SKILLS@WORK: Theory and Practice Journal

This independent, interdisciplinary journal is dedicated specifically to skills development and related areas such as local economic development (LED). These are emerging fields of research and knowledge in South Africa: the journal therefore provides an important forum for the publishing of scholarly articles and case studies that are of interest and relevance to researchers and practitioners. A further aim is to provide an ongoing stimulus for learning and teaching in these fields, particularly for local graduate students and young researchers in academic institutions and research centres. Although the focus is primarily on South Africa, regional and international perspectives are also encouraged.

The journal is fully refereed. All submitted manuscripts are reviewed by a minimum of two independent referees prior to being accepted for publication, using the “double blind” anonymous process of peer review. Skills@Work: Theory and Practice is supported by an international Editorial Advisory Board as well as by a panel of Consultant Reviewers. Currently, one volume of the journal is published per year. From Volume 4 onwards, the journal has been published by the College of Law and Management Studies at the University of Kwa-Zulu Natal, in association with the National Skills Research Agency (NASRA). Articles published in the journal are indexed in SABINET and WorldCAT.

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The theme selected for Volume 5 of the journal Skills@Work: Theory and Practice is 'Defining the field of Local Economic Development'. LED is becoming a major area of growth and relevance internationally. As with all emerging fields, it is important to have a forum for engagement where theoretical perspectives, research findings and practitioner case studies may be shared in order to build the body of knowledge, stimulate further debate and research and, most importantly, to serve as a resource for teaching and learning. The current edition includes a variety of scholarly articles on the following topics:

- various formulations of what LED is and how it is taught
- how LED is conceptualised in various disciplines
- LED and multi-disciplinarity (ways of integrating various discipline approaches)
- case studies of LED projects that provide useful material for the teaching and learning of LED approaches and perspectives.

As Dr Marius Venter comments in the Guest Editorial, there is a real need for universities to assist in creating a body of knowledge in LED. Publications such as Skills@Work: Theory and Practice play an important role in filling this gap.

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Prof John Volmink
Honorary Professor of Education,
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Cape Town, December 2012
CHANGE YOUR MINDSET: MOVE FROM BEING AN LED ‘PRACTITIONER’ TO BECOMING AN LED ‘PROFESSIONAL’

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INTRODUCTION

Let’s turn Local Economic Development (LED) ‘practitioners’ into LED ‘professionals’! In my opinion, the term ‘practitioner’ is outdated and no longer relevant to the LED career in South Africa, except for persons starting out in their careers. My understanding has always been that the term LED ‘practitioner’ has the meaning of being ‘hands on’ … being an ‘implementer’ of LED. It is evident, however, that after nearly 15 years, the so-called LED ‘practitioners’ in all three spheres of government barely have a clue how to undertake LED (Davids, 2007:3). It has to be said that the absence of suitably qualified LED practitioners has contributed to the service delivery debacle, especially at the municipal level (Sunday Times, 11 October 2012). I want to propose that the term LED ‘professional’ become the norm in future.

My understanding of LED ‘professional’ is that this is a person who has integrity, has certain competencies and has become an expert in the field of LED through theory and practice. An LED ‘professional’ has a track record of successes and failures. I regard failures as an important learning tool and an indicator that the LED ‘professional’ has gained valuable experience by reflecting on mistakes that have been made, and that he or she will be able to rectify them in future. The South African Constitution (1996) has made LED compulsory for municipalities, and it is therefore of utmost importance to assist LED ‘practitioners’ to become LED ‘professionals’. There are three prerequisites, however. Firstly, an LED ‘practitioner’ who wants to be recognised as an LED ‘professional’ must be willing to participate in the newly created continuous professional development programme in LED. Secondly, the absence of universities to assist in creating a body of knowledge in LED should
be rectified as a matter of urgency. The Skills@Work: Theory and Practice publication plays an important role in filling this gap. The contribution of universities in terms of academic research and accredited publications will lay the foundation for LED ‘professionals’ to grow their local economies. Thirdly, a professional body, recognised by the South African Qualifications Authority, needs to be established.

I believe that LED ‘professionals’ need to understand that their careers move through a series of career stages, which is the essence of career development. The professional development model for LED ‘professionals’ proposed in this guest editorial was developed by the Centre for Local Economic Development (CENLED), based at the University of Johannesburg (UJ). Research commissioned by various institutions confirmed the critical importance of LED in achieving South Africa’s developmental objectives (Patterson, 2008:6). Recognition of the urgency of capacity building in LED resulted in the establishment of the Centre for Local Economic Development (CENLED) in 2008. In accordance with the vision, mission, core values, principles of corporate governance and the legal and management framework of the UJ, CENLED:

- provides leadership and excellence in Local Economic Development
- promotes the placement of qualified people in the field of Local and Community Economic Development
- promotes Local Economic Development as a distinct, recognised, and self-governing profession
- builds partnerships with communities
- contributes to South Africa’s and Africa’s economic well-being.

The strategic objectives of CENLED are to:

- build the capacity of Local Economic Development Practitioners to professionalise their careers
- promote the study of Local Economic Development as a discipline at undergraduate and postgraduate levels
- promote new excellence, preparing the next generation of Local Economic Development Professionals and creating enduring physical and virtual spaces of interactions among professionals, academia, researchers and stakeholders
- create, apply and transfer multidisciplinary knowledge to help LED professionals understand community change and identify opportunities in their communities
- adopt a multi-disciplinary departmental/faculty approach to the implementation of Local Economic Development Professional development programmes in order to develop state-of-the-art strategies, tools and practices that will promote Local Economic Developmental practices
- undertake knowledge-based professional development, training and life-long education in sustainable local/economic development principles, practices and emerging technology applications for the incumbent workforce and practising industry professionals
- foster a paradigm shift in the thinking of students (in all disciplines) with regard to Local Economic Development by expanding the general knowledge of the development of the discipline, the profession and the society–profession nexus, and creating an awareness of the possibilities of future specialisation in Local Economic Development
work with faculty and private/public sector organisations and other higher education organisations to modify, refine, review or design curricula for identified economic development needs to meet the expected standards of academic integrity, but with the capability of moving beyond traditional methods that limit flexibility

- promote the building of networks in neighbouring countries and the rest of the African continent, as well as with similar centres and bodies internationally to gain international accreditation of LED professionals in Africa.

CENLED brought together South African universities with expertise in LED-related learning areas to develop this LED professional development programme. In order to develop the professional development programme for LED ‘professionals’, CENLED entered into a consortium partnership with

- the Cape Peninsula University of Technology (CPUT)
- Free State University (UOFS)
- Tshwane University of Technology (TUT)
- University of KwaZulu-Natal (UKZN)
- University of Limpopo (UL)
- University of Pretoria (UP)
- University of Stellenbosch Business School (USB-ED)
- the University of the Western Cape (UWC).

Twenty short learning programmes accredited by the International Economic Development Council (IEDC) also exist. Experts developed the short learning programmes in priority learning areas that were identified in consultation with the major stakeholders, including

- the South African Local Government Association (SALGA)
- the Department of Co-operative Governance (CoGTA)
- the Local Government Sector Education and Training Authority (LGSETA)
- the Development Bank of Southern Africa (DBSA)
- the Department of Trade and Industry (dti)
- the Industrial Development Corporation (IDC)
- the South African LED Network.

The purpose of the LED short learning programmes (SLPs) developed under the auspices of CENLED is to develop the competence of participants in promoting Local Economic Development in their work environments for the benefit of the local communities. This will be done firstly through developing the knowledge, understanding and skills of participants in learning areas that are critical to effective LED practice, secondly by providing a structured mentoring programme to assist participants to transfer learning to the work environment thirdly by promoting the professionalisation of the LED occupation through the registration as LED ‘professionals’ with a recognised professional body and, lastly, by creating a body of LED knowledge by publishing in accredited publications. The Skills@Work: Theory and Practice Journal, which includes as an aim the publication of relevant case studies, is the perfect vehicle to assist in professionalising the careers of LED ‘practitioners’.
The value added to the LED ‘practitioner’ and LED ‘professional’ career will enable them to

- conduct environmental analyses and feasibility studies to understand the local context and to identify opportunities for LED projects
- formulate an LED strategy positioned within the Integrated Development Plan (IDP)
- plan and oversee LED projects described in the LED Strategy
- create the enabling environment for LED projects to succeed
- facilitate and coordinate the implementation of LED projects
- enhance their financial and economic skills to develop an economic profile for the local area and draw up budgets
- utilise and manage human resources, including external experts involved in LED projects
- monitor and evaluate LED projects against objectives, deliverables and outcomes, and take corrective action
- manage stakeholder relationships
- broaden and deepen their pool of skills required to support economic development primarily at local government level and to
- undertake research to be able to contribute to LED body of knowledge.

The sections which follow explain the career stages of an LED ‘professional’ or aspiring LED ‘professional’ and provide examples of appropriate professional development opportunities. Lastly, an overview is given of the proposed certification levels within the proposed LED ‘professional’ body.

**THE LED CAREER IN CONTEXT**

Aspiring LED ‘professionals’ must plan effectively by looking beyond the present and taking a long-term, holistic look at their careers. During this planning process both personal and professional goals are articulated, and those developmental opportunities that are most effective in helping them reach their goals are selected.

Using a career-development approach in planning for professional development implies that one must focus on the interaction between the individual and organisation over time (Schein, 1978). This long-term perspective enables us to utilise the time available for devoting to professional development more efficiently and effectively.

Over the years, a number of authors have attempted to describe the characteristics of professional careers. Most authors agree that a professional

- has an identifiable base of knowledge from which he/ she practices
- has acquired a mastery of that knowledge through extended education
- has sovereignty in making decisions regarding application of that knowledge
- displays a strong commitment to the field
- has a lifelong commitment to professional development (Kerr, Von Glinow, and Schriesheim, 1977).

Recognising the unique characteristics of professional careers, Dalton, Thompson, and Price (1977), and Dalton and Thompson (1986) introduced a career stage model for professional
growth that identifies and describes four distinct stages of professional careers. Associated with each career stage are identifiable characteristics and needs that guide thoughts, behaviours and actions at a particular stage. These ultimately have an effect on the nature of developmental opportunities appropriate at a particular stage.

While the model suggests progression from one stage to another, it acknowledges that not all professionals will progress through all four stages over the course of their career. Although movement from stage to stage is sequential, progressing from one stage to another does not require a change of jobs. The original model introduced by Dalton, Thompson and Price was modified by Rennekamp (1987) and was adapted for this guest editorial. The four stages described below are:

- Entry
- Colleague
- Counsellor
- Mentor.

For each stage, a set of motivators are listed that can drive professional development at that point in an individual’s career. These motivators provide both the impetus for participating in and the criteria for selecting from among various professional development opportunities. Not all of the motivators are active at any given time. Also listed are some possible professional development opportunities that may be appropriate for each career stage.

The ‘Entry’ Stage

The entry stage corresponds with a time an individual’s career where he/she first enters the profession or a new job within the profession. Some have called this an apprentice stage. For the purpose of this editorial it would be the LED ‘practitioner’ stage. It is essential that LED ‘professionals’ move out of this stage to attain career satisfaction. The entry stage is characterised by psychological dependency, where central motivators for professional development include attaining the foundation skills required to do the job and understanding the organisation's structure, function, and culture at that point in the organisation's history. Table 1 outlines the motivators and development opportunities in stage one of the LED career.

Table 1: Career Stage One: ‘Entry’ Level

<table>
<thead>
<tr>
<th>Motivators for Professional Development</th>
<th>Developmental Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding the organisation's structure, function, and culture</td>
<td>Orientation training</td>
</tr>
<tr>
<td>Attaining base level technical skills</td>
<td>'Mentor' relationship with a senior professional</td>
</tr>
<tr>
<td>Giving relevancy to previous training</td>
<td>Periodic follow-up training and administrative support</td>
</tr>
<tr>
<td>Exercising directed creativity and initiative</td>
<td>Establishment of peer relationships</td>
</tr>
<tr>
<td>Establishing linkages with volunteers, advisory groups, and community</td>
<td>Experiences that foster trust, confidence and loyalty</td>
</tr>
<tr>
<td>Moving from dependency to independency</td>
<td>Short learning programmes in LED facilitated by the Centre for Local Economic Development (CENLED) based at University of Johannesburg (UJ)</td>
</tr>
<tr>
<td>Exploring personal/professional dynamics</td>
<td>B. Econ degree at University of the Western Cape (UWC)</td>
</tr>
<tr>
<td>Expanding knowledge regarding relevant issues</td>
<td>Research assistant</td>
</tr>
<tr>
<td>Building relationships with professional peers</td>
<td>Webinars</td>
</tr>
<tr>
<td></td>
<td>Roundtable discussions</td>
</tr>
</tbody>
</table>

The ‘Colleague’ Stage

The Colleague Stage can be a satisfactory level for many LED ‘professionals’ for a number of years, as long as growth in expertise or responsibility continues. Some people never need to move beyond this level, thriving on independent work (Simonson, 1986). Individuals in the colleague stage have been accepted as members of the professional community and independently contribute their expertise to solving problems and carrying out programs. This stage is characterised by a rapid growth in professional knowledge, independence, and autonomy. Table 2 outlines the motivators and development opportunities in stage two of the LED career.

Table 2: Career Stage Two: ‘Colleague Stage’ Level

<table>
<thead>
<tr>
<th>Motivators for Professional Development</th>
<th>Developmental Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Developing an area of expertise</td>
<td>• Opportunities for development of a specialty (for example international certification and regional workshops)</td>
</tr>
<tr>
<td>• Becoming an independent contributor in problemsolving</td>
<td>• Increased involvement in committees</td>
</tr>
<tr>
<td>• Developing a professional identity</td>
<td>• Increased involvement in professional associations</td>
</tr>
<tr>
<td>• Sharing knowledge and information with others</td>
<td>• Opportunities to share information and knowledge</td>
</tr>
<tr>
<td>• Gaining certified membership in the professional community</td>
<td>• Writing for newsletters, journals, and other publications</td>
</tr>
<tr>
<td>• Increasing effectiveness and efficiency</td>
<td>• Developing educational materials</td>
</tr>
<tr>
<td>• Expanding creativity and innovation</td>
<td>• Giving career counselling</td>
</tr>
<tr>
<td>• Moving from independency to interdependency</td>
<td>• Short learning programmes in LED offered by CENLED and partners</td>
</tr>
<tr>
<td>• Expanding knowledge regarding relevant issues</td>
<td>• Post graduate diploma in LED at the University of KwaZulu-Natal (UKZN)</td>
</tr>
<tr>
<td></td>
<td>• Professional Masters degree in LED at UJ</td>
</tr>
<tr>
<td></td>
<td>• Research publications in an accredited journal</td>
</tr>
</tbody>
</table>


The ‘Counsellor’ Stage

The LED ‘professionals’ who have reached the counsellor stage are ready to take on responsibility, either formal or informal, for developing others in the organisation. At the same time, they must not neglect their own personal growth and development. In order to accommodate personal development needs, counsellor-level professionals often seek to develop additional areas of expertise beyond which they currently possess. These efforts result in a broad-based expertise that can be utilised in organisational problem-solving. Counsellors often chair committees or take on leadership roles in professional associations. Rather than being independent contributors, they understand the need for an interdependent role and accomplish much of their work through others. They often have extensive networks both within and outside the organisation. A move to the counsellor stage does not necessarily imply a change of jobs to a supervisory or managerial position, but those in the counsellor stage must at some point be able to contribute to the growth of others in the system. Table 3 outlines the motivators and development opportunities in stage three of the LED career.
Table 3: Stage Three: ‘Counsellor’ Level

<table>
<thead>
<tr>
<th>Motivators for Professional Development:</th>
<th>Developmental Opportunities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Acquiring broad-based expertise</td>
<td>• Opportunities to serve as a formal or informal mentor</td>
</tr>
<tr>
<td>• Attaining leadership positions in professional circles</td>
<td>• Opportunities to chair committees and coordinate projects</td>
</tr>
<tr>
<td>• Engaging in organisational problem-solving</td>
<td>• Opportunities for self-renewal and additional training</td>
</tr>
<tr>
<td>• Developing networks with other organisations</td>
<td>• Greater responsibility in decision-making and problem-solving</td>
</tr>
<tr>
<td>• Stimulating thought in others</td>
<td>• Opportunities to serve in formal training/mentorship roles</td>
</tr>
<tr>
<td>• Counselling other professionals</td>
<td>• Job enrichment, job redesign, varied assignments</td>
</tr>
<tr>
<td>• Developing coaching and mentoring relationships</td>
<td>• Career counselling</td>
</tr>
<tr>
<td>• Initiating job enrichment and redesign</td>
<td>• Temporary assignments to special projects</td>
</tr>
<tr>
<td>• Facilitating self-renewal and rebirth</td>
<td>• CENLED short learning programmes in LED</td>
</tr>
<tr>
<td>• Expanding knowledge regarding relevant issues</td>
<td>• Post graduate diploma at UKZN</td>
</tr>
<tr>
<td></td>
<td>• Professional Masters in LED at UJ</td>
</tr>
<tr>
<td></td>
<td>• Research publications in accredited journals</td>
</tr>
</tbody>
</table>

Source: Adapted from *Professional Growth: A Guide for Professional Development* by RA Rennekamp and M Nall: 1-10

The ‘Mentor’ Stage

LED ‘professionals’ in the mentor stage should play a key role in shaping the future of an organisation by mentoring promising people, programmes and ideas. The mentor has often developed a distinct competence in several areas of expertise and often has a regional or national reputation. Mentors have a thorough understanding of the LED context and can be a catalyst for positive change. They are capable of exercising formal and informal influence in the decision-making process. It is anticipated that not all LED ‘professionals’ will reach the mentor stage. Similar to the counsellor stage, progress to the mentor stage does not require a permanent or formal move to a titled position, but it does mean having some influence over the policies or procedures of the organisation or over the nature of an individual’s own job. Table 4 outlines the motivators and development opportunities in stage four of the LED career.

Table 4: Stage Four: ‘Mentor’ Level

<table>
<thead>
<tr>
<th>Motivators for Professional Development</th>
<th>Developmental Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Becoming involved in strategic organisational planning</td>
<td>• Creating opportunities to utilise expertise and influence</td>
</tr>
<tr>
<td>• Achieving the respect of others in the organisation</td>
<td>• Undertaking complex and challenging assignments</td>
</tr>
<tr>
<td>• Engaging in innovation and risk-taking</td>
<td>• Resuming increased responsibility</td>
</tr>
<tr>
<td>• Understanding complex relationships</td>
<td>• Involvement in strategic planning</td>
</tr>
<tr>
<td>• Achieving a position of influence</td>
<td>• Opportunities to represent the organisation to internal and external groups</td>
</tr>
<tr>
<td>• Mentoring individuals, programs, and people</td>
<td>• Obtaining resources</td>
</tr>
<tr>
<td>• Increasing responsibility</td>
<td>• Giving career counselling</td>
</tr>
<tr>
<td>• Expanding knowledge regarding relevant issues</td>
<td>• Involvement in mentorship and training programmes</td>
</tr>
</tbody>
</table>

Source: Adapted from *Professional Growth: A Guide for Professional Development* by RA Rennekamp and M Nall: 1-10
Most aspiring or existing LED ‘professionals’ will have little trouble identifying their career stage. Others will have considerable difficulty because they see themselves being at different career stages with respect to different facets of their job. This is perfectly natural, especially when there are changes taking place in the nature of their jobs. For example, embarking on a new programming thrust or adjusting to the use of a new technology makes many of us engage in developmental activities characteristic of the entry stage. In other words, in many respects a person can be in several career stages at once. To operationalise the model, however, it is important for individuals to try to select the one career stage that best describes where they feel they are currently in terms of their professional growth.

Another important point is that while progress from one stage to another is a common goal of most LED ‘professionals’, some will be satisfied to remain in a particular career stage. Satisfaction in a career stage can be maintained as long as growth in expertise or responsibility continues. A move to a counsellor or mentor stage is not necessarily appropriate or desired by all. The model does imply movement, but not necessarily from one job to another, or even from stage to stage. This movement is achieved through continual professional growth. Such growth is essential to job satisfaction. I believe this adapted model provides an excellent base from which aspiring and existing LED ‘professionals’ can begin to focus and articulate their plans for professional growth.

**OPPORTUNITIES TO BECOME AND MAINTAIN ONE’S CAREER AS AN LED ‘PROFESSIONAL’**

Table 5 gives an outline of the LED programmes available to become an LED ‘professional’. Figure 1 provides an indication of the proposed levels of LED ‘professional’ registration with the proposed professional body for LED.
Table 5: Professional Development Programmes and Qualifications – (NQF Levels 4-9) for LED

<table>
<thead>
<tr>
<th>CENLED Short Learning Programmes</th>
<th>UWC - B ECON (LEVEL 8)</th>
<th>UKZN: Post-Graduate Diploma in LED (LEVEL 8)</th>
<th>UJ: Proposed Professional Masters in LED (LEVEL 9)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Proposed 4 Core Programmes</strong></td>
<td><strong>YEAR 1: Level 7</strong></td>
<td><strong>YEAR 2: Level 6</strong></td>
<td><strong>Topics to be covered relating to LED could be selected from the following list:</strong></td>
</tr>
<tr>
<td>- Introduction to LED (Level 7)</td>
<td>- Introduction to LED</td>
<td>- Economic profiling and quantitative analysis (Year 2, Level 6) (combining: LED Quantitative Analysis – Compiling a local development profile &amp; LED Quantitative Analysis – Strategies from Statistics)</td>
<td>- Microeconomic Issues in LED</td>
</tr>
<tr>
<td>- Enabling Mechanisms for LED (Level 7)</td>
<td>- Managing Economic Development Organisations</td>
<td>- ELECTIVES: Year 4, Level 8</td>
<td>- Research Methodology of Economics</td>
</tr>
<tr>
<td><strong>ELECTIVE PROGRAMMES (Level 8 except where indicated)</strong></td>
<td>- Managing Economic Development Organisations</td>
<td>- ELECTIVES: Year 4, Level 8</td>
<td>- Minor Dissertation in LED topic</td>
</tr>
<tr>
<td>- Applied Trade and Industrial Policy for LED (Level 7)</td>
<td>- Investment promotion for Economic Development</td>
<td>- ELECTIVES: Year 4, Level 8</td>
<td>- Trade and Industrial Policy</td>
</tr>
<tr>
<td>- LED Quantitative Analysis – Compiling a local development profile (Level 6)</td>
<td>- Applied Project Management for LED</td>
<td>- ELECTIVES: Year 4, Level 8</td>
<td>- Finance &amp; Development</td>
</tr>
<tr>
<td>- Managing Economic Development Organisations</td>
<td>- Applied Public-Private-Partnerships</td>
<td></td>
<td>- Political Economy of Development</td>
</tr>
<tr>
<td>- Investment promotion for Economic Development</td>
<td>- Promoting Local Economic Development through Entrepreneurship and SMMES</td>
<td></td>
<td>- Poverty and Inequality</td>
</tr>
<tr>
<td>- Applied Project Management for LED</td>
<td></td>
<td></td>
<td>- Other LED-relevant topics</td>
</tr>
<tr>
<td>- South African Business Retention and Expansion</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>- Applied Public-Private-Partnerships</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>- Promoting Local Economic Development through Entrepreneurship and SMMES</td>
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**Note 1:** Electives from the CENLED short learning programmes can be added to this qualification

**Note 2:** UKZN modules included in the CENLED list

- Accounting and Finance for LED
- Economics for LED Practitioners
- Marketing Management for LED
- Interactive LED Research Project
- LED and Developmental Government
- Strategic and Project Management
- Supply Chain Management for LED
- Sustainability in LED

**Note 3:** UKZN modules that articulate with CENLED short learning programmes – [recognition can be given, subject to completion of the summative assessment of the CENLED SLP]

- LED and Developmental Government
- Strategic and Project Management
- Sustainability in LED

Source: CENLED, 2013
Figure 1: Proposed requirements and levels for professional registration

Source: CENLED 2013
Explanation of notes in the figure above:

SLP = Short learning programme

1. Persons with Level 4-5 can only get Affiliate status. To move to Associate status, they will first have to complete a Level 6 LED or relevant qualification – and then meet the additional requirements for Associate status.

2. Graduates will apply for Affiliate status through submission of an application form, together with the qualification certificate.

3. The professional body will have to indicate which qualifications are considered relevant, probably with only 120 credits.

4. The 4 Core CENLED short learning programmes (SLPs) currently selected are:
   - Introduction to LED (Level 7), LED Quantitative Analysis
   - Compiling a local development profile (Level 6)
   - LED Quantitative Analysis
   - Strategies from Statistics (Level 6)
   - Enabling Mechanisms for LED (Level 7)

5. Level 6 graduates who already have Affiliate status will be able to move to Associate status by meeting additional requirements, and then applying to the professional body for upgraded status.

6. Exam A will be based on the 4 Core CENLED SLPs, but will not be a repetition of the assignments of those 4 SLPs, and will not assess knowledge/theory. It will be integrated assessment that will require learners to apply learning from the core SLPs in an integrated manner to a scenario, such as a case study.

7. The professional body could set some requirements for relevant LED work experience for Associate and Certified LED professionals, and require applicants to describe and provide evidence of the type of work experience gained in their application as Associate or Certified LED professionals.

8. Graduates from the B.Econ are automatically eligible for Affiliate status. If they want to upgrade to Associate status, they will have to complete Exam A and must have at least 3 years’ work experience.

9. Again, the professional body will have to indicate which qualifications are considered relevant, with the minimum number of credits – probably 360.

10. Graduates from relevant Level 7 qualifications are eligible for Affiliate status after completing the 4 Core CENLED SLPs. The reason for this requirement is to ensure that they have sufficient learning in LED that would not have been covered in sufficient depth in the ‘relevant qualification’. If these graduates want to upgrade to Associate status, they will have to complete Exam A and must have at least 3 years’ work experience.

11. To summarise: persons with Affiliate status can upgrade to Associate status by completing the IEDC Exam A and 3 years’ LED work experience if they have:
    - A level 6 LED qualification, OR relevant level 6 qualification + 4 Core SLPs
    - The B Econ OR a relevant level 7 qualification + 4 Core SLPs.

12. Four of the modules in the Post-graduate Diploma in LED are included in the list of 20 CENLED approved SLPs:
    - Accounting and Finance for LED
    - Economics for LED Practitioners
    - Marketing Management for LED
    - Interactive LED Research Project
Graduates from the Post Graduate Diploma can complete the IEDC Exam A and if they have 3 years’ LED work experience they can apply for Associate status. Graduates who want to apply for Certified status will have to complete 2 other CENLED SLPs.

13. The CENLED SLPs consist of the 16 already submitted to the IEDC, including the 4 Core modules listed above under *4 There are currently no Core CENLED SLPs for Exam B and Certified status, but could be: Project Management, Entrepreneurship & Sustainability

14. The UJ M.Com already includes 2 LED electives, and other topics that could easily be applied to LED, (eg Trade and Industrial Policy, Finance & Development, Labour Market Issues and Macro/Microeconomics in Development)

**Note:** UJ is developing a Professional Masters on Level 9 with a minimum of 180 credits, and a maximum of 60 credits on Level 8 which will be taken from four CENLED SLPs to make up 60 credits.

15. Graduates from the M.Com who wish to apply for Certified status will have to complete the 2 LED electives in the M.Com and their dissertation must have an LED focus.

16. Exam B will be an integrated assessment that will require learners to apply learning from the selected SLPs in an integrated manner to a scenario, such as a case study. The exam will cover areas the IEDC considers essential for an LED professional on Level 8 and 9, and the focus will be on problem solving of complex and multi-dimensional problems, using a systems approach.

17. The professional body will have to decide whether practitioners can enter as Certified LED professionals or whether they will first have to apply for Affiliate or Associate status.

18. Again, the professional body will have to indicate which qualifications are considered relevant.

19. Graduates from relevant Level 8 or 9 qualifications who wish to apply for Certified status will have to complete 6 CENLED SLPs. The reason for this requirement is again to ensure that they have sufficient learning in LED that would not have been covered in sufficient depth in the ‘relevant qualification’. These graduates will then complete Exam B and must have 5 years’ LED work experience.

**CONCLUSION**

My plea in this guest editorial has been for LED ‘practitioners’ to use the opportunities available to become LED ‘professionals’. I have given an overview of the different stages in the LED career, the motivators and the development opportunities. The professional improvement opportunities include a broad variety of learning opportunities and experiences. They range from graduate courses and involvement in a professional association to self-directed study and study tours. One of the most useful and cost-effective methods of professional development is to subscribe to and read relevant professional journals and magazines. The *Skills@Work* journal gives the LED ‘practitioner’ an opportunity to become an LED ‘professional’. The journal is devoted to the field of LED knowledge and fills the gap that existed. The contribution of the journal will assist LED ‘practitioners’ to become LED ‘professionals’ because it includes feature articles on successful programs and practical program evaluations. It also includes opinion articles on controversial topics, reviews of resource materials, and summaries of research. In future no more excuses will be accepted for not being able to develop our economy!
REFERENCES


DATA RESOURCES ‘AVAILABLE’ FOR LOCAL ECONOMIC ASSESSMENT IN SOUTH AFRICA

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ABSTRACT

This article looks at the concept of local economic assessment within the context of Local Economic Development (LED) in South Africa. According to the Constitution of the Republic of South Africa, local government institutions or municipalities are responsible for the facilitation and implementation of LED. This assumes that these institutions have the required and necessary capacity, resources and passion to do so. To a significant degree the effectiveness of the LED strategy, and therefore the magnitude and reach of the impact of LED, is based on the effective and efficient assessment of the local economy. Identifying the relevant data and data resources is therefore key to managing an effective and efficient local economy assessment process. This article identifies the data needed in the local economy assessment process and conceptualises some of the major possible data resources available.

Key words: Local Economic Development, economic assessment, economic indicators, economic structure, demographics

INTRODUCTION

The development strategy of LED has been widely practised in the more developed countries for many decades, but it appears to be a relatively recent phenomenon in South Africa. Nel (2001) states that the enhanced status of the local economy and the importance of local
decision-making have accelerated the trend in the incidence and acceptability of LED in both developed and developing countries, including South Africa. Blakely (1994) defines LED as ‘the process in which local governments or community-based organizations engage to stimulate local employment opportunities in sectors that improve the community, using existing human, natural and institutional resources’. According to Zaaijer and Sara (1993), LED is essentially 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.

The role of local authorities in developing and delivering sound LED strategies, often as part of city development and growth strategies, is crucial and recognised almost unanimously, and therefore the responsibility of LED in South Africa is placed at a local government level. It therefore becomes imperative to be sure that local government institutions have the necessary resources, technical ability and willingness to plan, implement, monitor and evaluate the development of the LED strategy for the particular local economy.

One such very significant and crucial resource is economic data (i.e. quantitative and qualitative data relevant to the cause). Zietsman, Ferreira and Van Der Merwe (2006) suggest that in order to ascertain how towns and cities could be supported optimally by a dynamic system of urban strategies, it becomes necessary to evaluate and monitor the environment, functions and performance patterns of the towns and cities comprehensively.

Bernard Baumohl in his book ‘The Secrets of Economic Indicators’ (2005) suggests that the most influential economic and business data (indicators) should possess some of the following attributes:

- accuracy
- timeliness of the indicators
- the business cycle stage
- predictive ability
- degree of interest.

It must be emphasised that this article is not about LED as such, nor the appropriate objectives or strategies of LED, or the history or progress of LED in South Africa etc, but rather about the data content of the development of an LED plan or strategy (i.e. its foundation). The article will therefore focus on the ‘analysis’ part of the LED process, and specifically on the data resources actually and conceivably available for local economic assessment.

## WHY ANALYSE THE LOCAL ECONOMY?

The rapidly changing economic, social and legal environments, combined with many internal dynamic changes and challenges not previously experienced, have resulted in many urban and rural regions in South Africa facing significant developmental needs. This, together with the fundamental recognition and understanding that no two urban or rural regions are the same and that national information is not a perfect substitute for local information, has cultivated and strengthened the need for a deep understanding of the economy of a particular urban or rural region.
Cortright and Reamer (1998) state that Economic Development practitioners’ or researchers’ effectiveness is fairly limited unless they can frame what is going on in the economy, and that their basic tool for framing is some level of data assessment. Anecdotes and stories from the field, while useful, can take them only so far.

The assessment of the local economy, according to the World Bank (2004), should be the second activity in the process to develop an LED strategy. To develop an LED strategy, community members must be fully informed about their own town or city, their own region and their national economy. Conducting a local economy assessment involves collecting strategically important information and then analysing it strategically (World Bank, Local Economic Development, 2004).

It thus seems clear that a thorough assessment of the local economy is non-negotiable in the development of an LED strategy. Importantly, however, the assessment must focus on supply of ‘good’ information as identified by Baumohl (2005). Conducting an assessment just for the sake of conducting an assessment is just as fruitless as not conducting an assessment at all. Therefore the focus of the assessment must be on the production of economic data that incorporate most, if not all, of the attributes identified by Baumohl (2005).

From a more theoretical perspective, the availability of economic data allows Local Economic Development and related theories and strategies to be tested empirically. It supports the robust testing of economic models relevant to the local economy and allows for a more technical and strategic approach to the development of an LED strategy. Thus, the availability of economic and other related information suggests a more measured and scientific approach to the development of the LED strategy, contributing to the success of the LED strategy.

The use of no or ‘not good’ economic data in developing the LED strategy could lead only to spurious and/or unintended consequences. Such an information vacuum would inevitably lead to the wholesale collapse of the LED strategy, causing great damage to the local economy. Incorrect strategy can be much more damaging than no strategy at all, in that the incorrect strategy can negate the strengths of the local economy and exaggerate the weaknesses of the economy. The LED strategy must therefore be based on ‘good’ data to increase its probability of success in terms of creating and supporting economic growth and development within the local economy.

IDENTIFYING DATA REQUIREMENTS IN THE LOCAL ECONOMIC ASSESSMENT PROCESS

The Local Economic Development Network of Africa (2009), the World Bank (2004), and Cortright and Reamer (1998) typically measure and monitor the local economy using the following indicators:

- **Economic structure**: indicators that focus on the size and sectoral structure of the local economy.
- **Socio-economic indicators**: indicators that focus on population, income, employment and numerous other socio-economic and demographic attributes.
- **Community business profile**: a profile based on the use of business data to analyse the local mix of businesses.
Skills@Work: Theory and Practice

- **Local endowments**: endowments that focus on territorial-specific factors which influence competitiveness.
- **Human capital**: indicators that focus on key characteristics of the local population and labour force.
- **Quality of life**: indicators that focus on family life and community life.
- **Institutions**: indicators that focus on the softer determinants of competitiveness, which relate to the quality and effectiveness of government and informal institutions.
- **Demographic information**: information about the people in the community.
- **Investment climate information**: information on how the local government treats its business community.
- **Hard infrastructure information**: information about the status of water, electricity and wastewater provision.
- **Regional and National information**: information on what is happening in other areas that impact on the community.

The Warwick Institute for Employment Research (WIER, 2010) suggests that a local economic assessment should meet the following needs:

- an efficient means of generating local economic projections that make maximum use of the national, regional and local information available
- easy updating
- a rigorous and transparent method of assessment, yielding results that can be readily traced back to assumptions
- an explicit way to introduce local knowledge and views
- substantial sectoral detail
- substantial labour market detail
- the ability to implement scenarios and sensitivity testing
- the ability to carry out impact studies
- easy access to results for evaluation, plotting, transfer to other software for report writing, presentations, etc.

**DATA RESOURCES ACTUALLY AND CONCEIVABLY AVAILABLE FOR LOCAL ECONOMIC ASSESSMENT**

Once ‘what’ data to collect has been clearly defined, ‘where to collect’ the data needs to be considered (ie the sources of the identified and required data). The first step here is to determine if the data are available in secondary format or not. If not, then a primary approach will need to be developed to collect the data. If, however, the data already exist, a secondary approach can be used.
Possible primary administrative by-product data sources

Statistics South Africa

Statistics South Africa (Stats SA) is undoubtedly the data source most frequently used; in other words, the vast majority of Integrated Development Plans (IDPs) and Local Economic Develop Plans (LEDs) use Stats SA as the primary data source. It is, in particular, the 1996 and 2001 census data and the 2007 community survey data that are extensively used. Furthermore, Stats SA annually publishes information about selected building statistics relating to the private sector, as derived and reported by local government institutions, as well as any usable financial and non-financial census information about municipalities themselves. They also publish periodical publications, for example the Census of Agriculture Provincial Statistics and Provincial Profile, but these are only occasional. The vast majority of publications focus on national data only, however, and a small number of publications include provincial data.

From a local macroeconomic assessment perspective, the use of Stats SA as a secondary source of data is positive, insofar as it is credible, cost effective and readily available. It is also possible to construct a demographic profile of the local economy through the use of the two census and community survey publications and the changes therein over the period – that is, a cross-sectional assessment. However, it is not possible to construct any of the other indicators as highlighted.

South African Reserve Bank

The South African Reserve Bank (SARB) focuses on only national data, and unfortunately is therefore of very little use. The only real use of the SARB data with regard to the local macroeconomic assessment process would be to situate and discuss, among other things, the local economy within the context of the current and future state of the national economy (ie to contextualise the local economy within the national economy). It would also be possible to derive a range of national economic coefficients from the national data that could possibly be applied to the local economy (eg the consumption and savings coefficients, the wages and capital formation coefficients).

The SARB is very seldom used as a source of information in the local macroeconomic assessment process. It offers very little value, in that the data are relevant only to the national economy and cannot be directly related to the local economy. However, it is possible to use the data indirectly, as mentioned. The reliability of such indirect use is always questionable, however, and therefore must be used with caution.

South African Revenue Service

The South African Revenue Service (SARS) has at present no mandate with regard to the supply of economic data; that is, they are not in the business of collecting, processing, interpreting and publishing economic statistics and other information such as Stats SA and the SARB. Therefore, at present the SARS is of minimal use in the local macroeconomic assessment process.

SARS is included in the study, not because of the data it can offer now, but because of the data it can possibly offer. It is very unlikely that these offerings will be become reality, however, given SARS’ current mandate, which will have to be extended if it is to become an active source of secondary data. SARS collects a variety of taxes; with the exception of
certain income earners and businesses, all income earners and business establishments must pay these taxes. Therefore SARS has a database reflecting almost all income earners and business establishments and their tax contributions. These data can therefore be highly valuable in the local macroeconomic assessment process.

The Companies and Intellectual Property Registration Office of South Africa (CIPRO)

The Companies and Intellectual Property Registration Office of South Africa (CIPRO) has no data mandate as such, but given its functions, it does have the possibility to be a secondary source of data in the local macroeconomic assessment process. It currently supplies data on the total number of active business entities on a national level, as well as data on company liquidations, companies dissolved, close corporations liquidations, etc. The major potential of the CIPRO data is that all of it can be supplied per Standard Industrial Classification (SIC) code and in time series format, starting from the year 2000. Unfortunately, at present the data are supplied only on a national and provincial level and not on a local economic level. Therefore the use of CIPRO as a secondary source is at present of minimal use in the local macroeconomic assessment process. Another major limitation is that it ignores sole proprietors and partnerships and therefore excludes a large number of business establishments that operate within a particular local economy. A third major limitation is that their data are not always up to date. It does not, for example, indicate when a close corporation that has operated in a particular local economy has relocated to another local economy. This would not necessarily be reflected in their data.

Local and District Municipalities

Local and district municipalities are mandated to supply a number of services to their respective constituencies; however the supply of data is not such a service. Therefore, at present, municipalities are very seldom used in the local macroeconomic assessment process. Very seldom, if ever, are they actively used as a source of secondary data. In fact, in most cases they make use of outside sources to generate and supply data pertaining to their local economy. However, there is significant potential within municipalities with regard to data relevant to the local macroeconomic assessment process through their respective monthly municipal account databases. On a monthly basis municipalities supply accounts to the majority of the households and business establishments within their areas of jurisdiction.

Municipalities supply a number of services (e.g., water and electricity) to households and business establishments. They also collect property rates. They are thus in possession of a database which contains data on the number and spatial distribution of households and business establishments within their local economy. It would therefore be possible to map via a geographic information system (GIS) the number of households and business establishments per predetermined location within the local economy. The municipal account database could therefore be used to construct various household and business establishment indicators and the changes thereto, because municipal accounts are generated every month for each household and business establishment.

The municipal data are conceivably very valuable and useful because it satisfies most of the attributes as identified by Baumohl. It also allows the development of a number of indicators otherwise not possible and relevant to the local macroeconomic assessment process. The major limitation with regard to use of the municipal accounts database is that it is very difficult (not impossible, however) to extract the required data from the database, and in most cases the ability or willingness to mine and exploit their databases does not exist. In general, their databases suffer from very bad design and do not adhere to the principles of
Data resources ‘available’ for local economic assessment in South Africa

spatial data models. There are also some question marks about the reliability of the data, since a number of municipalities are experiencing financial billing and reporting problems.

Bureau of Market Research

The Bureau of Market Research (BMR) does not contain a database of data that can be used specifically in the local macroeconomic assessment process. In principle, it is a consultancy institution founded in 1960 by the University of South Africa (UNISA) in Pretoria that conducts research on a commission basis. It is possible to become a BMR member, however, and thereby gain access to data relevant to the local macroeconomic assessment process for that particular local economy, if such data indeed exists. The BMR data can also be used to identify national trends and behaviour that could be applied to the local economy, similarly to the use of the SARB.

The major limitations of the BMR with regard to the local macroeconomic assessment process are that in most cases the data are at a national level. Also, the data are very specific and therefore often not relevant. Furthermore, it is costly. The BMR is thus very seldom used in the formulation of IDPs and LEDs; however it does have some potential and should therefore not simply be ignored in the local economic assessment process.

Yellow Pages

The Yellow Pages lists businesses’ contact details, divided into business activity categories per region or city. On first glance, therefore, the Yellow Pages seems like a very significant source of secondary information for the local economy. It would be possible to construct a detailed business directory of the local economy on a yearly basis, for example. Due to confidentiality agreements, however, the Yellow Pages does not make its data available, and not all business entities are listed in the Yellow Pages. It would also be possible to use the normal phone book to construct a household directory of the local economy on a yearly basis, which is very much similar to the business directory. The phone book suffers from the same shortcomings as the Yellow Pages, however.

Such a business and household directory would probably be very useful, in that it would give an indication of, among other variables, the spatial dynamics of households and businesses in the local economy of households and businesses per sub-region (ie the number and the changes thereto).

Brabys

AC Braby (Pty) Ltd, according to their website, is the largest and longest-established specialist business directory publisher in Southern Africa. It therefore seems possible to construct a business directory very similar to the Yellow Pages from the Brabys database. There would be issues related to confidentiality, however, which would eliminate Brabys as a source. Another major factor would be costs. The Brabys database is privately owned and operated, and thus there would be significant costs associated with its use.

Specialised sources

Specialised sources are institutions, both private and public, that supply specific data that could conceivably be used in the local macroeconomic assessment process. These
institutions can only supply data relevant to their specific activities and fields of operation. For example:

- **National Ports Authority**: Data relevant to port/harbour operations.
- **Private Banks**: Data relevant to domestic and residential properties and over the counter and ATM transactions.
- **National Labour Department**: Data relevant to Unemployment Benefit Claims.
- **Provincial Transport Department**: Data relevant to number of vehicles per category.
- **National Association of Automobile Manufacturers of SA (Naamsa)**: Data relevant to new vehicle sales.
- **Personnel and Placement Agencies**: Data relevant to the placement of personnel and salaries and wages related to these placements.
- **Shopping malls**: Data on the number of consumers, retail density, total retail expenditure, etc.

The total number of such sources available is probably very large, depending on the presence of such institutions within the particular local economy; the larger the local economy the bigger the number of potential data sources. It is therefore very important to have a clear understanding of the institutions located within the local economy that can possibly be used as a secondary source. For example, if there is an airport located within the particular local economy, it will be possible to include airport-related data, such as the number of passenger arrivals/departures, etc.

The issue of sampling becomes very relevant when such data sources are being used. For example, data on the labour market in the local economy are very important and relevant. To a large degree businesses make use of employment, recruitment and/or personnel agencies for the recruitment of staff. However, direct recruitment still takes place (ie where businesses recruit staff directly through newspaper advertisements etc). However, it is much easier to find data on indirect than on direct recruitment. It therefore becomes very relevant to determine first the relationship between direct and indirect recruitment within the local economy.

It is also possible that a number of employment, recruitment and/or personnel agencies exist within a local economy. For practical reasons it is often impossible to approach them all, which means that it is important to make use of a sampling methodology to identify the number and details of employment, recruitment and/or personnel agencies to be included in the sample.

Specific sources are potentially very useful sources, because the associated data are specific to a particular local economy, and therefore very relevant. In most cases the data are also not available elsewhere, and therefore such data are unique. These specialised sources are therefore very useful, and in some cases used very extensively.

In most cases, however, such sources are not recognised sources, and therefore there might be some questions related to the credibility and reliability of the derived data. Furthermore, in some cases such institutions do not want to make their data available. In most cases, therefore, the usefulness of such specialised sources is outweighed by the effort of gathering the data. Consequently they are very seldom used.
Primary Questionnaire Data Sources

Research carried out by Santero and Westerlund (http://econpapers.hhs.se/paper/oeduecdec/170.htm) found that sentiment measures obtained from business surveys provide valuable information for the assessment of the economic situation of an area and can facilitate forecasting. The results of Camba-Kapetanios-Smith-Weale in Pula and Reiff (2002) provide evidence that models based on sentiment variables have a better predictive power in both the United Kingdom and the United States than alternative autoregressive models. However, these papers also demonstrated that sentiment indicators aid forecasts over only a relatively short horizon (ie over a maximum of three months).

McNabb and Taylor (2002) conducted a study with the aim of providing an investigation and a comprehensive empirical assessment into whether confidence indicators can be used to predict business-cycle activity across four European economies. The study found that in general consumer and business confidence indicators are leading indicators and pro-cyclical. There is some evidence of causality between the indicators and GDP, and confidence indicators would appear to have good predictive power of cycle turning points in relation to other leading indicators.

It therefore seems that conducting a business confidence survey or, on a broader scale, a social economic survey, has serious merits and will add significant value to the local macroeconomic assessment process. It is imperative, however, that the methodology developed and used be fully recognised and accepted; otherwise the results of the survey will be spurious at best.

Secondary data sources

Global Insight and Quantec

Global Insight has developed a specific product that can be used in the local economic assessment process. Regional eXplorer (ReX), according to Global Insight, is a consolidated platform of integrated databases that provides accurate and up-to-date economic, socioeconomic, demographic, and development information on a spatial level for South Africa. The product supplies data on the following variables:

- demographics
- development
- labour
- income and expenditure
- economics
- international trade
- environment and weather
- crime.

Source: Global Insight, Rex Application

Quantec, according to their website, is a consultancy providing economic and financial data, country intelligence and quantitative analytical software. They have also developed a specific product that can be used in the local economic assessment process. The South African Regional Market Indicators, according to Quantec, provide a unique, disaggregated and consistent view of South Africa’s socio-economic structure and market potential on a
regional basis, down to district and town council level. The product supplies data on the following variables:

- demographics and income at individual and household level
- poverty indicators
- HIV/AIDS incidence estimates
- education and training
- labour market indicators such as employment by skill, formal and informal employment and unemployment
- detailed consumer expenditure and retail sales
- infrastructure and development
- economic indicators such as GDP, labour remuneration and gross operating surplus at the industry level (Quantec).

A number of municipalities, especially the larger ones, make use of one of these two secondary data sources because of the ‘perceived’ non-availability of such data from other sources. The data are also presented on a very user-friendly basis and are available in time series format. The data also adhere to most of the attributes as identified by Baumohl (2005) and can be used to construct most of the indicators, as included in this article. They are thus significant sources of data relevant to the local economic assessment process.

As good as the data seem to be, unfortunately they do have limitations. The major limitation is that the data are very expensive, especially if they are not being used on a continuous basis. The majority of municipalities seem not to have the financial resources to subscribe to either one of the two sources. A second major limitation is the reliability of the data. The majority of the data contained in the two products are modelled or derived data (data that are generated applying formal data modelling techniques) and not ‘actual’ data, and therefore there are question marks over their reliability. There have been some inconsistencies in both products, and in some instances some major differences with Stats SA data. A third major limitation is that there is a general question relating to the credibility of the data of both products because there seems to be a reluctance to make use of the data in a strategic sense (ie model-building, empirical testing, etc). In the majority of cases the data are used solely in a descriptive sense.

**CONCLUSIONS**

The local economic assessment process is a crucial activity in the development of an LED strategy. An efficient and effective local economic assessment process can greatly enhance the probability of success of such an LED strategy, but importantly cannot guarantee its success. Nor will the absence of such a process guarantee failure. It is nonetheless best practice and recommended that the assessment of the local economy be an integral and crucial part of any LED strategy.

The main objective of the local economic assessment process should be the production of data that satisfy most, if not all, of the stated attributes and can be used to develop and construct the required indicators as suggested. As such, it should be mandatory for each LED strategy to be based on an efficient and effective local economic assessment process, and the process methodology itself should be discussed in detail in the LED strategy.
Unfortunately, the current sources of data support only the descriptive use of the data in the development and formulation of the IDPs and LEDs. Very few IDPs or LEDs contain theoretical and/or empirical uses of the data. The local economic assessment process is therefore of very little substance and relevance. For the local economic process to become more significant and relevant so that the process generates data that can be used in more strategic and technical senses, it is imperative that the potential sources become actual sources of data. To this end, it is recommended that a process of consultation be instituted with these sources, so that they can be utilised in the local economic assessment process.

The use of the current and potential sources together will undoubtedly add value to the local economic assessment process, which will significantly contribute to the effectiveness of the strategy itself. The use of all the data sources together is recommended because they all have limitations, and by using them complementarily it is possible to develop most of the required indicators as suggested. The sources must not be seen as substitutes, but rather as complements to the local economic assessment process.

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LED IS A YOUNG PERSON’S GAME: YOUTH EMPLOYMENT AND LOCAL ECONOMIC DEVELOPMENT

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Abstract

In South Africa, as in many other African countries, Local Economic Development (LED) is a young field, both academically and in practice. When examining the sprightly field of LED, it is necessary to go beyond the contestation present in all growing fields and home in on its roots. LED at its very core aims to create and sustain a better life for all. There are numerous socioeconomic, political and environmental issues it must face to reach this goal. This article argues that the youth unemployment crisis represents one of the biggest threats to this endeavour, while simultaneously being a source of enormous opportunity. To date, however, youth employment has not been sufficiently and effectively targeted at the local level. This article argues that much more emphasis can, and should, be placed on the youth

1 The views expressed in this article are the views of the authors and might not necessarily reflect those of the eThekwini Municipality.
employment challenge within LED processes, due to both the nature of the challenge and the nature of LED itself.

**Key words**: Local Economic Development, youth employment, local government, entrepreneurship, partnerships, skills development

### Introduction

‘Local economic development is a teenager in South Africa’ (Heideman, 2012. 6)

This statement sums up the two ways in which LED can be examined in terms of youth. Firstly, it refers to the age of LED as a discipline and process in South Africa. This is an experience replicated in other African countries, with most of their LED processes being considered even more youthful than their South African counterparts (Rogerson, 2009). The young age of this field implies various challenges and opportunities. Secondly, in an effort to play with words and shift mindsets, we would also argue that ‘LED is a teenager’ inasmuch as young people are critical in terms of planning and practice within LED. Such a centrality is due to the paramount importance of the youth employment crisis itself, as well as the prime position that those working in LED hold to intervene.

In order to analyse these aspects of the adolescence of LED and the importance of this for youth, a brief background to LED will be presented. Secondly, current youth employment practices in various local areas within Sub-Saharan Africa will be examined, and, lastly, the role of LED in youth employment will be discussed. The proposals presented here are supported by a report and policy analysis, as well as the discussions and outcomes of an inter-African youth employment and LED workshop held in July 2012, co-hosted by Cifal Durban and the eThekwini Economic Development and Investment Promotion Unit. Using this workshop as a ‘living laboratory’, we were able to investigate the challenges and opportunities of youth employment and Local Economic Development from the perspectives of a wide range of stakeholders. These were predominantly local government officials, but also included some input from academia, non-governmental organisations (NGOs) and businesses. More importantly, the findings of this initial analysis are taken as a starting point for further discussion on youth employment and LED.

### The young LED

There are numerous definitions of LED, but one useful way of framing this process comes from the World Bank (2004: 2), which states that it is a process by which ‘public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation’. Crucially, then, the purpose of LED is to create a better quality of life for all and ensure sustainability with regard to the socioeconomic, political and environmental aspects of a local area.

LED emerged as an encouraged policy practice in South Africa in the late 1980s and early 1990s, and was set out in the Constitution and other key documents (Heideman, 2012; 2

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2 Cifal Durban is the Anglophone African office for the Centre International de Formation des Acteurs Locaux, which is translated as the ‘International Training Centre for Local Authorities and Local Actors’.
Rogerson, 2009). However, it was only in 2000 that the Municipal Systems Act legally mandated social and economic development as a core function of all municipalities in South Africa. This indicates the relative youth of this approach in dealing with poverty alleviation and economic development. Furthermore, its position and importance is still contested. This is demonstrated by, for example, a key discussion in the Cifal Durban Youth Employment and LED workshop (25-27 July 2012), which centred around the meaning of ‘local’ in LED and the importance of understanding the local economy within the context of wider national and international shifts in the economy. This debate highlights the differences in understanding present in this field because, although much of the literature directly states that LED emerged in reaction to globalisation and is set within the global economic context, there are still misunderstandings around this (Rogerson, 2009; Triegaardt, 2007). Furthermore, Rogerson (2009) states that there is a critical need for the national government in South Africa to clarify the meaning of LED to ensure better delivery. In fact, the very theme of this journal – ‘defining LED’ – points to the young nature of this discipline.

The approaches within LED and the tools used to carry out strategies, programmes and projects vary widely within and across nations according to focus, scale and form. In relation to focus, Rogerson (cited in Heideman, 2012) indicates that there are two ‘extremes’ to LED in South Africa – those that are focused on social welfare and those that are focused on economic development and competitiveness. Both the social and economic dimensions are critical; however, there is a need to integrate these aspects better and to have a more economic focus than has been the case in the past. Stronger economic leadership is also required. Rogerson (2009) argues that LED has an ‘economic focus at heart’, but often in sub-Saharan Africa, for better or worse, the focus of many initiatives, including those involving youth employment, the economic dimension has been overshadowed by an approach that is more social welfare-oriented.

The term ‘scale’ here refers to the level at which strategic planning for LED initiatives is conducted. For many local areas around South Africa and Africa, LED remains project specific, with little to no strategic planning. Among other adverse outcomes, this narrow focus can lead to unsustainable projects that fail, misunderstandings about the purpose of LED, duplication of efforts and a lack of collaboration and communication (Rogerson, 2009). Furthermore, the correct scale at which to implement LED – whether provincial, local, or regional – is still being debated (Rogerson, 2009).

Lastly, in terms of form, LED is implemented in different ways by different individuals/organisations. An ideal LED process would be based on partnerships and collective action to allow for the synergising of efforts and pooling of (often scarce) local resources to create the biggest impact with the local community. In practice, however, this type of meaningful and effective engagement does not occur efficiently (Heideman, 2012; Rogerson, 2009). One of the greatest challenges and greatest qualities of any LED process is partnerships and collaborative action, which was reinforced by the multistakeholder discussions held during the LED and youth employment workshop in July 2012.

LED has had a rocky road towards adulthood, with numerous overarching challenges (Heideman, 2012; Nel, 2001; Rogerson, 2009; Triegaardt, 2007). One of the more pertinent comments emerging from the research and key discussions related to difficulties with regard to accessing and managing funding – from the standpoint of both practitioners and beneficiaries. This is most evident in the reports of cases of mismanagement and corruption concerning LED funds. Moreover, the lack of sustainability of many LED projects is a major issue. Another critical concern is the poor or non-existent monitoring and evaluation of LED (and other similar) initiatives (Coetzee, 2009). Despite these problems, the comparative youth of the LED discipline and processes puts it in prime position for innovation and learning, which will be critical in addressing youth employment and other priority areas.
LED for the young

LED is one of the crucial conduits through which to tackle the youth employment crisis. This is largely because it is at the local level that there is an observable and manageable interface between stakeholders and the processes necessary for addressing the youth employment crisis. Furthermore, local government as ‘the face’ of government has extra responsibility in terms of the socioeconomic and environmental challenges.

Some of the main recommendations for youth employment interventions straddle both the supply of labour to the market as well as the demand for labour in the market itself. Table 1 below details some of these important interventions and demonstrates that many interventions include a role for all stakeholders at the local level (eg support and social protection and facilitating private sector involvement in experience programmes).

Table 1: Summary of main youth employment interventions

<table>
<thead>
<tr>
<th>Supply Side Measures (the youth)</th>
<th>Demand Side Measures (the economy)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Skills and experience development</strong></td>
<td><strong>Policies</strong></td>
</tr>
<tr>
<td>• Improve the current education and training system</td>
<td>• Ensure employment is a major goal in national economic policies</td>
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<tr>
<td>• Encourage Maths and Science at school level</td>
<td>• Restructure the education system</td>
</tr>
<tr>
<td>• Run vocational/internship/apprenticeship programmes</td>
<td>• Implement macroeconomic and growth policies which boost job creation</td>
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<td>• Improve Further Education and Training Colleges</td>
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<tr>
<td>• Facilitate private sector involvement in experience programmes,</td>
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<tr>
<td>• Training for re-entrants and disadvantage youth</td>
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<tr>
<td><strong>Assistance in job searching</strong></td>
<td><strong>Eliminate obstacles to self employment</strong></td>
</tr>
<tr>
<td>• Job information and career guidance</td>
<td>• Youth entrepreneurship and access to finance,</td>
</tr>
<tr>
<td>• Unemployed funding</td>
<td>• Entrepreneurship training,</td>
</tr>
<tr>
<td>• Encouraging labour market institutions.</td>
<td>• Enabling Small Medium and Micro Enterprises (SMMEs).</td>
</tr>
<tr>
<td>• Encourage the private sector to employ youth</td>
<td>• Eliminate obstacles to self employment</td>
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<tr>
<td>• Wage/training subsidies or tax cuts to encourage the employment of young people by the private sector</td>
<td>• Youth entrepreneurship and access to finance,</td>
</tr>
<tr>
<td></td>
<td>• Entrepreneurship training,</td>
</tr>
<tr>
<td></td>
<td>• Enabling Small Medium and Micro Enterprises (SMMEs).</td>
</tr>
<tr>
<td><strong>Support and social protection for young people, particularly the most vulnerable</strong></td>
<td><strong>Public employment schemes</strong></td>
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<td></td>
<td>• Enlarge the Expanded Public Works Programme and other short term job creation schemes.</td>
</tr>
<tr>
<td><strong>Restructure the labour market, labour legislation and institutions to encourage youth employment</strong></td>
<td><strong>Restructure the labour market, labour legislation and institutions to encourage youth employment</strong></td>
</tr>
</tbody>
</table>

Source: Developed from CDE (2007); ILO (2012a, 2012c); Mayer (2011); South African National Treasury (2011); Yousef (2012); van Aardt (2012)
Discussions held, and presentations made, on various youth employment strategies at the Cifal workshop made it clear that stakeholders currently use a mix of ‘supply and demand’ interventions that are focused largely on:

- improving basic education
- offering co-operative education
- infrastructure and community level interventions
- Small Medium and Micro Enterprises (SMMEs), entrepreneurial and work experience based activities.

Importantly, though, in local government these were not always found within the LED programmes and structures, and were often in community development, skills development and/or SMME development. The Tshwane Business Club, for example, is a mechanism to assist the business community to improve their business environment, while BizFarm is a business incubator assisting small business owners in removing the barriers to start-up businesses. ETekwini’s Skills Development Unit’s Learner Excellence Programme in Maths, Science and Technology for grades 10-12 is focused on improving basic education. Most other African countries have skills development programmes that take place in vocational and youth development centres and are examples of co-operative education. Additionally, Mombasa has undertaken a project similar to South Africa’s Expanded Public Works Programme (EPWP) that was called the Kenya Youth Empowerment Programme, where the youth were used for infrastructure improvement activities. There were also various loan/financing-based programmes and some work experience based projects.

To date, then, LED and youth employment have not been explicitly linked. Another example of this is that youth employment is not mentioned in Rogerson’s (2009) comprehensive review of South African LED despite its being one of the greatest crises. Perhaps this was because it was viewed as ‘a given’ that LED would deal with youth employment. This article takes a different approach and argues that youth employment must be targeted much more specifically in LED practices. This is not to say that youth have not been involved in many LED processes or that they have never been targeted in ‘youth development’-type projects and programmes; rather it emphasises that considering the scale of the challenge and the purpose and platform of LED, youth employment should be a much higher priority in this field and process.

Drawing on the literature and the youth employment and LED workshop, clearly there are aspects on which there is widespread agreement when it comes to youth employment and LED.\(^3\)

Firstly, there is the enormous scale of youth unemployment and joblessness. Globally, the scale of youth unemployment has reached tremendous proportions. The International Labour Organisation (2012c: 7) states that approximately ‘75 million youth are unemployed around the world, an increase of more than 4 million since 2007’. In South Africa, in the first quarter of 2012, the Labour Force Survey estimated that over 3 million youth were unemployed, which means almost 71% of unemployed people in South Africa are between the ages of 14-35 years (Stats SA, 2012). Moreover, in some recent crude calculations on youth unemployment for the eTshwini municipality, it was estimated that there are roughly 600 000 jobless youth in eTshwini (including discouraged work seekers but excluding learners).

\(^3\) During the Youth Employment and LED workshop, local government officials from different municipal councils and countries were given an opportunity to present case studies on this issue. They were Arusha District Council and Bukoba District Council, Tanzania; Kadoma City Council and Bulawayo City Council, Zimbabwe; County Council of Mombasa, Kenya; Gulu District Council, Uganda and the eThekwini Metropolitan Municipality, South Africa. Furthermore, there were presentations on key interventions from KwaZulu-Natal, Tshwane and Cape Town.
Most of the other African countries represented did not have local level statistics, but agreed that youth unemployment had reached mammoth proportions in their districts due to structural economic and educational issues, demographic trends, and the like. These alarming statistics have a number of very real socioeconomic, political and environmental implications that could be devastating. On the other hand, the youth bulge (a disproportionately large number of youth in a population) also presents a massive opportunity, as it involves a mass of people who, if targeted effectively, could very well accelerate the change needed in this country and others like it. The ILO (2012c: 8) identified this phase in demographics as one which ‘can provide a window of opportunity for accelerated economic growth and development’. The power of the ‘youth bulge’ is evident in the recent uprisings in the Arab Spring alongside the involvement of youth in the struggle against Apartheid, both of which were referred to repeatedly in the workshop by both presenters and participants. Furthermore, the scale, consequences, and persistence of the youth employment crisis make it a major priority.

Secondly, the importance of prioritising the local sphere in relation to LED was identified as a major point of consensus. Local governments, in partnership with other business and non-governmental stakeholders including academic institutions, have a vital role to play in tackling youth unemployment through LED processes. This is reinforced by the interventions reflected in Table 1 and literature noted earlier. Linked to this is the importance of partnerships. According to Rogerson (2009: 35), partnerships are the vehicle for expanding the involvement and role of the private sector in LED.

The Raymond Ackerman Academy (RAA)4 and RedCap Jumpstart were initiatives presented at the workshop. Both involve cross-sector partnerships where stakeholders share a ‘mutual interest to achieve a common or complementary role’ (Rogerson, 2012: 36). For example, the RAA partners are The Ackerman Family Foundation, The City of Cape Town and the University of Cape Town, all working together to develop underprivileged young people with entrepreneurial skills. The Red Cap Jumpstart initiative is a tool to provide work experience to young people who have gone through life skills training. Its partners are Mr Price Ltd, South African based NGOs and the Jobs Fund. It provides unskilled and semi-skilled youth with skills development, work experience and employment in South Africa where there is a demand for labour within the retail company. These youth must meet the company’s acceptance criteria (they must pass Maths and Literacy tests). These demonstrate that partnerships ‘lever innovative approaches to LED and harness the power of different sectors to provide the opportunity to do Local Economic Development better’ (Rogerson, 2009: 36).

Another key point of consensus is the conundrum created by the intricate set of relationships among education, skills, experience and employability. This crucial and highly complex group of factors intersects in no other way as in youth employment – a fact that is reinforced in various reports on youth employment (see for example CDE, 2012; Lam et al, 2008). There is much difficulty in dealing with this set of factors; however, if the right policy mix is achieved it can unlock opportunities for a variety of young people.

Mindset change is one more vital area in youth employment at the local level. A shift in mindset was a crucial part of many of the most successful youth employment interventions discussed. They focused on inculcating entrepreneurial thinking (innovation, creativity, confidence, resourcefulness, resilience and so on) in the targeted youth, along with other ‘soft skills’, with the specific goal of increasing their chance of employability and/or entrepreneurship. Linked to this was the need for mindset change among practitioners themselves: they focused on the positive aspects of youth (energy, enthusiasm,
resourcefulness) to modify the perception of their being just a troublesome group of individuals who are or may be threatening, frustrated and difficult to work with.

This is a crucial shift to make, as it enables easier engagement of youth themselves and allows for more positive and innovative solutions. Moreover, a change needs to be made in how ‘youth’ as a group are categorised. The black box term ‘youth’ disguises this highly heterogeneous population, and highlights the fact that there is a need to shift to much more specific targeting. That is, programmes should not just focus on the generic audience of ‘youth’ but rather on specific groups within that. For example, interventions focused on young black female school leavers with limited work experience will differ from those from young males in their mid-20s who left schooling behind years ago. Most programmes in the African case studies were offered to a range of beneficiaries including: ‘the unemployed, uneducated and poor youth’, graduates, households and ‘youth between the ages of 14-35 years’. These are all relatively generic terms, making it difficult to identify and provide specific outcomes for those who participate. Specifying and targeting specific youth groups is a crucial step to making programmes more effective.

In addition, there is a need for more meaningful participation in planning by the youth themselves. Part of this will include greater emphasis on needs and opportunity analysis before rolling out programmes. Capacity needs to be built in the various youth target groups to ensure they can participate meaningfully. This need is echoed in the South African National Youth Policy 2009-2014.

There are also specific challenges facing local municipal councils. For example, the capability of local economic practitioners in local governments is sometimes weak and does not necessarily lead to good programmes. In small municipalities where revenues and tax bases are low, funding and ensuring repayment of loans is a big constraining factor when giving young people the opportunity to be included in various programmes. These governmental challenges are echoed in the research of Heideman (2012) and Rogerson (2009). On the other hand, it is also important to note that many local governments, whatever their size, are in fact running successful youth employment programmes. Local governments are key stakeholders in LED and youth employment, and where capacity does not exist to support interventions, it must be built through resourceful and innovative actions.

Additionally, a number of contentious issues arise when analysing youth employment and LED. One such issue concerns arguments for and against mainstreaming youth employment programmes rather than keeping them separate. Both approaches have limitations; however, an innovative approach to balancing these structural choices involves targeting, but not separating, the youth groups. This approach was most clearly seen in the SMME programmes run by the City of Tshwane, whereby the projects were not ‘youth projects per se’, but they accommodated and were utilised by numerous young people. In this way, youth issues were not ignored, but neither were they separated from useful experiences, including interacting with older and/or experienced entrepreneurs.

At a higher level, the employment/occupation/livelihoods debate questions the enormous emphasis placed on ‘employment’ in the traditional sense of the word. There is a convincing argument to revisit the volunteer/’youth service’ approach, which can provide societal/community goods but is not payment based. Such activities often involve personal growth and development. To date, such occupational type work has been largely overlooked, but may provide an important avenue for economic and youth development.

There is also a discussion to be had on the ideal age for entrepreneurship. According to Andrew Layman of the Durban Chamber of Commerce and Industry, most successful entrepreneurs are experienced, older individuals, and as such it may be more effective to have a ‘for youth, with youth’ approach, as opposed to ‘for youth, by youth’ approach with
certain groups of young people. Strict entrepreneurship is not, and cannot, be the only solution for reducing youth unemployment, because many young people may not be in the best position, or may not want, to become entrepreneurs.

Vulnerable young people who are often targeted for these programmes are not always equipped with the necessary business acumen, self sufficiency, confidence or talent when they leave school or graduate from tertiary education. This does not mean, however, that such capabilities and skills cannot be acquired, so there need to be stronger linkages between skills development programmes and SMME and entrepreneurial development, as well as greater discernment on accepting people into entrepreneurial/SMME programmes. When considering South Africa’s very low rates of entrepreneurship (Herrington et al, 2011), this becomes an even more crucial point. There are, however, innovative ways to tackle this problem. According to Andrew Layman of the Durban Chamber of Commerce and Industry, when government bodies – at all levels – offer incentives, they need to encourage those who have been employed to leave and establish their own small business enterprises, since they have already learnt what it means to work, have established networks, and have knowledge of relevant business sectors. This approach, which creates consequent job vacancies, may prove to be more effective in creating youth employment than efforts to create youth entrepreneurs directly. There is a need for a deeper investigation into these approaches and suggestions around entrepreneurship.

Upscaling is another pertinent issue. Examination of many LED projects indicates that knowing how to upscale a successful approach without losing its core quality is a matter of importance – and this needs to be researched further. The Raymond Ackermann Academy in Cape Town and Soweto is a case in point. It provides entrepreneurial skills development including personal development, and is a thriving project with an 80% success rate – of the 315 graduates who have passed through the course, only 9 of the 260 reachable youth are unemployed at this time. The remainder are employed, studying or own their own business. These exemplary results centre on the individual attention that each young person gets. The key challenge here would be how to extend this impact to thousands of other South African youth while maintaining its current successes.

‘LED for the young’ is a necessary condition for effectively tackling the triple challenge of poverty, unemployment and inequality. Although it has been occurring in various forms, there is a need to consolidate youth employment interventions at the local level in order to drive them more strongly and in a more targeted manner. LED provides the ideal process for such a shift.

**Conclusion**

Through background research and the insight and experience provided by the Cifal Durban Youth Employment and LED workshop of July 2012, this article analyses some youth employment interventions at the local level and raises a number of important points for further discussion. Most notably, in defining LED, there is a need to acknowledge youth both in terms of the discipline itself and in terms of youth employment issues.

Through a brief examination of LED’s history in South Africa, the young and contested nature of this process in this country – an experience echoed in many other African countries – is demonstrated. The fact that LED is in a relatively early stage is both a threat and an opportunity to progress in this field; a threat in that there are still many challenges
and uncertainties which need addressing, and an opportunity because there is still much room for diversity, innovation and creativity.

Within this context of a growing discipline, this article proposes a greater focus on youth employment within the LED field due to the scale of the youth unemployment crisis and the huge potential of LED as a tool for addressing it. From analysis of the literature and the Cifal Youth Employment workshop, it was clear that at the local level there are points of consensus across sectors on youth employment; namely the need to prioritise youth employment due to the massive scale of unemployment, the crucial role of local stakeholders, a recognition of the complexity of the problem, the need for mindset change, the need for more meaningful participation by youth and the challenges facing local authorities. The widespread agreement on these dimensions of youth employment and LED from so a diverse group of stakeholders as those found at the workshop reinforces that this approach has the foundation to be taken forward. However, there were also areas of contention around, for example, upscaling, the ideal age for entrepreneurship and whether youth employment interventions should be mainstreamed or kept separate. All of these points must be opened up to further research and debate.

At this juncture in the growth of the LED discipline and in the context of the socioeconomic challenges that South Africa and many other countries face, it is clear that what is required is more effective, efficient, needs-based and sustainable LED projects and programmes which maintain a careful balance of targeting specific groups of young people without completely separating them, and aiming for strong economic outcomes as well as social ones. For practitioners, stakeholders and beneficiaries alike, this will mean an overall mindset that is decidedly more ‘youthful’ in terms of its openness to change, energy, enthusiasm, resourcefulness and innovation.

**Acknowledgements**

Our thanks must go to the participants and speakers at the Cifal Durban Youth Employment and LED workshop (25-27 July 2012) for their insights and willingness to engage meaningfully with the youth employment challenge and ‘learn, unlearn and relearn’. We are also very grateful to the Cifal Durban Office who co-hosted this event with us.

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DEVELOPING A TEACHING PROGRAMME FOR AN EMERGENT CAREER OPTION: THE LOCAL ECONOMIC DEVELOPMENT PRACTITIONER

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ABSTRACT

This article has as its focus the development of a new teaching and research programme in Local Economic Development (LED). It takes a constructivist approach and describes the process of curriculum development, paying particular attention to the interaction between the Department of Economic Development and Tourism and a pilot group of students in a Post-Graduate (12) or Masters Programme (10). The new Post-graduate Diploma (PGDip) programme seeks to provide a platform qualification for an emergent professional career option – that of the Local Economic Development Practitioner. The Masters degree will be proposed as a course work research degree based on systemic leadership studies. A key issue is the development of a framework for an emergent qualification that is career oriented.

Key words: Local Economic Development, curriculum development, Local Economic Development qualification, Local Economic Development practitioner
INTRODUCTION

This article explores the process of designing an appropriate framework to inform a post-graduate programme in Local Economic Development (LED). It briefly explores the evolution of Local Economic Development as a phenomenon and how it has manifested itself in South Africa. It then shifts focus to a particular context, namely a programme for developing the competencies of Local Economic practitioners. In so doing, it prioritises three groups of stakeholders who have participated in developing the programme. These are:

- the programme client group, namely the Department of Economic Development and Tourism (DoED&T) of the Province of KwaZulu-Natal
- the academic staff involved in the programme
- the pilot group of students selected by the client group and admitted to status by UKZN for either the Post-graduate Diploma or the Master of Commerce programmes.

THE PROBLEM BEING ADDRESSED

The problem being addressed concerns how to construct a curriculum (which modules, to what depth of knowledge and within what programme framework) that will improve the effectiveness and efficiency of LED practitioners, in whatever organisation they are located, providing that it has a clear LED mandate. The problem situation is further complicated by the fact that the participants come from diverse professional backgrounds and have therefore received very different professional training before becoming LED specialists. While the study did not draw specifically on case studies of other LED programmes being offered in other contexts, this had been taken into account in the preparation of an analysis conducted by the DoED&T, which assisted them in the formulation of the tender document which initiated the project. Moreover, the various lecturers had access to a range of LED materials, which were identified and disseminated to them.

THE THEORETICAL FRAMEWORK

The project is underpinned by a theory of constructivism, in that it is acknowledged that in creating the curriculum, rather than only considering an ideal set of competencies, it is also necessary to take into account the learning requirements of the learners themselves. Needs are not necessarily well articulated; they become clearer as one engages in conversations with stakeholders over a period of time. This was the iterative process followed in the construction of the curriculum profile presented below. This means that the department’s starting point was to ensure that participants had better competencies to do their jobs. The students’ starting point was their own knowledge gaps in relation to LED, given that the concept itself is not clearly defined and that the tasks that they are expected to conduct in applying LED were also not clearly defined and differed from municipality to municipality. From the perspective of the university staff members, the challenge was to link LED as an applied discipline with the theoretical frameworks embedded in their discipline areas. The article therefore takes the form of a case study, drawing on the experience of 15 practitioners selected for a pilot programme, together with lecturers from the University of
Developing a teaching programme for an emergent career option: the Local Economic Development practitioner

KwaZulu-Natal (UKZN) who have an expressed interest in LED, and staff of the Department of Economic Development and Tourism in the Province of KwaZulu-Natal.

THE EMERGENCE OF LED AS A FIELD OF PRACTICE

Until the early 1980s, economic planning was seen internationally as the prerogative of the state at national level. In South Africa, this remained the status quo until the 90s. The intention at this time was, however, to create economic patterns reflecting the political ideology of the Nationalist Party. This included the development of border areas where (white) industrialists were incentivised to set up businesses in the proximity of homelands in an attempt to slow down urbanisation.

The post-1994 government has, however, recognised the importance of local, social and economic development as a Local Government function. It is at this level that there is an expectation that planning on a local level can facilitate economic integration with the hoped-for concomitant social benefits. LED as a phenomenon emerged at a time when global challenges and the awareness of the dynamic between business, government and civil society influenced experimentation with new forms of governance and new social contracts.

LED needs to be seen alongside economic projects emanating from central government as well. Thus Trade and Industry take a circumspect view of the economic potential of the country and promote opportunities accordingly. A spatial development framework has also been established which emphasises macro infrastructure projects, including port and airport development. Corridor developments are another manifestation, encouraging development to coalesce around transport infrastructure.

Within South Africa over the last ten years, increasing pressure has been placed on local government to take the LED mandate seriously. To this end, most municipalities have developed LED strategies and have appointed LED officers or managers. In this article the individuals that comprise this group are regarded as emerging LED practitioners.

CONCEPTUALISING LED

In considering LED in South Africa, four dominant themes can be detected. These are:

1. infrastructure-led LED
2. self-sustainability, poverty alleviation and food security
3. formalisation of informal settlements into cities and towns
4. integration into local and international value chains within the globalised market place.

Infrastructure development

As municipalities take up the challenge of meeting backlogs in extending service delivery and building public service facilities, work possibilities open up through the labour requirements involved. The challenge for LED is complex. While local labour often plays a part in construction, the project timelines define the extent of the opportunity. However, with new infrastructure, new opportunities come about. These include the maintenance of
such infrastructure, as well as the enablement it brings through serviced facilities for entrepreneurship and business growth.

Self-sustainability, poverty alleviation and food security

Many, especially rural, communities experience life as harsh as a consequence of endemic poverty. In this situation, agricultural projects and co-operatives are encouraged as a means of survival. Much of this development is survivalist and welfare driven. Very seldom does it generate income for development; rather it maintains poverty traps.

Formalisation and integration of informal settlements

Vast informal settlements have grown up around most South African cities. These settlements have their own internal economies and informal governance. In many ways such communities operate at a level where they are difficult to infiltrate for the purposes of encouraging integration. Thus they often remain as sub-cultures.

Integration into global value chains

Here the emphasis is on gearing into global supply chains. Businesses are now widely distributed, with complex supply chains and logistics channels. In South Africa, this is where the Department of Trade and Industry becomes the national player. The emphasis is on attracting foreign investment, facilitating business growth and retention, and on industrial sector development (Patterson, 2008; Rogerson, 2008).

KWAZULU NATAL AND LED

A number of policies have been developed, informing and being informed by the policy debate in South Africa. These are listed by Patterson as:

- The Constitution (1996)
- LED guidelines to Institutional Arrangements (2000)
- Draft LED Policy (2002)
- Policy Guidelines for implementing LED in South Africa (2005)

Rogerson (2011) provides a comprehensive narrative on the policy process.

As a result of all of the above, municipalities started conceptualising and articulating LED staff portfolios and advertising posts for LED facilitators and managers. Much of their work involved drawing on consultancy agencies, some of which focused on the planning dimension – producing the strategic plans – whilst others ran projects. Various funding agencies made
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resources available. The Province of KwaZulu-Natal received considerable stimulation for LED development through the well-documented Gijima project, a European Union (EU) multi-million rand project. This project was intended to facilitate appropriate capacity development. It was in relation to this project – through participating in a consultancy designed to explore the necessary institutional linkages required for promoting LED – that this writer became involved. The project was written up and provided insights into the LED terrain as such. Of particular interest to the consultant researchers was exploring the conditions which facilitate LED and the systemic linkages required to promote it.

During 2008 and 2009 the Department of Economic Development and Tourism (DEDT) in the Province contracted a seasoned LED consultant to frame up a professional learning profile for economic development practitioners (Clacey, 2010). This was followed by an audit process through which practitioners were able to identify what they considered to be their own competency strengths and weaknesses.

The needs assessment work done within the DEDT informed the proposal for this programme and was used to inform the design of a tool to assist practitioners with their own knowledge gaps in relation to LED. Thus, the learning profile of each participant has been carried out in the light of prevailing knowledge and his/her understanding. This valuable work will continue and be refined as a consequence of this needs assessment approach.

The framework incorporates the following:

- **Economic and Development Fundamentals**
  - Macro Economics
  - Micro Economics
  - Development Economics
  - Public Economics

- **Vision and Strategy**
  - Local Economic Research
  - Competitive Advantage
  - Business-Enabling Environment
  - Value Chain Analysis
  - Economic Skills Needs Analysis

- **LED Strategy Formulation**
  - Strategic Assessment
  - External Policy and Best Practice Interpretation
  - LED Strategic Framework

- **LED Implementation**
  - LED Implementation Elements
  - Inward Investment Promotion
  - Systemic Competitiveness
  - Improving Vocational Advantage
  - Enterprise Development

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5 http://www.gijimakzn.org.za/
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- Cluster Development
- Economic Governance
- Programme and Project Management
- Monitoring and Evaluation
- Economic Skills Development
- Resource Brokerage

- Generic Skills and Competencies
  - Marketing
  - Operational Management
  - Financial Management
  - Human Resource Management and Development
  - General Management
  - Interpersonal Communication and Skills.

While this list attempts to be as comprehensive as possible, and different participants have measured themselves differentially, a programme-based course has to consider the generic and specific competencies to be addressed rather than respond to individual profiles. However, the overall picture is one of a variety of different skills profiles that are the outcome of professional training and experience.

**PROCESS**

Because of the pressing need expressed by the Department and in no small way influenced by the availability of funding through the EU Gijima project, the provision of professional training for LED practitioners was put out to tender among interested parties. UKZN was the only tertiary institution in the province to apply, and was thus duly awarded a tender. However, more than one submission had been received and the university was requested to provide an integrated proposal. This was done under the auspices of the Faculty on Management Sciences. Because qualifications were required for both Post-graduate Diploma and Masters Degree levels, two qualifications were selected as the most appropriate vehicles. The P-G Diploma in Management and the Masters in Leadership Studies were considered appropriate.

Whilst it was understood that these qualifications would be customised to accommodate the particular field of enquiry, it was also contractually agreed upon that a process of curriculum development would occur concurrent to the running of the programme. The purpose was eventually to register a programme specific to LED.

This process was informed by the writer, drawing on his experience of this type of process as reflected in his publication *Practitioner Research from a Critical Systems Perspective* (Hardman and Averweg, 2011).

**Participants**

The DoED&T had undertaken a thorough exercise in identifying what LED practitioners working in Local Government considered to be essential and had done a profiling exercise on
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individual practitioner’s perception of needs. This informed the tender documentation utilised in determining a service provider. It also identified the disciplines that the client wanted covered in the qualifications.

The students are all in full-time employment, in jobs that are directly linked to Local Economic Development. At the commencement of the course they were interviewed to provide qualitative data linked to their own experiences and expectations of the programme. Thus their expressed insights and experiences are considered valid data and highly informative. The 24 students are divided into a group of 11 doing a Masters Programme (MComm) and 13 doing a Post-Graduate Diploma in Management.

The University response has been through the Faculty of Management Studies, in which two qualifications were identified as most appropriate for the tender requirements. When the tender was awarded it was understood that these qualifications would be enriched and customised to meet the needs of the LED group of students. This was understood to be an interim procedure informing a more extensive process of setting up a specialised post-graduate LED programme. These two programmes differ in their ethos, in that the P-G Diploma is designed as a management programme for professionals who, as a consequence of, or a requirement for, promotion require a broad understanding of the management sub-disciplines. The Masters programme is couched in systems and complexity science for institutional leadership development. Further to this, the LED Initiative commissioned the writing of case studies as holistic examples of LED and as integrative devices for the various lecturers to use through embedding their particular discipline perspectives within the case study.

The particular challenge of the group of students was that while all worked in the LED field in some way, they came from a diversity of disciplines (education, agriculture, commerce, community development, public management, social work, geography) as reflected in their first degrees. This is not an unusual phenomenon for providers of post-graduate degrees in management, as people requiring management studies come from a wide range of disciplines. The challenge, however, is in the range of competencies required of the LED practitioner. In an LED career, however, some competency in core disciplines is essential. Thus, using the field title, namely LED, one has to understand the relevance of the L, the E and the D, as well as why they are brought together.

The locality refers to a political boundary, a district. Each district in South Africa has its own internal challenges concerning land reform, service delivery and other issues of transformation and investment attraction. This has implications for policy interpretation and the law.

Economics refers to an understanding of how an economy grows, and how it becomes more inclusive. Much economic data takes the form of econometrics – statistical information.

Development refers to the purpose to which economic growth is being directed, namely broadening economic participation as foundational to social development. Development takes into account the demographics and diversity of cultures defined by heritage, language, age, gender and wealth.

The process of LED is underpinned by social policy. It is a deliberate, purposeful act of intervention with clear-cut expectations. Thus it has been defined as:

A process in which partnership between local governments, NGOs, community-based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of a well-defined territory (Hampwaye, 2008: 187)

and
Local Economic Development is achieved when the community’s standard of living can be preserved and increased through a process of human and physical development that is based on principles of equity and sustainability (Blakely and Leigh, 2010: 75).

It is my view that LED interventions are underpinned by social contracts and understood through public policy formation. It requires the voluntary participation of a range of institutional agents to co-operate in its achievement. It cannot be coerced into existence; rather it needs to be coaxed. The role of Local Government is to promote LED, to create awareness of potential and to create an enabling policy, knowledge and investment climate. This requires building a network of the stakeholders and encouraging the search for innovation and growth. The LED manager is required to play the role of LED broker.

To give the output of LED a provisional focus, I suggest the following as a preliminary working framework: Local Economic Development has happened when

- the GDP of a defined region grows and the per capita income grows, as does the tax and rates revenues
- the number of people absorbed into the labour market is greater than those exiting it
- value chains are enriched through new start-up small businesses getting absorbed at a greater rate than small businesses close down
- there is a discernible shift downwards in those living on grants and a significant shift upwards of those with a sustainable livelihood.

These are all indicators of economic growth in a locality which has come about through either a rising tide affecting all localities or a higher level of competitiveness in the particular locality – a sign of successful LED.

The above should assist in reflecting the complexity of the work of the LED practitioner and in informing the range of curriculum needs.

**Customising**

The process of customising the modules for the programme included requesting all the lecturers involved in teaching the modules of these two programmes to write papers in which they integrated Local Economic Development into their discipline. By way of example, the P-G Diploma has a module on Marketing, and the lecturer involved had to consider the specific role of marketing in Local Economic Development. This placed an emphasis on location marketing as foundational to LED. In all the modules, the lecturers were to teach them not only in accordance with the requirements of the registered goals but also with a bias towards an LED perspective.

These papers were written, and two days were set aside for all the lecturers to present their papers to their colleagues and representatives from the DEDT. They were provided with collegial critique in the research workshops. The papers were also critiqued by the project manager from the DEDT, a person with extensive field-based practical experience. This dual feedback led to the revision of the papers. The lecturers involved were encouraged to find avenues for publication for the papers. Moreover they understood that they would form part of a collection of readings. This process met with positive collegial interaction.

It was understood, however, that the approach of customising existing modules was in order to initiate the programme and that there would need to be an ongoing process of informing curriculum development and initiating research projects with a view to developing a new
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qualification which incorporated a research component. In order to inform this process, a theoretical action research model was selected, which is described below.

INFORMATION BASE

This is based on

- needs assessment work completed by the DEDT
- literature
- UKZN staff research interviews held with the participants on the course
- Participants’ assignments
- ongoing discussions
- evaluation feedback provided during the pilot phase.

Literature

A literature survey to inform LED has been initiated and reference lists have been drawn up and made available to all staff. This is now being reflected in their module frameworks and teaching materials. Their draft papers thus far presented are an indication of this ongoing process, which will culminate in final draft papers in October.

Comprehensive interviews with participants

All participants selected on the course were interviewed during the first contact session. The purpose was to gain insight into their understanding of LED and the challenges it poses. The interviews echoed the range of diverse backgrounds from which the participants come and the variety of challenging situations they experience. While these interviews provided a rich context for the study, rather than informing particular disciplines, they indicated the need to adopt a problem-based approach in order to cope with, and hopefully thrive in, the environment in which they found themselves. This underpinned the need for the discipline-based approach to be supplemented with problem-based approaches. This is in line with the tradition of the Leadership Centre with its emphasis on systems-thinking and complexity science.

The problem areas identified include the following:

- The heightened potential for poor inter-relationships between government and business in South Africa due to our socio-political history. Reference was made by one student to a remark by the mayor of a large municipality in which, when told that businesses were thinking of relocating as a consequence of unilateral decision-making, especially around tariffs, responded antagonistically: ‘Let them go!’. While the student acknowledged that this could well have been a strategy on the part of business to stimulate a response, it reflects a confrontational interrelationship. The business claim is that, despite business goodwill and preparedness to engage, this is rejected by local government. It should be noted, of course, that this was an incident from only one municipality and it can in no way be generalised. However, it does indicate a lack of appreciation of the importance of business to the community, and
indeed to local government, which is dependent on business for its rates and tariffs. This is, however, a salutary reminder of the importance of exploring institutional mindsets and their social histories in the curriculum.

○ The process of business development as experienced by individuals. One way that business development happens is when businesses outsource to emerging contractors as a means of restructuring, with the expectation that those providing the services will grow their small businesses. This also requires new forms of association and supply chain management. One respondent’s reference was to forestry in particular, where big companies have downsized by laying off workers after training them to become contractors. This requires new ways of working to take into account changed realities (eg in forestry, where working with communities becomes essential to business sustainability).

○ The enabling environment. This is a key issue for business, and starts with simple issues such as town cleanliness. Infrastructure creation is also essential, with institutions required such as healthcare and education because, as indicated by one student ‘If you want to attract the investor the first things they require are water, roads, and electricity’.

○ The need to deal with inter-relationships and institutional identities as part of the curriculum. This was further elaborated on by other students, who pointed out that because so many players are involved, LED requires cross-sector and inter-institutional partnerships. One student indicated that ‘a lack of partnership results in people saying that LED is everybody’s business but that they don’t know who is doing what. And this is a challenge that you find yourself in. Even within local government people find they have an IDP but were never part of it, yet you are expected to implement projects emanating from it. Between departments you find that different departments are doing something about LED but in a very different way and that there is a lack of alignment between government departments’. Another said that ‘…government cannot do it on its own. Local government can work relatively independently on some mandates, eg water, but LED requires good relationships with business forums. Business needs to be retained as if we lose more businesses, job opportunities are lost as well. Good working relationships are essential’.

The interviews acknowledge that there are so many players in LED, and so it is no wonder that there are different understandings and misconceptions and the concern is how to build common understandings. This implies the importance of consultation. The student input suggests that partnerships are hindered by:

○ local departments, districts, private sector groupings not always talking to each other
○ clashes because of political affiliation
○ a lack of trust, the development of which takes time and ongoing engagement
○ the short-sightedness of politicians
○ a lack of continuity in municipalities, people are constantly changing jobs
○ a lack of understanding of different discourses: ‘If you are not business orientated, you cannot speak the business language’
○ a lack of municipal strategy
○ a lack of planning and different institutional priorities, described as, ‘not aligning diaries’.
Students indicated that the main vehicle for LED is projects. Thus they acknowledged the need for project management skills, including their identification, feasibility, research, management, monitoring and evaluation. They placed emphasis on the nature of project timelines and the need to align them to appropriate processes. For example, in agriculture there is a need to take into account manual planting, harvesting, transport and business process cycles.

The transfer from the project time-line to sustainable institutionalised change was identified as a problem. Projects are considered to be unsustainable, often implemented according to a time-scale appropriate to the funder, and sometimes projects are linked to public relations rather than sustainable development. As two students pointed out: ‘Projects are often imposed on communities’ and ‘The timeline from grants to employment might be long and subject to funding vagaries’.

Not only were the students interviewed, but they were required to provide feedback through an evaluation process conducted at each contact session.

Drawing these various strands together resulted in the formulation of the following preliminary proposal for consideration.

**APPROACH**

The proposal works on the assumption that the primary need of the programme is to empower the participants on the LED course to be effective leadership agents in the communities they represent, especially as brokers of LED initiatives. While it is expected that Local Economic Development facilitators and officers employed by District and Local Municipalities have a mandate to institutionalise LED brokerage, it has already been pointed out that the brokerage function can be located in any of the three main stakeholder groups, namely government, business and resourcing agencies.

In deconstructing the professional needs of partnership brokers, three main knowledge areas are important. These are:

- what they need to know (understanding)
- what they are able to do (practice)
- how they can engage, unlock and utilise the resources and support they need to do it (enable).

It is also assumed that the majority of professionals used to facilitate/broker Local Economic Development will come from the Local Government sector in the persons of Local Economic Development facilitators and officers.

**What the LED officer needs to know**

This knowledge is considered from three perspectives, namely:

- relevant information
- legislative requirements
- professional knowledge.
Information

The officer should know about:

- the geographic, spatial, resource and demographic configuration of the territory
- the natural resources and the mechanisms used to exploit and enhance them
  - hard resources (e.g., mining)
  - soft resources (e.g., game parks, forest bird trails, mountain and seascapes)
- the services offered by the municipality, the location of land, buildings, plants, forests, dams etc., and the opportunities for development along the supply chains
- the sports, education, health, transport facilities available
- the infrastructure development within the municipality, as well as infrastructure developments outside of the municipality but which impact on it (e.g., the impact of the Dube Trade Port and King Shaka International Airport situated in EThekwini but adjacent to Ilembe)
- the industry clusters, business hubs, technology centres and other private sector configurations of relevance to the territorial economy
- the initiatives and projects in the territory designed to promote and contribute to development
- the political networks and dynamics relating to local and traditional government
- the dynamics associated with Integrated Development Plan (IDP) implementation
- the economic trend analysis.

Legislation

Taking into account the three spheres of government, the LED officer should have:

- an appreciation of the constitution and the notion of constitutional democracy
- an appreciation of developmental government initiatives
- a working knowledge of land ownership and land usage laws
- a working knowledge of environmental laws
- A working knowledge of labour laws
- a working knowledge of IDP processes and roll-out procedures
- a working knowledge of Local Economic Development legislation and policy
- knowledge of the national transformation agenda and associated legislation.

Professional knowledge

The professional knowledge required by an LED officer falls under three headings:

**Foundational**

- Development planning: This involves understanding the dynamics of working with various communities, demographics, spatial characteristics, participatory processes of inclusion in development and systemic influence.
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- **Economic development**: This involves understanding macro (national and international) meso (district) and micro (family economic unit) economic data presentation and interpretation, globalisation and market mechanisms.

- **Policy, legislation and development**: This involves understanding the constraints involved in the enablement of development projects.

- **Systemic intervention**: This involves understanding the processes and dynamics of intervening in economic systems, learning and innovation.

- **Business planning**: This involves understanding the processes of business development from concept to profitability.

- **Marketing**: This involves understanding distinctive competencies offered in a territory, understanding markets, supply chains, devising marketing strategies and mechanisms.

- **Research and evaluation**: This involves building a grounded theory of LED as it applies in the contexts of application of the practitioner.

**Applied**

- **Brokering partnerships**: This involves meeting and communicating effectively with people from different sectors, understanding their world-views and perspectives, anticipating their queries and concerns, understanding their resources, appreciating their risk factors and understanding their time-lines and decision-making procedures.

- **Project management**: This involves scoping, conceptualising, detailing, operating, monitoring, evaluating and financially managing particular projects in LED.

- **Capacity development**: This involves identifying the human resource constraints among all stakeholder groups and facilitating appropriate training interventions.

- **Management support**: This involves responding to business needs and facilitating the appropriate advice and support.

- **Evaluation**: This involves using existing and designing better tools to monitor and evaluate LED examples and initiatives.

**Practical**

- **Personal and time management**: This involves maintaining an efficient diary, schedule and note-taking regime.

- **Presentation skills**: This involves making presentations to various audiences to provide information and presenting local economic details regarding opportunities.

- **Facilitation skills**: This involves participatory planning, conflict resolution, negotiation, decision-making and action planning.

**What officers need to do**

This covers a range of functions:

- to develop a territorial profile and to identify systemic opportunities for economic development leverage

- to develop a professional network and electronic database of decision-makers within the territory who can influence LED thinking
to work with LED policies and strategies – to contribute to their construction and to participate in their implementation
- to facilitate LED events including forums and information days
- to provide the public media with information of relevance to LED
- to discern opportunities which have a high likelihood of long-term sustainable value from those which are transitory and of limited value
- to contribute to project management relative to the above
- to evaluate that which is considered to be LED with the objective of clarification and of building theory around successful examples of LED.

Intellectual challenges

These include:

- building personal grounded theory that can inform LED practice
- understanding the interplay of finance, economics and development
- reconciling of economic, environmental and social issues in sustainable development
- understanding competitive economics, especially at the level of the locality (localities are likely to be in competition with each other)
- coping with the dynamics and paradoxes of globalisation (the paradox of sustainable development and global instability)
- discerning relevant data and their implications.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

- The Post-graduate Diploma provides the ideal integrative learning platform for creating the knowledge base for LED teaching and research. It is designed within the NQF for creating the kind of platform where adult learners from various backgrounds need to create and build a competency and knowledge platform. The Masters programme allows those who wish to research areas in LED in greater depth to do so.
- There is a great diversity in learner profiles and that the coursework must therefore focus on the core issues, recognising the importance of Continuing Professional Development to introduce new concepts and applications.

Recommendations

- This document must be circulated amongst the identified participants for critical reflection and addition.
- The process of refining a programme framework and modules and reconfiguring them to create unique adaptations should be continued.
REFERENCES


CASE STUDY:
LOCAL ECONOMIC
DEVELOPMENT IN THE
MANUFACTURING SECTOR –
CORRIDA SHOES

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Abstract

This case study reviews Corrida Shoes, a family-owned shoe manufacturer based in Pietermaritzburg, South Africa, through the lens of Local Economic Development (LED). The company sells both men’s and women’s shoes in South Africa, Australia and a number of European countries. The case study was compiled as part of an Action Research initiative at the College of Law and Management Studies, University of KwaZulu-Natal, in order to present post-graduate students with a real-life example of LED in a manufacturing setting – how one company grew while others failed, and the specific ways in which a local economic initiative managed to provide support to a community during a time of rapid change.

Key words: Local Economic Development, manufacturing, poverty reduction, sustainable development, shoe industry, Gijima, KwaZulu-Natal

Background: the apartheid economy

Before any detailed discussion of Corrida Shoes can take place, it is important to locate the case study within the political and socio-economic context of the time.

Prior to 1994, the shoe industry in South Africa was centralised around Pietermaritzburg in the KwaZulu-Natal province of South Africa – to the extent that the city became known as
'Shoe City'. In the context of the Apartheid economy, globalisation and trade liberalisation had a mixed effect on industry. Large South African businesses were unable to expand globally because anti-Apartheid activists successfully advocated for the economic isolation of the country and its businesses. The government of the day also introduced exchange controls, which effectively stopped capital outflows and stemmed capital flight. To compensate for external economic pressures, an 'import replacement' programme was launched, which created a large, diversified manufacturing base – by far the largest and strongest in Africa. A policy of trade protection was initiated, although it tended to be applied in an erratic and arbitrary manner, as it was based on a particular industry’s claim that it needed protection (Valodia, 1999). In some instances, the degree of protection could be increased by as much as three hundred percent. In addition, industries were able to take advantage of cheap labour, and the government strategically co-operated with businesses so that an inexpensive labour force was readily available.

South Africa's economic isolation from the world community barred potential market competitors from establishing themselves in the country – either because their own governments’ upheld compliance with United Nations resolutions or because of home-country anti-Apartheid legislation. A further negative consequence of the emergence of oligopolies was that, in certain cases, there was very little need for firms to become globally competitive. Local businesses often bought the assets of international companies that withdrew from South Africa for the reasons described earlier. Many of these local businesses did not upgrade their production equipment very often, because anti-apartheid measures made the importing of specialised equipment very difficult. The result tended to be low productivity, poor quality and a lack of competitiveness among local businesses.

**Post-apartheid and the footwear industry**

At the end of Apartheid, the South African economy was closed and largely protected from globalisation. Once the African National Congress (ANC) came to power and a new government was installed in 1994, the effect of the apartheid economy became more apparent. To address the issue, the new dispensation instituted a series of policies and Acts to reverse the widespread ill-effects of industries that had previously been closed and protected – including the footwear industry. One policy lowered protective tariffs as a means of boosting trade opportunities. This may have been enacted a little hastily (van der Westhuizen, 2006), but the Department of Trade and Industry (DTI) argued that this would give the government leeway to increase tariff rates if and when the industrial policy required it (Westhuizen, 2006). The effectiveness of lowering the protective tariffs is still questionable according to uneven results.

The reduction of protective tariffs had a direct impact on the footwear industry. According to a PACSA Fact Sheet (2005), the industry collapsed to a significant degree after 1990. Whereas nearly 82 million pairs of shoes were produced in South Africa in 1990, the figure had declined to only 22.8 million pairs of shoes by 2001. During this same period, imports of shoes increased from approximately 12 million pairs to 52 million pairs per annum, with a peak of around 64 million pairs in 1995. Shoe producers in Pietermaritzburg decreased from 37 in 1991 to only 26 in 1996. Nationally, by 2003, the number of manufacturers had halved. In Pietermaritzburg the number of employees decreased from about 6,500 in 1990 to about 2,000 in 2003 (PACSA Factsheet, 2005).

According to Webster and Omar (2003), the decline of the footwear industry was due not only to the decrease of tariffs, however, but also to the fact that many of the factories were
family owned. Some practised older methods of management, which in turn led to disputes between labour and management. Whereas labour’s intention was to bring about equity in a previously segregated workforce, management’s agenda was to keep companies afloat during a time of extensive change.

Another policy, the Workplace Challenge Initiative, was launched in 1996. It was intended to ‘… transform workplace practices and work organization as a means to improve equity, efficiency and productivity’ (Webster, 1999: 4). The need for greater skills in the workforce was a direct result of apartheid policies that had denied the black population access to education and skills.

An unforeseen problem, however, was that with the lowering of protective tariffs and the new influx of imported shoes, wages for the same skills in countries such as China were markedly lower. Thus, even with new skills, competition with Chinese markets was a real challenge. Since women made up the majority of the labour force in the textile and footwear industry in South Africa, the net result was lower wages and a growing informal labour force. In some instances formal workers were retrenched and re-employed as informal workers (Komane et al., 2008). This further divided the workforce into ‘a core of “insiders” – permanent workers with rights, better wages, and a periphery of “outsiders” – vulnerable workers who are casual, temporary, subcontracted’ (Mosoeta, 2001: 193).

**The case of Corrida Shoes**

Corrida was established in Pietermaritzburg in July 1983 by Pieter Maree and partners. Pieter later bought his partners out. The business has been family owned and run since September 2001, with Maree’s son and son-in-law now a part of the business. Corrida has two factories in Pietermaritzburg, where the soles of shoes are made and the uppers are crafted.

The company owns a number of well known brands within the shoe market. It also produces private label products, but remains committed to keeping these products to only a small percentage of total production (not more than 10 percent) because private labels are perceived to increase risk within the business. Over a thousand people are employed, either as formal employees or as contract workers.

Corrida Shoes owns the following brands, all of which are marketed within mainstream retailers in South Africa: Alfa, Newport, Gen-X, Cobbles, Rhino and Tsonga. The company also manufactures the Omega and Jeep brands under license. The factories in Pietermaritzburg manufacture the brands from scratch, each with its own particular requirements, markets and equipment. Parts of the shoes are made from outsourced materials.

In September 1999, Corrida launched the new Tsonga brand, the result of successful product development initiatives and one which allowed for the creation of a corporate social investment programme. The Tsonga brand is used for both men’s and women’s shoes. A further feature of the shoes is that they are marketed with a logo: ‘A Thread of Hope – Made in South Africa’. This can be seen in Figure 1. The **Thread of Hope** refers to the fact that the Tsonga shoes include a large component of hand-stitching. The unique feature here is the location of the stitching, and who performed it. This information is directly incorporated into the marketing of the Tsonga range of products and adds a personal touch which customers find very attractive. The website (Tsonga Shoes, s.a.), provides the following information:
As can be expected, all Tsonga products are made using only the very finest leathers, quality-checked to the most demanding criteria. The Tsonga factory in Pietermaritzburg furnishes the Thread of Hope farm with the necessary components, pre-cut and ready to assemble, with certain shoe uppers and handbag components being screen-printed or embroidered on-site by specially-trained teams. The Tsonga craftswomen meticulously complete the shoes and handbags in the unique Tsonga hand-stitched style, and, after further rigorous quality checking, the finished products are dispatched back to the Tsonga international distribution centre in Pietermaritzburg.

In January 2001, the company purchased a farm in an area known as Lidgetton, approximately thirty kilometres to the north-west of Pietermaritzburg. The area had been suffering for a long time, due to the displacement of a large number of agricultural workers. Owing to the manner in which agricultural people came to share a common area, traditional tribal systems were non-existent, and the area suffered high rates of unemployment. Corrida saw this as an opportunity to implement a corporate social responsibility programme. The company purchased a smallholding, erected structures conducive to the business, and started offering employment opportunities to women in the area. In addition, vegetables were grown on the farm and used to start a feeding programme for children at the local crèche and school. This particular social outreach programme continues to this day.

The formation of the company

The founder, Pieter Maree, began the business when he saw a gap in the South African market for men’s shoes. Whilst no formal market research was conducted, his knowledge of the industry and of the South African markets was extensive, and he was able to identify a new niche, as certain products were not available in South Africa at the time.

The business model was very simple. As Pieter Maree stated in an interview (the full transcript is included as Appendix 2):

... [I]t was focused around the establishment of leading brands and products in the local markets and obtaining the reputation as the supplier of choice for locally produced products, within the mid-price range. (Maree, 2010)

In the same interview, the founder provided the following information about how the business was formed:
I had extensive technical experience in shoe-making and my first partner [had extensive experience in] production. Therefore although we did not do a formal technical feasibility study, we were satisfied that our plans were technically feasible and financially viable.

No official business plan was drawn up when the business started. The business was started based on a verbal agreement with our first customer, Cuthberts. I started up manufacturing in a factory no bigger than a double garage. (Maree, 2010)

Regarding financing, Maree said:

I managed the financial activities of the business during the first eight years. The financial viability of the business was based on its success and only after two years of trading was some form of external funding obtained from our bank. Prior to this everything was funded by the partners or financed from reserves. The amount of capital available was limited to my life savings at the time, so things had to be done differently, for example machinery was leased rather than purchased. Credit terms with major suppliers were approved based on relationships with the suppliers. The bank only came on board with external finance when I needed working capital to finance growth into the credit chains and the debtor's book started to grow, this proved crucial to assist with the growth in the market share in the local markets.

It is interesting to note that a financial manager was employed only after the first eight years in business:

I had fairly good financial management skills and ran this part of the business with the aid of a bookkeeper for the first 8 years, after which a financial manager was employed to oversee this aspect of the business. (Maree, 2010)

With regard to organisational structure and management of the company, it was ‘flexible’ and linked closely to cost constraints and business strategy. As Maree states:

From the start I wore many hats in order to save costs and ensure the success of the business. I had the general and strategic management skills and my passion lay in the marketing and technical aspects of the footwear trade. The organisational structure was typical of an owner managed and run business and my experience in this business segment only contributed to its success within the cost constraints at the time, considering the circumstances the organisation structure was appropriate to the business strategy. (Maree, 2010)

The Local Economic Development intervention

In 2007, Corrida became involved in the European Union’s (EU) KwaZulu-Natal (KZN) Gijima project. This project was looking for opportunities in which EU funding could be spent within the public and private sector in order to create new employment; in other words, a Local Economic Development project. Projects were sourced by Gijima, assessed and approved by the EU, funded by the EU if approved and then implemented by the applicant. Corrida became one such applicant.

At the time of applying, Corrida wanted to increase its competitiveness in the market, and the reduction of costs was a key factor in a company’s ability to compete in a global economy. Achieving this involved reviewing all costs incurred in the production process and assessing where the greatest savings could be made. The sole-making process, undertaken by an external supplier at the time, was identified as the process most likely to provide the largest savings to Corrida.

The company investigated the possibility of obtaining sole-making equipment, and a German manufacturer was identified as being the best provider. Certain features were offered by this manufacturer only, and they were protected by patents. Corrida realised that this initiative
would provide the company with the cost savings they required in order to become more competitive.

When the Gijima opportunity arose, Corrida saw an opportunity not only to gain competitive advantage, but also to give back to the community. The intention of the plan was to lower the costs of production, hopefully leading to increased competitiveness, and thereafter to increased sales. Corrida duly applied to the Gijima EU project for funding, which was approved.

**The agreement**

Corrida was to purchase equipment to manufacture shoe soles using EU funding. The actual ownership of the equipment was vested in a trust, which was effectively given a grant of R3 800 000 by the EU to make the purchase. The trust, in turn, leased the equipment, as per a signed lease agreement, to Corrida Shoes. The trust income received from Corrida Shoes was to be used to upgrade the shoe sector skills and entrepreneurial skills of the Lidgetton community. Figure 2 shows a photograph of the equipment funded by the Gijima project.

![Figure 2: The equipment funded by Gijima](image)

The skills to be taught during the project were not limited to those used in the Corrida production process: local community members were also to be taught business management skills, and those who showed promise were to be taught how to extend their entrepreneurial
skills and abilities. Furthermore, the agreement called for community members to be taught leatherworking skills beyond those required to work for Corrida, such as making leather handbags.

Successes

Corrida Shoes has achieved noteworthy results. While the bulk of its competitors were originally large group-owned businesses, the founder, Pieter Maree, was able to identify their weaknesses and to create trading opportunities for his company within specific market niches. He created leading market brands within these niches, despite very limited funds. Large players have come and gone, and the shoe industry has collapsed around Maree, yet the family business has kept on growing, with a turnover currently in excess of R100 million per annum. Furthermore, the company has been able to survive the influx of cheap shoe imports. This in itself points to a clear corporate strategy and a successful business strategy.

The Tsonga brand has also added a new dimension to the business: it allows the company to contribute back to the very community that has helped make his business what it is today and has created a powerful marketing tool. To quote an American client, 'It is the first time we have had a great product with a great marketing story. A Thread of Hope is a great concept' (Maree, 2011).

Future plans

From a Local Economic Development perspective, Corrida is now looking at creating mini businesses, which will reside in containers. The containers will be owned by co-operatives, which in turn will take on work from Corrida. Over time they will be able to manufacture other leather products, such as handbags and belts, with the additional skills they have gained. With the benefit of their relationship with Corrida – its knowledge and experience, its business relationships and its retail stores – the co-operatives will be able to gain access to markets. The intention is that to a certain degree, they will be able to leverage sales because their products will be marketed alongside the Tsonga brand in Corrida Tsonga retail outlets, which are housed in high-fashion, high-tourism traffic areas.

Challenges going forward

Now that Corrida has established a niche market for itself, what are the challenges, strategic options and opportunities going forward? The list that follows identifies some of these.

- **Listing the company on the stock exchange.** One of the strategic options, and an undoubted challenge, is to list the business on the stock exchange. This will change the dynamics of the company from a privately owned enterprise to one owned by stockholders. The challenge remains: what will happen to the entrepreneurial practices that grew the company to what it is today?

- **Growth.** Another strategic choice is whether to continue with the stimulation of organic growth that has been achieved in local and international markets. Europe continues to offer a densely populated and wealthy market and it shares many common characteristics with South Africa. There are strong historic links between South Africa and Europe, and the Thread of Hope marketing approach would work very well with European buyers. These markets are generally favourably inclined towards South Africa, with countries like Germany and the UK providing the bulk of
South Africa’s international tourism traffic. The European market can be considered to include the United Kingdom. Another way of looking at this possible market strategy would be to consider a more limited selection of countries, instead of a whole area in which a market share is desired.

- **Maintenance.** An alternative to the growth strategy would be a maintenance strategy, which would see no new markets being sought. Organic growth in existing established markets would be the target.

- **Diversification.** This is another option and would represent another means of business growth.

- **New products.** Another strategy is to seek new products which existing clients may be prepared to purchase (e.g., handbags, belts or laptop bags). These products could then be cross-merchandised with the fashion-label shoes.

- **Supply chain.** Corrida has already become integrated into the supply chain, in that they own the manufacturing process, and in respect of the Tsonga brand in South Africa, they own the retail outlets as well. Therefore another option would be to extend this integration into other international markets.

- **The trust.** A challenge for the trust is to identify new development projects using the leasing income. This would ensure the sustainability of the company’s community service objective, as sales of the Tsonga brand are intricately linked to the company’s commitment to social responsibility.

- **The workforce.** The relationship of the workforce and the company, whether the workers are informal or formal, and whether the company remains a family-owned business or becomes one traded on the stock exchange, is part of the challenge for the future of the company.

## Conclusion

This article has presented a case study of a highly successful LED manufacturing initiative, which grew from small beginnings as a family-owned factory on a farm situated in an economically depressed rural area of KwaZulu-Natal. From 1983 to 2007, the project was funded entirely by the founder and by business turnover. In 2007, through a grant obtained from the EU-funded Gijima initiative, Corrida was able to implement additional initiatives to enhance the company’s ability to compete internationally. A further benefit was the empowerment of the workforce through training in entrepreneurial and business skills. Lastly, the case study has outlined the strategic choices Corrida Shoes faces as it looks towards the future. Appendix 2 lists a series of questions that could be used as discussion-starters and makes some suggestions for further reading. It is hoped that this case study will provide students and practitioners of LED with food for thought and material for further debate, particularly with regard to lessons learnt and emerging best practices for Local Economic Development in its unique South African context.

## References

Komane, Plaatjie, Malebane and Associates (2008). *Survey on the textile, clothing and footwear sector: with a focus on small enterprises.* Pretoria: SEDA.
APPENDIX 1:
POSSIBLE CASE STUDY QUESTIONS AND DISCUSSION STARTERS

1. Is the project sustainable after the funding income from Gijima finished? Why/why not?
2. Was the project successful? Why/why not?
3. What are the key issues that the project raises?
4. What effect has the project had on the local economy, national and global?
5. What effect has the project had on the formal and informal employees employed by the company?
6. What are the implications of the project for the local community and the way in which things are done?
7. What are the implications of the project for a pro-poor focus in the area?
8. What are the implications of global/domestic economic trends on the workers in the project?
9. What are the implications for the industry and its customers of the growing informalisation of work in the footwear industry?
10. In your view, given the strategic choices the company faces, what is the best way forward? Justify your answer.

Suggestions for further reading


APPENDIX 2: INTERVIEW WITH BUSINESS FOUNDER, PIETER MAREE [JANUARY 2010]

In a short interview held in January 2010 at Pietermaritzburg, Pieter Maree responded as follows to the questions posed to him:

Q: Did you see a particular opportunity that stimulated you to start the business?
A: The business was started when I saw an opportunity to take advantage of a gap in the South African market for men’s shoes, which had been created by SAB who owned CONSHU.

Q: Was market research done before launching?
A: My deep experience and understanding of the South African markets at the time was the market research. No formal market research was done.

Q: How was the business differentiated, if at all?
A: The business was built on differentiated products in market segments which otherwise were not available in South Africa at the time.

Q: Was there a clearly defined business model?
A: The business model was very simple and focused around the establishment of leading brands and products in the local markets and obtaining the reputation as the supplier of choice for locally produced products, within the mid-price range.

Q: Was there a clearly defined corporate and business strategy?
A: Yes. Our corporate strategy had a very clear vision. Similarly the business strategy was single-mindedly focused on executing the corporate strategy.

Q: Did you do a technical feasibility and financial viability study before you launched the business?
A: I had extensive technical experience in shoe making and my first partner was in production. Therefore although we did not do a formal technical feasibility study, we were satisfied that our plans were technically feasible and financially viable. All studies prior to launching the business were carried out by Pieter.

Q: Was there a detailed business plan before the business started?
A: There was no official business plan done when the business started. The business was started based on a verbal agreement with our first customer, Cuthberts. I started up manufacturing in a factory no bigger than a double garage.

Q: Had you clearly defined the amount and source of seed capital before you started? Were you successful in raising the finance?
A: I managed the financial activities of the business during the first eight years. The financial viability of the business was based on its success and only after two years of trading was some form of external funding obtained from our bank, prior to this everything was funded by the partners or financed from reserves. The amount of capital available was limited to my life savings at the time, so things had to be done differently, for example machinery was leased rather than purchased. Credit terms with major suppliers were approved based on relationships with the suppliers. The bank only came on board with external finance when I needed working capital to finance growth into the
credit chains and the debtor’s book started to grow, this proved crucial to assist with the growth in the market share in the local markets.

Q: Are you decisive?
A: I am very confident in my abilities and I am decisive and enjoy the challenges of success and know what works for me.

Q: Did you have or hire general and strategic management skills and experience?
A: From the start I wore many hats in order to save costs and ensure the success of the business. I had the general and strategic management skills and my passion lay in the marketing and technical aspects of the footwear trade.

Q: Was the organisation structure appropriate to the strategy?
A: The organisational structure was typical of an owner managed and run business and my experience in this business segment only contributed to its success within the cost constraints at the time. Considering the circumstances, the organisation structure was appropriate to the business strategy.

Q: Did you have or hire financial management skills and experience?
A: I had fairly good financial management skills and ran this part of the business with the aid of a bookkeeper for the first 8 years, after which a financial manager was employed to oversee this aspect of the business.

Q: Did you have or hire leadership and communication skills and experience?
A: I used my own leadership and communication skills in the business.

Q: Did you have or hire inventory management skills and experience?
A: The inventory management skills have evolved with the business and the necessary skills have always been hired.

Q: Did you have or hire marketing skills and experience?
A: One of my strengths lies in my marketing skills, so there was no need to hire skills in this regard.

Q: Did you have or hire contingency management skills and experience?
A: I understand the whole business well and manage the risks associated with it myself, and thus do have contingency management skills.

Q: Did you have a systemic approach?
A: I do have a systemic approach to business, however my entrepreneurial flair and creative mindedness does at times create problems in this area. However, this is a good driving force within the business.

Q: Are you growth oriented?
A: I am growth oriented, and the proof is in the pudding if you see how the business has grown over the past 26 years.
STRUCTURING LOCAL DATA TO DETERMINE LED STRATEGY PRIORITIES – AN ECONOMIC DEVELOPMENT PERSPECTIVE

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ABSTRACT

The very essence of development is experienced on a local level, yet decisions are often dealt with from a larger national perspective. The quality and effectiveness of local decisions are highly dependent on the type and nature of available local data.

The objective of this article is to explore a meaningful and comprehensive way in which local data can be structured to prioritise Local Economic Development strategies. This could serve as basis for research on the availability and accessibility of data on a local economic level.
The article seeks to develop a framework for the drivers underlying the economic objectives of economic efficiency, equity and economic stability. Together these drivers form a focused LED framework that captures the essence of LED strategies and programmes.

**Key words:** Economic efficiency, equity, economic stability, Local Economic Development drivers.

**INTRODUCTION**

Local data is considered a major constraint in Local Economic Development planning in South Africa and elsewhere in the developing world (SALGA, 2010; Valler, 2011; Sibisi, 2009: Rogerson, 2009). The objective of this article is to explore a meaningful and comprehensive way in which local data can be structured to prioritise LED strategies. This could serve as the basis for follow-up research on the availability and accessibility of data on a local level.

In constructing the strategy framework, the ultimate objective of LED is considered a valid starting point. There is a significant voice in regional literature (Pike, Rodríguez-Pose and Tomaney, 2011) arguing for a broader focus than economic and employment growth in constructing and evaluating LED strategies and programmes. The main objective of LED, as presented in this article, is simply framed within the three widely acknowledged objectives related to economic systems (irrespective of the ideology behind the system), namely the enhancement of economic efficiency, economic equity and long-term economic stability (Terreblanche 1986). The latter objective also has a bearing on the concept of sustainability.

The article explores current economic development theory behind the three core economic objectives, with the aim of identifying economic determinants (drivers) to inform LED strategies and programmes.

**CONTEMPORARY ECONOMIC DEVELOPMENT THEORIES AND THE DRIVERS OF LED**

**The objective of economic efficiency**

Economic efficiency relates to the objective to fully mobilise economic resources in order to produce the maximum output and to increase output over time. Output growth and full employment are considered two practical measures for economic efficiency.

**Determinants of output growth**

It is increasingly realised that the most recent focus on indigenous strategies, such as local entrepreneurship development and learning systems, do not provide the ultimate panacea for local development (Tödtling, 2011). Contemporary growth theories no longer approach economic/output growth in a ‘mono-causal’ way (Adelman, 2001), but rather recognise that

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both external and endogenous/indigenous factors play an important role in local economic growth.

Historically, the following main drivers for economic growth (G) have been identified thus:

\[
G = f(\text{external supply factors including physical capital/investments, entrepreneurship, technology; exports; local supply factors including human capital, entrepreneurship, production and innovation networks, social and political capital, internal demand})
\]

Early or classical growth theories (1950s to 1970s) focused on external supply side factors, mainly physical capital and entrepreneurship, as the main drivers of economic growth. Foreign investment was to provide a ‘big push’ to move the economy from a low-level equilibrium trap to a higher-level equilibrium (Todaro and Smith, 2006). Location theory provides important reasons behind ‘external’ capital, locating to specific areas and including:

- the availability of inputs (especially natural resources)
- the distance from final markets and transport costs to hard infrastructures (municipal)
- ‘hygiene’ factors such as good climate, housing, and community facilities.

While early growth theories in economic development theory placed strong emphasis on (external) supply factors (physical capital, entrepreneurship and technology), external demand was emphasised as the main driver behind local growth in the 1960s and 1970s, through the exponents of export-base theory (Schaffer, 1999).

Since the late 1970s, endogenous/indigenous approaches (as opposed to the ‘top-down’ theories above) became more prominent in economic growth theories (Tödtling, 2011). ‘New Growth Theory’ in development economics (eg the Romer model), explains growth as an endogenous (locally determined) outcome of public and private investments in human capital (ie education, training, health care and nutrition), local entrepreneurship, knowledge and innovation (Todaro and Smith, 2006; Wilson, 1999).

Related to the modern cluster concept, regional innovation systems have also gained increased attention since the early 1990s in New Growth Theory within development economics.

‘Cluster Theory’ explains regional growth in a global competitive economy, on the hand of agglomeration economics (ie benefits that accrue to firms in close proximity). While Cluster Theory emphasises the role of regional proximity and local knowledge spillovers in agglomeration economies, New Growth Theory emphasises the role of innovation and knowledge as drivers of endogenous growth. The focus of regional innovation is on how individual actors (firms, universities, organisations, research institutes, governmental institutions etc) interact as parts of a system and emphasises firms as part of an institutional network (Andersson and Karlsson, 2004).

It is acknowledged that a ‘one-size-fits-all’ innovation policy cannot be applied to all local areas. Peripheral areas are often lacking industry clusters and knowledge organisations, in that their economies are based on small businesses facing many innovations barriers (Tödtling, 2011). This implies the necessity to consider multi-scalar technology strategies, including appropriate human-scale technologies, as proposed by writers such as Schumacher (1973) and represented through programmes such as the Farmer Access to Innovation Resources (FAIR), which focus on innovation within the small-scale farming sector (Krone, 2006).
Within the context of new market failures, which necessitates some kind of co-ordination to move the economy from a low equilibrium to a high equilibrium (Hoff, 2000), the role of institutions and networks receives a great deal of attention in contemporary economic development thought.

Social capital, within a broader concept, is defined as ‘networks, norms and trust, that facilitate co-ordination and co-operation, for mutual benefit’ (Putnam, 2007: 19).

Endogenous Growth Theory, in the discipline of economic development, gradually expanded the main drivers of growth to social capital and recognises the role of ‘political capital’ or good governance in development. Public management reforms are receiving increased attention in the field of development economics. Mutekede and Sigauke (2007) emphasise a variety of governance issues currently highlighted in relation to development, including:

- improved technical and managerial competence of civil servants
- organisational capacity (eg organisational structure and managerial system)
- reliability, predictability and the rule of law
- accountability, transparency (ie the availability of information to the public and the clarification of government rules, regulations, and decisions)
- quality of regulation
- the use of information technology.

Apart from the supply and institutional factors mentioned above, indigenous demand has increasingly joined the rank of endogenous/indigenous drivers of local economic growth, with strategies pertaining to ‘plugging the (local spending) leaks’ thus gaining particular popularity.

**Determinants of full employment**

The full mobilisation of labour within a local area (zero unemployment) is positively correlated with the labour absorption capacity of the economy (L) and negatively correlated to the growth in the labour force (LF) relative to the additional number of jobs being created in the local area.

In terms of the labour-absorption capacity of the economy, researchers highlight the following drivers where L = labour absorption capacity:

\[
L = f (\text{structural economic shifts, technological adjustments, labour conflict, wage levels, the employability of the labour force, the accessibility of jobs})
\]

Based on national ratios, it could be determined whether a local economy became more or less labour intensive, based on the shifts in the production structure changing the contribution of labour intensive relative to capital intensive sectors. Tragenna (2010) used a composite measure for labour intensity (combining the labour-capital ratio, labour-value added ratio and employment multipliers) to identify the most intensive labour intensive industries in the South African economy thus:

- small service industries
- clothing-related industries
- catering and trade industries
- agriculture industries
- construction industries.
The most capital-intensive industries were identified as sectors related to
- economic infrastructure provision
- finance
- coal mining
- petroleum products
- chemical production.

Whereas sectoral shifts represent the shift ‘between sectors’, technological changes or a change in production methods are among the factors that could explain the shift towards less/more labour ‘within-sectors’ (Bhorat and Jacobs, 2010). Technological change is associated with increased labour productivity (and higher wages) and does not lead to lower labour absorption capacity of an economy per se, unless accompanied with static demand for the end-product or service produced. It does, however, change the mix between different skill levels, usually with a higher impact on unskilled labour (Bhorat and Hodge, 1999).

Various studies contend that labour market legislation and conflict could have increased the uncertainty about labour that resulted in the substitution of labour with capital (Schoeman and Blaauw, 2007). Since labour market legislation (the introduction of minimum wages, social charges on payrolls and job protection through legislation) is a contentious issue and falls outside the discretionary strategy area of local areas, it is considered beyond the scope of this article. It should be mentioned that increases in wage levels above productivity levels (typical of the labour bargaining processes) could be expected to distort the cost of relatively abundant labour relative to capital, resulting in the labour substitution. Relatively lower wage costs in remote areas could be expected to contribute to labour intensity, especially if capital costs were comparable to city regions and the remoteness of the area did not significantly contribute towards distribution costs in the marketing of the product.

The ‘employability’ of local labour refers to characteristics of the population in terms of issues such as
- health
- availability of childcare services
- experience
- basic skills
- relevant levels of education (Levy et al. 2008).

The accessibility of jobs refers to the extent in which labour information channels (labour brokers, advice bureau, informal social networks and other placement programmes) play a role in matching labour demand and supply in an area.

The growth determinants of the labour force (LF) are summarised below:

\[ LF = f (high \ growth \ rates \ of \ local \ economically \ active \ population, \ increase \ in \ labour \ force \ participation \ rate, \ in-migration \ versus \ out-migration) \]

In a study related to rising unemployment levels in South Africa, Hodge (2009) found that it was not so much the low absorption capacity of the formal economy that led to higher unemployment rates, but rather the fast growth of the economically active age group (15-64) and labour force participation rates relative to employment growth. Hodge measured an average ratio of employment growth to economic growth (as a measure of employment elasticity) in South Africa of 0.5, suggesting that a one percentage point
increase in economic growth is associated with a half a percentage point increase in employment growth between 1947 and 2007 – significantly higher than a zero or negative elasticity that would have been implied with ‘jobless’ growth. On the other hand, he found that from the mid 1990s, the main reason for the persistently high and rising rates of unemployment in South Africa was the large increase in the labour force: almost twice as fast ‘than the otherwise respectable 14 %’ in employment growth between 1995 and 2004 (Hodge 2009: 9). In turn, labour force growth could be driven by indigenous factors, including a relatively young population, the fast local growth in the age group 15-64 years and increasing labour force participation rates. The local labour force could also be augmented by high in-migration rates into the local area, especially in the case of visibly high rates of economic activity in the area.

Whereas high levels of in-migration increase the growth in the labour force within an area, local residents migrating to other areas in search of work lowers the labour force growth rate in an area. Recent research is focused on the potential positive effects of out-migration due to the potential development gains from remittances, especially if the latter is for physical infrastructure building in poor communities (Wills et al, 2011).

In the analyses above, the focus was largely on formal employment opportunities as opposed to informal/second economy employment. The latter refers to unregistered businesses, which refers to enterprises that are unregistered and are also not subject to other formal regulation or taxation (Chambwera, MacGregor and Baker, 2011). These activities range from illegal activities to legal activities with deliberately undeclared sources of income (tax evasion) or with no legal tax obligation. A step better than unemployment, the informal economy is increasingly regarded as an important buffer worthy of an own set of targeted strategies against economic decline and the inability of the formal economy to generate sufficient jobs to absorb a continuously growing workforce, particularly for unskilled labour (Chambwera, MacGregor and Baker, 2011; Davids, 2011). A puzzling trend, which unfortunately falls outside the scope of this article, is the relatively low number of people employed in the South African informal sector despite high levels of unemployment (Pellicer et al, 2011).

THE OBJECTIVE OF ECONOMIC EQUITY

Economic equity is related to the perceived ‘fairness’ of the economic system and could include the concepts of both absolute poverty (the absence of basic needs deprivation) as well as the distribution of income and economic assets within a local economy (equality). Growth is insufficient for poverty reduction, since episodes of growth are sometimes associated with increasing absolute and/or relative poverty. Even for those episodes in which growth reduces poverty, ‘it is found that not all growth is equally good’ (Duclos and Verdier-Chouchane, 2011: 122).

There is clearly a lot of debate in the arena around the meaning and definition of absolute poverty. The evolution of the absolute poverty concept runs parallel with the concept of human development. While poverty was equated to low income levels by the welfarist/neo classical school in early development theories (1950s-1970s), the contemporary concept of absolute poverty is, like the human welfare concept in general, a multi-dimensional concept (Maxneef, 1992, Sen, 1999). Contemporary notions of poverty increasingly recognise that poverty has to do with the lack of fulfilment of basic needs or capabilities where income is a mere proxy of access to goods and services and could be regarded as one of the indicators of poverty; basic needs are not equal to subsistence needs and basic needs are regarded as fairly universal and non-hierarchical (ie some basic needs could not be considered more important than others) (Tay and Diener, 2011).
Equality is traditionally measured with the aid of the Lorenz curve, which could be summarised as a single Gini coefficient value. The Lorenz curve measures the income or asset distribution among households, ranging from the lowest to the highest income households within an economy.

**Determinants of absolute poverty**

While the availability of formal employment opportunities (discussed earlier) could be regarded as a main driver of poverty in South Africa (Van der Berg et al, 2006) there are various other resources that could play a role in the fulfilment of basic needs, including access to:

- social income (e.g. social pensions and child support grants)
- credit
- assets such as land and housing
- free collective services (e.g. health, education, public housing schemes)
- environmental assets for survival (land to cultivate food and harvest water, fish to catch, buffalos to hunt, seeds to plant etc).

Following a similar reasoning to Nobel laureate Amatya Sen (1999), while the resources above provide opportunities for households to satisfy their basic needs, it is not necessarily that access to all these services will translate in the fulfilment of basic needs; it depends on the ability of individuals to access and utilise these opportunities. Households’ ability in turn depends on:

- physical characteristics (e.g. health status, age or physical challenges such as paralysis or blindness, metabolic rates, body size, gender)
- social factors (cultural factors such as social convention and custom or status and class, access to social networks or political channels)
- intellectual ability (understanding, access to information)
- emotional ability (stability, reasonability).

The factors above could be considered root causes/drivers of poverty, and external factors such as rising food prices and cataclysmic events such as floods and droughts could furthermore place an increased burden on households’ ability to satisfy their basic needs.

In summary, three main drivers of poverty could be identified as:

\[ P = f (\text{access to resources/opportunities}; \text{ability to unlock opportunities}; \text{external factors}) \]

**Determinants of inequality**

A large body of research exists regarding potential determinants of income inequality; however empirical evidence is still largely lacking (Pellicer et al, 2011). High levels of inequality in South Africa that persist despite the transition to democratic rule in the 1990s receive ongoing attention. Potential drivers that are currently highlighted could broadly be classified as either economic, social or political.

Economic drivers behind income inequality include the difference in wage income levels and levels of assets, as well as access to welfare payments (Checci, 2001). In South Africa,
access to wage income or, more specifically, the absence of wage income (unemployment) is identified as a main economic driver behind current high levels of inequality (Seekings and Nattrass, 2006; Jenkins and Thomas, 2000). Differentials in wage levels of those employed in the labour market are also considered a contributing factor. Wage income levels are, in turn, determined by a variety of factors, including access to human capital (in South Africa’s case this involves mainly access to tertiary levels of education and lowering levels of HIV/AIDS) and changing production patterns in favour of high-skilled sectors (eg due to technological changes or changes in international trade patterns). The sectoral composition of local economies could also explain some variations in levels of income equality. In particular, the dominance of the agricultural sector is sometimes associated with higher levels of income inequality (OECD, 2012).

The lack of access to land as a production asset is historically linked to levels of inequality in South Africa. However, Jenkins and Thomas (2000) contend that land reform is unlikely to play a major role in the strategy to reduce income inequality in South Africa. According to these authors, there is evidence to suggest that land distribution is not an effective policy in terms of income redistribution and that the problem of land is moreover related to the remoteness and fragmentation of land and lack of technical expertise rather than landlessness per se. The issue could still regarded as a political priority for a number of people, however.

Other potential drivers behind economic inequality could potentially include access to social background, which in turn determines the level of expectation, access to role models and good education. Pellicer et al (2011), for instance, mention the positive impact of geographically present fathers on the employment opportunities of their sons. Other social factors that could contribute towards inequality include social norms that lead to discrimination and disenfranchisement of particular groups (eg those based on gender and race).

Little empirical evidence exists for the impact of political drivers behind income inequality; however it could be argued that a better-informed and politically empowered public is less likely to let the rich get away with additional resources and is also better equipped to put an end to resource-draining corruption practices (OECD 2012).

The proposed drivers behind income inequality are:

\[ I = f \text{ (economic (wage levels, employment, access to human capital, assets such as land); social (discrimination, networks); political (informed and empowered public))} \]

**THE OBJECTIVE OF ECONOMIC STABILITY**

The economic objective of stability is currently under the spotlight due to the risks associated with globalisation and shifting global markets, as well as the potential destabilising impacts associated with increased environmental risks and resource scarcities. Economic stability refers to limited variations in output from one year to another, as well as the long-term sustainability related to the continued availability of environmental resources.

**Determinants of economic stability**

Two factors that are highlighted as main drivers behind stable and sustainable local economies are the level of economic diversity (Jacobs, 1969; Stirling, 1998; Wagner and
Deller, 1993) and, more recently, the resource intensity of the economy (UNEP 2011). The drivers behind stability (S) could be summarised as follows:

\[ S = f(\text{economic diversity, long term availability of natural resources}) \]

As mentioned above, economic diversity has long been investigated as a potential safeguard against economic fluctuations. It recently became the mantra of ‘green’ economists and sociologists who contend that, as is the case with biodiversity, maintaining the diversity of indigenous cultures and smaller income-generation activities enhances the sustainability of local economies.

The National Development Plan of South Africa Vision 2030 (National Planning Commission 2011: 119) also mentions the high impact of ‘micro enterprises, artisanship and small scale agriculture’ as income stabilisers during recessions. Economic diversity could therefore also be considered a valid objective for smaller economies.

Economic diversity can be measured in a variety of ways. Traditionally it has been measured as the spread of activities among a number of diverse industries. The so-called ‘tress index’ measures the level of employment or output concentration in the main sectors of the economy. There are, however, limitations to this approach. Firstly it does not take into account inter-industry linkages (Wagner and Deller, 1993). Measuring the level of concentration of economic activity within a local economy also does not take into account the exposure of a local economy to a specific source of demand, be it local or foreign demand.

Studies investigating the relationship between diversity and economic stability found strong correlations between the high share of employment in resource-based industries (agriculture and mining) and economic instability due to the related exposure to fluctuations in community prices, as determined in global markets (Wagner and Deller, 1993). This situation is especially relevant for many smaller towns highly dependent on non-renewable resources with a limited lifespan (eg mining), where planning for a post-mining phase is essential.

All of the various measures mentioned above need to be considered when measuring the level of diversity within an economy in relation to economic stability.

Many studies highlight the trade-off between economic stability and growth based on the assumption that increased specialisation, while being conducive for growth, increases the potential for instability within a local economy (Essletzbichler, 2007). The potential positive relationship between diversity, growth and stability was postulated by Jane Jacobs (1969). Jacobs argued that innovation is a non-linear process, and that the innovation in non-related industries could positively influence growth in others. Similarly, empirical results suggest that diversity within the theoretical construct of input-output (as opposed to the narrow focus on sector concentration) is associated with higher levels of stability. These findings resonate with the current argument in growth theory that a balanced approach between endogenous and external drivers is needed in local growth as well as with thoughts expressed by writers such as Stirling (1998), who argues for diversity to ‘hedge against ignorance’.

In terms of the second driver, the focus is on natural resources, which have a direct bearing on the long-term stability of livelihoods in local economies and hence focus on one of the core aspects of the ‘green economy’, namely the need to develop resource-efficient economies to ‘improve human well-being and social equity, while significantly reducing environmental risks and ecological scarcities’ (UNEP, 2011).
Measuring the environmental footprint or impact of local economies is a vast study field on its own and falls beyond the scope of this article. The main purpose of this section is to identify natural resources that could directly impact on the long-term stability of local economies in order to determine the importance of these constraints relative to other economic issues in formulating a LED strategy for a local area. The potential impact of resources on the long-term stability of an area depends on the relative number of people currently dependent on the resource and the projected balance of the resource, given current resource levels and the future demand for the resource.

Typical natural assets that play an important role in the livelihoods of, especially, rural people include:

- agricultural land
- forests
- water
- minerals
- marine resources.

**SUMMARY AND CONCLUSIONS**

The article investigated contemporary development theories to identify potential drivers behind the three core economic objectives of efficiency, equity and stability in order to explore the possibility of structuring local data in a way that could facilitate the prioritisation of LED strategies. Due to the renewed interest in regional and local development, there is a vast and fast-growing field of literature that could continue to enrich a ‘driver’ framework for LED indicators.

The following drivers were identified as relevant to the different economic objectives.

<table>
<thead>
<tr>
<th>EFFICIENCY: OUTPUT GROWTH (% CHANGE IN REAL GVA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply factors (external and indigenous)</td>
</tr>
<tr>
<td>Private investment</td>
</tr>
<tr>
<td>Public investment</td>
</tr>
<tr>
<td>Human Capital</td>
</tr>
<tr>
<td>Entrepreneurship</td>
</tr>
<tr>
<td>Natural Resources</td>
</tr>
<tr>
<td>Technology and Innovation</td>
</tr>
<tr>
<td>Production linkages</td>
</tr>
<tr>
<td>Demand factors (external and indigenous)</td>
</tr>
<tr>
<td>Market location</td>
</tr>
<tr>
<td>Local spending</td>
</tr>
<tr>
<td>Regional demand</td>
</tr>
<tr>
<td>Foreign demand</td>
</tr>
</tbody>
</table>

---

7 Gross Value Added
### Institutional/network factors (indigenous)
- Social capital related to growth
- Political capital

### EFFICIENCY: FULL EMPLOYMENT (UNEMPLOYMENT RATE %)
- Labour absorption capacity - % growth in employment /% growth in output
- Structural economic shifts
- Labour conflict
- Wage levels
- Employability (education, skill levels, basic skills, health, availability of childcare services, experience/age)
- Accessibility of jobs (networks, placement support, distance from work, internet access)
- Informal employment
- Labour force growth - growth in labour force/ growth in employment
- Labour force participation rate
- In-migration/ out-migration

### EQUITY: ABSOLUTE POVERTY (INCOME POVERTY RATE %)
- Access to resources /opportunities
  - Employment
  - Access to social income
  - Access to credit
  - Access to assets
  - Access to free collective services
  - Access to environmental assets
- Ability to unlock resources/opportunities
  - Physical (e.g., health status, disabilities)
  - Social (e.g., access to networks, cultural inhibitors)
  - Intellectual (e.g., ability to read and write)
  - Emotional (e.g., health)
- External factors
  - Rising food prices
  - Natural disasters (e.g., frequency of droughts, floods)

### EQUITY: EQUALITY (GINI COEFFICIENT)
- Economic
  - Employment
  - Illiteracy levels/tertiary education levels
  - Land reform
  - Contribution of the agricultural sector
Structuring local data to determine LED strategy priorities – an economic development perspective

<table>
<thead>
<tr>
<th>Social</th>
<th>Levels of discrimination</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Presence of social networks for the poor (eg the absence of intergeneration networks due to male out-migration)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Political</th>
<th>Politically informed public</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Levels of corruption</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STABILITY: (FLUCTUATIONS IN OUTPUT AND EMPLOYMENT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversity (output, markets, resource industries, presence of counter cyclical smaller industries eg measured by the informal sector)</td>
</tr>
<tr>
<td>Resource availability relative to number of dependants (agricultural land, forests, water, minerals and marine resources)</td>
</tr>
</tbody>
</table>

Using the identified drivers as a starting point, the next step involves the formulation of indicators most representative of the essence of the drivers, while taking into consideration current data availability and costs.

On a final note, the framework is intended to provide guidance to Local Economic Development and is not meant to revert back to former technocratic approaches. The choice for a specific development path within a local community is, after all, to a large extent a community decision based on local values.

REFERENCES


Wills, J; Datta, K; May, J; McIlwaine, C; Evans, Y and Herbert, J (2011). '(Im)migration, local, regional and uneven development.' In A Pike, A Rodríguez-Pose and J Tomaney (Eds) *Handbook of Local and Regional Development* (pp 449-459). New York and Oxon: Routledge.
ABSTRACT

Despite a decade of investment by government and donors into Local Economic Development (LED) capacity development in South Africa, the low success rates suggest that something is amiss. The consequence of poor LED is lower economic impact, affecting millions of citizens. At the outset we wanted to know why LED works in some places but not in others. And, we wanted to determine the root causes of LED failure in order to get LED to work more often. After 120 assessments over 4.5 years and three cycles of development, the LED maturity assessment process does succeed to determine the state of LED practices and performances at municipalities in three hours. Municipalities, provincial government and donor organisations have utilised this tool to improve LED practices.

This article does not describe a planned research project; it shares insights from an iterative process of tool development, application, learning and adaptation in actual practice.

Key words: Local Economic Development (LED), Regional Economic Development, municipality, donors, Provincial government, benchmarking, assessment, LED framework, critical success factors, leadership and governance, success rates, capacity building
INTRODUCTION

To date, the success rates in Local Economic Development (LED) in South Africa have been limited. This is evident from various studies commissioned by organisations such as the Department of Co-operative Governance and Traditional Affairs (COGTA), South African Local Government Association (SALGA) and provincial governments (Rogerson, 2009). The consequence of poor LED is lower economic impact. Millions of citizens suffer unnecessarily as a consequence.

Despite a decade of investment of in excess of R1 billion by government and donors into LED capacity development, the low success rates suggest that something is amiss. This begs the question: Why does LED work in some places but not in others? And, if we could determine the root causes of LED failure, could we get LED to work more often?

In this context, the LED Maturity Assessment instrument was developed by the author with the support of the LED component of the German Development Cooperation (GTZ, now GIZ)’s Strengthening Local Governance Programme (SLGP). The intention was to provide a direct and tangible means of not only raising the profile of LED within a municipality, but also identifying good LED practice and areas requiring improvement. This assessment tool is now in its third generation of evolution and has been used over several years to conduct baseline surveys of more than 120 municipalities across Gauteng, Eastern Cape, Mpumalanga, the Western Cape and KwaZulu-Natal. By spending actual face-to-face time directly with each municipality, the LED Maturity Assessment provides a unique platform to evaluate the municipality’s LED capacity in terms of two broad key performance factors:

- the ability to understand the local economy and to make smart development choices
- the ability to convert these choices into reality.

This article does not describe a planned research project, but instead shares insights gained from an iterative process of tool development, practical application, learning and adaptation in actual practice over the past five years. The process entailed determining

- what to measure
- how to measure
- processing data
- interpreting results
- utilising the findings to facilitate learning and to shift attitudes of municipal leadership in order to improve LED practices.

THE NEED CONTEXT, OUR QUESTIONS AND HYPOTHESIS

In 2008, the Gauteng provincial government needed a means of determining the status quo of LED at their municipalities in order to inform their LED strategy. The quest was to understand the health of LED at a municipality, why LED works better in some places than

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8 GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) defines LED as ‘an ongoing process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms/SMEs’. 
others, and to determine the root causes of LED failure. This required solutions to a number of challenges:

- Which factors are most critical to LED success?
- How should this information best be gathered reliably and efficiently for each municipality?
- How should this information best be processed to support stakeholders to improve LED success rates?

The second and third of these challenges are typical requirements in the established practice of benchmarking. Benchmarking has proved to be a reliable means of responding effectively to these challenges for various systems such as businesses and even economic clusters. Building on this reliable methodology made more sense than starting a completely new method. In January 2008, benchmarking of municipal LED practices was not yet an established practice. The late Jörg Meyer-Stamer had started some unpublished work on a benchmarking instrument (Meyer-Stamer, personal communication, January 2008). This instrument contained good ideas, but lacked features required for the Gauteng assignment.

Meyer-Stamer’s work and the Gauteng need provided the inspiration for the development of an LED benchmarking instrument, called the LED Maturity Assessment. The hypothesis was as follows.

Benchmarking of LED practices and performances will increase awareness and insight of leaders at municipalities about:

- factors critical to LED success
- which aspects of LED practices work in the municipality and which do not
- the root causes of their LED failures
- options to learn from others who have succeeded where they have failed.

This new insight will empower stakeholders to learn and improve faster, if they wish to do so. Improved LED practices will lead to increased LED success rates.

THEORETICAL CONSIDERATIONS

The aim of the assessment instrument is to determine the municipal LED system’s ability to succeed. This requires measuring the state of LED practices and performances. This must be done quickly, accurately, reliably and in a way that maximises learning by participants. Four key challenges needed to be overcome:

- How to measure LED practice and performance.
- How to gather the data.
- How best to provide feedback to municipal leaders.
- How best to facilitate learning and gain commitment to improvement.

Each of these four challenges is discussed below.
Measuring LED practice and performance

The measurement of a municipal LED system’s practices and performance requires a model of what must be measured, the factors most critical to the success of LED. A valuable tip from knowledge management practice is to ask someone who knows best. At the time of development (January 2008), Jörg Meyer-Stamer was the most cited author (according to Google scholar search) on the subject of LED. His holistic frameworks and models for LED included his unpublished benchmarking tool, the Systemic Competitiveness framework, and the Hexagon of LED (Meyer-Stamer, 2003, 2005). Meyer-Stamer's work was informed and inspired mainly by Schumpeter and Porter. Porter’s diamond, for instance, is imbedded in Meyer-Stamer’s approach to competitiveness. The systemic competitiveness framework was informed by policy research conducted for the German government (Meyer-Stamer, 2005). The research reviewed and analysed historical evidence to determine why certain regional economies performed better than others. This work identified the determinants of systemic competitiveness. Insights from this work were simplified and repackaged in partnership with German Development Cooperation (then GTZ, now GIZ) to develop an LED training course called LOCATI. LOCATI utilises an LED framework called the Hexagon of LED.

The GTZ South African LED programme, led by Gabriele Trah, established guidelines for good LED practice and conceived another version of an LED framework (Rücker and Trah, 2007). Concepts such as BDS market development and making markets work for the poor were included. These GTZ guidelines for good LED practice were comprehensive and deemed internationally as state-of-the-art.

This work of Meyer-Stamer and GTZ provided substantial partial solutions to build on. Further development was required, however, as a comprehensive set of critical success factors for LED in a suitable form for the benchmarking task was not yet available. Some of the lessons already learnt in other fields such as Enterprise Architecture, Knowledge Management and Change Management had not yet reached the domain of LED. The field of Enterprise Architecture, for instance, provided more rigorous concepts on how to structure and organise information logically and coherently. The balanced scorecard concept assisted in searching for a model of factors critical to success from various stakeholder perspectives. (Kaplan and Norton, 2001). Strategy maps assisted in simultaneously considering the causal relationship; similar to the GIZ log-frame rationale, only more holistic. The field of Knowledge Management and Change Management provided additional insights into facilitating learning and gaining commitment to change – key to changing the behaviour of municipal leaders. The idea of measuring actual-strategy-being-implemented rather than documented strategy originates from Mintzberg et al’s (1998) work on strategy. Gartner’s Magic Quadrant uses two key concepts when benchmarking new technology systems – completeness of vision and ability to execute – also very useful perspectives for LED. In developing the new instrument, the concepts discussed above offered opportunity to add value to the good LED work of Meyer-Stamer and Trah.

User and beneficiary requirements are key to the design of a successful instrument. Few of these beneficiaries/municipal leaders have qualifications in either economics or development. Notwithstanding, it is their responsibility to ensure that LED succeeds. Local economies are complex open systems, and the practice of developing economies is also complex. Thousands of factors may be relevant, and LED stakeholders struggle to make sense of the overwhelming number of issues. The challenge is to make the task as simple to grasp as possible. The purpose of frameworks and models is therefore to assist users to improve their grasp of an overwhelming number of issues; just like the picture of a jigsaw puzzle enables the user to fit the available parts and to see which gaps remain. Similarly,
with an effective LED framework for factors most critical to success, users can systematically check if their existing partial solutions match all the requirements to succeed in LED.

Beyond checking if municipal LED systems do all the right things, it is also important to determine how well they do these things. The quality of the municipal LED practices for every critical factor must therefore be determined.

In order to determine root causes of failures and difficulties, factors critical to success have to be organised and presented in sequence of interdependency. When the critical factors are organised in sequence of dependency, the result is a generic impact chain for LED (or strategy map or logical framework).

Extensive personal dialogue with Meyer-Stamer and with Trah informed the development of a new LED framework consisting of eight key perspectives. The detail of the framework is provided by 33 factors deemed most critical to success of LED. These 33 factors provide the level of detail required for appropriate accuracy of benchmarking.

This framework and model of 33 factors most critical to the success of LED was further refined through three design reviews. These design reviews included more than 30 leading South African LED practitioners and SALGA. Two design reviews were post-assessment evaluations, undertaken after extensive application of the instrument.

Gathering the data

Municipalities struggling with LED do not have data on the factors critical to success. Gathering quantitative data is not readily available and will be very time consuming. A qualitative assessment/benchmark process is therefore preferred. Evidence must therefore be gathered from municipality-completed questionnaires or through face-to-face interviews. Completion of municipal questionnaires is typically delegated down to a technical person in the municipality, far below the leadership level. Information captured in this way fails to capture evidence of human behaviours and patterns of decision-making that impact on LED outcomes. Organisational behaviours such as leadership styles, power struggles, levels of co-operation and who makes the final decision are critical aspects of the LED system being assessed. The organisational behaviour dynamic is important, as the same question may have different answers, depending on who answers. With multiple versions of answers possible, it is important that the assessor recognises which person’s answer determines the LED system behaviour. In systems-thinking this person is referred to as ‘the chief-decision maker’. Answers from the person who makes the ultimate decisions are therefore most important. Face-to-face interviews of the complete leadership group are therefore the preferred means of gathering all the required evidence.

Whereas some of the interview questions probe complex issues, the assessor must ensure that interviewees understand the questions fully. Both the interview process and scoring of answers require accurate, reliable and repeatable methods. In this regard, the Italian Small and Medium Enterprise (SME) and cluster support organisation CNA Innovazione developed a simple but robust way of benchmarking small businesses, also with limited data (Pignatori, personal communication, July 2007). The simple manner in which they ask the questions and the way that responses are classified according to a pre-determined scale provide an effective approach to gathering the benchmarking information.
Feedback to municipal leaders

For robustness, the data-gathered must be far more detailed and technical than is required for leadership decision-making. Detailed observations must therefore be aggregated to provide a simpler and higher level perspective appropriate for strategic decision-making by municipal leaders. These higher level strategic reporting topics are part of the LED framework with the critical factors discussed above.

Facilitating learning and gaining commitment to improvement

The purpose of benchmarking/assessment is ultimately to influence improvement at the municipality. This requires municipal leaders to change their patterns of decision-making and behaviours – another reason for the face-to-face interview being essential. The interview process and the results feedback process both provide opportunities to facilitate learning and to apply change management techniques over and above the benchmarking process.

ASSESSMENT PROCESS AND INSTRUMENT DESIGN

The assessment process developed relies on information gathered by interviewing the chief LED decision-makers in a municipality. The belief is that ultimately LED success depends on the way these leaders make decisions. Strategy and planning documents inform these subsequent decisions. If the decision-makers understand and are committed to the documents content, this insight and commitment will emerge during the interview. If not, it means that these leaders do not take the document content seriously enough to understand. The design features are described below, in response to the four key challenges discussed earlier.

Model of factors most critical to success

An overarching framework for conceptualising LED (below) is used to frame the 33 detailed factors.
Eight segments provide different, yet integrated, perspectives of LED. The bottom four segments make up the LED system that aims to improve the performance of the local economy, shown in the top four segments. Starting at the bottom left, moving counter-clockwise:

1. Elected leaders of government and business take ownership of their economic future and ensure cooperation, competent facilitation and good governance.
2. Appointed LED experts mobilise stakeholders and facilitate processes of economic development.
3. Stakeholders participate in these processes and contribute insight, ideas and resources to conceive stakeholder driven initiatives to improve the economy.
4. Stakeholder initiatives are implemented to improve the economy.
5. Systemic competitiveness of the local business environment is improved, typically by reducing constraints to economic growth.
6. This enables businesses in key sectors to compete more effectively and improves the efficiency of markets, resulting in increased investment, economic growth, increased employment, increased earnings and equity shifts, which all contribute
7. to improve quality of life, social cohesion and sustainability to the benefit of citizens.

Figure 1: Framework for factors critical to success
Table 1: Model of factors most critical to LED success (Version 2)

<table>
<thead>
<tr>
<th><strong>Completeness of vision</strong></th>
<th><strong>Weight</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Completeness of vision</td>
<td>100%</td>
</tr>
<tr>
<td>Social context: Status and trends understood</td>
<td>5%</td>
</tr>
<tr>
<td>LED focus</td>
<td>5%</td>
</tr>
<tr>
<td>Understanding the local economy</td>
<td>60%</td>
</tr>
<tr>
<td>A good place for business</td>
<td>5%</td>
</tr>
<tr>
<td>Competitiveness of key sectors</td>
<td>10%</td>
</tr>
<tr>
<td>Key local markets</td>
<td>8%</td>
</tr>
<tr>
<td>Business environment</td>
<td>5%</td>
</tr>
<tr>
<td>Inter-firm effort to improve and co-operate</td>
<td>5%</td>
</tr>
<tr>
<td>Competitive location for key sectors/clusters</td>
<td>5%</td>
</tr>
<tr>
<td>Economic, political and regulatory framework conditions</td>
<td>2%</td>
</tr>
<tr>
<td>Development orientation of local society</td>
<td>5%</td>
</tr>
<tr>
<td>Good place to live</td>
<td>5%</td>
</tr>
<tr>
<td>Good place for the poor to access economic opportunity</td>
<td>5%</td>
</tr>
<tr>
<td>Good for the environment</td>
<td>5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Strategic decision-making</strong></th>
<th><strong>Weight</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliable planning process/methodology</td>
<td>10%</td>
</tr>
<tr>
<td>Smart selection of interventions</td>
<td>10%</td>
</tr>
<tr>
<td>Alignment to leverage support, power and resources</td>
<td>5%</td>
</tr>
<tr>
<td>Follow-through to implementation</td>
<td>5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Ability to execute</strong></th>
<th><strong>Weight</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal service delivery proficient</td>
<td>20%</td>
</tr>
<tr>
<td>Utilisation of municipal resources</td>
<td>10%</td>
</tr>
<tr>
<td>Municipal ability to execute</td>
<td>10%</td>
</tr>
<tr>
<td>Public- and private-sector champions implement LED initiatives</td>
<td>20%</td>
</tr>
<tr>
<td>LED results to date</td>
<td>5%</td>
</tr>
<tr>
<td>Process of LED initiative implementation</td>
<td>5%</td>
</tr>
<tr>
<td>Organisation of capacity to implement LED initiatives</td>
<td>5%</td>
</tr>
<tr>
<td>Leveraging more resources for LED implementation</td>
<td>5%</td>
</tr>
<tr>
<td>Stakeholders participate and contribute to sound LED decisions</td>
<td>20%</td>
</tr>
<tr>
<td>Results achieved from stakeholder participation to date</td>
<td>7%</td>
</tr>
<tr>
<td>Processes of stakeholder contribution to LED decision-making</td>
<td>7%</td>
</tr>
<tr>
<td>Organisation of stakeholder contribution to LED decision-making</td>
<td>6%</td>
</tr>
</tbody>
</table>

The weighting percentages above were determined by a GIZ selected reference group of LED experts. In 2012, after many years of application in the field, the weighting was re-assessed by another reference group of LED experts assembled by SALGA. The weighting was left unchanged.
Facilitate LED | 20%
---|---
LED facilitation process | 8%
Organisation of capacity to facilitate LED | 7%
What resources are available for LED facilitation | 5%
Governance of LED by business and political leaders | 20%
Results of LED governance | 5%
Process of LED Governance | 5%
Organisation of LED Governance Capacity | 5%
Learning to do LED better | 5%

Each of the 33 detailed topics in Table 1 above has guiding questions and scales of performance to guide the assessor. Some questions overlap deliberately to check for consistency. Factors differ in importance and are weighted accordingly, when aggregating.

Municipal responses to the 33 questions are rated according to a pre-defined scale. The progress down a learning curve on each topic is classified according to six generic milestones on the learning curve (Table 2).

**Table 2: Assessment scale**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Don’t know, don’t care about</td>
</tr>
<tr>
<td>1</td>
<td>Aware of need to</td>
</tr>
<tr>
<td>2</td>
<td>Trying something</td>
</tr>
<tr>
<td>3</td>
<td>Now know what to do and how</td>
</tr>
<tr>
<td>4</td>
<td>Now starting to do the right things</td>
</tr>
<tr>
<td>5</td>
<td>Consistently performing = excellence, best practice</td>
</tr>
</tbody>
</table>

These generic guidelines are customised for each question to make it easier for the interviewer to recognise the evidence relating to specific questions.

**The interview process**

Municipal leaders, the Development Planning unit and the LED unit determine the success of LED systems at municipalities. The interviewees therefore typically include:

- the head of portfolio committee for economic development (or the Mayor)
- the municipal manager
- the head of integrated development planning (IDP)
- the most senior person in LED (in municipality)
- the CEO of main Local Economic Development agency/agencies.

These persons are all interviewed simultaneously in order to determine the leadership dynamics and to secure the correct benchmarking answers. Leaders are busy people, so the interview process is efficient, yet robust. The assessment is typically completed in three hours. Municipalities are guaranteed confidentiality to trust the process. The assessment tool is designed to be used by experienced LED practitioners who are qualified in the method.
Feedback to leaders

Each municipality receives a customised report on its performance compared with other municipalities. They are not able to identify the other municipalities, however, in order to maintain confidentiality. Immediate face-to-face feedback to the same leaders interviewed and to other councillors the very next day secures commitment to immediate improvement. This is not always possible, but definitely the preferred option.

The report contains results that are communicated in graphs and diagrams for quick interpretation. Consequences of the weaknesses are explained. Three to five improvement priorities are identified and the benefits of improvement are explained as motivation.

Provincial reports provide information useful for their support role of LED capacity-building. This informs subsequent provincial support to municipalities.

Facilitating learning and gaining commitment to improvement

The purpose of assessment is ultimately to influence improvement at municipalities. By engaging the leadership during the interview, their understanding of LED good practice is enhanced. Simultaneously, they gain insight into the gaps in their systems. When they are presented with the results, learning priorities with associated benefits are clearly indicated. Gaining commitment to improvement is quite easy to realise when feedback is provided face-to-face. The final step in the process is facilitated at a subsequent cross-learning workshop, where the municipality is introduced to other municipalities that are strong in the areas where they themselves are weak. Subsequent follow-through depends on the municipal leadership. The monitoring of progress by provincial government increases prospects of follow-through and improvement.

RESULTS FROM ASSESSMENTS

LED Maturity: Insight and strategy versus ability to execute

The overall performance of a provincial batch of municipalities is mapped for comparison in Figure 2. Each municipality’s overall performance is mapped as a single point on this graph. The graph depicts two key issues:

- ‘Insight and Strategy’ on the Y-axis
- ‘Ability to Execute’ on the X-axis.

‘Insight and Strategy’ refers to the ability to understand the local economy and to make smart development choices. ‘Ability to Execute’ refers to the ability to convert the choices into reality. The same five-point rating scale as described earlier in Table 2 is used on both axes. Maximum score is the target top right hand corner. Municipalities closest to this are the top performers and, conversely, municipalities on the bottom left are the low performers.

In this example, there are six municipalities that are performing well, ten municipalities that have very little chance of success, and the remainder are found between the high and low performers. Municipalities in the middle range have many factors working, but also have a
number of factors that require attention. These factors differ from place to place, according to their unique local dynamics. Closer inspection reveals which factors/areas are functional and which are not.

Figure 2: Overall performance of municipalities

Two examples are illustrated in figure 3 below.
Figure 3: Performance of 10 key factors, for executive level decisions
The municipal performance is depicted on the radar plot in blue. This is compared with the top performer scores, depicted in green, and the group average is depicted in red. The distance between the blue line and the green line on the radar plot visually indicates how much this municipality can learn from the better performers.

In the top example, the municipality has a reasonable understanding of the economy and strategic decision-making, but lacks shared vision and struggles with execution. The bottom example has very little understanding of the economy and is pro-actively implementing initiatives of little significance – doing the wrong things quite well. Clearly these municipalities have different priorities for improvement; capacity-building support to each should be different as well.

The radar plot maps performance as ten aggregated factors. Reports provided to municipalities also provide a perspective with a resolution of all 33 factors that match the interview questions. This allows LED practitioners to deepen their insight into issues.

Notwithstanding the differences between municipalities, any score less than 3 on any topic is of major concern and must be rectified. A score less than 3 indicates that good practice is not yet understood, which in turn implies the probability that success is minimal. Failure in one topic has a ripple effect on other topics. For instance, weak governance of LED by municipal and private sector leaders is associated with low mutual trust, which undermines participatory processes. Effective participatory processes contribute to a pragmatic understanding of economic realities and potential for improvement. The overarching rationale of interdependency is captured in the LED framework where a generic LED impact chain is imbedded.

Municipal leaders respond differently to the benchmarking feedback. Committed municipalities respond positively, and they drive improvement enthusiastically. Other municipalities prefer to bury the evidence and live in denial. The assessor’s change management skills are key to gaining commitment to improvement. Cross-learning events make it easier for municipalities to meet the top-performing municipalities, from which they can learn most.

The LED maturity assessments are typically driven by provincial government or donor programmes. From their perspective, it is possible to draw additional conclusions from the data. The graphs below in Figure 4 rank LED leadership and governance performance with overall performance as mapped in Figure 2. The names of municipalities on the X-Axis are removed to maintain confidentiality.

Figure 4: The significance of LED leadership and governance
The municipalities appearing in the green and red ovals in Figure 4 correspond 100% with the municipalities in the same colour ovals in Figure 2. Good LED leadership and governance seem to lead to high LED performance. The corollary: without good LED leadership and governance, LED seems to fail. In hindsight, this is hardly surprising.

The three most common determinants of success from the data are:

- LED leadership and governance
- LED facilitation
- A participatory approach to LED.

Scores in these factors are high in strong performers and weak in the lowest performers. The correlation of these factors and LED implementation success is further illustrated in figure 5 below. The dependant variable LED implemented success is mapped on the Y-axis. The main insight is that municipalities that are good in all three of these areas result in all the other factors falling into place as well.

![Figure 5: Regression lines for LED results versus three key determinants of success](image)

The data in Figure 5 above are for the Western Cape. This information is depicted differently in Figure 6 below. After completing 28 LED maturity assessments at municipalities in the Eastern Cape and 27 at municipalities in the Western Cape, we were curious to see if there was any evidence to support the causal relationship model. The bottom four segments in the LED framework are depicted as green blocks.
CONCLUSIONS

At the outset we wanted to know why LED works in some places but not in others. Furthermore, we wanted to determine the root causes of LED failure in order to get LED to work more often. After 120 assessments over 4.5 years and three cycles of development, the LED maturity assessment process does succeed in determining the state of LED practices and performances at municipalities in three hours. Municipalities, provincial government and donor organisations have found this information useful and have utilised it to improve their LED practices. Capacity-building initiatives are thus better informed to address gaps in know-how more accurately and more efficiently. As a consequence, prospects for improving LED success rates in participating municipalities look more promising.
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The purpose of Local Economic Development (LED) is to increase the economic capacity of a locality in order to improve its economic well-being and the quality of life of the area’s inhabitants. It involves a process whereby multiple stakeholders (public, private, Non-Governmental Organisations [NGOs] and local communities, among others) engage each other with the focus of creating improved conditions for growing the local economy and creating employment opportunities. By its very nature, this process requires a multidisciplinary approach, as the various resources available in each locality offer different comparative advantages, and different skills are needed to harness these.

In South Africa, LED commonly refers to community-based initiatives that primarily seek to ensure survival, rather than empowerment through access to wider markets. This article suggests that LED should aim to introduce a shift towards strengthening existing enterprises by linking community talents and initiatives with local and global markets, rather than
having isolated enterprises in random locations which rely on festivals and flea-markets to sell their products.

This article further suggests and describes the potential role of market brokers and their contribution towards LED with the concurrent employment generation and development of skills that could occur when local industries are stimulated.

**Key words:** Local Economic Development (LED), local communities, market brokers, employment

**INTRODUCTION**

South Africa is faced with a wide variety of problems, among them the fact that country’s Apartheid past has resulted in a highly unequal society whose poorest members live in rural areas, low levels of employment and a lack of education and/or skills (NDP, 2012).

De Wet (1993) documented that in the Eastern Cape Province only 10% of income is not derived from urban sources, while research by Steenkamp (2012) indicated that the primary sources of rural income are from urban areas, mostly in the form of state old-age pensions and remittances. Binns and Nel (1999) noted that the decades of Apartheid within South Africa forced the black population into a situation of dependence on the capitalist economy, which has cemented their position as a servile proletariat. The lack of machinery, skills, capital, buying power and essential networks has further restricted opportunities within rural communities.

Local Economic Development (LED) initiatives in small towns and rural areas aim to help solve the abovementioned problems. The success and sustainability of LED depends largely on the ability of a given initiative to be co-opted by the market, and therefore the need to develop an appropriate strategy by which rural communities are linked to national and global markets.

This article suggests the potential role of market brokers and their contribution towards LED with concurrent employment generation and the development of skills that could occur when local industries are stimulated. An example of brokering access to markets is given in a case study of an agribusiness that has supported land reform beneficiaries in producing citrus that meets market requirements, as well as provided access to a lucrative export market.

**METHODOLOGY**

For the purpose of this study, literature on LED will be reviewed to form the basis of the study, followed by an outline of the qualitative research conducted to form a case study of an LED initiative where an agribusiness brokered market access (amongst other services) for land reform beneficiaries. Case studies are useful in describing, interpreting and evaluating certain phenomena such as relationships, systems or innovations. The methods of data collection can involve observations, interviews, appropriate written documents and/or audiovisual material. Thereafter, methods of data analysis include the categorisation and interpretation of data in terms of common themes. Case studies typically focus on a single case in order to understand the case in depth. However, case studies can involve two or
The use of market brokers as a tool in Local Economic Development strategies

more cases for a comparative study (Leedy and Ormrod, 2005). This study focuses only on one case.

When a single case is used it has as a major weakness, in that one cannot be sure that the findings are generalisable or applicable to other situations. To enhance generalisability, the context of the situation should be adequately defined, but one still needs to be tentative in constructing generalisations and should await support from further studies (Leedy and Ormrod, 2005). For this case study, elaborate discussions were held with the land reform beneficiaries and the management personnel of the agribusiness.

LITERATURE REVIEW

The purpose of LED is to increase the economic capacity of a local area in order to improve its economic well-being and the quality of life of the area’s inhabitants. It is a process whereby multiple stakeholders (public, private, NGOs and local communities) work together towards creating improved conditions for growing the local economy and creating employment opportunities. By its very nature, this process requires a multidisciplinary approach, as the various resources available in each locality offer a comparative advantage (World Bank, 2011).

According to the World Bank (2011), LED offers the opportunity for stakeholders to work together to improve the local economy, in both planning and execution. While policies concerning Local Economic Development are developed by local government institutions, it is emphasised that local communities need to respond according to their needs and aspirations (which should have been included in the drafting stage of such policies), and a variety of approaches can be undertaken. These include:

- ensuring the local investment climate is functional for businesses operating locally
- supporting small- and medium-sized enterprises
- encouraging the formation of new enterprises
- attracting external investors, both nationally and internationally
- investing in hard (physical) infrastructure such as transport and communication infrastructure
- investing in soft skills/infrastructure such as educational and skills development, regulatory issues, and institutional systems
- supporting particular clusters of businesses
- targeting particular parts of a city or small town within a region for specific development
- supporting new and/or emerging businesses
- targeting certain disadvantaged groups, such as those that are food insecure.

Blakely (1994) defined LED as the process by which organisations engage to stimulate or maintain business activity, with the principal goal being its ability to encourage local employment opportunities in sectors that improve the community, using existing human, natural, and institutional resources. LED will be bolstered when entrepreneurial vision creates the opportunity for local businesses and individuals to seize an initiative that engages in actions that unify communities and businesses with the demands and needs of national and global markets.
Taylor and Mackenzie (1992) remarked that LED in South Africa commonly referred to community-based initiatives, utilising indigenous skills and seeking primarily to ensure survival rather than participation in the global economy. This article suggests that LED should aim to introduce a shift towards strengthening existing enterprises by linking community talents and initiatives with local and global markets, rather than having isolated enterprises in random locations that rely on festivals and flea-markets for selling their products.

Blakely (1994) understood that LED has been defined and interpreted in terms of Western economic concepts related to the ‘first’ world. In impoverished rural areas scattered across the rural regions of the Eastern Cape, it could be argued that LED would better be recognised as a survivalist reaction to the desperate times faced.

Gooneratne and Mbilinyi (1992) noted that many local initiatives presented the only means of survival for the poor and disadvantaged, while Taylor and Mackenzie (1992) advocated the concept of bottom-up planning, which focuses on enhanced participation and control by local people over their development endeavours. They did acknowledge its shortfalls and failures, however; these were due partly to the unpredictability of the strategies chosen by individuals and their communities, and partly to with the fact that communities are neither isolated nor autonomous.

This causes a dilemma for the applicability of bottom-up planning, as a community’s desired strategy may have no relation to market demand or may lack the comparative advantage even to enter the market. This suggests that from the start communities need to be informed of the planning process in terms of marketability and consumer demands.

While there is a global economy, Esteva and Prakash (1997) asserted that in reality the vast majority of people globally are marginalised from any globally-related way of life. There is also the notion that these vast populations are unlikely ever to have access to the global-market phenomena.

According to Sachs (1997), the LED results from the last four decades have been dismal. Binns and Nel (1999: 391) remarked that this has revealed the infinite gap between ‘frontrunners and stragglers’, a short- rather than long-term policy focus which, together with a series of economic and environmental catastrophes and the de-legitimisation of socialism, have all been contributing factors leading to the rethinking of LED in South Africa. Building on the potential solutions to problems encountered, there has been more focus among practitioners and NGOs of building upon culturally unique aspirations and objectives, rather than attempting to enforce rigid Western ideologies.

Many of the current LED initiatives are based on Western thoughts, models and processes, and do not necessarily suit the current genis loci of complex South African communities and cultures. Binns and Nel (1999) confirmed these notions and recognised the failures within South Africa’s repeated cycles of imported, Western development strategies. The needs that Binns and Nel also noted, which this article supports, were meaningful reductions in poverty and the ability of the local economic climate within communities to meet their basic human needs, which have clearly not been emphasised by Western concepts and methodologies of development. Many institutions, organisations and development practitioners have already realised that this paradigm is not suitable and have been searching for inter-disciplinary and relevant solutions to these problems.

It has already been noted that global theories and an obsession with global rather than national markets have failed dismally to reduce poverty and inequality (Schuurman, 1993; Crush, 1995). Entering global markets requires vast knowledge of global trade and regulations and would be difficult to enter without mentoring from an experienced individual.
Global markets have also shown their fragility, with the slowdown in the global economy and recession; this makes a strong case for diversifying in local and global markets.

Stock (1995) suggested that in reality it is doubtful that these strategies would achieve more than small sporadic victories for the disadvantaged majority. Brookfield (1975) commended the principles of self-reliance that were also recognised by Binns and Nel (1999) and which could have direct links to LED; although to continue what Stock wrote, it would be impossible for communities to become entirely autonomous, as they could not separate themselves entirely from the global economy. As more recently noted by Binns and Nel (1999), the break from the capitalistic system cannot be achieved in our current LED paradigm, as survival depends on the ability to apply self-reliance strategies that seek participation at the lowest tiers of the economic system.

Currently, South African LED initiatives focus on community survival rather than success, and on problems rather than solutions. Recognising elements within the current LED efforts that do result in success should also be noted, as the ideal and the vision of LED can materialise only if local people seize an initiative and engage actively in including and unifying communities, businesses and other significant powers that exist in their society to improve their local economic and social conditions (Stohr, 1990).

Escobar (1995) suggested that such an approach would be best achieved by building upon social needs that are essential to the creation of alternative visions of democracy, economy and society. Simon (1997) suggested that researchers should begin the formulation of ‘different paths’ to achieve the common goal of community upliftment. A potential path could be a market bridge whereby LED initiatives are linked to markets via brokers that could sustain economic growth.

The birth of an LED ‘bridge’ would stimulate that which was proven by Binns and Nel (1999), that self-reliant development initiatives in poverty-stricken rural areas are indicative of what a community can achieve when it works together towards the sustainable use of natural and human resources for the benefit of their society. This is the potential ‘radical transformation’ argued for by Escobar (1995).

Community-owned-and-driven initiatives have exemplified the potential that exists when communities identify a problem and take up the development challenge themselves. The viability of the paradigm of bottom-up planning or community-based development and the significance of mobilising local knowledge and skills has been highly praised by Binns and Nel (1999). One should, however, question the ability of community-owned-and-driven initiatives to link their local knowledge and skills with broader national and global markets so as to realistically become a successful and positive contributor to the dire rural economy in which they currently find themselves and to become an asset (rather than a liability) to the South African economy.

In a study of the Hertzog Agricultural Co-operative, which had a basic self-reliant approach and where the host community benefited directly, profits remained largely in the community. This resulted in employment opportunities and improved quality of life as entrepreneurship, a sense of pride, self-fulfilment and achievement were evident around community members (Binns and Nel, 1999).
CASE STUDY: RIVERSIDE CITRUS SERVICES

Riverside Citrus Services (RCS) is an established agribusiness that has grown, packaged and marketed its own citrus produce for over a hundred years in the Kat River valley around Fort Beaufort in the Eastern Cape (except when markets where regulated in the Apartheid era). Land reform has occurred in this valley under the new dispensation, with a particular focus on land owned by the former Ciskei’s Ulimicor (an agricultural parastatal). These farms had been productive under the parastatal, but the new owners were neither equipped to run the farms nor had the necessary access to markets, and these farms became unproductive. Ten years ago, one of the land reform beneficiaries approached RCS for assistance in production and marketing. Today, this particular farmer requires little assistance in production, but RCS still markets his produce, as they have access to lucrative export markets in the European Union.

Twenty-one other farmers have joined RCS over the past ten years, and their farms are in various stages of renewal, with some farmers already producing and others busy replanting citrus trees.

RCS has provided a number of services to these farmers:

- They have provided access to a lucrative export market.
- RCS is Fairtrade compliant, which means that the farmers receive a premium on their produce.
- RCS provides an advisory service to help ensure that the farmers adhere to the correct production practices in order to meet market requirements.
- RCS performs market research on new fruit cultivars and market trends to ensure that present and future production meets market requirements.
- RCS has sourced production loans (from the Industrial Development Corporation) and recapitalisation funds (from Department of Land Reform) for the farmers to develop their farms.

What lesson can be learnt from this intervention for LED, skills development and employment creation?

- The farmers are developing the relevant skills to farm for the necessary market requirements.
- For every hectare planted, 1.5 people receive permanent employment.
- When the orchards are productive, harvesting creates temporary employment.
- LED is occurring because of this intervention.

While this article’s focus was on the role of market brokers as a tool to stimulate LED, RCS has had to go beyond just brokering market access, as the farmers required a range of services (as discussed above) to ensure their sustainability. This is important to note, as brokering access to markets is just one of the tools required for sustainable Local Economic Development.
CONCLUSION

Certain government departments have made concerted efforts to shift the economy of South Africa through the notion of empowering rural communities which lack the infrastructure, resources and external support. A lack of information and understanding of the concepts of the technological age have further contributed to stranding rural communities in poverty and to continued rural emigration. On the flip-side of this scene is the ‘first world’ that has been taken by storm. The global demand for international-market-related arts, skills and consumer-specific products has led to a new global-market dimension ignorant of the inability of the majority of the South African population to participate adequately. However, the above-mentioned case shows how market brokers can contribute towards the success and sustainability of LED by providing local initiatives with access to broader markets. This again highlights the need for a suitable LED strategy that steps beyond survivalism into local upliftment of rural potential by utilising talent, innovation and creativity. This article recognises some of the LED challenges faced today together with the problems, but presents a conceptual idea for an industry-related Local Economic Development platform. Using rural communities, the LED strategy described has found an alternative way of revitalising small-town economies by satisfying the needs of the populace of urban centres by way of searching and identifying available talents, skills and resources within these communities and then linking them to markets.

As RCS has proved, brokering access to markets is a viable solution to ensuring sustainability of LED initiatives. This case also shows that other services also need to be provided when dealing with food-related products, as regulatory and consumer demands are stringent and need to be adhered to in order to avoid losing market share.

When considering the possibilities that could exist when a bridge into broader markets is created, communities can develop and improve their talents and learn about the endless possibilities available. A sustainable and holistic Local Economic Development strategy needs to be developed in such a way as to encompass all variables within it, and that provision needs to be made to ensure access to markets for production from LED initiatives.

Tangible spin-offs from the wealth creation that could occur include the birth or resurrection of basic enterprises and services, employment opportunities and a better quality of life. The skill- and talent-based development process would clearly display the ability of each South African citizen to identify, implement and manage a sustainable and self-perpetuation process of LED, which would lead to improved overall socio-economic conditions. It is apparent that in many cases, due possibly to local capacity constraints, attempts at LED cannot always be entirely locally driven, which is where varying degrees of external support, advice and funding could be attained through use of the ‘economic bridge’ strategy suggested in this article.

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ABSTRACT

Local Economic Development (LED) is a participative attempt by local communities, businesses and governments to harness their competencies and resource strengths in order to develop their localities with the aim of achieving economic and social prosperity. The principles and practices of marketing, as a management discipline, have seldom been used to assist in such endeavours, and yet the author argues that much can be learned and applied to LED from the Marketing discipline. This article aims to outline the contributions the marketing discipline and activities can add to LED initiatives in order to achieve success.

INTRODUCTION

While Marketing was traditionally seen to be a management discipline suitable only in profit-oriented business enterprises, the concepts of place and locality marketing in particular, and the discipline of Marketing as a whole, are now widely accepted as having applicability in a range of organisations and contexts. For example, Wu states that ‘place marketing to attract tourists and investors as a means to promote Local Economic Development and increase
local competitiveness, has become an important goal of many localities’ (Wu, 2008:45). Yet very few education programmes in local government and specifically in Local Economic Development (LED) cover Marketing theory and practice. Even fewer municipalities, tasked with initiating LED, employ Marketing graduates or require LED officers to have done Marketing modules in their qualifications. However, Marketing, as a management discipline, has much to offer Local Economic Development (LED) practitioners and policy-makers. This article sets out to discuss the role of Marketing as a management discipline and how this can positively impact LED strategies, and to make the case for the need for Marketing as a discipline and as a set of specific activities to be included in the education programs and skills sets of LED practitioners.

Firstly, some clarity is provided regarding the concept of LED to which Marketing theory will be applied. Customers and target markets, a key focus of marketing activities, are then identified in the LED context. Thereafter, the key marketing processes in strategic marketing and their applicability to LED are discussed.

**LED DEFINED**

The concept of LED has numerous definitions (Mitchell, 2009). LED has been defined by the Local Economic Development Network of Africa (LEDNA) as development strategies born out of partnerships between private and public sectors, and local communities that aim to increase employment and economic growth (LEDNA, 2012a). A major differentiator of LED from other development approaches is that the focus is on a local area or territory with an ‘economic footprint’ – a city, town or even neighbourhood – and it employs a bottom-up approach (LEDNA, 2012a). LED has also been described as a meso-level activity rather than a macro-, or micro-level activity (Meyer-Stamer, 2005). Its focus is neither national nor at individual business level. It falls in between these at sub-national or locality level involving local government, business and communities (World Bank, 2011). ‘LED requires the joint action of a range of stakeholders if it is to succeed’ (Nel, 2001: 13). In the South African context, LED also has a socio-economic focus of increasing the income flow to people to create jobs and alleviate poverty (Parhanse, 2004).

Thus LED appears to have several distinguishing characteristics:

- It focuses on a particular territory or locality.
- It aims to achieve economic development in that territory for the benefit of local communities.
- Its activities are driven by local stakeholders or partners.

Mitchell (2008:22) stresses that ‘LED is an end not a means’. He says that LED is the result of initiatives that provide the people of a locality with the ability to improve their own socio-economic situation. He also states that ‘economic success hinges on the ability of a locality to identify and tap into its endogenous potential (comparative advantage) and find ways in which to develop that potential into a differentiated offering to customers (competitive advantage)’ (Mitchell, 2008:21). Thus it is critical that local participants in LED develop the capacity to evaluate and understand their own capabilities and resources and leverage these to provide customer satisfaction.
While LED contexts vary, as mentioned above, LED relates to a particular territory, and thus much of the Marketing theory applied to the LED context comes from Place Marketing theory. Thus customers in the context of LED can be grouped into 4 major categories:

- visitors
- residents
- business and industry

Customer satisfaction occurs when these groups of customers’ expectations of their locality are met or exceeded (Kotler, Hamlin, Rein and Haider, 2002).

CUSTOMERS IN THE LED CONTEXT

There has been a fair amount of debate surrounding the term ‘customer’ applied to the public sector arena, and authors such as Denhardt and Denhardt (2003, cited in Collins and Kim, 2009) and Barrett (2009) have argued that citizens differ from customers. As Collins and Kim explain, both customers and citizens are consumers, but customers consume private goods through a voluntary transaction (ie a purchase), whereas citizens may or may not pay for the consumption experience, and payment for public products and services through taxation is not voluntary. Martin and Webb (2009) also challenge the use of a customer-driven market approach in the delivery of public services. This approach, according to Aberbach and Christensen (2005:226), fits the ‘liberal definition of the citizen’ which ‘focuses on citizenship as a set of individual rights, rather than on obligations to others in the community’. The authors argue that this definition of citizenship differs from the traditional or republican concept of citizenship, where citizens ‘should see themselves not merely as self-interested individuals, but as part of a community that transcends their individual interests’ Aberbach and Christensen (2005:227). Sandel (1996 cited in Aberbach and Christensen, 2005) says however, that the traditional conception of a citizen predominated in earlier periods of American history and in an increasingly diluted form, in many European polities today. Aberbach and Christensen (2005) indicate that the liberal definition of citizen (ie the customer-oriented approach), has strong appeal in market-oriented politics.

Thus, while the above debate is noted, it is the opinion of this author that the liberal definition of a citizen has wide support and is applicable in South Africa, where a predominantly market-oriented approach is used. Also, marketing theorists often describe the citizen as a critical target market (customer) for marketing strategies (Rainisto, 2003; Zenker, 2009 and Anderson, Chakrapani and Hernandez, 2009). For example, Kavaratzis and Ashworth (2008) indicate the importance of local communities and citizens in place marketing. They say that a place’s citizens help create the atmosphere of the place, and they play an important role in delivering the tourism service (ie satisfying another target market). They continue to say that citizens should therefore be ‘the foremost target group of the marketing effort’.

Another reason for continuing with the term ‘customer’ applied to citizens and the local community as a target market for LED strategies is that many of the critiques of the use of the term ‘customer’ have related mostly to the provision of public services to citizens and to issues of service provider choice and payment for these services (Mosse and Whitley, 2008).
Thus the focus is on public sector marketing. As LED involves multiple stakeholders, not just the state or local government authorities, and a wide variety of possible LED initiatives, not just the delivery of public services, the need for LED planners to see local communities as a target market for marketing strategy is important. Thus, while the debates surrounding citizens as customers are important, for the purposes of this article the resident/citizen target market is believed to be as important a target market as visitors or investors, and their needs should thus be understood and taken into account in the development of LED strategies for a territory or place. Therefore Zenker’s (2009) identified target markets are discussed as being potentially important target markets in LED contexts.

**Visitors**

These may be business or non-business visitors (Rainsito: 2003).

Business visitors include people attending conferences or conventions (Kotler et al, 2002), buying or selling goods, or looking for business opportunities (Rainisto, 2003).

Non-business visitors may be tourists or travellers (Rainisto, 2003).

**Residents and workers or employees**

These may be classified as inhabitants (citizens) and new residents (Zenker, 2009). Zenker’s research, for example, looks specifically at the target market of the creative class, which Richard Florida (2005 cited in Zenker, 2009) defines as people who have the ability to create meaningful new concepts and convert those into economic successes. This creative capital is believed to be the most important form of capital for economic growth in the globalised world of scarce resources. Rainisto (2003) divides the resident and employee group into professionals, wealthy people, investors, teleworkers, skilled workers, entrepreneurs and unskilled workers. Volkery (2007 cited in Zenker, 2009) indicates that recruiting qualified and talented employees is becoming more and more difficult, and the CEO of Hewlett-Packard, Carley Fiorina, is quoted as saying ‘Keep your tax incentives and highway interchanges; we will go where the highly skilled are’ (Florida, 2004 cited in Zenker, 2009: 24).

**Business and industry**

Zenker (2009) subdivides this group into civil service, investors, resident companies and foreign companies. Rainisto (2003) uses a different subdivision of heavy industry, clean industry assembly, service and high-tech companies and entrepreneurs. Kotler et al (2002) include manufacturers and corporate headquarters.

**Export markets**

These include foreign consumers and companies (Zenker, 2009). They may also include other localities with local markets (Rainisto, 2003).
TARGET MARKETS IN THE LED CONTEXT

The DPLG (2003:3) Resource Book for LED indicates that

the South African government has prioritized rural development and urban renewal as key strategies to counter the legacy of uneven development in the country. The aim of the LED programme within government is to support all municipalities in SA in implementing these strategies, making them attractive places to live in, invest in, and visit.

Thus a key focus of LED is locality or place marketing – attracting and retaining people, especially entrepreneurs, attracting and retaining businesses and attracting tourists. 'Successful LED depends on local partnerships as well as on national and regional structures to promote and support local initiatives’ (DPLG, 2003:3). The development of the partnerships as well as the enabling environment is beyond the scope of Marketing; however marketing principles are especially applicable for the development of local LED initiatives in a variety of areas which improve locality attractiveness.

MARKETING DEFINED

Definitions of Marketing have evolved from those related to a set of functions performed by the Marketing Department in a commercial, profit-driven organisation to a far broader conceptualisation of Marketing as a philosophy equally applicable to non-profit organisations and social causes as to commercial businesses. Kotler et al (2010: 19) for example, define Marketing as ‘the process by which firms create value for customers and build strong relationships in order to capture value from customers in return’. Thus the LED initiatives that are undertaken jointly by local government, business and citizens and that aim to attract new business are symbiotic and mutually beneficial. They aim to provide value for the business customers, who, in exchange, develop better production capacity in the territory which, in turn, contributes positively to the tax base and assists with the provision of better medical facilities, for example, thus benefiting citizens. The American Marketing Association recently redefined Marketing as ‘the activities, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large’ (Lotti and Lehmann, 2007: 1).

While these are recent definitions in mainstream Marketing thinking, the approach to marketing as an overall business philosophy rather than specific activities is not new. Peter Drucker saw Marketing as ‘an overriding business philosophy that helps define the company’s best opportunities and that actively participates in the company’s effort to capture the best opportunities’ (Kotler, 2009 cited in Effective Management, 2009: para 8). Drucker is quoted as saying that Marketing is so basic that it can’t be considered a separate function. It is the whole business seen from the point of view of the final result (ie from the customer’s point of view) and the aim of marketing is to get to know and understand the customer so well that a ‘fit’ is created and the product or service sells itself (Altius Directory, 2006). David Packard, founder of Hewlett Packard, is also credited with saying that marketing is too important to be left to the marketing department (Dharanidhar, 2011). These statements support the view that Marketing is a way of approaching what you do, whether that is putting together a strategy to attract businesses to an industrial sector or the board of directors of a tourism route looking for new attractions to add to the route. The approach is based on putting the customer first; thus it is necessary to understand the
customer’s needs and perception of value. Once this is understood, the strategist can put together the offering features, can decide on how to communicate with the target market or markets and can determine the cost-benefit ratio that impacts the ‘price’ of the offering. In line with this, Rainisto (2003) stresses that places must develop a real marketing approach. He says that place competition is global, and places must thus understand the needs of current and potential citizens, companies, investors and visitors and develop products and services to satisfy these needs.

**MARKET-ORIENTATION**

In order for this approach to Marketing to be adopted, there is a need for all partners in LED to have a marketing orientation (ie consider their actions from the point of view of the customer or target market). In any LED context there may be different target markets, with varying needs to satisfy. For example, a locality trying to get businesses to invest should see those businesses as customers with needs and wants to satisfy, and a farming co-op representing the interests of a host of small growers needs customers to buy its products. We must have a clear understanding of the ‘customer(s)’ we are targeting and the ‘product(s)’ we are offering to them. The marketing orientation or the adoption of the marketing concept thus holds that ‘achieving the goals of the firm depends on knowing the needs and wants of the target market and delivering the desired satisfactions better than competitors do’ (Kotler et al, 2010: 24). Market-oriented organisations or initiatives plan and co-ordinate all organisational activities with the primary goal of achieving customer satisfaction, as it is through satisfaction of customer needs that organisations can attain and sustain competitive advantage and achieve organisational goals (Mullins and Walker, 2010).

An evaluation of various LED projects funded by the EU through Gijima in the KZN province found a lack of market-orientation to be a common problem, with less than 50% of the plans adequately covering a market assessment (LMRF LED, 2009). Gijima is an EU-funded project whose purpose is to stimulate LED in KZN. The evaluation covered 17 LED projects across agriculture, manufacturing, tourism and services sectors (LMRF LED, 2009). Without this fundamental marketing orientation it is unlikely that LED partners or initiatives will have the necessary mindset, skills or knowledge to utilise marketing principles in their strategic planning.

The adoption of the marketing concept or utilising a marketing orientation involves four components:

1. **A customer orientation.** This means that the starting point is the customer or target market. The organisation researches and understands their target customers as a basis for creating superior value for them (Palmer, 2005).

2. **A goal orientation.** A goal orientation indicates that the goals of profitability, growth or sustainability are sought and achieved through customer satisfaction (ie customer satisfaction is the means to the end). These goals are achieved through creating relationships with the right customers and partners to achieve customer value and satisfaction (Kotler et al, 2010). Thus for LED the ultimate goal is economic development of the territory, employment and better quality of life for all, but the means of achieving this is through identification of various key customer groups such as SMME’s business investors, entrepreneurs, skilled people etc, and it is only through satisfaction of these customer groups’ needs that the ultimate LED goals can be achieved.
3 A systems approach. Also known as a ‘total company effort’, this component of the Marketing concept requires that all elements of the organisation work together to achieve customer satisfaction. This aligns with the definitions of Marketing as a management philosophy rather than a set of activities carried out by the marketer only. Rainisto (2003) says Marketing is a holistic process that should be present in all functions in the organisation. Thus all components of the value chain and all participants in the relationship have to have a Marketing orientation and understand their role in achieving customer satisfaction. If one cog in the system fails, customer satisfaction may be forfeited. This has particular relevance in the LED context, where most LED initiatives involve partners from very different organisational forms such as business, government and public institutions. A common understanding of the roles and responsibilities of all partners in achieving customer satisfaction is critical to LED success. Rodriguez-Pose and Tijmstra (2005: 12) also emphasise the need for a systems approach in terms of the variety of LED strategies used in a territory. They identify four types of LED strategy: improvement of competitiveness of local firms, attraction of inward investment, upgrading of human capital and labour skills, and upgrading of local infrastructure. They say that ‘intervention in any one axis should be matched by sufficient capability in the other three.’

4 Social responsibility: Organisations should not only be concerned about their relationships with customers but also consider their relationships with the rest of society. This not only includes preventing environmental degradation through the use of environmentally friendly materials, but involves a broader investment in the society in which the organisation operates. Thus marketing strategy should provide customer value that benefits both the customer and the broader community (Kotler et al, 2010). Kotler and Kramer (2006 cited in Cravens and Piercy, 2009) state that the concern for society is more than corporate altruism, but potentially a basis for competitive advantage. Mitchell (2008) supports this in saying that for real LED; organizations need to practice corporate social investment (CSI) rather than merely corporate social responsibility (CSR).

Mitchell explains:

CSR is a concept whereby corporations choose to become good ‘citizens’ meaning that they consider and consciously manage the impact their actions and behavior has or could have on all their stakeholders, the community where they operate and the environment. CSI goes a step further by viewing their relationship with their communities as a strategic opportunity to be both a good corporate citizen as well as a means to invest in their ability to produce high quality goods and services. The premise being that productivity depends on having workers who are educated, safe, healthy, decently housed and motivated in the general sense of optimism and opportunity (Mitchell, 2008: 23).

Mitchell (2008) goes on to say that in addition to corporate social investment, successful LED requires social entrepreneurs who identify and, through innovative solutions, solve pressing social problems by mobilising social change agents, changing the system, and persuading societies to take action to change their circumstances. This requires investment in relationships and collaborative behavior amongst LED partners. Thus social entrepreneurs use both the systems approach and a commitment to social investment as proposed by the marketing concept.
THE MARKETING MANAGEMENT PROCESS

Just like any other management discipline, marketing management requires the management functions of analysis, planning, implementation and control (Kotler et al, 2010; Mullins and Walker, 2010). Research and analysis is the vital first step of the marketing process (Kavaratzis and Ashworth, 2008). Referring specifically to the place marketing process, Rainisto (2003) says it starts with strategic analysis of the place or territory.

Marketing analysis

Managing the marketing function in any organisation begins with a thorough analysis of the environment in which the organisation operates (Kotler et al, 2010). This environment includes elements that are both external and internal to the organisation. The external environment includes forces which may represent opportunities or threats to the organisation. These include broad macro-environmental elements such as economic, political-legal, socio-cultural, demographic, technological and natural elements, as well as industry and market forces (Mullins and Walker, 2010). These elements present forces (both positive and negative) which are beyond the control of the organisation and thus represent uncontrollable forces (Walker, Mullins and Larréché, 2008).

Internal analysis on the other hand, assesses the organisation’s resources and capabilities. This includes an assessment of financial, labour and physical resources (Lovelock and Wirtz, 2007). These may represent strengths or weaknesses to the organisation. These factors affect the organisation’s ability to take advantage of opportunities in the external environment. It is only once both external and internal analyses have been conducted that a marketing strategy can be developed.

In the LED context, the external environment constitutes all forces outside of the territory and partnership’s control. Significant factors in the macro environment include “the increased mobility of capital, the easier relocation of economic activity, the radical development of the knowledge-based society and increased global connectivity” (Kavaratzis and Ashworth, 2008: 150). Without thorough assessment of the factors locally, nationally and internationally that can impact the territory or particular LED initiative, it is unlikely that the initiative will succeed. Trends, issues or events from the macro environment can either positively or negatively impact the organization or territory. Failure to recognise them could result in missed opportunities or unexpected factors that lead to failure.

In addition to these macro factors is the analysis of customer and industry factors. These include factors such as competition, markets, suppliers and intermediaries. These forces present a more direct impact on LED initiatives. For example, with regard to competition, Kavaratzis and Ashworth (2008) indicate an increase in inter-urban competition. Territories compete for business investment, the location of skilled human capital etc. Kavaratzis and Ashworth (2008:150) warn that competition should be ‘strong’ rather than ‘weak’. Jessop (1998, p. 79 cited in Kavaratzis and Ashworth, 2008:150) explains:

[...] whereas strong competition refers to potentially positive-sum attempts to improve the overall (structural) competitiveness of a locality through innovation, weak competition refers to essentially zero-sum attempts to secure the reallocation of existing resources at the expense of other localities.

Kavaratzis and Ashworth (2008) go on to say that through thorough analysis of the marketing environment, cities can identify other cities, regions or specific activities which, instead of representing competition for similar segments, can reveal opportunities for
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collaboration and joint LED projects which result in a widening of the market, and thus a
win-win situation for all. Competitor analysis is thus an important prerequisite to planning.

While collaboration may result from some competitor analyses, it is also important that LED
initiatives differentiate their offerings from those of competitors. In order to provide such
differentiated incentives for customers to buy the products of one company or city over
another, the company has to have a good idea of the offerings of competitors and their
strengths and weaknesses, which may, in turn, represent threats or opportunities to the LED
initiative. Recreational facilities, entertainment activities and physical products can all
represent such differentiating factors. Thus again competitor analysis is crucial.

Customer or target market analysis is also crucial. Identifying and then understanding the
needs of different target markets is fundamental to developing marketing strategy. The
Gijima evaluation of LED projects determined that a lack of knowledge about market trends
was a problem in many of the projects (LMRF LED, 2009). It was also found that the
projects tended to focus only on local markets and did not investigate or even consider
international markets (LMRF LED, 2009).

For the internal environment in the LED context, the LED partners and their resources and
capabilities would require analysis. These would include assets and capabilities (labour-
related, physical environment, cultural attractions, landmarks, lead sectors, management/
leadership capacity, an enabling environment and systems in place). Comparable advantage
can be assessed, as can key vulnerabilities also requiring strategies. Vulnerabilities
represent areas within the locality that are inferior to competing localities or resources that
are lacking and require strategies to remedy.

The relationships between partners are also an internal issue:

It is also paramount that actions are prioritised through a participatory LED strategizing process that
involves public, private and civil society sector actors. This process needs to be based on a rigorous
assessment of the local economy and the major obstacles it faces. In this way, the investments made
are more likely to tackle the major obstacles facing local economic sectors and value chains and
contribute to unleashing their potential. (LEDNA, 2012b: para 7)

Partnership formation and management is obviously a complicated but critical internal factor
for LED initiatives. Many LED initiatives require government, private sector and community
participation, and partnerships that are formulated with the appropriate partners and
managed effectively can differentiate a successful initiative from an unsuccessful one.

Management needs systems in place to identify, analyse and respond to trends, events and
issues in the marketing environment (Mullins and Walker, 2010). The Municipal Early
Warning system (EWS) which measures ‘performance of firms in a local economy over a
period of time’ in order to ‘detect problems in individual firms at an early stage so that
preventative action can be taken to avoid job loss, firm closure or relocation’ (DPLG,
2003: 40) can be a useful source of information to assist with marketing environment
analysis. It has been acknowledged that while a steady flow of reliable local data is critical
for establishing locality comparative and competitive advantages (Lawrence and Hadingham,
2008, cited in Rogerson, 2009), it is often not available, of poor quality or out of date in the
SA context (Rogerson, 2009). Rogerson highlights this as a key challenge for LED in South
Africa.

Notwithstanding this challenge, it is only once a thorough analysis of the marketing
environment has been conducted that the organisation or locality is in a position to develop
a marketing strategy.
MARKETING STRATEGY DEVELOPMENT

Customer-driven marketing strategy focuses on determining the customers to serve, through segmentation and targeting, and the best way to satisfy their needs (Kotler et al., 2010). Customer satisfaction is achieved through designing the marketing mix elements to provide competitive advantage by satisfying the needs and wants of the target market more effectively and more efficiently than one’s competitors (Mullins and Walker, 2010).

Target market identification

Due to their different needs, target markets often require different mix elements to be developed. Anderson et al.’s (2009) research on segments of a downtown area of Toronto, for example, indicates that different residential and visitor segments exist, and that they have different needs and preferences for the downtown. These authors recommend that places should identify specific target markets they wish to satisfy and develop communication messages specifically for them, rather than implement broad appeal communication aimed at multiple segments. Thus the starting point for marketing strategy development is the determination of the target markets. This begins with identification of the potential segments that could be targeted. Segments may exist in any or all of the customer groups discussed above (ie visitors, residents, businesses and export markets). Not all segments are worth targeting or represent equally attractive opportunities (Mullins and Walker, 2010). Kotler et al (2010) explain that market segmentation helps the organisation identify market segment opportunities, but market targeting involves evaluating those segments and then choosing those to target. Mullins and Walker (2010) explain that marketers must evaluate the segment’s attractiveness and the capabilities or competencies and strengths of the organisation relative to the segment’s needs and competitive situations. Segments can be prioritised and target markets chosen based on this assessment.

Due to the varied nature of LED initiatives, target markets may differ dramatically. For example, for the development of a marketing strategy for a locality, one or more target markets may be identified in each of the customer groups discussed above. For example, based on the analysis of the locality’s strengths, weaknesses, opportunities and threats, the locality may choose to target certain types of visitor, certain kinds of new resident, businesses in certain sectors and particular export markets. In the case of a locality, certain existing residential groups may also be identified as critical target markets requiring need satisfaction. Each of these target markets is likely to have different needs and require a tailored marketing mix. For a specific LED initiative or project, the target markets may be far more limited and thus less complex to target. A tourism route, for example, may target local residents, visitors from neighbouring territories and international tourists. The marketing mixes for these three target markets may require only minor adaptation (eg in terms of promotion). Thus it is reinforced that the analyses discussed above is critical in the preparation of the marketing strategy.

Positioning

Once the target market(s) have been identified, a value proposition or position needs to be determined for each target market. Kotler, Bowen and Makens (2003: 283) define positioning as ‘the way the product is defined by consumers on important attributes’. Thus marketers should seek to match the attributes of the offering with the needs and priorities of
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customers in the target segment (Evans, Campbell and Stonehouse, 2003). Positioning thus entails designing the marketing mix so as to distinguish the organisation’s offering from that of competitors by providing the customers with attributes and benefits that are important to the customer and represent competence or strength within the organisation (Walker et al, 2008). In relation to a locality such as a tourism route or a town, the place must be positioned within the target market against competition (Rainsito, 2003). Thus the place must be different from competing places on attributes valued and perceived to be important by the customer. As Rainsito (2003: 75) indicates, the place customer ‘needs a good reason to be interested in the location’. Kotler et al (2010) indicate the need to create a value proposition (ie an indication of how the offering will provide value to the customer). This involves differentiating the offering from others in the industry in ways that are valuable to the customer, and then positioning the offering in that distinctive and desirable place in the customer’s mind. Lovelock and Wirtz (2007) emphasise that positioning is about guiding the entire marketing strategy around what is important to the target market in making their product choices. It is not just about communication and imagery. The entire marketing mix is thus used to deliver and communicate the relative advantage of the offering, such as a location, over-competing offerings or locations. The marketing mix is used to create this position in the customer’s mind.

Marketing mix

The marketing mix represents the tools or controllable marketing variables used by the marketer to achieve the desired position. These are generally referred to as ‘the 4 Ps’ (Mullins and Walker, 2010), and include the product offering, price, promotion and place. For many LED initiatives as well as localities, the ‘product’ on offer is not a pure product and thus other mix elements can also be used to achieve the desired position in the minds of target markets. These include the process, people, and physical evidence of the offering (Lovelock and Wirtz, 2007). Each mix element can involve multiple decisions, and thus detailed discussion is beyond the scope of this article. However, the important consideration in putting the marketing mix elements together is that they are all consistent with the desired position; that is, they must consistently differentiate the offering from those of competitors on attributes important to the target market.

If, therefore, a place is making investments to improve investability, liveability or visitability of the place product (Rainisto, 2003), those investments must be consistent with the position for the locality. If an agri-business LED initiative is advertising its produce as high quality, it must ensure that its actual quality and processes match this position.

CONCLUSION

In conclusion, this article sought to make the case for Marketing as an important discipline in LED education and practice and to illustrate how it can be applied in the LED context. The article highlights the key processes in Strategic Marketing and emphasises their applicability to LED. Due to the diversity in LED initiatives and inclusion of entire localities in the definition of LED, Marketing tactics are varyingly applicable, but the underlying Marketing orientation and focus on Marketing Analysis is believed to be critical to the success of all LED contexts.
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BOOK REVIEWS

Christoph Vorwerk, Xasa Facilitating (Pty) Ltd

Xasa Facilitating Pty (Ltd) provides advice and services in the field of skills development to clients at a national, sectoral, industry and company level.

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Authors: Sylvia Hammond, Vusi Mabena and Elize Strydom
Date of publication: 2011
ISBN: 978 0 7021 8519 9

This little volume, measuring 100 by 140 mm, packs a lot of information. It summarises the Act and its various amendments in plain language, but in addition to this it provides summaries in the form of key points, Frequently Asked Questions (FAQs), pertinent case law to provide examples of key points, links to online resources and pertinent examples. The structure and style would make it a perfect choice for students or people new to skills development, while at the same time provide even experienced practitioners with a ready reference or refresher to various aspects of the legislation.

Juta’s Skills Development Handbook

Authors: Paul Benjamin and Brendan Barry
Date of publication: 2002
ISBN: 978 0702 1607 69

In contrast, this volume is of interest to all South African skills development professionals, including Human Resources (HR), Human Resource Development (HRD) and Learning and Development (L&D) practitioners. It should also be on the shelf of any senior Sector Education and Training Authority (SETA) manager. In one volume it provides access to the actual legislation and related legislation and regulations. To keep it up to date the purchaser can register for revision services. The loose-leaf format allows it to be updated quickly to keep it current. The authors provided advice to the Department of Labour during the legislative and regulatory drafting process. Their intimate knowledge of the legislation is evident in the introduction to the volume, which provides a useful commentary on the Skills Development Act, its implications, and how it works in practice.

Both books are available from JUTA.
For further information, see http://www.jutaonline.co.za
# ABOUT THE AUTHORS

## Dr Peter Walther Baur

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**Profile**
Peter holds a Doctoral degree in Economics (University of Johannesburg) and has lectured and researched in the fields of Development Economics; Behavioural Economics; Environmental Economics and Economic Philosophy and History. He has acted as an advisor for Ward Councillors and has presented on numerous topics for various interest groups. Peter is involved in training programmes and is currently part of the first degree programme for Local Economic Development (LED) in South Africa, initiated by the Centre for Local Economic Development (CENLED) at the University of Johannesburg (UJ).

## Dr Clive Coetzee

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Clive holds a PhD in Economics from the University of KwaZulu-Natal and a Masters Degree in Economics from the University of Stellenbosch. Since October 2008, he has been the General Manager of Infrastructure Management and Economic Services at the KZN Provincial Treasury. He is responsible for the economic, monitoring and evaluation and infrastructure functions. Clive also manages a small financial services business that specialises in a number of areas, including the following:

- conducting economic impact analysis and studies of proposed policy, frameworks, projects and developments
- conducting economic structure and performance analysis and studies of regions and provinces and on national economic environment
- forecasting of economic indicators for regions and provinces
- writing economic newsletters and reports for local and provincial government departments, chambers of business and businesses

Clive has also lectured in a number of Universities, including the Military Academy, University of Cape Town and the University of KwaZulu-Natal.
### Caili Jayne Forrest

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Caili obtained her Masters in Environment, Society and Development from the University of Cambridge in 2010. She joined the eThekwini Municipality in 2011, where she currently works within a number of key Local Economic Development areas including job creation and monitoring, the green economy, and investment. Her work on employment at the local level led to her engagement with the unemployment crisis (young people specifically). She is passionate about change in South Africa and believes partnerships, education and innovation are cornerstones to improving the quality of life of all South Africans.

### Dr Stanley Hardman

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Stan Hardman holds a BA MEd (Natal); a PGC in Cross Sector partnerships (Cambridge) and a DBA (University of KwaZulu-Natal). He is a Senior Lecturer at the University of KwaZulu-Natal and is the Facilitator of the Local Economic Development (LED) initiative. Stan specialises in leadership and cross-sector partnerships, Further Education and Training (FET) and Local Economic Development, and he is particularly interested in the role of Leadership Development in LED.

### Pumla Zuzile Jali

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Pumla obtained her BCom in Economics and Information Systems at Rhodes University in 2010, and went on to pursue a Post Graduate Diploma in Finance Management at UKZN in 2011. She joined the eThekwini Municipality in 2011 and her core research areas have been youth unemployment and the identification of scarce skills in the municipal region.
### Dr Sylvia Kaye

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**Profile**
Sylvia Kaye spent time working as an IT specialist in Botswana, including the development of software systems and staff training programs, as well as the management of staff and computer systems. She was also a lecturer at the University of Botswana. Her community service work in Botswana took place primarily in villages, focusing on capacity-building programmes and income-generating projects for women.

Sylvia’s research interests focus on the strengthening of women-owned small businesses through the integration of training with external support programmes. Social entrepreneurship is another research area: this concept, while new, is perceived as having the potential of providing livelihoods and much needed services to communities.

In 2003, she joined the University of KwaZulu-Natal in what was then the Adult Learning/Community Development School. Sylvia is now lecturing in Conflict Resolution/Peace Studies as well as supervising Masters and PhD students.

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### Anna Sophia Kritzinger

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**Profile**
An Kritzinger holds a Masters degree in Economics (Stellenbosch). As the Director of Southern Economic Development Services (SED), she has more than thirteen years’ practical experience in the field of development economics. An has conducted various research projects relating to Local Economic Development and economic impact assessments. She has an interest in the use of local data to improve the prioritisation of LED strategies. For the past five years, An has been actively involved in a local government capacity building programme in economic development profiling in association with the Development Bank of Southern Africa. The training programme is currently part of the first degree programme for LED in South Africa initiated by CENLED (UJ).
John Douglas Lawson

Current organisational affiliation
Independent consultant
Director, LED consortium
Associate, CENLED, University of Johannesburg.

Profile
After being a partner in a consulting firm, a small business entrepreneur and a general manager in a mid-sized firm, the end of apartheid inspired John to shift his focus towards development. He has been involved in various forms of economic development ever since. After a few years spent working as a consultant to the Director General of Department of Trade and Industry (the dti), John decided to specialise in the discovery of pragmatic approaches to Local Economic Development. In the process, he has been privileged to work closely with people who are regarded by their peers as world leaders in LED.

John’s experience spans a multitude of industry sectors and he has worked at all levels of government. In recent years, South Africa has become a pioneer in the benchmarking of municipal LED practices and is now a world-leader, with more than 120 benchmarks having been conducted. The data from these LED cases provide new insights into what makes LED initiatives succeed or fail.

Colleen Avice Steenkamp

Current organisational affiliation
Research associate, Centre for Development Support, University of the Free State

Profile
Colleen Steenkamp is a researcher and candidate architect based at the Centre for Development Support; University of the Free State. She is currently designing contemporary architecture, but her preferred area of focus is the design and building of sustainable buildings, using natural materials. Broadly, her research focus up until now has been on uplifting livelihoods – specifically through the use of vernacular architecture to improve human settlements – and now Local Economic Development.
### Dr Marius Venter

**Current organisational affiliation**
Director, Centre for Local Economic Development (CENLED), University of Johannesburg

**Profile**
Marius Venter holds a BCom (Law), a BCom Hons (Economics), an MCom (Economics) and a DCom (Economics). He is the founder and Director of the Centre for Local Economic Development (CENLED), based at the University of Johannesburg. He is the former CEO of the Overstrand Local Economic Development Agency (OLEDA). This was a private company owned by the Overstrand Municipality, the main objective of which was to implement economic development projects. Marius worked for the City of Johannesburg for 22 years as Head of the Transport Department’s Training Centre; as Deputy Director (Privatisation); Deputy Director (Informal Trade); Deputy Director (Johannesburg Fresh Produce Market) and Executive Director (Local Economic Development). He was the founder of the Centre for Entrepreneurship Education and Development SA, currently known as ‘The Business Place’ and the ‘Real Enterprise Development’ Centres, which assist entrepreneurs to establish businesses.

Marius’ current research interest lies in writing up case studies in order to create a body of knowledge, which can be used as a learning and teaching resource for the professional development programme for both LED practitioners and LED professionals.

### Prof Debbie Vigar-Ellis

**Current organisational affiliation**
Associate Professor in Marketing, School of Management, Information Technology and Governance, University of KwaZulu-Natal

**Profile**
Debbie Vigar-Ellis is an Associate Professor in Marketing in the School of Management, Information Technology and Governance at the University of KwaZulu-Natal. She is a co-ordinator of self-funded programmes for the Pietermaritzburg campus of the School. Debbie was part of the management team that developed the Post Graduate Diploma and Masters programmes in Local Economic Development. In previous years, she has headed up the Post Graduate Diplomas in Marketing and Management, and the MBA programme of the former University of Natal. Debbie has also been involved with a variety of similar programmes at other South African universities.

Debbie’s primary areas of expertise are Strategic
Marketing and Planning, Global Marketing, Green Marketing, Marketing and Education: areas in which she has taught, consulted and published for over 10 years. She has worked with numerous small businesses in the Pietermaritzburg region to assist in the development of their strategic marketing plans. This included LED initiatives such as the Zulu Mpophomeni Tourism Experience (ZMTE) and the Impendle World Of Tourism.

**Kevin Peter Whitfield**

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<tr>
<th>Current organisational affiliation</th>
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<tr>
<td>Profile</td>
<td>Kevin Whitfield is a farmer and a researcher. The main theme of his research centres on improving rural livelihoods in the Eastern Cape. This has led to an exploration of sustainable development, agricultural extension and advisory services (public and private), food security and Local Economic Development. Kevin’s future research will focus on Agricultural Innovation Systems, innovation brokers and pluralistic development.</td>
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