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South Africa's White Entrepreneurs: An Evolution from Opportunity to Necessity

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The term 'White Monopoly Capital' has become a highly topical statement in recent times within South Africa, almost always referring to land and asset ownership, but pertinently also points to the direct and indirect control over the Nations' resources and economy (van der Walt 2015: 9). The factual authenticity of this term has been questioned by many, theorized as non-existent by even some senior Black leaders such as Thabo Mbeki, speaking on a radio interview (Power 987 2017: 1). However, looking deeper than just tangible assets and control of national resources, the phrase may still provide some meaningful insight into the persistent advantage held by members of the White South Africa population in the current day. Personified even further by omitting the word 'Monopoly', leaving simply 'White Capital', which in its broadest sense

Preamble: The history of South Africa is dominated by its racial divisions and the impact of segregations imposed. It is therefore not possible when discussing topics related to the differences between the ethnic groups, to avoid naming categories for them, which predominantly includes 'Blacks', 'Whites', 'Coloureds' and 'Indians'. The use of these racial terms is not deliberately to reiterate these Apartheid classifications, but rather necessary to distinguish the history of inequality between the groups.

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encompasses both the tangible and intangible value held by that sector of the population. This includes land ownership and assets, access to finance and investment and, also importantly in the context of this chapter, cultural and social capital built up over multiple generations.

Although it can be said that a significant amount of the country's wealth has been redistributed, this has been largely through equity reallocation of formerly 'White' companies to Black Economic Empowerment (BEE) groups. This growth of Black ownership represents just one tangible indicator, ignorant of the vast other forms of capital, including cultural capital, that personifies the legacy of 'White Privilege'. Within the current day, what is commonly seen is that, in general, White individuals continue to be more skilled and attain higher education levels than their Black counterparts and therefore are more likely to seize business opportunities. In combination with this, they too enjoy better access to financial and other resources which enable a higher probability towards success. Valuable resources that the majority of the Black community still have limited access to and thus have a limited opportunity of successful business ventures.

Despite this persistence of 'White Privilege', the application of it in the South African entrepreneurial environment has gone through a drastic change over time, from what would be characterized as Opportunity Entrepreneurship in the decades preceding 1994 to what would be largely defined as Necessity Entrepreneurship since democracy prevailed in the country. This over-arching conceptualization of entrepreneurial motivation, discussed in Stephan et al. (2015: 1), differentiated into the above named necessity and opportunity entrepreneurship, is popularly referred to as the 'push' and 'pull' factors. Advocates of the 'Push' Theory argue that individuals are pushed into entrepreneurship by negative situational factors such as dissatisfaction with existing employment, loss of employment and career setback. The alternative 'Pull' Theory suggests that attractive, potentially profitable business opportunities attract individuals into entrepreneurial activities (Valdez et al. 2011: 145).

Through the time of White minority rule, and the Apartheid regime, members of the White population group were afforded preference to employment in both public and private sectors, which meant individuals, or nascent entrepreneurs, were less likely to be driven by necessity, but rather motivated largely by opportunity. The advent of democracy in

South Africa, and the subsequent 'reversal' of preferential employment to favour members of the Black population rather than Whites, meant that motivation towards employment by individuals, or nascent entrepreneurs, of the White population is likely to be characterized by necessity. This evolution has had a profound impact on current-day generations of White South Africans, many of whom, when faced with uncertainty, chose to emigrate. Others though, who chose to remain, continued to prosper, in large part thanks to sustained 'White Privilege", but too by a new, and demographically inclusive, outlook on the future that Nelson Mandela termed the 'Rainbow Nation' (Habib 1997: 15).

History

The history of South Africa is defined by racial division, highlighted by four main ethnic groups, defined under the *1950 Populations Registry Act* in South Africa as Blacks, comprising almost 80% of the population; Coloureds, comprising just below 9%; Indians, who represent over 2%; and Whites, at just over 9%, consisting of both English- and Afrikaans-speaking groups as descendants from European settlers (Adams et al. 2014: 1411; Fourie 2007: 1270). The origin of White settlers in South Africa dates back to the founding of Cape Town in 1652 as a way station between the Netherlands and the East Indies by the Dutch East India Company. Despite being the original settlers in South Africa, the Dutch, in combination with early German and French immigrants, later becoming known as the Afrikaners, were largely farming people right through until the beginning of the twentieth century (Kurtz 2010: 1).

It was rather the British settlers who were the first European entrepreneurs, during the eighteenth century, to generate trade and industry by taking hold of the opportunities mineral resource-rich South Africa offered. Along with this, the South African War, from 1899 to 1902, between the English and Afrikaans groups, was devastating to the Afrikaner economic advancement as they entered the twentieth century. Although from the first Afrikaner entrepreneurs in the early part of the century, through to the 1940s, Afrikaner enterprises grew, they remained the minor to the English-dominated private sector (Giliomee 2008: 765). The 1948 elections in

South Africa resulted in the Afrikaans National Party (NP) taking a shocking political victory over the United Party, who had led the country since its foundation in 1933 (SA History 2017: 1). This victory allowed D.F. Malan to set into motion the government approach of supporting Afrikaner empowerment, which, despite their Calvinistic Culture, had not developed into a prosperous capitalistic structure through the preceding 300 years. This benefit towards Afrikaners gained by massive government assistance, failed though to produce truly innovative entrepreneurs, but rather growth as farmers, financial capitalists and in mining sectors.

Key to the history of South African politics and the related economy was H.F. Verwoerd, who served as Prime Minister from 1958 to 1966 and is largely known as the 'Architect of Apartheid'. His concept, analysed in Venter (1999: 415), was one of separate development, which would further favour individuals of the Afrikaans ethnic origin, and was similar to the belief of many Europeans in the nineteenth and twentieth centuries that Western cultures possessed an inherent superiority. This meant that Verwoerd too extended the 'Volk' to include the English-speaking sector of the population so that all 'Whites' would become 'Volk', and although two languages, they would have one patriotism.

The holistic economic effect of this Apartheid meant not just residential racial segregation, but too the segregation in terms of interests in capital, both facilitating cheap labour for 'White' business and the acquisition and releasing of land for industrial purposes through a wide range of legislative measures. This enabled strong economic growth within the country, which was almost exclusively for the benefit of the White population group (Maylam 1995: 19). Continuation through the 1970s and 1980s produced a multitude of opportunities for White South Africans in business, with the policies not just for government positions and business but also for White private business to be advantaged over other population groups. Beyond the obvious advantage in the job market, many opportunities became available through economic development, which combined with government policies that specifically targeted entrepreneurial development, opened an almost plethora of prospects for White South African entrepreneurs.

White Opportunity

Embodied in the Theory of Social Reproduction, discussed in Goldthorpe (2007: 1), is the concept originally proposed by Karl Marx which refers to the emphasis on the structures and activities that transmit social inequality from one generation to the next. He indicates that children born of what are called the 'dominant class' would be crucially advantaged over children of subordinate classes, in that they enter education better prepared to succeed within the system. Supplementary to this, it is suggested that the dominant classes effectively appropriate and monopolize resources and use them for their own exclusive benefit, thereby preserving their position of dominance. Along these lines, the Apartheid era systematically restricted the vast majority of South Africans from any meaningful participation in the economy. In fact, it can be also said that the Apartheid past had a dramatic effect on reducing any potential culture of entrepreneurship that may have existed among the Black community. Growing up in poor households, without the advantage of business-minded family and friends to shape their understanding of business and market opportunities, or the ability to build access to networks and knowledge, likely created generations of disadvantaged individuals. And, despite the overwhelming majority of Blacks, and their cultural identity within South Africa, the Western values of the White group remain dominant in the business and economic environment. This can traditionally be characterized by its Individualistic nature, which contrasts the Black, Coloured and Indian cultures characterized as Collectivistic (Adams et al. 2014: 1411).

Business opportunities were then available almost solely for members of the White population group, not only through a government with policies directing business with Whites only, but also legislation was enabling elite access to land and other resources by White individuals. These factors, combined with cheap labour provided by poor Black communities desperate for any form of income, resulted in an almost 'foolproof' environment, with the less motivated Whites simply opting for gainful employment that was easily available to them. And those nascent White entrepreneurs that chose to embark on new enterprises gained strong support, not only from government policies but also by private

sectors and banks, whose policies and processes were specifically in support of White individuals. Support was so strong that entrepreneurial failure was almost non-existent. And where new businesses created were not successful, the particular entrepreneurs were quick to find employment or support to secure alternative business opportunities.

Nattrass and Seekings (2010: 1) suggest that, even though South Africa operated as a free market economy, the Apartheid era restricting the vast majority of its population from economic opportunities and dominance of the White elite, meant it could rather be termed a 'Hierarchical Market Economy'. This term relates to the dominance of White business elite concentrated in corporate ownership and control, and exemplified by the Anglo-American Corporation that at one point controlled 44% of the capitalization of the Johannesburg Stock Exchange (JSE). Parallel to this, the Apartheid government created a vast amount of influence on the business environment by the creation of parastatals in the main sectors of the economy, including infrastructure, communications and resources. For entrepreneurs in this time, the opportunities presented, and the ease of setting up business with the major corporations and parastatals were so prolific that it contributed to the cultural *habitus* of the time. 'Habitus' is summarized by Light and Dana (2013: 1) as the cultural capital of a specific group that not only supports, but also identifies and promotes, careers that are appropriate for individuals of their cultural group. Dana (1997: 52) also emphasizes the forces influencing self-employment behaviour is highly determined by not only the individual's culture but also by the host society, making South Africa at the time a highly promising environment for potential White entrepreneurs.

Democracy and the New Environment

South Africa became a full democracy in 1994, with the African National Congress (ANC) policy at the time centred on poverty alleviation, housing for all and many services denied to Blacks under Apartheid. It is though rumoured that negotiations between the then President of the country, F.W. de Klerk, and Nelson Mandela resulted in an agreement that, while a constitutional settlement would need to meet the expecta-

tions of the Black majority, it would also have to protect the interests of the White minority. This specifically would assure White South Africans that they would not need to give up their property (Steingo 2005: 195). South Africa was also allowed re-entry into the world economy and is considered a free market system with a dual economy. This means it has a highly refined financial system, but a developing world social infrastructure, and just a few large enterprises dominate the main markets of the economy, specifically in Agriculture, Mining, Manufacturing or Services.

For some time it has been clear it requires both government and the private sector in rectifying the social and economic injustices of the past. And while the government has in large part formulated economic policies to foster economic growth and development for all, the private sector has been somewhat slow in executing these, as well as influencing the cultural dimensions vital to the long-term social needs of the entire nation. This is exemplified in the disparity of often White executive pay, versus numerous entrenchments seen in the poor working class, which demotivates and aggravates the poor of the nation (Nienaber 2007: 72). Alongside this, poverty and unemployment rates continue to rise since 1994. Peberdy (2009: 1), in her synthesis report, discussed how larger cities in South Africa have shown momentous development since 1994, highlighted by remarkable changes in social, cultural and economic life. However, they also display the desperate inequality and special divide that resulted from the Apartheid legacy. The majority of poor and working-class Blacks remain living in poorly serviced, economically and geographically marginalized areas. In parallel to this, education, through South Africa's two-tier private-public system, results in unequal opportunities due to the differing quality of education.

The minority of White children attending private schools continue to benefit from better education and subsequently can be seen as enjoying more opportunities for entrepreneurship, as it is known there is a strong correlation between education and entrepreneurship (von Broembsen et al. 2005: 1). Although Broad-Based Black Empowerment (BBBE) assists previously disadvantaged individuals in getting access to the economy, it cannot fulfil the absence of cultural capital that their White counterparts have bred into their culture for decades. Access to financial resources for investment and start-up capital continues to benefit White

entrepreneurs, who have better access through family wealth and networks, along with increased support from educated family members and relationships with various industry connections. Increased exposure, through interacting and increased travel around the world, continues to provide more educated and wealthier White nascent entrepreneurs far more potential opportunities than the Black majority, who are likely to have stayed in the same area their entire lives, where even travel from townships to urban areas may be unaffordable or impractical (Adam 2000: 48).

This too restricts the development of networks that White individuals are exposed to from an early age. Social gatherings in the White communities, known as 'Braai's', are commonly characterized by discussions around business and the economic environment, which children are constantly privy to and learn from, and are not the known norms in Black communities. It can almost be said that entrepreneurship is inbred into White children from a very young age. Even current-day events held around entrepreneurship are typically more catered to White South Africans who most often come from middle- to upper-class families and are focused on investment and high-skill requirement opportunities. Seldom are they adapted to young Black South Africans who largely came from townships and very poor families, resulting in them not being able to benefit from this, while their White counterparts gain stronger advantage.

Turn to Necessity

The question can be plainly put, 'How do Whites maintain their privilege in a state where Blacks have legally and legitimately realized political control?' In Post-Apartheid Era South Africa, the 1994 Employment Equity legislation favouring employment of Black (including Coloureds and Indians) groups over the White population group is commonly known as Affirmative Action (AA). This extended to Black Economic Empowerment (BEE) legislation that for government tenders and business favoured Black ownership, employment, training and programmes that empowered Black individuals. The legislation created barriers for White job seekers and budding entrepreneurs, many of whom chose emigration due to this, with

more than a million South Africans emigrating in the decade that followed (Steyn and Foster 2008: 25). Luiz and Mariotti (2011: 47) noted in their report on South African entrepreneurs that respondents agreed there remained many entrepreneurial ideas and opportunities, and, in general, they were positive about their ability to start a business. However, they also noted that in the pool of respondents, Whites were lower in their thinking due to perceptions regarding BEE, AA and the like. Decades after the end of the National Party's domination, members of the White population group are left to contend with feelings of isolation and alienation with regard to their position in the country, with White South Africans able and capable to likely leave for countries they believe they can achieve a 'better life'. Contingents of British descent are said to tend to hold on to their European identities, while quite conversely South Africans of Dutch descent prefer to be associated with the African continent and are less likely to depart (Kropp and Lindsay 2001: 23)

Those of the population that stayed felt large-scale impacts through the first decade of democracy, such as the South African government purchasing large portions of land from White owners in order to transfer this back to Black South Africans, which opened a significant amount of liquid Capital for alternative investment. Another widespread impact was the implementation of BEE Policy, which in practice saw Black investors buy discounted stakes in companies, but typically only benefitted a small number of Black political and economic elite, not the wider population. This policy and government tenders that favoured Black business, the vast 'White' Capital from land sales and the access to Capital many others from the White population continued to enjoy were unused by some degree of confusion and even investment paralysis. Along with this, the labour legislation of the new government offered increased protection for workers, establishing strict controls over hiring and firing, therefore unsustainably increasing the cost of employing labour for entrepreneurs. Through this time, South Africa was not able to fully take advantage of the Commodities boom throughout the globe in the early 2000s, with potential investors remaining uncertain of policy and rising costs.

Entrepreneurs were resultantly highly dissuaded then by the high crime rate, complex and unsupportive regulatory environment, and increased costs of labour. But, what the potential entrepreneurs did see

was increased spending power by a growing Black 'Middle Class', as well as an increasing amount of Blacks with added Disposable income as a result of Government Grant expansions. This saw many White South Africans, with available Capital, or the ability to more easily access Capital, and somewhat excluded from opportunities in the job market, start to focus their efforts on business opportunities towards the new Black spending class. Very frequently this saw many partnerships and joint ventures between Black and White individuals, resounding the thoughts of Nelson Mandela's 'Rainbow Nation'.

The Future

South Africa, a country defined by its history of struggle against racism and discrimination under the oppressive Apartheid government, in the current day has one of the most progressive constitutions in the world, with a strong commitment to human rights and respect for diversity. Unfortunately, as this translates to individuals within its society, one of the highest inequalities persists alongside one of the highest unemployment rates internationally. This means more needs to be done in order to bring more South Africans into the economic mainstream, but with the inability of the corporate sector to absorb the surplus labour, the focus turns to growth of entrepreneurs as the foundation for this economic development (Luiz and Mariotti 2011: 47). Currently though, South Africa, with possibly the lowest entrepreneurial activity rate of all developing countries, desperately needs an emerging pool of potential entrepreneurs with the motivation and capability to identify business opportunities and bring them to life. However, with the lack of preparation provided through the education system to the vast majority of individuals in the country, many of whom have not completed secondary school; it requires added efforts and programmes to help provide nascent entrepreneurs with the necessary skills to start a business (von Broembsen et al. 2005: 1).

South Africa needs increased transfer of skills and knowledge from the privileged communities, predominantly still White, to the poorer majority, largely Black communities. Muhanna (2007: 95) indicates that stud-

ies reveal that the availability of role models and development of social networks is a major driving solution for entrepreneurship in South Africa. Then, perhaps a fortunate consequence of the recent Global Financial Crisis, which not only saw a reduction in the emigration of educated Whites, but too the increase in many previous emigrants returning to the country, may provide some benefit in this regard.

In combination with organizational and institutional support, these returning individuals may not only provide capital but also may engage in the transfer of skills through mentorships, recruitment, development and strategy to not only increase employment, but also foster the development of the 'Entrepreneurial Spirit' that may be ready to be unleashed within the Black communities.

Many examples of this potential for entrepreneurship in the Black communities exist, such as in tourism, with large parts of the Soweto Township near Johannesburg seeing many budding and successful enterprises, many of whom took advantage of the Soccer World Cup in 2010. In fact, also within the tourism sector, many of the Fair Trade Tourism South Africa (FTTSA)-certified businesses that are White entrepreneur established create an enabling environment for community-based tourism, in an open attempt to alleviate inequality and poverty in the country. The FTTSA is dedicated to not only increase national tourism but to additionally create business and employment opportunities to benefit disadvantaged communities (Boluk 2011: 199).

Numerous examples exist of initiatives where White business has promoted Black-owned entrepreneurship, such as an initiative by Spier Wine Estate in the Western Cape, who supported the successful launch of a Black-owned laundry business that created a number of employment opportunities (Spier Wine Estate 2017: 1). This reflects not only the necessity of adherence to legislation and calls from political parties, but also the social obligation to the poor communities that many White South Africans subscribe to, aware of the macroeconomic discourses that the historical behaviour of White people created. If South Africa is to really become an inclusive society for all, it will need to strengthen its democracy with a government that is accountable to its voters, by instituting the right reforms, which will over the long term ensure increased economic growth and stability.

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