on to explain that *“Objectivity enables the researcher to have confidence that his or her findings are reasonable, impartial representation of a problem under investigation whereas sensitivity enables creativity and the discovery of new theory from data”*

### **3.8. Criticism of GT**

Even although Glasser (2000: 1-8) is among the researchers who has successfully used GT as an approach, he criticizes this method (obviously from his own experience) by pointing out that qualitative analysts are often satisfied with their analysis just when they have *“merely generated theory bits”*. Strauss and Corbin (1998:13) have also raised the fact that *“grounded theory is meant to build theory rather than test theory”* as a caution to users who might not see a need for other researchers or another approach to test their theory.

In the light of Glasser (2000:1-8) and Strauss and Corbin’s (1998:13) findings, I believe that more theory could have been generated from the data I collected since any new combination seemed to give rise to new meanings and themes that had the potential to produce even more theory. I also believe that if I had interviewed more people and collected more data, more theory could have been generated, but I was also restricted by time constraints and availability of respondents.

### **3.9 Research experiences**

I found out for myself what Brajuha and Hallowell (1986: 454-478) had been talking about when I found myself in a political no go area in Banana City. I unintentionally angered one of my respondents when I was asking their opinions about the legality and appropriateness of the villagers using illegal electricity connections. Even although he sidestepped answering my question by asking a question which suggested there would be no illegal electricity connections if electricity was provided, it was clear that I had stepped into a contentious issue.

As a person who has been raised in a disadvantaged area, I was able to experience firsthand what Vidich and Hyman (2000: 41) were talking about when they referred to the relationship

between the values of the researcher and the impact of his or her findings. What I found during my research had a huge impact on my values, especially in the area of charity.

### **3.10 Conclusion**

All the sections that I intended to define and present in the chapter of methodology were defined and presented with the help of the related literature that I was able to find. I have attempted to motivate my choice of data collection tools, the strategy I used to collect data and the advantages and limitations of the tools that I chose. I also presented the advantages and limitations of participant research (Living theory and Action research require participant research).

## CHAPTER FOUR

### Research findings, analysis and discussion

#### 4.1 Introduction

Belenky, Clinchy, Goldberger and Tarvle (1986) explain the process of analysis as a process that requires the seeking of patterns across gathered information, experience as well as perspectives. Kvale (1996) describes it as a process that requires separating the information into parts or elements. The findings of my respondents are initially presented according to the data collecting tool that I used, and then the overall findings and analysis are presented. The schedule of how I collected the data as well as the questions used to collect the data are in the appendix. The individual findings and analysis of the different groups of respondents, i.e. the one to one interviews with the focus group of women and the one to one interviews with representatives of the Durban Chamber of Commerce and Industry, describe what was found in a particular study area according to specified group of people. The discussion of overall findings and analysis (summary of all findings that make patterns across all tools and groups of respondents) connects all data collecting tools, groups of respondents (small business people or ordinary community members amongst others) and study areas. This discussion is presented while targeting the objectives of this study and attempting to answer the research questions.

The whole point of presenting findings and analysis with respect to each tool is an effort to present the different perspectives of the different groups of people. The discussion and analysis of the overall findings summarize the overall findings and interpret the patterns and messages which have been generated by all the respondents.

#### 4.2 Research findings and their interpretations of small business through one-on-one interviews at Banana City

1. In response to research questions such as “How long have you been a small business owner?” and “How has your experience been so far?”, the findings indicated that 80% of the small businesses in the Banana city squatter camp have been operating for between one (1) to ten (10) years and that, apart from earning enough to support the existence of their business, they have not experienced any significant growth. The owners of the small businesses commented that there was **a need of financial of assistance** to start, sustain or grow a business.



2. All (100%) of the respondents answered “**good**” when asked their experience doing business so far. Their “good” claim is complemented by their argument that they feel that they have **achieved something**, as compared to those who are unemployed and looking for employment. They also identified different challenges, such as **lack of electricity and gravel roads as well as “business seasons”**, good seasons being when students from the nearby university come to buy their products, especially food and drinks.

3. All(100%) of those who were interviewed see themselves as **community developers** in one way or the other. When answering the questions, “What is your role within the community as far as a small business owner? and “Do you see yourself as part of the wider economic development within your community?”, all of them (100%)pointed out the services they offer to people in their area is an act of“ **development**”, 80% of them specifically pointed out their ability to “**employ others**” when their business is doing well or they are experiencing a good business season.

4. The respondents proved to have different understandings of the term, community developer. Sixty percent (60%) of the respondents viewed a community developer as “a charity worker”, while 40% saw them as people who needed to be paid for the services they provide as part of their contribution to a community project. Words, such as “**my service to the community**” from the respondents, highlight the respondents’ claims to see themselves as community developers.

5. Despite different understandings of the term, development, 100%of those interviewed seemed to have a desire to play a bigger role in community development. The areas in which they see themselves acting as community developers are in initiatives and businesses that are in line with their experiences such as **catering, trash recycling and other services evident in their area**. Importantly,60% of the respondents expressed **their willingness to use their skills and experience to develop other small businesses** of people who want to start similar business ventures as their own.

6. When asked what obstacles were in the way of them helping other small businesses who are struggling, 60% of those interviewed expressed their concern over their ability “**to transfer skills**” to others as they felt they had no formal teaching skills. In response to the question of how they felt people would react to such help (empowerment), 40% expressed doubt that other emerging small business people would respond to their offer of skills transfer by training and teaching. They suggested assistance from a proper trained small business

developer/community developer or an appropriate institution. However, this also revealed that they remain largely excluded from the normal LED initiatives that have been put in place in their areas over the years by government and other stakeholders.

7. Respondents had different understandings of what LED meant, but **they all recognized LED as a vehicle for “co-operation, community uplifting and betterment of livelihoods”**. This is understandable since the term LED is an English term while all small business people interviewed were black and mostly uneducated. Even though there was an interpreter, she could not give them word by word descriptive interpretation. For example, she could not find one Zulu word for economic, but explained the process and environment for LED until the respondents claimed they understood.

8. My findings revealed that those interviewed seem to believe that **the majority of the people in small businesses would welcome any empowerment effort that would come to their area**. This finding is further supported by further findings that reveal that small business people in disadvantaged areas are coming to realize that their business efforts have produced little to empower each other and the community in general.

9. The respondents that were interviewed identified different types of support that they felt they needed for their businesses to be successful. They recognized that they needed **to learn how to source tenders**. Most of the respondents did not seem to know about data bases that organizations register for companies who are seeking tenders, while those who did know about such data bases did not feel that they would help them in getting tenders. **There is therefore a need to be connected by someone with a clear understanding of business data bases and business registrations**. Eighty percent (80%) of the respondents said that they needed **a building and working utensils**. These findings reveal that people in the squatter camps are experiencing unique problems that hinder their development. What is encouraging, however, is that they are all seeking to uplift themselves.

11. When responding to the questions, “Do you see yourself as part of LED, as a small business owner?” and “Do you have a desire to play a much bigger role in helping other small business that are struggling?” all (100%) of those interviewed answered “yes”. When asked how they felt they could contribute, the finding revealed **a consistent willingness to help or work with each other as part of wider LED** by using the different skills they have acquired while operating their small businesses and/or previous jobs.

12. There is evidence that is born from the general agreement of statements of those interviewed that **corruption and crime is something they despise and that they already have various measures to deal with corrupt and criminal activities.** They also expressed ideas on how corruption and criminal activities in business ventures or initiatives could be avoided. Examples are the participation of the business and community leadership in the Reservoir Hills community police forum. The leader of the Banana City put it this way “*We have no room for corrupt or criminals here in Banana City, that is why I am personally working with the police forum to combat crime in Varsity Road*”. Others have expressed their willingness to “*invite auditors to audit*” the use of finances in community initiatives.

#### **4.3 Research findings and related interpretations through one-on-one interviews at the Durban Chamber of Commerce and Industry**

1. When asked whether the DCC plays any role in empowerment of people from disadvantaged communities, the answer was consistently “No” from all (100%) of the respondents. This reveals that **the DCCI does not play an active role in disadvantaged communities such as squatter camps.** It seems that the main obstacle to this is the monthly fee that every member company is expected to pay and therefore only relatively big businesses are able to become members. From this finding, one can see why the matter of disadvantaged small businesses is hardly ever on their agenda.

2. The researcher asked the questions, “How can the DCCI create an environment that is conducive for the small business people in informal settlements to be part of LED?” and “Does the DCCI encourage business associated with it to empower the communities in disadvantage communities?” All (100%) of the DCCI respondents pointed out that **small businesses that are registered with the DCCI have access to the benefits they offer, such as skills development, information dissemination and networking.** This would also apply to small business members from slum/informal settlements.

3. The researcher asked if the DCCI encourages businesses associated with it to empower disadvantage communities and if so, how they go about it? The responses revealed that **the DCCI has no strategy, plan or desire to engage with people from disadvantaged backgrounds or their businesses that operate in squatter camps and that there seemed to be no future plans in place on ways to empower disadvantaged communities.**

4. All (100%) of the ordinary business members (not executive members) of the DCCI economic committee commented that they are convinced that **small business have an important role to play in LED**. When asked if they thought small businesses in disadvantaged communities were in a position to play a role in LED, 75% of the respondents indicated that **small businesses could play a bigger role than formal or big businesses**.

5. Eighty percent (80%) of the ordinary business members seem to be annoyed by the general reluctance of the DCCI as an institution to play a major role in the empowerment of people in disadvantaged communities, especially squatter camps. This finding then suggests that the executive members of the DCCI have control on the focus and priorities that DCCI pursues as an institution. However, the respondents did acknowledge that the DCCI does encourage the big businesses associated with it, such as banks, and municipal and private institutions, to empower the people from disadvantaged communities. The above findings suggest that **the DCCI is willing to play an indirect role rather than a direct role in uplifting disadvantaged communities**.

6. The information gathered from the DCCI business members interviewed suggested that most members of the DCCI believe that **the real empowerment to disadvantaged communities and their business would mainly depend on the disadvantaged small business owners' own contributions**. The findings show that the respondents seemed to think that the small businesses in disadvantaged communities are not doing much to empower themselves with tools that are in their possession and are therefore waiting for hand-out type of assistance. The respondents suggested that disadvantaged businesses could **help themselves to a certain extent by sharing their knowledge through internal organizations and meetings**. The researcher noted that 25% of the respondents contributed a lot of advice or criticism about business groups operating in squatter camps when, in fact, they have never been to a squatter camp and knew very little about such communities and their businesses.

7. All (100%) of the respondents interviewed from the DCCI, including both ordinary and executive members, indicated that **they would be happy to work with people from disadvantaged places, such as squatter camps, under certain conditions**. They suggested that **disadvantaged business people should form an organization that represents small businesses in squatter camps/disadvantaged communities**.

8. Seventy-five percent (75%) of those interviewed expressed their feelings or opinions that **small businesses have many options or opportunities to start initiatives that can**

contribute to LED. However, they were of the opinion that small businesses in disadvantaged communities are thinking little about such initiatives that would bring them out of poverty, but are concentrating on receiving financial hand-outs.

9. According to 75% of the respondents interviewed at the DCCI, **small businesses in disadvantaged communities have the potential to come up with initiatives, projects and businesses that can provide services to both developed and undeveloped parts of the country.** Twenty-five percent (25%) of the respondents commented that instead of looking at opportunities (i.e. tenders) that exist for their businesses in big companies and urban area, they should consider providing services to disadvantaged communities and rural areas. This will need research to establish the needs of such people and therefore come up with relevant services.

10. Seventy-five percent (75%) of the DCCI respondents from the business community who were representing different companies **were sceptical about doing business with people from disadvantaged communities, especially from squatter camps/slum villages. Their reluctance seemed to be based on their general belief that business people from disadvantaged businesses lack necessary basic business skills and training to be trusted with important tenders or business tasks.** Fifty percent (50%) of the respondents indicated that they were of the opinion that owners of informal businesses lacked the necessary “business ethics”.

11. All (100%) of those interviewed shared a common view that the main reasons for low employment in disadvantaged areas such as slum villages were **the lack of higher education** (Matric and above) as well as **lack of the necessary training and experience** that is needed for many forms of employment. The above finding is consistent with the respondents’ opinion that education is a prerequisite of big businesses and they found the lack of formality of businesses in the slum villages concerning.

#### **4.4 Research findings and related interpretations with community members through one-on-one interviews at Banana city slum village**

1. The findings reveal that **people living in the above mentioned slum village have engaged themselves in various different small businesses, and community projects and initiatives.** Some of those small businesses, and community projects and initiatives have been

started by individual community members, while others have been started by government departments that created opportunities for small business in the area.



**Fig 13: A gardening initiative** (Photograph by the researcher)

Fig 13 shows a gardening project that was initiated by the locals, led by the pre-school owner at Banana City (the man in the picture), the KZN Department of Health, who sponsored seeds and gardening tools and other government departments that supported the project by giving the locals land and access to running water. The man in the picture commented during the interview that *“This initiative assists the kids that come hungry and unhealthy with healthy vegetables at the pre-school”*

Fig 14 below (Part of running water flushing male urinal toilet) shows a project initiated by the EThekweni municipality to build toilets using the skills of local people who have small construction businesses. The picture reveals the talent of local builders as well as those of local cleaners, while also showing the co-operation of the community to keep their only cement and construction built building in their squatter camp clean. The initiative highlights the skills of community members showing that they have the potential to produce work of a high standard. It also displays the active participation in one way or the other of various locals in the economic activity of the region.



**Fig 14: A male urinal at Banana City Squatter Camp** (Photograph by the researcher)

2. According to 89% of the respondents, some of the larger ventures have failed, such as community initiatives, while some of the smaller ones have proved successful, such as spaza shops that supply food and drinks to both community members at Banana City and students from UKZN who visit the village regularly. Government projects are also struggling because of theft in the squatter camps; especially with respect to electricity and streets light installations (Informal communications and observations have contributed to the above finding).





**Fig 15: Illegal electricity connections at Banana City Squatter camp** (Photograph by the researcher).

The picture above shows how the locals place a cloth or old mat on top of live illegal electricity wires to avoid having to continually dig to access the wires underground as they frequently become burnt out by the high load of illegally connected electricity.

3. Twenty-two percent (22%) of the respondents expressed a feeling of being left out of community and government projects that are taking place at Banana City. However, 78% of those interviewed indicated that **they were happy with all initiatives** that have been taking place, regardless of whether they were started by government or community members.

4. A large majority (89%) of the respondents indicated that **they would be able to help each other if given the right opportunities**. This finding was also supported by another trend in the general analysis that revealed that 88.8% of the respondents have been giving to their community in one way or the other, even if in small gestures. However, 56% of the



respondents said that **their financial status and lack of education was a major problem for them.**

5. The researcher asked respondents who they thought the key stakeholders that are important in Local Economic Development were in their area and 79% the community members who were interviewed responded that **anyone who was able to contribute financially to job creation and small businesses growth could participate in LED.** However, respondents did acknowledge that **major contributors of LED in their area were stakeholders outside their slum village, such as government departments and charity organizations.** They seemed to be of the opinion that government departments/officials as well as private companies were most active in implementing LED, while **little contribution had been made by the local (village) community members.**

6. Fifty-six percent (56%) of the respondents cited their **concern regarding corruption** in cases where funds have been given directly to individuals or small business owners for community related initiatives. The majority of respondents (79%) suggested that sponsors and funders of empowerment initiatives should rather provide equipment such as stoves or garden tools.

7. The researcher asked whether the community members thought corruption and criminal activity might be a problem if stakeholders wanted to provide financial or training sponsorship. All (100%) of the respondents answered “no”. However, the follow up question was, “If yes, how do you suggest such a problem could be overcome in order to lead a fair process that would empower all? Please mention as many alternatives as possible.” Interestingly, 89% of the community members responded by mentioning various ways they are currently dealing with corruption and criminality as well as suggestions on how to overcome corruption and criminal behavior within their community in the future. The answers suggested that not all of them were totally sincere when answering the first question with “no”. Such insincere answers are a bit concerning as it makes one realize that the findings of the study might not be a completely true representation of community members’ feelings regarding LED. Furthermore some cited that businesses receiving financial aid would be in need of “financial management”, implying that some business owners might mismanage such sponsored funds. The above findings show that **the respondents not only need financial and business management training, but possibly need to get business ethics training as well.**

8. The findings revealed that 100% of the respondents see the **unemployment in the squatter camps/slum villages to be a big and urgent problem that needs to be addressed.**

However, again the findings showed that 79% of the respondents pinned their hope of assistance on help that comes from outside their slum village. This can be interpreted that they feel that they need to look beyond their surroundings to achieve economic change.

9. Only 11% of the respondents blamed themselves for their economic misfortune, while 89% **blamed outside forces such as government and private business. They blamed both government and big business for their reluctance to start companies and provide services in squatter camps/slum villages.**

10. The findings revealed that 79% of the respondents were not employed. Those that were unemployed cited their **lack or low level of education to be the main reason for their unemployment.** The findings revealed that approximately 69% of the people living in the squatter camp had not passed grade 12. Only 31% of them had managed to pass grade 12. The above findings shed some light as to why so many people from the squatter camps are unemployed as they don't qualify for most jobs which require more than just grade 12.

11. When answering the researcher's question of what they thought was the reason for such a high rate of unemployment, 79% of the community members cited "poor background" and related their parent's poverty to their current lack of education and poverty. They indicated that **their poor background was linked to their current inability to find jobs or create jobs** for themselves.

12. The findings showed that the community members who were interviewed in the slum village had diverse opinions about their squatter camp and business ventures within their areas. Looking closely at that diversity, it is evident that **some community members have lost all hope of coming out of their economic difficulty** either individually or as a community. Such lack of hope explained why these people were not participating in any initiatives that were taking place in their communities. However, **other community members were very hopeful and even felt that participating in this study was a sign that developmental institutions might be starting to recognize their plight.** Some of the findings that have already been presented that reveal different business initiatives and economic activities support such hope that some of their economic difficulties can be overcome

13. Finding revealed that 69% of the community members had formulated various plans and strategies in their minds on appropriate initiatives and relevant small businesses. However, on the same note, it was also found that 89% of them **lack the necessary expertise that would be crucial for their plans and strategies to come to pass** or for them to be successful. It was found that they lack the necessary skills to write proposals and business plans in order to get sponsorship or loans from developmental institutions or banks.

#### **4.5 Research findings and related interpretations through focus group with business people and community leaders at Banana City**

1. The respondents indicated that **they considered vegetable gardens to be an appropriate initiative for poverty stricken communities**. They reasoned that these had already proved to be successful in Banana City and that the production of healthy vegetables was crucial for those experiencing nutrition problems, especially the children. Such gardens (community or individual gardens) were not only favored for solving nutritional problems that are experienced by many who are poor in the slum village, but also for their ability to produce vegetables for sale that are cheaper than those at the big retailers.

2. Eighty-nine percent (89%) of the respondents **suggested businesses that sell their “culture” to tourists as well as the locals**. Respondents felt that such cultural centered businesses and initiatives could explore opportunities of supplying cultural clothing and other items that incorporate cultural designs and natural decorations. Respondents felt that such an initiative could make use of local knowledge and skills.

3. In line with the above finding, it was found that the respondents’ ideas and desires to open cultural related businesses and initiatives were informed by their wish to become involved in selling their wares to tourists. They planned to target the tourists who usually visit the region (Durban). Their plan was also based on the assumption that such business initiative would be a viable business initiative with a potential to generate income to their communities as tourists are willing to pay higher prices without the complaining expected from local customers, who might know how to produce such materials themselves.

4. The words “we need funding”, “we would like to be sponsored in ...” and “if sponsored” highlighted the **desperation of respondents to get funding** in order to start some business project that could earn them an income. The reason of such desperation was their difficulty in

maintaining basic living standards since most of them were not working or earning too little to afford their daily expenses and expenses for their children.

5. The findings revealed that the respondents were split in their choices of projects that could be started should they receive funding. Suggestions under the topic “Empowerment suitable for disadvantaged poverty stricken community” pointed to a wide variety of suggestions from **chicken farming to paper recycling to catering businesses**. All the suggested projects were proposals of empowering locals if funding could be obtained from government or charity organizations.

6. The focus group discussed costs of starting suitable individual and community projects that would help the community. For example, they felt a chicken farm could be started by an individual for about R5,000 while a similar initiative involving 3-10 community members would cost more in order to be productive as the machinery alone would be in excess of R5,000 and would thus need more financial support.

6. Although the respondents participating in the focus group acknowledged their lack of business education and experience, they all indicated that **they believed they had the ability to start an individual project and run it successfully**. However, such claims pointed to their desperation to get funding rather than their actual ability.

7. Under the topic of “The role of ordinary community members in empowering other community members”, several stories were shared by the respondents on how they had helped someone who was in need even without being asked. This reflected the principles of *Ubuntu*, which is an African tradition that requires sharing and helping each other without expecting any payment. Such stories told by the respondents displayed **their genuine interest in sharing their knowledge, experience and even their funds to those who need such help**. This finding also shows that that people living in slum villages do help each other. That also means that given the appropriate financial support, they could play a major role in their community empowerment.

8. The findings revealed that although the respondents had a sense of helping each other, their preferred route to empowerment is doing business that would provide an income. In other words, the respondents felt that encouraging business ventures was a better way of dealing with poverty than reliance on charity. This is because they have seen much charity work in the last years and have concluded that charity work has done little to help people out of

poverty. They indicated that **they would prefer information that could help them start businesses, get tenders or find people that are willing to buy their products** in bulk are better than charity.

9. During their focus group conversations, the respondents noted that it was unlikely that anyone from their slum village could provide the required amount to start a community initiative at that point and that **outside investment was the only hope they had**. They discussed possible areas of development and agreed that **real change could be brought about by investors who create jobs rather than by a once off sponsor who has a hands-off strategy**. The respondents cited “good areas” for investments would be in the areas they had already identified, such as catering, cultural clothing, farming (gardening initiatives) and so on.

10 The findings showed that even although people had formulated strategies and business plans in their minds, it became obvious that they would find it hard to write a business plan because most were not very well educated, with some being completely illiterate, especially in business language

11. When discussing the topic “Putting in place fair process in order to avoid corruption and xenophobia in empowerment efforts in Local Economic Development” the respondents noted that as a community, **they lacked clear strategies to make sure that funding for projects from donors reached everyone**. They did not keep list of those who had already benefited from sponsors to ensure that future funders would reach those who had who had not yet received assistance.

12 Findings revealed that people at Banana City had no problem with foreigners (people who originated from other countries other than South Africa) as they inter-marry and do business with them. They also seem to have no hidden grudges/anger towards them. However, it was noted that because of this, they expect those foreigners to treat other community members and the place that they live as their own and therefore contribute to the development of the village. The respondents mentioned that **their community assembles for community meetings as frequently as twice or more in a week to discuss matters that have an impact on the whole community**. They explained that such meetings offered a platform to raise different issues of empowerments and local projects. According to them, these meetings have proved successful in resolving whatever business disputes that has arisen in the past due to jealousy between local and foreigners doing business in the slum village.

13. Respondents were adamant that the lack of skills in their area was one of the major obstacles in creating job and ultimately empowerment. They felt that **people in the village needed skills development in areas such as computers, administration of their businesses as well as technical services such as plumbing and so on.**

#### **4.6 Research findings and related interpretations through the learning journal**

##### **4.6.1 Banana City**

I found that there are different types of small businesses and initiatives that people of Banana City had already started which are operating both in Banana City and the surrounding areas. Most of these initiatives earn them just enough to live on and do little to create jobs outside their immediate areas. However, I noted in my journal that people of Banana City act as retailers of foods, such as canned food (beans and fish) and bottled drinks, that they buy in bulk and then sell to others in their spaza shops and other informal businesses. I also noted that there are still untapped opportunities in areas of business, such as selling and making of both clothing and food that could be explored as small business initiatives.

Even although Banana City is a squatter camp or slum village by definition and structure, in the new part there are many facilities that are not usually found in a squatter camp, such as running water, flushing toilets, a public laundry, public toilets cleaners and trash collectors, all of which relate to a community that is organized and which has the potential to better the livelihoods of those living there.

Business people of Banana City are very creative when it comes to job creation. An example of such is a trash collective initiative that started in the slum village, which has picked up momentum and is now employing several people and also serves surrounding areas.

I started an initiative to help people put together their Curriculum Vitae (CVs) as many people are illiterate and could not write their own and those who are literate did not know how present their experience to their advantage. While I offered this service to help others, people were required to pay for the printing. I discovered various things through this venture. Amongst these was that people in the squatter camps are willing to pay for services that are helpful to their quest to look for jobs or for job creation. Furthermore, many of the people who came seeking help are professional, trustworthy and are able to look beyond their immediate problems.

I also found that most people have no access to information that would help them in finding or creating jobs. Most of them do not have TVs, radios or computers, which are important in information dissemination, as there is no electricity that is legally available to them within their slum village. I also found that if people had the information, most of them would act positively towards job hunting and business development (meaning they would do their part). This analysis is borne out of observation of how they responded to notices I posted around for latest local jobs that were advertised on the net. People's quick responses to meetings about jobs or job creation either by small business or otherwise can be interpreted as desperation because of lack of jobs or that they have nothing more important to do or even perhaps respect and trust to their leaders who go out to call them.

#### **4.6.2 Durban Chamber Of Commerce and Industry (DCCI)**

My findings revealed that the DCCI is a trusted institution that is utilized by both small business and big businesses within the EThekweni municipality as a meeting point where they are able to get relevant information about each other and their related business environment for their economic development.

The problem for small businesses is that they find it too expensive for them to pay the fees which are required for all members of the DCCI, and this is particularly relevant to new entrants and struggling small business from disadvantaged communities. This makes it difficult for them to access the benefits of the DCCI. However, the DCCI is a very important institution in LED, which is crucial for disadvantaged small businesses and their communities as it also make sure that big businesses account to the development of smaller businesses within EThekweni in several indirect ways.

Every member of the business community within the EThekweni municipality is allowed to join the DCCI regardless of ethnic group, color or language. The business environment that is nurtured within the DCCI makes it easier for small businesses in disadvantaged areas to grow and enter the formal economy as well as play a much bigger role in LED.

The fact that the DCCI allowed me to interview them for my research indicates that they strive to be relevant to all spheres of the business community and that they are not shy to scrutiny. Further to their developmental attitude is their open invitation to governmental departments such as police and municipality.

#### 4.6.3 Practitioner's findings and interpretations

As a small business practitioner, I found that while I had known for some time that information in business is crucial to successful bidding of tenders and business growth, I did not realize the full impact of being connected or being part of a big organization such as the DCCI. I learnt that being part of such an organization gave me access to relevant information earlier than most of my competitors who do not belong to the DCCI.

I have spent years trying to acquire funding from different financial institutions and development organizations without success, but later realized that I what I needed most was appropriate knowledge. As part of an organized institution such as DCCI, it became easier for me to get funding as most financial and developmental institutions trust how the DCCI does business. I found it much easier to find opportunities and tenders when recommended by the DCCI rather than struggling on my own.

I also found out that even although the DCCI has a fee that is not negotiable, it is little in comparison to what can be achieved by a business representative from a small business to empower others in disadvantaged communities. I passed on the information I had gathered from the DCCI and found that not only do people in disadvantaged communities welcome such information, but it works for them.

Having found out all that I did about the DCCI and the disadvantaged community living in Banana City squatter camp, **I came to the realization that all businesses in slums/squatter camps have the potential to grow if the owner has the necessary know-how and the business addresses the real needs of people.**

#### 4.7 Secondary data at Cato Manor

Through a colleague at the DCCI who represent Urban-Econ KZN, I was able to gain access to a report regarding the development of Cato Manor. With this and other documents about Cato Manor already referred to in this study (Robinson and Foster, 2002; Beall and Todes, 2004:301–310), I was able to compare several findings that would give more meaning to this study. The following is a summary of all the findings from all documents I gained access to about Cato Manor.

I found that over 86% of businesses in Cato manor were not registered and did not pay tax and could therefore be classified as informal businesses. Such businesses seldom employed other



people and therefore contributed little to job creation to the area. However, it was noted that there were various initiatives that did create jobs and services that would have been otherwise absent if such small business owners did not take such initiatives that are crucial in addressing local people's needs.

More than 80% of businesses there were operated by people who neither had a license to operate such a businesses or the education/training that was necessary to run such a business. It was therefore difficult for them to grow as businesses because they missed the opportunities that are organized by the municipality business support unit as well as other financial and economic development organizations that support the growth of small businesses of disadvantaged groups. Furthermore, their lack of training can result in them unintentionally doing business in an unethical manner and thus losing customers.

Nevertheless, it was found that people would appreciate assistance in areas such as access to tenders/markets; finance, business training and other assistance that would help them do business better. This showed that while most business people did not register their business and have no training, they have the desire to do business in the right way and be part of the formal economy if they could afford it, or find a way to achieve it.

It was found that small businesses at Cato Manor had formed small committees that represented particular groups of small businesses in the different wards and sections. Such committees would then represent their section or ward in the overall Cato Manor business committee that would then raise their concerns with the municipality. The municipality is then expected to respond to such initiatives with appropriate assistance.

## **4.8 Overall summary of research findings and analysis**

### **4.8.1 Discussion of first research question and the first objective**

The first research question that will be discussed is: what intervention measures can existing small businesses undertake to empower disadvantaged business groups? This research question is complemented by the first objective, which was to examine practical and theoretical ways that small business can bring co-empowerment to disadvantaged business groups.

In the previous sections, the findings revealed that there are indeed various initiatives that small business people are coming up with, such as gardens to provide food at local level,

small shops for daily domestic requirements, hair salons and cultural clothing. However, as with the findings of Beall and Todes (2004:301–310) and Robinson and Foster (2002), this study found that initiatives such as gardening, hair salons and spaza (small) shops do little to empower other upcoming or struggling small businesses. Moreover, they do little to provide job opportunities for people within their communities other than the owners of such businesses.

There was a general agreement amongst all interviewed, supported by my own observations, that there is a need for different types of initiatives that would be relevant to the local economy of the area that would create jobs and grow the capacity of local small business to do business beyond their immediate area. Such finding confirms the similar findings by Rotmans and Loorbach (2010: 237-246) elsewhere.

The general solution (which was shared by all) was put well by a lady who participated in a focus group who said “*whatever investment or initiative that existing small business or other outside of our region big businesses has to offer our community is welcomed*”. These comments, which support the above findings, highlight that small businesses in the area are looking for solutions beyond their immediate areas. It also highlights that development of an area or empowerment of small business in a particular area cannot be limited to one approach, a finding confirming the similar findings by Lee and Hor (2010:185-199). These findings are consistent with the earlier findings by Nel, Binns and Bek (2009), as well as those by Kepe(2002), which emphasize the need for locals to take on different roles in the development and empowerment of their areas.

This study also revealed similar ideas in the debates around the types of initiatives suitable for disadvantaged business groups for their development. One frequently suggested solution was training and mentoring in business management skills. This was consistent with other findings (Marais and Ntema, 2013: 85-95 and Huchzermeyer, 2010: 129–148) who revealed that most people from informal settlements lack formal education that would enable them to write a business plan.

The findings in this study confirm the arguments of Westaway (2006: 175–189) and Marais and Ntema (2013: 85-95),who highlighted the need for appropriate solutions to bring about empowerment and development within the informal settlements of South Africa, such as business education, training and mentoring. Relevant business education would enable prospective owners of small business to write their own business plans, provide them with

relevant training in the business of their choice and provide mentoring. Such services could be offered by business institutions and/or successful small businesses. As Hanushek and Woessmann (2012: 497–512) indicated, there is a direct link between educational achievement and the economic development of any particular area.

Many perspectives regarding charity work emerged throughout my findings. Findings of Moharana; Mohapatra and Pattanaik (2009: 164-170) and Sireau (2011) have been echoed by the different groups in the community. One group tends to think that while charity is important, it should not be the first priority and that disadvantaged communities can be developed through various initiatives. Another group however suggested that charity is the only way to get funding without preconditions. Both Duflo (2003: 1–25) and Edmonds (2006: 386–414) argued in support of grants to the poor for basic living, presenting evidence that children who have parents that receive grants are better off in with regard to child labor, school attendance and health as compared to those who did not receive such grants. Rogerson (2008:395–411) supports the contribution of charity if it leads to financial independence, citing the Soweto heritage, cultural and historical events that have been turned into business initiatives for local development.

However, the findings showed that charity can result in small businesses depending on handouts rather than finding ways (such as business strategy) to grow their business, effectively disempowering such businesses. This is supported by Lee and Hor (2010:185-199) who pointed that businesses that lack strategies will fail to grow.

The findings also revealed that the respondents had little access to information and that the majority of small businesses in the study area were unaware of business trends and appropriate places to find information that would help to develop their businesses. The internet, one of the most trusted ways of keeping in touch with the business world, is noticeably absent. Furthermore, having no electricity has an impact on respondents who need to watch business programmes on television.

Nel, Binns and Bek (2009: 224-237) and Maitra (2002: 123-134) pointed out that lack of basic education has a major impact on business development. This is supported by the findings in the current study, which revealed that respondents lacked simple knowledge, like such as following local business trends from free newspapers from the local municipality.

#### **4.8.2 Discussion of second research question and the second objective**

The above challenge then bring us to the second research question in this discussion: What steps can be taken to ensure efforts of small businesses lead to co-empowerment? The objective that compliments this research question is to determine proper intervention measures needed in co-empowerments.

During my field work, I realized that the first thing that came to the respondents' minds when the issue of empowerment was raised was access to funding of their initiatives or small businesses. It is therefore easy to understand why Fairbourne's (2006) suggestion of micro franchising would spring to my mind because the purpose of micro franchising is to provide support that would help the poor with self-employment empowerment.

However, my findings and the findings of others (Edwards, 1996; Robinson and Foster, 2002 as well as Beall and Todes, 2004:301–31) have already established that small businesses in disadvantaged areas are not making enough money to be of any financial assistance to others. This is despite the current opportunities and assistance that other stakeholders such as municipality and other organizations have contributed so far.

Wekesa, Steyn and Otieno (2011: 238-245) pointed out that corruption is one of the biggest enemies to development in disadvantaged communities. My findings have suggested that despite their inability to sponsor each other financially, people in disadvantaged areas are willing to help each other or are already helping each other to create a good environment for business development and an example of this is their common war against crime and corruption in their area. However, the findings do suggest that people in the disadvantaged areas have not yet fully committed themselves to eliminate all types of illegal activity in their areas, such as illegal electricity connections and such issues need to be confronted with more force if they want business people from the outside to invest in their areas and therefore facilitate much needed empowerment to small businesses.

Keen (2004) suggested that it was the responsibility of small business people to act decisively about illegal activity in their areas. Keen's (2004) argument is based on the assumption that people who have successful small businesses are influential people in their areas because they have not only managed to create a successful business, but spend the whole day in the village or slums and are therefore in a position to observe and report such corrupt actions and practices.

Hall and Rusher (2004) argued that it is widely understood among business practitioners that for a business to become successful, it must be relevant to the area in which it is situated. They gave the example of tourism, whereby business people turn a disadvantaged area into a ‘must see’ destination for tourists. It is therefore clear that to achieve this, a group of people must come up with different businesses relating to their culture or environment that will appeal to tourists. According to my knowledge, Cato Manor has established a Heritage Centre, which is doing well in that respect, while at Banana City such a venture is merely a dream. It has already been noted that researchers such as Leimgruber (2007) and Hampton (2003: 85–101) argued that it requires more thought than funding to start a tourism business or an initiative that would attract people. It follows, therefore, that community projects or initiatives that involved the community would need to be run by a community committee to ensure that everyone would be included and treated fairly.

Looking at findings relating to community gardens/feeding scheme gardening as being appropriate interventions for disadvantaged communities, it would appear that while such initiatives play an important role in the community in providing nutritious food, they would add little value as far as economic growth is concerned. Balbo (2001) and Nel and Rogerson (2005) suggest that emphasis on funding such ventures seems to be wrongly placed. The current study found that although respondents did acknowledge the value of community vegetable gardens as being a source of healthy food, especially for the children, they did not really perceive them as a business, as the main aim of such gardens was to supply the much needed vegetables at a cheaper price than the shops.

Even although small businesses in disadvantaged communities are not in a position to give loans or do much to help each other financially, my findings show that people in disadvantaged communities have a lot to give each other and that they are willing to give. Such giving and sharing is mostly in skills of technical work as well as experiences they have in business management. These findings were closely associated with those of Thomas, Shaw and Page (2011: 963-976).

#### **4.8.3 Discussion of third research question and the third objective**

The third research question in this study was, How can small businesses ensure inclusiveness in their co-empowerment efforts? And this research question is complimented by the study objective to evaluate whether small business has what is needed in bringing forth such co-empowerment to disadvantaged business groups.

My findings revealed that people running businesses in disadvantaged areas do not follow a formal process in ensuring fairness; neither do they understand such things as a fair process. They have invented their own process which, through much debating and wasting of time, they come to a common understanding of what is accepted as a fair process. However, this is a long and exhaustive process and many people have to exclude themselves before the discussion comes to an end due to other responsibilities. This paves the way for people to impose their ideas and opinions, which might not be acceptable to the majority. Furthermore, such informal processes would not protect the interests of the disabled. Anand and Lea (2011) and Park and Turnbull (2002: 151-70) have shown evidence that that physical disability and poverty are related concepts, but it follows that such long and exhaustive processes would disadvantage the disabled as they would find it difficult to participate fully and present their points of view.

Wenger (2000: 225-246) argued that community of practice methods could be important in informal gatherings where it is important for knowledge to be shared. Community of practice is a model that allow people with common concerns, knowledge, experiences or who belong to the same type of business, to be able to meet on an informal basis as often as possible and discuss their shared roles in a particular field, in this case the empowerment of the community in the existing projects/tasks as well as upcoming projects/tasks (Wenger, 1998 and Andrew; Tolson and Ferguson, 2008: 246–252). A community of practice, therefore, could be an appropriate vehicle for empowerment in informal settlement developments.

My findings through the learning journal have indicated that initiatives that are implemented in disadvantaged communities do not usually involve the input of people living there, who are subsequently not always completely happy with the results. This was confirmed by similar findings by Werna and Keivani (2001: 65-118), who argued that community members should play a bigger role in aspects that affected their daily lives and gave the example of community members having input in house designs and materials that would be appropriate for their circumstances in government housing initiatives

Despite my reservations, the findings showed that community meetings seemed to carry much hope and weight with the respondents. As I have already noted, the latest research by Thomas, Shaw and Page (2011: 963-976) confirms the views of Wenger (2000: 225-246) that what could be described or seen as an informal communications could be important in coming up with a management approach that could be important to the development of small

business as well as developing the areas in informal settlements. Further argument towards the importance of informal meetings in settling business matters that concern a large number of stakeholders or actors is presented by Pansiri (2008: 101-115). Pansiri (2008: 101-115) indicated that informal meetings are important in resolving matters that could not have been otherwise been resolved. The informal settlements have a problem of understanding formal procedures and therefore informal meetings would possibly be more suitable for them as they know the process and are comfortable with it.

What this study has shown is that small businesses in disadvantaged areas have what is needed in bringing forth such co-empowerment to disadvantaged business groups. However, these findings and arguments also highlight the challenges that would need to be overcome by people in disadvantaged communities in general and especially business groups (those who have small businesses operating and those who intend to start small businesses).

#### **4.8.4 Discussion of fourth research question together with all objectives**

Access to finance has been highlighted as the main challenge that disadvantaged communities face in starting new small businesses ventures that would contribute to the LED of their area. This aspect was mentioned by all the groups that were interviewed, which is why it is not surprise that most of the suggested interventions were related to money in one way or the other.

In discussing this matter in more detail, we look at the fourth and last research question: What can be done to assist such projects to interconnect with other initiatives for financial and community support? While all research questions and objectives are interrelated and complement each other in some way, this last research question is connected with all the research objectives, which were to examine practical and theoretical ways that small business can bring co-empowerment to disadvantaged business groups; to determine proper intervention measures needed in co-empowerments; and to evaluate whether small business has what is needed in bringing forth such co-empowerment to disadvantaged business groups.

From the findings that have already been discussed, it is clear that whatever or whoever has financial support would automatically have community support. This point has been highlighted by both the respondents and literature and clearly shows the desperate need of financial support for basic living.

The issue of micro franchising had been shown to have limitations as businesses in disadvantaged communities are largely unrecognized by big businesses that offer franchising opportunities. Again, most investors have their own conditions, most of which could only be achieved by communities that are already doing well. All these seem to paint a dark picture of initiating LED projects in disadvantaged communities.

However, as a small business practitioner from a disadvantaged community, I have personally experienced the difficulties of accessing financial support, but have managed to overcome them. Even although my victory could be easily associated with the EFL test from Standard Bank, there were also other factors involved. Analysis of my learning journal reveals a path that was inspired and supplemented by smaller victories that together made up the big victory when I was presented with the much needed funding from Standard Bank. Such smaller victories have been better described by Kaish and Gilad (1991: 45–61), who associate business successes like mine with what they called “*unique preparedness*”. This refers to the ability of a person who is searching for opportunities to recognize and act on business opportunities that present themselves that could be of benefit to them.

My connections with the DCCI certainly helped by putting me in the right place at the right time, but it was my desire to learn and stand up to my challenges that inspired me to study further on the topic that would help me as a practitioner. This brings to mind the arguments of Hall and Rusher, 2004; Baron, 2006: 104–119; Short, 2010: 40–65 and Lee and Hor, 2010: 185–199) who suggest that in disadvantaged areas, it is up to the people themselves to do more to change their situations and the situations around their businesses.

This brings me to the two central keys to obtaining financial support and the associated development in disadvantaged communities. I have proved that those two central keys can open the necessary doors. These are:

- 1. Have the right business connections and**
- 2. Have the desire to learn about new trends in business development.**

These two elements also surfaced during the field work and appeared in the findings and analysis of all the groups that were interviewed, especially in interviews with small business people and representatives of the DCCI. These two central keys have been confirmed in the work of Tang, Kacmar and Busenitz (2012: 77–94), who argued that the right business



connections and the desire to learn new business strategies are essential parts of one's business development.

Some of the respondents pointed out that they did not have access to people who could connect them to the right institutions and companies that would help them to get tenders, others mentioned that connections with right developmental organizations and financial institutions would solve their problems, while others believed that the politicians that they elected to office would get them the financial assistance they needed. Whatever solutions they suggested however, one thing was certain, they did not have enough resources to better their business environments. This then bring us to the realization that there are challenges that need attention with respect to finding the right business connections, or to put it differently connections that would help them to be in the right place at the right time.

On the second key issue or desire to learn about new trends in business development, my findings show that the respondents did express the desire to learn about new business trends and related issues that could bring development to their communities and their businesses. Moreover, people have shown a desire to learn about any initiative that is presented by whosoever approaches their community leadership with business development initiatives, whether it be information or money.

Some researchers have found that some people in disadvantaged communities have taken advantage of relevant business studies and training that have been offered by different institutions that came to their area. The problem or challenge that remains, as shown by my findings, is their general lack of formal education, which then limits their knowledge to only what they perceive as important. As Maitra (2002:123-134) elaborated, little knowledge equals little power. Therefore, through lack of education, their desire is limited and falls short of bringing about the necessary change that would help the disadvantaged business groups in the informal economy to move to the formal economy.

A positive aspect that was displayed by business and community members of Banana City slum village was their total acceptance of foreigners, as xenophobia is a common problem in other slum areas within the country. All the respondents agreed that their efforts are not working to better their region and that outside investment is necessary. Now, one cannot talk or consider foreign investments without thinking about the foreign people who will bring such investment.

It is of interest to note that the small trash collecting business operating in Banana City is learning to follow the same hygiene practices as communities in the more affluent suburbs. The stench in other slum villages in the area of Durban and elsewhere is unbearable, but these entrepreneurs have learnt from others and it certainly makes a difference for the better. The success of the trash collecting initiative at Banana City confirms the findings of McMullen and Shepherd (2006: 132–152) that emphasize the importance in entrepreneurship and LED “*to act on the possibility that one has identified as an opportunity worth pursuing*”. It is important to keep in mind, however, that although businesses such as the trash collecting initiatives could provide a network that would help other slum dwellers, they still fall under the informal economy. According to the arguments presented by Gindling (1991: 585–603) and Marloney (2004: 1159–1178) it is not a bad idea for poor people to remain in the informal economy if that is an area where they can fully use their skills or experiences in improving other people’s lives. However, the informal economy is one of the reasons South Africa remains a developing country rather than a developed country.

It would not be easy for disadvantaged business groups to move away from the informal economy, not only because of their lack of education, as Maitra (2002:123-134); Hanushek and Woessmann (2012: 497–512) and others have elaborated, but also because of the facilitating roles that others need to play, such as the role of government in formulating and implementing LED policies as well as the willingness of those in big business to offer training and exposure/mentoring to disadvantaged small businesses. Although it will be a long time before South Africa moves beyond its current state of economy, it is not impossible. With some assistance from the government and big business it is possible for most businesses in the disadvantaged communities to move into the formal economy. Once these communities start paying taxes, the revenue generated will contribute towards upgrading their facilities and services. After all, the arguments presented by Fields (1990) and Lewis (1954: 139–191) about the wage differences in the informal economy and the formal economy cannot be ignored since better salaries provide better tax revenue to the economy of any country and better lives for all.

When all has been said, however, it is important however to note that the current economic situation of South Africa is not making it easy for people from the disadvantaged communities to get jobs and overcome their poverty. It is therefore important to recognize the arguments by Bhattacharya (2011: 820–830) that the informal economy is an important part of the economy of South Africa, especially in job creation and LED.

## **4.9 Conclusion**

Despite the limited academic research in the areas that this study covers, I have strived to discuss the findings of this research in relation to the findings of other researchers. In doing so, I have presented findings from all the data collecting tools I utilized in this study and have summarized and discussed such findings. The findings of this study have been discussed in relation to the existing knowledge in order to answer the research questions and meet the objectives of this study. Although the respondents were carefully chosen to represent the community, it is important to note that their input might not be representative of the whole community being studied.

The answers to the research questions which are presented at this chapter provide the basis for the following chapter, which presents the conclusion and recommendations.

## CHAPTER FIVE

### Conclusions and recommendations

#### 5.1 Conclusions

In this chapter, I intend to give a brief summary of key findings in relation to the research questions and objectives. This will be followed by the appropriate recommendations.

The first research question was:

1. What are the proper intervention measures that small businesses should undertake to empower disadvantaged business groups?

This led to the first objective, which was to examine practical and theoretical ways that small business can bring co-empowerment to disadvantaged business groups.

One of the biggest barriers encountered by people living in disadvantaged communities is their lack of education and training, which precludes many from finding suitable employment. Moreover, people who lack education are not proficient with modern technology and sourcing information. Most businesses in slum villages are not registered and are operated by people who were not formally trained and it therefore follows that they are therefore possibly restricted to the area in which they operate.

Most formal businesses wishing to start appropriate initiatives for the empowerment of a disadvantaged area would want to follow the normal regulations. It is therefore easy to understand why informal initiatives such as vegetable gardens are considered appropriate for poverty stricken communities by both slum dwellers and those giving the necessary support, as such initiatives do not need to be formally registered and have obvious benefits in producing nourishing food for those who work in them. However, even although the establishment of vegetables gardens has proved a worthy occupation for some residents and provided them with healthy vegetables and a small income, these could not really be classed as a business that will contribute to the local economy.

The findings revealed that what was most needed was business related information that could be useful for the development of business groups in disadvantaged areas, information that would help people to establish small businesses in the area by showing them where to look for opportunities and guiding them how to follow certain business procedures in setting

themselves up, acquiring tenders or sourcing the best places to buy their products. The results of this study showed that people are willing to help each other in the spirit of Ubuntu and therefore people who have been successful in any way could help put others on the right path by sharing the bank of knowledge they have built. This finding is supported by the literature as being one of the most appropriate routes to development and empowerment for people in disadvantaged areas.

A further way of gathering information for the community is to take advantage of outside expertise and assistance. The findings have shown that charity is not an appropriate vehicle for empowering disadvantaged business groups or the general community members as they would prefer people to help them with interventions and initiatives that create employment opportunities. This study has found that people wishing to start business ventures in disadvantaged communities, business groups lack both training and professionalism, but the findings have also shown that there are outside actors, such as government departments and private business, who are willing to become involved in various initiatives for empowering disadvantaged communities. If one could link these two aspects, one could find the mentoring and other business management support that is vital for sustaining new small business ventures. Small business owners should be encouraged to learn as much as they can from available outside sources and pass this knowledge on to the rest of the community.

The second research question was, What steps need to be considered to ensure that the efforts of small businesses lead to co- empowerment?

The second objective to address this question was to determine proper intervention measures needed in co-empowerments.

The findings revealed that while people in the slum village were willing to help each other and were helping their fellow community members where they could, owners of small business were not able to offer significant financial support to other businesses and most were barely earning a living themselves. However, they could provide indirect support by helping to source or donate second hand equipment that might help others to get started.

Although owners of existing small businesses might be lacking in higher education, appropriate training and business management skills and would therefore not be in a position to pass these on to others, the findings revealed that they were very knowledgeable about the environment in which they worked and had therefore achieved success. They had found ways

of making money in a poverty stricken area and it is such knowledge of the local culture that needs to be passed on to others.

Findings revealed that small businesses in disadvantaged communities have little or no access to current and important information that is crucial to make sure that those who are trading are in line with the rest of the current market, even to the extent of local fashions. The findings of this study showed that appropriate business institutions such as the DCCI are places that can help in that regard (information). Findings revealed that DCCI members are willing to work with people in disadvantaged communities if they are willing to form appropriate business organizations. While it is necessary to be a member of the DCCI, business owners in the community could form business groups and select a representative to attend DCCI meetings who would then bring the appropriate information back to the community.

The findings made it clear that the respondents placed job creation at the top of the agenda in any Local Economic Development interventions or initiatives. Keeping that in mind, it becomes clear that people who want to start a small business venture must identify a need that people will pay for.

Another important aspect in co-empowerment is the effect of crime on an emerging economy as crime steals money and opportunities from small business people. Members of the community need to unite in a fight against all forms of crime. They need to recognize that illegal electricity connections are a criminal activity and that they are stealing if they are using electricity without paying for it. Findings showed that small business owners are usually aware of crime and illegal activities in their neighborhood. If the local business people formed a group, as suggested above, they could address ways of combating crime in their community and thus create an environment that is conducive to new business.

The third research question was, How can small businesses ensure inclusiveness in their co-empowerment efforts?

The third objective to address this question was to evaluate whether small business has what is needed in bringing forth such co-empowerment to disadvantaged business groups.

My conclusions based on my findings are that, to grow their economy, people in the slum villages are in need of assistance from outside initiatives, either government or big business. Furthermore, there are potential investors who see the need and would like to become

involved in projects involving LED in disadvantaged areas. However, people living in slum villages have no formal structures tasked with overseeing business interests to ensure that their businesses are run in accordance with the normal regulations and this has worked against them in the eyes of potential investors. Potential investors who come into the slum villages become suspicious when they see no formal systems or business structures in place and are reluctant get involved in something they do not understand or have no way of monitoring.

As mentioned before, people living in slum areas are generally uneducated and do not understand normal business ethics and therefore would not understand the potential investors' misgivings. However, those living in slum villages have local meetings to address and resolve their problems. They are comfortable with this process and regard it as being fair and inclusive. These meeting do not only address general community disputes, but also business and economic related matters. The findings showed that the informal inclusiveness processes that exist in slum villages could be very useful. If potential investors, community leaders and the small informal business owners could work together, they would understand each other better and therefore find ways of reaching a mutual agreement.

Most of the respondents interviewed in this study had been involved in some small scale community development, depending on their skills and what they could afford. However, these efforts were hampered by poverty and no electricity, both of which limited their access to modern information tools such as internet, television, radio and newspapers. Even although findings showed that it would be almost impossible for individual small businesses in disadvantages areas to afford the fees to join the DCCI, it could be possible and affordable if the business groups were willing to work as a unit. It was also found that one or two representative (if their fees at DCCI are being funded by the whole slum village business groups) could indeed bring valuable information to all business groups in slum villages.

The fourth research question was, What can be done to make such projects interconnect with other initiatives for financial and community support?

This question was addressed by examining all the objectives of the study, which were to examine practical and theoretical ways that small business can bring co-empowerment to disadvantaged business groups, to determine proper intervention measures needed in co-empowerments and, finally, to evaluate whether small business has what is needed in bringing forth such co-empowerment to disadvantaged business groups.

My conclusions based on my findings are:

Following early findings that showed that small businesses in slum villages are unable to support themselves and their related initiatives financially, it was found that one of the single most appropriate vehicles to empowerment was establishing the right connections. I personally found that my affiliation with the DCCI opened many doors that would otherwise have been closed to me. I therefore suggest that one of the most appropriate routes for small businesses in disadvantaged businesses to get the information they are lacking is to join a business developmental institution like the DCCI.

The findings of this study revealed that individual business owners in the community were willing to work together as a team to access the necessary financial and technical support, to find new information that would give their small businesses and initiatives an edge in doing business, to act upon new findings from their information (to list their companies in relevant databases as well as bidding for tenders) and to be empowered to empower others. By so doing the small business sector could have an impact on development.

Having considered all the above findings in this study in conjunction with the literature review, there is no doubt that small business people together with all stakeholders who are interested in empowering business groups in disadvantaged communities will have to overcome many challenges in order to bring about LED in the area. However, the findings also showed that it is possible to overcome such challenges. That then brings us to the recommendations that are suggested for small businesses to contribute to LED in disadvantaged areas.

## **5.2 Recommendations**

Although this section will be divided into specific recommendations for the various groups of stakeholders that play a role or are expected to play a role in small business LED in the disadvantaged communities, I will present some general recommendations that apply to all stakeholders.

It is obvious from the findings that small businesses that are not registered face many challenges in trying to expand and develop the local economy as formal institutions and governments department would not recognize such a business as legitimate entity. Although the biggest challenges they face are usually related to financing and maintaining the business, they also experience difficulty in day to day operations such as marketing their products to



customers outside of their slum villages. It is therefore recommended that all small businesses should register themselves with appropriate business organizations in order to have access to all the above mentioned benefits. There are some local government supported organizations that have already been put in place to help small business people in the slum villages at EThekweni municipality, one being the Small Enterprise Development Agency (SEDA). Other provinces also have such services that help disadvantaged business groups.

Initiatives, such as small community gardens have proved successful in providing fresh vegetables to those who work in them, but I suggest that this needs to be looked at on a bigger scale to make it a viable business venture. Therefore government departments wishing to initiate such projects could take people who have succeeded with small gardening projects and give them appropriate agricultural training and more land so that they can develop what they have learnt in the community gardens into a proper business venture which could provide healthy food that could be sold both in and outside the community.

Findings showed that people in disadvantaged areas struggle to get information in one way or the other, and it is therefore advisable that appropriate initiatives be started by relevant companies and business departments to make such information accessible. For example, the most sought after information is related to tenders and jobs at municipal level and these are advertised monthly in municipal newspapers. While such newspapers are free, they rarely reach slum villages where they are needed most. It is recommended that local governments ensure that these newspapers are distributed in the disadvantaged areas. On the same note, people from the community could arrange to get the newspapers in bulk and then distribute them among themselves to ensure that they have access to the information they need. Any community member who visits such municipal departments for whatever reason should do their best to get such information and give it to others. I have done this in my own capacity and have found it to work for small businesses and community members in slum villages.

Neither my findings nor the literature review propose charity related support as an option. Charity increases poverty as people are encouraged to be beggars and receivers of free services and it became clear from this study that charity adds very little to LED. The respondents indicated that they would much prefer help that would set them up in some kind of business. It is therefore recommended that those who approach the slum village leaders to give gifts of food or clothes would rather use the amount to boost an already existing initiative that has been proved to be helping people in job creation. If such donations are

second hand clothes, these could be sold and the money be used to expand an existing initiative or to start a new initiative that would have an LED impact.

While it is clear that training and mentoring is crucial for small business development in slum villages or disadvantaged communities in general, the challenge of little education is forever present. People have been found to be so uneducated that they cannot write their own names. It is therefore recommended that any training offered should be appropriate to the different levels of education amongst people living in disadvantaged communities. In my own experience as a community developer and business practitioner, I found that some old and uneducated people would leave as soon as a process of mentoring or training that had been designed to help them was announced. I personally made the mistake of designing a training process for people with an average of grade 12 level, only to find that the majority of those I wanted to assist did not even finish primary school.

It was clear from the findings that small businesses are not in a position to help each other with significant financing, but that they are willing to engage each other verbally and with small amounts of money. The findings also showed that DCCI members are willing to work with people from disadvantaged communities if they join the organization, which involves paying fees. It is therefore recommended that small business groups should have a central funding account that could be used to address appropriate needs of the business group. A representative of the group could be selected to join the DCCI. I further recommend that the correct channels be followed in setting up such an account as it could then also be used by donors for appropriate Local Economic Development.

The willingness of individual business people from slum villages is much appreciated. However, it is recommended that they acquire formal business training before they try and teach others their skills. That recommendation is born out of the findings that revealed that skills and experience are not enough for business success and its role in LED without the appropriate business language and behavior, such as business ethics.

While it has already been recommended that small businesses should partner with the right business institutions, such as DCCI, another challenge that has already been identified will resurface. This is education. Most small business owners that I met in the slum village could hardly speak or understand any English and as I could not speak IsiZulu, I had to get an interpreter to help us with the language barrier. As it would be pointless for anyone to join an institution such as the DCCI unless they can speak English, this needs to be taken into

account when selecting a representative. Another alternative would be to look for someone who would interpret for the representatives at DCCI like institutions.

It is strongly recommended that business groups as well as the community in general stand together and expose all illegal activities, especially those that rob them economically. Among such illegal activities are the illegal electricity connections that have been found to be out of control in slum villages.

When it comes to the community process of ensuring fairness in stakeholders funded initiatives, it is advised that when the community has resolved any business dispute through their chosen informal communication process, they should inform all stakeholders about the way they will do it. All meaning not only the citizens of such slum villages, but also the investors and those interested in investing in the future so that there are no misunderstandings and all stakeholders can build confidence in the process that the villagers prefer.

#### **5.2.1 Recommendation for ordinary community members in disadvantaged communities**

Ordinary community members in disadvantaged areas have a lot to contribute to their areas so that it becomes a good business environment which will encourage people from outside their areas to come and do business there. Therefore, the biggest challenge to overcome in this respect is crime, as there is a common belief that informal settlement harbor thieves. Although other slum areas have initiated police forums and community style prosecution, this is not necessarily the correct way forward. Community style prosecution is not only illegal, but could end up with prosecuting the wrong person since the ‘judges’ have no formal training to judge criminal cases. It is therefore recommended that the community should hand over all suspected criminals to police and let the law take its course. It is further recommended that informal settlements publically advertise their successes in getting rid of crime and illegality through the news media. An example would be to call a local newspaper when illegal electricity connections are being removed as such coverage would not only please potential investors, but would also encourage electricity companies to install legal electricity as way to promote such good acts.

Both the literature and the findings at Banana City have shown that crime is of serious concern to the people in squatter camps. It is therefore important that ordinary people living in Banana City do more to support the local police forums by having their own committee

that collects appropriate information and shares it with the police or local police forum. Such a committee can help the police by investigating hideouts or unused shacks in the squatter camp where criminals might hide so that criminals will be discouraged from operating in the areas around Varsity road and the squatter camp itself.

Although Urban-Econ and partners to the slum villages of Cato Manor recommended that only formal processes with formal committees should be followed, I suggest that this should initially apply only to the people who are already familiar with such processes, or at least those who have shown a desire to learn formal processes in ensuring fairness. Those who are familiar with formal process in meetings and resolving disputes in service delivery or operations in particular initiatives could then teach others to follow formal processes as well as teaching upcoming leaders to follow formal process in order to avoid dictatorship when that particular group of leaders claim they must stay on as leaders because only they understand how to follow formal processes. Formal processes are important because they not only quicker than community meetings, but give credence in the eyes of outsiders (potential investors) who do not understand the local processes to ensure fairness.

Since people living in Banana City have expressed their desire to learn and acquire necessary skills for their self-employment and economic development, they could learn from the experiences of people in Cato Manor. The ordinary people in Cato Manor made themselves available and willingly participated in various programs that were offered. These resulted in 500 emerging businesses, over 4000 people receiving home ownership education and about 1000 acquiring economic life skills. The ordinary people must always be ready to join programs that assist with skills within and around their area that are being done by interested stakeholders such as local government, provincial government, certain departments in nearby universities or any other developmental institutions such as the DCCI.

### **5.2.2. Recommendations to small business people in disadvantaged areas**

Small business people in disadvantaged areas have a large role to play if they wish to encourage development in their communities and it is in their best interests to be above the standard that is expected from them by outside customers and investors. As we have already noted, the trash collection business at Banana City is an example of an initiative that most people would not expect to see in a slum villages. It is recommended that business people in squatter camps should move their focus from selling alcohol and illegal things like drugs to

businesses that might encourage tourists to their settlement, such as cultural food, cultural clothes cultural art, baskets or beadwork.

This brings us back to one of the main aspects of promoting economic development through small businesses in disadvantaged areas. People living in these areas need to identify initiatives that will attract the attention and funding of developmental institutions. Small business people in disadvantaged areas have a responsibility to themselves and their community not only to learn from other business initiatives that are operating elsewhere, but also from their own mistakes and initiatives that have failed in their areas.

Small business people in slum villages need to think about how their services could be relevant to a bigger market than their immediate community. By dreaming big, they would see the need to connect with institutions such as DCCI and other business development institutions elsewhere as those self-pursued connections would lift them out of poverty faster than any investor or government sponsored initiative. This would place more focus on those they want to encourage to visit their village. It is about time that small businesses in informal settlements come up with initiatives that they can market to a bigger, richer population outside of their village, municipality or even country.

Even although various facilities at Cato Manor were built, such as sports grounds, a recreation park, child care centers, a library, schools and community halls, it is important to note that these were not built by the locals. People in Banana City could learn from that and combine their business skills through the establishment of their own business chamber or appropriate committee that could group businesses according to their services (e.g. construction) so that they can offer services to their own upcoming development on a big scale. The establishment of a business chamber or business advice center could seek advice from the Stutterheim Business Advice Centre as to what works for disadvantaged businesses and how such businesses could be improved. An appropriate structure such as a local business chamber that focuses on the needs of disadvantaged people could seek assistance from relevant community stakeholders, such as the nearby university business school or any other skills training institution, by asking them to help up skill the people in the squatter camp by teaching them the appropriate skills to conduct their businesses effectively

As a way of meeting some of their corporate responsibilities, some of the big companies run competitions to encourage small business. This is a way of giving back to their communities by donating cash prizes and getting free advertising at the same time. Competitions also

shield the company from criticism about their criteria of selecting candidates for small business or initiative awards or material support for the development of small businesses. Although they are not well educated, people living in informal settlements can easily understand the rules of a competition rules. Small businesses in disadvantaged areas should enter as many of these competitions as possible as they would not only get free advertising, but it would attract potential customers as everyone wants to be associated with winners or buy from the best. Any money that might be won would help small business owners join institutions such as the DCCI or become formalized and pay tax so that they can enjoy the formal support offered by relevant institutions and relevant government departments, such as the Department of Economic Development. Entering competitions will help those who compete even if they don't win because everyone who enters a competition prepares themselves in order to win. In the process of such preparation, one strives to become better than they were before the competition.

### **5.2.3 Recommendations to local municipality**

The local municipality is one of the most important stakeholders in disadvantaged communities as it is responsible for many of the necessary amenities and development. It is recommended that local municipalities engage with the leaders of the squatter camps to resolve the electricity problem. If the community gives them their support in trying to eliminate illegal electricity connections and meet certain obligations, they might consider installing affordable electricity to the areas.

Because every municipality has an economic development unit and that unit carries out projects for the development of the people in the area, it is recommended that local municipality authorities liaise with the leaders of the community to establish what viable businesses and new initiatives are being considered by members of the community so that these could be incorporated into LED projects that are being proposed in the area. Even if potential LED projects are not in the actual village, but reasonably close, it could be of benefit to those in the squatter camps.

Workshops on how small businesses in disadvantaged areas can comply with SARS regulations could be helpful to people running businesses in the squatter camps. It is therefore recommended that because the municipality is continually involved in housing and water projects in informal settlements and has a good knowledge of the businesses that are

operating, they invite teams from SARS to encourage disadvantaged small business groups to apply and comply with SARS regulations.

It is important that such workshops, projects and opportunities for small businesses and ordinary community members be advertised on big boards in all disadvantaged villages in their home language. This would be better than restricting such information to newspapers and websites as most of the people living in disadvantaged communities do not know how to read or are not accustomed to reading newspapers. Such projects and tenders could then be discussed at community meetings. This study has shown that people in disadvantaged areas respond positively when development or employment news is brought to their attention.

It is equally important for the municipality to learn from initiatives such as the Stutterheim project that provided the poor with adequate water services. Making water available to every house/shack is helpful to all who live there while at the same time providing revenue for the municipality as people who use water have to pay for it. Provision of water and electricity should not wait until phase 3, but rather be implemented in phase 1, which would help gardening initiatives which would give everyone the opportunity to grow their own vegetables and trees, thus contributing to the health of all the citizens.

#### **5.2.4 Recommendation to networking institutions such as the DCCI**

While institutions such as the DCCI provide an important service to the business community, their inflexibility with their monthly fee makes it difficult for small businesses in disadvantaged communities to take advantage of their services. It is therefore recommended that the DCCI considers their predicament and does some research into this area of the economy to establish ways in which these small informal businesses can be developed and incorporated into the formal economy.

Because the DCCI operates differently to a community project or municipal business development department that is responsible for small business development of disadvantaged communities, it cannot be expected to change its well-placed interests. However, the DCCI could have a ground breaking impact on business development by helping to start business committees or having Business Advice Centers located in the disadvantaged locations and connecting them to the right businesses and institutions that such small disadvantaged businesses desperately need to be a viable part of LED..

The DCCI could run a competition on their website in which every big company which finds new ways to support small business in slum villages/disadvantaged communities can earn points and the first three or so, depending on the number of contesting companies, win special recognition prizes to be presented by the head of the DCCI and the local Mayor, with the media present. That would be not only be beneficial to the contesting big businesses in the form of free advertising, it would also help small business in the slum villages to resolve their issues of finance, training and sourcing material.

#### **5.2.5 Recommendations to financial institutions such as banks**

The Standard bank has already started on a path that all financial institutions would do well to learn from in assessing the potential of disadvantaged business groups. This is their EFL program. The findings of this study has shown that if more financial institutions would abandon their old criteria of lending money and follow a similar test, it would be easier for prospective business people to access funding to start their businesses, which would contribute to LED in disadvantaged areas. The respondents made it clear that most of their frustrations and challenges were around financial assistance. I have been in the same situation myself and would recommend that banks and financial institutions implement similar strategies as the Standard Bank's EFL test to help people from disadvantaged backgrounds to access financial assistance.

Financial institutions would do well to visit disadvantaged areas like squatter camps more often targeting their small business needs. By visiting such disadvantaged small businesses, they would gain a better understanding of the programs and types of services that would be appropriate to both the financial institutions and small businesses that need funds to grow. Financial institutions could also liaise with other appropriate institutions such as South African Reserve Services or Home Affairs to find solutions.

#### **5.2.6 Recommendations for further research**

This study has highlighted that the majority of the people represented by the respondents in this study suffer from 'learned helplessness'. Further research on how such 'learned helpless' could be overcome by disadvantaged communities is recommended. Any research that expands on the practical and theoretical knowledge on how any particular initiative that is mentioned in this study such as trash collecting could benefit not only the slum dwellers, but the whole country would be beneficial to the body of knowledge and to LED practitioners in



disadvantaged areas. How potential investors can fund the disadvantaged groups' initiatives and projects without disempowering their LED potential through charity handouts is another dimension that is recommended for further research.

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## Appendix: Template and questionnaires

UNIVERSITY OF KWAZULU-NATAL  
Leadership Centre

Dear Respondent,

M Com Research Project  
Researcher: Tshililo Ruddy Farisani (0736756696)  
Supervisor: Stanley Hardman ( 031 260 1614)  
Research Office: Ms P Ximba 031-2603587

I, Tshililo Ruddy Farisania M.Com student at the Leadership Centre University of KwaZulu-Natal, invite you to participate in my research project entitled: Empowering disadvantaged businesses through LED projects: A Practitioner's approach.

The aim of this study is to: investigate theoretical and practical ways that small business owners in disadvantaged communities can contribute to their own, and their fellows, business development within a framework of LED. The purpose is thus twofold and synergistic – to consider both empowerment and the creation of an enabling support framework.

Through your participation I hope to understand your views, perspectives and opinion. The results of the interview are intended to contribute to knowledge building in this research.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this interview. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Leadership Centre, UKZN.

If you have any questions or concerns about participating in this study, please contact me or my supervisor at the numbers listed above. It should take you about 10/60 minutes to complete the interview. I hope you will take the time to participate.

Sincerely,  
Tshililo Ruddy Farisani

Investigator's signature \_\_\_\_\_ Date \_\_\_\_\_

UNIVERSITY OF KWAZULU-NATAL  
Leadership Centre

M Com Research Project  
Researcher: Tshililo Ruddy Farisani (0736756696)  
Supervisor: Stanley Hardman ( 031 260 1614)  
Research Office: Ms P Ximba 031-2603587

## CONSENT

I \_\_\_\_\_(full names of participant)  
hereby confirm that I understand the contents of this document and the nature of the research project,  
and I consent to participating in the research project. I understand that I am at liberty to withdraw  
from the project at any time, should I so desire.

\_\_\_\_\_  
Signature of Participant

\_\_\_\_\_  
Date

## **Questionnaire for community members**

Q: What is the name of this area that you live at?

A: .....

Q: Please tell me briefly about community projects in these areas?

A: .....

Q: Please explain which are supported by municipality, business, and NGO or community members?

A: .....

Q: Are there any local small business people who are contracted or are taking part in such community projects?

A: .....

Q: What is the role of such people? Please choose one or list one if not provided: Are they on construction, catering, agriculture, tourism etc

A:

Q: In your opinion, do such projects empower the local economy and/ or the people?

If not, what would you suggest must be done?

A:

Q: Do you think small businesses are in a position to empower the community using their links, skills knowledge or other resources?

A: .....

Q: If yes, what role specifically do you think they can play to empower the community in general?

If not, why not?

A: .....

Q: What roles do you think successful small businesses people can play to empower local small business people who are emerging?

A: .....

Q: What roles do you think successful ordinary well paid citizens of the surrounding areas can play to empower local small business and talented people with economically viable initiatives?

A: .....

Q: Do you think corruption might be a problem if there are stakeholders who want to sponsor financially or with training of the community?

A: .....

Q: If yes, how do you suggest such a problem could be overcome in order to lead a fair process that would empower all? Please mention as many alternatives as possible.

A: .....

Q: Who do you think are key stakeholders that are important in local Economic Development of this area?

A: .....

Q: What is the percentage of unemployment in this area in your opinion?

A: .....

Q: What is the cause of such high or low employment percentage in your opinion?

A: .....



## **Questionnaire for the Durban Chamber of Commerce (Economic Affairs)**

Q: Does DCC play any role in empowerment of people from disadvantaged communities?

A:

Q: What is that role?

A:

Q: Do you think the role you are playing is enough to change how business is done there?

A:

Q: What do you think DCC is likely encounter if they decide to sponsor small business initiative there?

A:

Q: What is DCC doing to encourage the people from informal settlements to come with business initiatives that can contribute to LED?

A:

Q: Do you think small business people in disadvantage communities/informal settlements have a role to play in LED?

A:

Q: What is that role?

A:

Q: How can DCC create an environment that is conducive for the small businesspeople in informal settlements to be part of LED?

A:

Q: Does DCC encourage business associated with it to empower the communities in disadvantage communities?

A:

Q: If yes, How?

A:

Q: Does DCC believe that disadvantaged communities have a role in empowering themselves economically?

A:

Q: What is that role?

A:

Do you think it is possible for disadvantaged communities to help each other economically?

A:

Have you witnessed small business initiatives in disadvantaged communities that contribute to LED?

A:

Please give an example and briefly explain

A:

Do you think small businesses in disadvantaged communities are in position to play a role in LED?

A:

How? Briefly explain

A:

Do you think small business can help each other in playing a role in LED and to empower each other?

A:

If yes, How? Briefly explain

A:

**Questionnaire for small business owners(Each category of small businesses such as catering or construction was represented by one individual)**

Q: How long have you been a small business owner?

A:

Q: How has been your experience up to so far?

A:

Q: What is your role within the community as far as small business owner?

A:

Q: Do you see yourself as part of the wider economic developer within your community

A:

Q: if yes, How?

A:

Q: Do you have a desire to play a much bigger role of helping other small business struggling?

A:

Q: How would you do that?

A:

Q: What are the obstacles of you helping other small business who are struggling?

A:

Q: How do you think would be the reaction of the people to such help (empowerment)?

A:

Q: What is your understanding of Local Economic Development?

A:

Q: Do you see yourself as part of LED, as a small business owner?

A:

Q: What kind of assistance would you need from other community stakeholders within and outside your area in order to play a bigger/wider role in LED as a small business owner?

A:

Q: If you would choose a team to work with, who would, you choose from a variety of stakeholders within your community?

A:

Q: Why?

A:

Q: What would be their roles?

A:

Q: What would you do to make sure that the effort of such a team (including yourself and other stakeholders) lead to empowerment of the whole community?

A:

Q: How would you avoid corruption in which only small numbers of people are enriched?

A:

## Focus group topics

1. Empowerment suitable for disadvantaged poverty stricken community
2. The role of ordinary community members in empowering other community members
3. Economic development Initiatives and small business that are suitable to informal settlement and areas of disadvantaged areas
4. Signs of existing empowerment roles from small business to ordinary citizens
5. Putting in place fair process in order to avoid corruption and xenophobia in empowerment efforts in local economic development

**Table 1.1 Sampling frame**

Tools for collecting Data	Dates (18/08/2011-20/10/2011)	No of respondents
Learning Journal	18/08/2011-20/10/11	All
Interviews:		
Ordinary community members	25/08/11-29/08/11	09
Small business owners from Banana City	18/08/11-30/08/11	05
DCCI members	18/08/11	04
Focus group	18/09/11	07
Documents	18/08/2011-20/10/11	
Recorder	18/09/11	07



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8 August 2011

Mr TR Farisani (200106210)  
Leadership Centre  
Faculty of Management Studies  
Westville Campus

Dear Mr Farisani

**PROTOCOL REFERENCE NUMBER: HSS/0704/011M**

**PROJECT TITLE: Empowering disadvantaged businesses through LED projects: A Practitioner's Approach**

In response to your application dated 5 August 2011, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the school/department for a period of 5 years.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

.....  
**Professor Steven Collings (Chair)**  
**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE**

cc. Supervisor: Mr S Hardman

cc: Mrs C Haddon, Faculty of Management Studies, J Block, Westville Campus