EQUALIZING OPPORTUNITY THROUGH SMALL BUSINESS DEVELOPMENT: A SOUTH AFRICAN PERSPECTIVE

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The active development of the small firm sector is thought to present a vehicle highly appropriate to the task of equalizing opportunity in a very unequal society—the developing country of South Africa. This article seeks to evaluate the merits of the above assumption. It calls for a closer understanding of the unique difficulties encountered by a minority business group that has experienced a long history of prejudice and discrimination, namely the black, essentially small business sector of South Africa. The author calls for careful appraisal of available development initiatives in order to effectively serve the interests of this group.

The arguments in this article draw extensively from empirical inquiry among the black business community of South Africa and from interaction with research and development agencies concerned with promoting small firm development. The “small firm” is an entity whose parameters are difficult to quantify. However, its main features are: operational autonomy, relative ease of entry or exit to the sector, a restricted resource base, unsophisticated management, limited scale of operation and frequently, family succession. Most of these attributes are present and accentuated in the black business community of South Africa. For example, in the Cape region where the black population constitutes more than one-third of total population, ownership of business is very limited, representing less than 5 percent of all regional business entities. This ownership is concentrated in small trading and local service firms, to the virtual neglect of production activities. Black business is thus very much a minority
business group. The economic structure of this region typifies the position of black enterprise in other major metropolitan areas of this country.²

This article addresses the question of whether the general assistance of small scale enterprise in South Africa will serve to equalize opportunity for its black citizens. More specifically, will it act to alleviate or redress the serious inequalities that blacks experience in the labor markets of this country, and in economic progress in general? It is increasingly acknowledged that small firms, in both formal and informal sectors of economic activity have a pivotal role in economic progress. Small enterprises are singled out for their contribution towards innovation, for their flexibility and their ready market response, and for their role as a liberating influence in economic structures and performance, representing a bastion of free enterprise. In the underdeveloped and developing societies of Africa, they are considered especially important for the role they play in generating job opportunity. These societies are characterized by high rates of population growth, alarmingly high levels of unemployment and poverty and by the general absence of social support structures. There is an ongoing and increasing need for employment opportunity that cannot be met from the formal and large-firm sector of the economy.

South Africa currently reflects much of this condition. Population pressure is immense, and political uncertainties and social unrest accentuate the effects of prolonged and severe economic recession. Unemployment has assumed alarming proportions in this country.³ The impact of unemployment is selective. By and large, it is most threatening at lower levels of the job spectrum and black workers typically bear the brunt of the unemployment crisis. With negligible alternative opportunities, small enterprises in the black communities of this country can be identified as particularly important employment generators. However, it is unlikely that these opportunities will significantly increase without actions targeted specifically at this minority business group. In support of this argument, it is necessary to consider the nature and extent of existing inequalities.

INEQUALITIES IN THE SMALL FIRM SECTOR

A number of forces collectively restrict both the perception of opportunity and its exploitation. They stem from an amalgam of circumstances and dictates—discrimination and regulation, relative poverty and deprivation, low reservoirs of skill and education, consequent managerial and