

**ANALYSIS OF ECONOMIC DEVELOPMENT STRATEGY
(A STUDY CONDUCTED IN ETHEKWINI MUNICIPALITY)**

By

Pamela Mfingwana



**Submitted in partial fulfilment of the requirements for the degree of
MASTERS IN BUSINESS ADMINISTRATION**

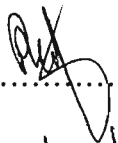
**Graduate School of Business
University of Natal, Durban**

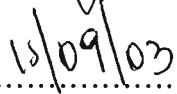
Supervisor: Prof. E. Thomson

September 2003

DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed 

Date 

ACKNOWLEDGEMENTS

I wish to thank following people whose support and encouragement contributed to the successful development of this study.

- I specially want to record my thanks and admiration to my supervisor, Prof. E. Thomson for her willingness to help, advise, guide and encourage.
- The officials of Ethekewini Municipality, whose co-operation and friendliness are greatly valued. Without it the study could never have been conducted.
- My late grandfather and grandmother (Dalindyabo and Prellie Mtemba), my mother, brothers, and sister for the sacrifices and support they made throughout my studies.
- My special friends, for support and encouragement.
- Finally, I am thankful to Lord for giving me grace and strength.

ABSTRACT

This study was conducted in Ethekewini Municipality, between May 2003 and August 2003. The aim of this study was to analyse and evaluate the economic development strategy implemented by the city. The major concern of the research was to locate strategy responsibility within broad economic transformation. Since 1996 Durban has been at the forefront of change in urban management as far as South African cities are concerned. Strict fiscal controls and innovative transformation programmes have ensured that the Council has managed to walk the delicate tightrope between maintaining established areas and uplifting historically disadvantaged ones.

The strategic integration of the world markets brought about by the growth of transnational and multinational enterprise activity requires very responsive management with flatter and more flexible organisational structures in order to adapt to an ever-changing business climate. This leads organisations to develop partnerships in order to increase their weapons to face the tight global competition. Organisations have tried many strategies, but in most cases, they are not suitable for the competitive edge as might be the company goal.

It is questionable whether the wrong strategies are implemented in wrong organisations, the right to the wrong or the lack of leadership? This means that the managers must not focus on rigid strategies but focus on those strategies that will lead the organisation to exploit opportunities.

TABLE OF CONTENTS

CHAPTER 1	1
1.1 INTRODUCTION	1
1.2 BACKGROUND	3
1.3 MOTIVATION	3
1.4 VALUE	4
1.5 PROBLEM STATEMENT	4
1.6 OBJECTIVES	5
1.7 RESEARCH METHODOLOGY	6
1.8 LIMITATIONS	8
1.9 STRUCTURE OF THE DOCUMENT	8
1.10 SUMMARY	8
CHAPTER 2	9
2.1 INTRODUCTION	9
2.2 DEFINITION OF TERMS	9
2.2.1 Strategy	9
2.2.2 Corporate Strategy	10
2.2.3 Strategic Management	11
2.2.4 Development	12
2.2.5 Urban Area	13
2.2.6 Economy	13
2.3 EVOLUTION OF STRATEGY	13
2.4 THE VALUE OF STRATEGY IN A FIRM	14
2.5 STRATEGY IS EVERYONE'S BUSINESS IN A FIRM	16
2.6 CORE AREAS OF STRATEGY	19
2.6.1 External environment	19
2.6.2 Internal environment	21
2.2.3 Strategy formulation	23
2.2.4 Strategy implementation	24
2.6.5 Evaluation and control	25
2.7 SUMMARY	26
CHAPTER 3	27
3.1 INTRODUCTION	27
3.2 BACKGROUND	28
3.2.1 Urban development	28
3.2.2 Local urban governance	30
3.3 THE CHANGING ECONOMY OF DURBAN	31
3.3.1 Commercial beginnings –early history to 1910	31
3.3.2 Industrialisation, modernisation and racial segregation 1910 to the 1970s	32
3.3.3 Signs of trouble – 1970 to early 1990	33
3.3.4 Durban before democratic transition	35
3.4 KEY STRENGTHS OF THE CITY	37
3.4.1 Location	37
3.4.2 Infrastructure	38
3.4.3 Manufacturing	38
3.4.4 Tourism	38
3.4.5 Local government	39
3.4.6 Strong civil society	39
3.4.7 Multi-cultural	39
3.4.8 Small business	

.....	40
3.4.9 Environment	40
3.5 THE CHALLENGES FACING THE CITY	40
3.5.1 High unemployment	40
3.5.2 Inefficient and segregated spatial structures.....	41
3.5.3 Exports.....	41
3.5.4 Foreign investment	42
3.5.5 Business constraints.....	42
3.5.6 Lack of a common business vision.....	42
3.5.7 Gap between rich and poor	42
3.5.8 Education	43
3.5.10 Crime	44
3.6 GO FORWARD PLAN	44
3.6.1 City vision.....	44
3.6.2 City economic development plan	45
3.6.2.1 Signs of innovation.....	45
3.7 TRENDS IN EACH OF DURBAN'S MAJOR ECONOMIC SECTORS..	48
3.7.1 Transport and telecommunications.....	48
3.7.2 Manufacturing	53
3.7.3 Tourism.....	54
3.7.4 Work and livelihoods.....	56
3.7.5 Retail market.....	57
3.7.6 Property market	58
3.7.7 Construction.....	60
3.7.8 Local government and the economy.....	61
3.8 ECONOMIC DEVELOPMENT STRATEGIC DIRECTION	62
3.9 SUMMARY.....	63
CHAPTER 4	64
EVALUATION OF THE CASE STUDY	64
4.1 INTRODUCTION	64
4.2. THE CURRENT ECONOMIC SYSTEM.....	64
4.2.1 The competitive position (Porter).....	65
4.2.2 The SWOT analysis.....	68
4.2.3 Analysis of the sectors in the Durban economy	72
4.2.4 PEST analysis	74
4.2.5 Gap analysis.....	79
4.3 ASSESSMENT OF SUITABILITY.....	81
4.3.1 Life-cycle analysis	82
4.3.2 Positioning.....	82
4.3.3 Value chain analysis	83
4.3.4 Portfolio analysis	87
4.4 REASONS FOR CITY FAILURES	88
4.4.1 Deficiencies in plans and their implementation	89
4.4.2 Insufficient and unreliable data	89
4.4.3 Unanticipated economic disturbances, both internal and external	89
4.4.4 Lack of political will.....	90
4.4.5 Institutional weaknesses	90
4.4 SUMMARY.....	90
CHAPTER 5	92
5.1 INTRODUCTION	92

5.2	IMPOTANCE OF ECONOMIC DELOPMENT STRATEGY IN CITIES..	93
5.2.1	Cities are engines for the national economy.....	93
5.2.2	City growth is inevitable.....	93
5.2.3	Large cities can perform well	93
5.2.4	The problems of the urban poor can be handled	93
5.2.5	Neglecting city management can cause breakdown and disorder	94
5.3.	THE STRATEGIC REQUIREMENTS AND RECOMMENDATIONS ...	94
5.3.1	Strengths	94
5.3.2	Weaknesses.....	94
5.3.3	Opportunities	95
5.3.4	Threats	95
5.4	SUMMARY.....	101
6.	BIBLIOGRAPHY	102

LIST OF FIGURES	PAGE
Figure 2.1.The Strategic Management Model	26
Figure 3.1. Sectoral shares of output and employment	36
Figure 3.2.Strict unemployment rates by race and gender%	41
Figure 3.3.Share of poverty by race	43
Figure 3.4. Firms registration and liquidations	47
Figure 3.5. Firms registered in the DMA in 2000	47
Figure 3.6. Modes of transport to the city centre	52
Figure 3.7. Volumes of tourists and tourists spending	55
Figure 3.8. Composition of the economically active population in and Durban	57
Figure 3. 9. Durban Office stock	59
Figure 4.1 The Diamond of Competitiveness	66
Figure 4.2. SWOT analysis	72
Figure 4.3.Relative Attractiveness and Relative competitiveness	73
Figure 4.4. Turnaround, restructure and improvement of current system	81
Figure 4.5. Product Life Cycle	82
Figure 4.6. Representative strategic group map	83
Figure 4.7 The value chain	86
Figure 4.8. Growth share matrix	88

LIST OF TABLES	PAGE
Table 3.1. Basic indicators of Durban's share of the Economy	35
Table 3.2. Volumes of activity of Durban International Airport	51
Table 4.2. Impact analysis	71

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Since the beginning of 1995 the greatest challenge facing South African urban strategists, planners and policy-makers has been the future of our urban populations. Our urban populations are becoming increasingly poor: homelessness, unemployment, crime, and general lack of resources and skills are prevalent. This poverty affects health, general stability of life, development of society, and the economy of the country at large.

In this century policy-makers and urban planners and strategists have to re-visit the conventional wisdom and revise past policies in order to provide the mechanisms to govern the cities, manage urban population growth, help the homeless, fight poverty in cities and create improved conditions for the population at large.

South African cities today face the following challenges.

- The economic challenge to increase our growth rate and development in such a way as to provide millions of new jobs for large, growing populations.
- The second challenge concerns the concentrations of people in metropolitan areas which are, in turn dispersed and sprawling conurbations characterised by extremely inefficient land use, long travel times, highly unequal access to services between richer and poorer areas and the distribution of the urban poor on the peripheries in both formal townships and increasingly in sprawling squatter settlements that provide shelter for at least seven million people.
- To maximise community participation and responsibility by convincing people to see the importance of payment for services and of assistance in the process of democratising local government.

- As there is pervasive corruption in the entire sub-regional society, including local governments, only people with high integrity should be appointed and elected into the service of local government. Such officers should be made to be accountable.
- Reform of the financial relations between levels of government as well as the different public agencies in order to ensure a fair distribution of costs, to provide for any justifiable transfer of resources to poorer areas, and to avoid a situation where one agency's activities impose unbearable costs on another agency.

Where poor are not excluded from the social contract of South Africa, it is only a political culture that can create the institutions and processes, that will enable facilitation of tough choices necessary to meet the economic development and distribution challenge, and at the same time provide the mechanism to govern the cities, manage urban growth, and deliver on the scale required.

According to Bernstein (1991) the attention of the national decision-makers should now be turned to these cities, their place in the social structure, how they should be managed and governed, and the inter-relationship of sound urban growth with healthy rural and regional development.

South Africa since the beginning of this century is in many ways in a fortunate position regarding future policies for urbanisation and management of cities. The Urban Foundation estimated a population of 59,7 million by 2010. South Africa's population is rapidly urbanising. According to the 1996 national census, more than half (55,4%) of the South African population live and work in urban areas, which are growing at approximately 5% per annum. It is estimated that more than two-thirds of the population will live in urban areas within the next generation. While the urban transition presents challenges of poverty, homelessness and marginalisation it also presents opportunities for economic growth and social development (www.statssa.gov.za).

1.2 BACKGROUND

Leaders and managers of organisations are faced with difficult challenges in the years ahead. Turbulence and upheavals surround them. Several trends and events like demographic change, value shifts, privatisation of public services, tax levy limits and volatile economies have not only affected world economies but also challenge the strategic management of organisations.

A profound change in the main task of top management is emerging as a result of the accelerating dynamics of technologies, market information systems and social expectations of business performance. The threat of obsolescence of managers is no longer on today's conversations but tomorrow's operational reality. Yet changes in the years ahead will be loaded with opportunities for the forewarned, and with threats for those who have not cast their minds forward and formulated offensive and defensive strategies.

1.3 MOTIVATION

Strategy in an organisation in our day determines the failures, stability, complete change and success of the company. The job of the strategic manager is to make the best use of the firm's resources in a changing environment. Looking at the history of organisations, few of the leaders are leaders now despite their economic power. That is what happens when strategic management is inadequately done.

Ethekwini Municipality faces the difficult task of integrating migrants into the urban context, and considerable effort is required to work toward a development strategy that will yield positive planning policies for reducing regional imbalances and resolving authority-dependency conflicts. What motivated me to do this study is the knowledge I will gain about strategic management and a broad understanding of how to recommend strategies for organisations. This will help me to develop my career.

1.4 VALUE

This study will benefit the company and myself. This study is going to try to identify the gap and also help the top management to be able to analyse outlook to search for opportunities and threats. Many factors impinge on the future development of enterprises resulting in some cities growing while others decay.

1.5 PROBLEM STATEMENT

The problem of urban strategist and management can be understood in the light of the apartheid policies that channelled them to accommodate the needs of the government policies. The lack of planning was due to the fact that blacks were regarded as sojourners in the cities and were expected to return to the rural areas after performing the duties imposed by white supremacists. Blacks were compelled to maintain their own services while at the same time reproducing their own labour (Maylam, 1982).

South African cities today are starting to exhibit some indicators of breakdown, including the chronic shortages of shelter and basic services, with no prospect of concerted national action to remedy the sporadic outbreak of disease in every dense informal settlement on the outskirts of the cities, to provide for the growing numbers of groups of homeless people who see no other option but to occupy land not currently designated for low-income residential development (Urban Foundation, 1989).

All cities in South Africa are experiencing the rapid urban population growth of the urban black population. There are three factors that have been identified as reasons for the rapid increases in the rate of urbanisation.

- Economic independence.
- Relaxation of measures to control rural-urban migration.
- Growing population numbers in rural areas where technological development does not cause high agricultural production.

In South Africa to migrate is perceived as the means to obtain cash wages from employment in urban areas with the associated attraction of improved living standards and quality of life (A'Bear, 1983).

Traditionally, urban planning in most developing countries mainly involved what has been called 'Master Planning'. In essence, master planning was concerned first and foremost to produce a plan of how a city might look at some point (normally in 20 years) in the future, but international researchers, planners, policy-makers, strategists, and related agencies have become increasingly concerned about several fundamental shortcomings of master planning (Urban Foundation, 1993).

The globalisation of the economy, rapidly improving technology, the exodus of people from rural to urban areas, the shift from craft-based work to the stage of the affluent society, vertically integrated multinational and a heightened focus on providing customer value significantly increased competition in nearly all markets.

The main problem being targeted in this research is the analysis of Ethekwini Municipality's economic development strategy.

1.6 OBJECTIVES

There is an effort to identify the inherent strategic problems facing Ethekwini Municipality. The objective of this research is to set the theoretical framework of strategy in to relation Ethekwini Municipality and its surrounding areas, and via an empirical examination to identify the realities of the problems and conflicts affecting cities such as, poverty, unemployment, homelessness, transport, health and welfare problems.

The bases for designing the strategies need to be assessed under social, historical, economical, and political contexts.

In summarising, the objectives of this study will be.

- To identify the organisation's economic development strategy circumstances.
- To evaluate the suitability of the strategy.
- To find the impact of the economic strategy on the development of the city's economy.

1.7 RESEARCH METHODOLOGY

The researcher will use the secondary information from existing records within the Ethekwini Municipality.

- **Data collection**

The following documentation will be consulted:

- economic review reports,
- development profiles reports,
- strategic plans.

- **Data analysis and interpretation of results**

- Data presentation

The researcher will present information-using charts, tables and graphs in order to enable comparison.

- **Strategy analysis**

The research will identify the core competencies, objectives of the company, the structure and the culture of the company in order to establish whether the economic development strategy fits well with the vision of the city. The aim of establishing the above items is to find out whether the strategy fits well with Ethekwini municipality and also to establish whether the core competencies of the municipality are considered before the implementation of the strategy.

➤ PEST analysis

Political, Economical, Social, and Technological analysis will be used to identify the macro environment factors affecting the success of the strategy.

➤ Porter five forces of competition

This model will be used to recognize whether the strategy is addressing the problem of competition against other cities in the market.

➤ SWOT analysis

This model will be used to discover whether the strategy has made it possible for the municipality to exploit the strengths to migrate against the threats and capitalise on the advantages to use the existing opportunities too deliver the services expected by the community.

➤ The gap analysis

This technique will be used to discover whether the strategy is addressing the gaps hindering the city from moving from where it is presently to where it wants to be.

➤ Value chain analysis

This will be used to see whether the strategy has improved the upstream and downstream of delivery of services in the city. This model will be used to discover whether the strategy has made it possible for the municipality to exploit the strengths to migrate against the threats and capitalise on the advantages to use the existing opportunities to deliver the services expected by the community.

In assessing the suitability of the economic development strategy of the city the following tools will be used.

❖ Life-cycle analysis

This tool will be used to establish the stages of industry maturity.

❖ Positioning

This technique will be used to assess whether current and current future positioning are viable.

❖ Portfolio analysis

This tool will analyse the balance of an organisation's strategic business units.

1.8 LIMITATIONS

The limitation of this study will be the fact that the statistics used in this paper are from the 1996 census; therefore it does not reflect the reality of today. The city is in a stage of transformation and change management that impacts the on findings of this study but the scope of this paper does not cover that.

1.9 STRUCTURE OF THE DOCUMENT

This study is set out to provide a logical sequence to guide the construction of this mini thesis.

Chapter one

This is chapter is the introduction.

Chapter two

Establishes the theoretical framework to hold the various concepts together.

Chapter three

A detailed review of the case study of Ethekewini Municipality is provided.

Chapter four

Concentrates on evaluation and analysis of the information presented in chapter three against the model.

Chapter five

Examines findings, makes recommendations and draws conclusion.

1.10 SUMMARY

The research proposal is an organised inquiry carried out to provide information for solving problems. Business research is a systematic inquiry that provides information to guide business decisions. The relationship between managers and researchers is an important. Both share the obligation of making the business research project meaningful and contribute to the value and success of the company. The following chapter establishes the theoretical framework.

CHAPTER 2

THEORETICAL FRAMEWORK

2.1 INTRODUCTION

Strategic management and business policy is a fast-developing field of study. It looks at the corporation as a whole and attempts to explain why some firms develop and thrive while others stagnate and go bankrupt. Strategic management typically focuses on analysing the problems and opportunities faced by people in top management. Unlike many decisions made at lower levels in a corporation, strategic decisions usually deal with the long-term future of the entire organisation. The organisation's top management cannot make decisions based on long-standing rules, policies or standard operating procedures. Instead, they must look to the future to plan organisation-wide objectives, initiate strategy, and set policies. They must rise above their training and experience in such function areas as accounting, marketing, production, or finance to grasp the overall picture.

They must be willing to ask these strategic questions.

- Where is the corporation now?
- If no changes are made, where will the corporation be in one year, two years, five years, and ten years? Are the answers acceptable?
- If the answer is not acceptable, what specific actions should the corporation undertake? What are the risks and payoffs involved?

2.2 DEFINITION OF TERMS

This section will define the key concepts used in the theoretical framework.

2.2.1 Strategy

Karlof (1987:30) defines strategy as an integrated pattern of actions designed to reach specified goals. The actions are integrated in that they affect several interacting functions of departments. The aim of the strategy is to achieve a permanent

competitive edge that gives good profitability. Strategy consists of an integrated pattern of actions designed to reach specified goals by steering and coordinating the company resources.

Andrews (1999) defines strategy as the match between what a company can do (organisational strengths and weakness) within the unwise of what might not do (environmental opportunities and threats). According to Wall (1995:17), strategy is a dynamic process incorporating much more than the deliberate linear sequence that has come to be associated with strategic planning.

Porters (1992) analysis of strategy differs from that of the above strategists; his work is built on the structure conduct performance paradigm of industrial organisation economics. His model essence is that the structure of an industry determines the state of competition for companies' conduct or strategy. Structural forces determine the average profitability of the industry and have a correspondingly strong impact on the profitability of individual corporate strategies. A strategy is a sequence of united events that amounts to a coherent pattern of business behaviour.

2.2.2 Corporate Strategy

Corporate strategy is the pattern of major objectives, purpose or goal and essential policies for achieving those goals stated in such a way as to define what business the company is in or is to be in and the kind of company it is to be. Corporate strategy can be perceived as an interacting process between the management of the firm's internal resources and its external relationship with its customers, suppliers, competitors and the economic and social environment in which it exists (Lynch, 2000). The definition of complete corporate strategy by Lynch is the same as that of Andrews (1999).

In a changing world, corporate strategy is a way of expressing a persistent concept of the business so as to exclude some possible new activities and suggest entry into others. A planned corporate strategy is not a random collection of individual building blocks but a carefully constructed system of interdependent parts.

In a great corporate strategy all of the interdependent parts are aligned with one another. The alignment is driven by the nature of the firm's resources, its special assets, skills, and capabilities.

2.2.3 Strategic Management

Wheelan (1983:3) defines strategic management as a set of managerial decisions and actions that determine the long-term performance of the corporation. It includes strategy formulation, strategy implementation, and evaluation and control. Strategic management emphasises the monitoring and evaluation of environmental opportunities and constraints in light of a firm strengths and weakness.

Strategic management is a set of choices and actions that lead in the formulation and implementation of plans intended to achieve goals and objectives. A large multidivisional business firm has three levels of strategy.

- **Corporate strategy**

Corporate strategy is concerned with the long-term survival and growth of the organisation. It involves the choice of objectives, the search for developments that may help to meet those objectives, and the identification of those developments that are most likely to be feasible with the organisation's existing resources. Corporate strategy explores the ways a company can develop a favourable 'portfolio strategy' for its many activities. It includes such factors as decisions about the type of businesses a firm should be in, the flow of financial and other resources to and from its divisions, and the way a corporation can increase its return on investments.

Corporate strategy is anxious about the company's basic direction for the future, its purpose, its ambitions, its resources, and how it interacts with the world in which it operates. Every aspect of the organisation plays a role in corporate strategy, its people, its finances, its production methods, its environment, and its customers (Wheelam, 1983).

- **Business strategy**

Business strategy usually occurs at the divisional level with emphasis on improving the competitive position of a corporation's products or services in a specific industry or market segments. A division's business strategy must stress on increasing its profit margin in the production and sales of its products and services. Business strategies also should integrate various functional activities to achieve divisional objectives (Wheelam, 1983).

- **Functional strategy**

The major focus of functional strategy is on maximising resources productivity. It develops strategies to pull together various activities and competencies to improve performance. For example a typical strategy of a marketing department might centre on developing the means to increase the current year sales over those of the previous years.

2.2.4 Development

Friedman (1973: 45) defines development as an unfolding of the creative possibilities inherent in society. It can only occur if growth is allowed to pass through a series of successive structural transformations of the system. Burkey (1982:35) noted that development is a change process characterised by increased productivity, equalisation in the distribution of the social product, and the emergence of indigenous institutions whose relations with the outside world are characterised by equality rather than by dependence or subordination. Ake (1991:30) defines development as a participatory process to integrate economic, sectoral, spatial, institutional, environmental, and fiscal strategies in order to support the optimal allocation of scarce resources between sectors and geographical areas and across the population in a manner that provides sustainable growth, equity and the empowerment of the poor and marginalized.

2.2.5 Urban Area

Urban space can be defined as a spatial concentration of people whose lives are organised around non-agricultural activities. The essential characteristic here is that urban is non-agricultural. Urban space is a function of sheer population, size of space, the ratio of population to space, and economic and social organisation (Weeks, 1986).

2.2.6 Economy

Hyman (1992) defines economy as the mechanism through which the use of labour, land, structures, vehicles, equipment, and natural resources is organised to satisfy the desires of those who live in a society. The discipline of economics is concerned with the use of available productive resources in a society to satisfy what often are conflicting desires and demands. Economics is concerned with choices-with evaluating and selecting among alternatives, realizing that each time we make a choice we also forgo an opportunity.

2.3 EVOLUTION OF STRATEGY

Prior to the 1920s few firms did any of what today might be called 'long-term planning'. Most businesses were run more or less entrepreneurally and business decisions were relatively short-term in focus. Many businesses were driven by a focus on survival. With the advent of modern corporations like General Motors in the 1920s, large and more far-flung enterprises needed mechanisms to plan and allocate resources.

Financial planning provided senior managers with a sophisticated set of tools with which to plan annual production expenses and capital investments. The method typically involves translating sales forecasts into production schedule estimating the costs associated with the planned volume, and deriving profit forecasts. Once capital appropriations, research, development, advertising, and administrative overheads

were taken into account, projected cash flows available for dividends were simple and straightforward matter.

But when times changed the economy slowed, markets got saturated and the limitation of this method became obvious. To deal with long-horizon changes, forecast-based planning was developed in the 1950s and 1960s. Here, the rigor of analysis jumped dramatically, as planners began using such tools and concepts as product life cycles, discounted cash flows, net present value analysis, and statistically valid market research of consumer preferences and buying behaviour.

Because the level of sophistication and time required by these tools was greater than called for previously, managers needed assistance from a new breed of technical experts, strategic planners, business school graduates, and consulting firms. The behaviour drive under forecast-based planning was to project the future and to plan strategies that would adapt the firm to that future. Planners and consultants realised that many of their strategic recommendations were not getting implemented.

The reason behind this was.

- The analysis and recommendations were performed by people who were not responsible for executing the strategy.
- Secondly, plans that were based on analysing consumer trends and product acceptance often failed to take competitor behaviour into account. The strategic management approach was developed in response to these limitations (Bourgeois, 1996).

2.4 THE VALUE OF STRATEGY IN A FIRM

Businesses and society have a fundamentally symbiotic relationship. Business well run can make a great contribution to the progress of a society overall: business helps us progress. Firms have to provide leaders with the tools, concepts and models they can use to help their firms fulfil their fundamental purpose.

Strategy in a firm is important because it deals with fundamental issues that lead the direction of the firm. When the firm makes mistakes in the process of strategy formulation, the firm will be faced with problems that can lead the firm failing to survive. If the firm manages to develop its strategy effectively and efficiently, it reaps the benefits.

For example, there was a situation in the mid 1990s, when Continental Airways was faced with second bankruptcy proceedings. The Continental case study shows that a firm that develops a viable firm strategy is able to prosper.

A turnaround strategy formulated and implemented when Gordon Bethune was appointed in 1994 provided some indication of the nature of corporate strategy and why it is valuable and important. Firm strategy is concerned with the survival of the company as a minimum objective, and the creation of value added as a maximum objective. During the early 1990s, Continental Airways was concerned with profits, and company survival was at stake by the mid 1990s.

In 1993, Continental Airways needed to conduct a fundamental reappraisal of all its activities if it was to survive. It had serious operating problems with lousy product, angry employees, low wages and history of ineffective management.

Corporate strategy directs the changing and evolving relationship of the firm with its environment. With all the problems faced by Continental Airways the culture of the company did not understand the environment it operated in and its demands and changes. The product was crummy. Corporate strategy is central to the development of a sustainable competitive advantage. Between 1983-1994, Continental Airways ranked last in on-time arrivals, with the highest number of mishandled baggage reports per 1000 passengers, the highest number of complaints per 100 000 passengers, and among the worst in the percentage of passengers who were involuntarily denied boarding because of overbooking. It is not enough in strategy to be good, it is vital to be better than competitors.

Corporate strategy development is crucial to adding value, rather than sales, profitability, market share, earnings per share etc. Continental Airways lost value.

In almost ten years they had 10 different CEOs. The perceived lack of direction from the top resulted in lack of co-ordination, confusion, and wasted time. Even successful firms like Unilever do have strategic problems that are difficult to resolve. Corporate strategy deals with complexity, ambiguity and fundamental issues that cannot be easily summarised. (Thompson and Strickland, 2003 and Lynch 2000).

2.5 STRATEGY IS EVERYONE'S BUSINESS IN A FIRM

During the olden days, top management used to have power to take decisions in companies. It is so important that strategy became everyone's business in an organisation. The old way was of top management coming up with the formal strategy and letting everyone else know that it was. This kind of top-down, once a year process of codifying strategies may have worked well (though it often didn't) when the environment was calmer, when you sold the same products to basically to same people every year, and when life was more predictable.

It was assumed, not always wrongly, that important changes in the marketplace would become apparent to top management in time to be incorporated into the next plan. Customer loyalty and a generally moderate level of competition ensured that there would be time to adapt before any damage was done to the firm's competitiveness.

In our days with so many driving forces, that kind of environmental stability has mostly disappeared and in its wake has come a terrifically competitive, volatile global marketplace in which the time frames for responding to changing customer needs have been radically shortened. Companies like BMW are pushing products to the markets more quickly, and new products have a shorter economic life before being displaced by newer designs.

Businesses today are facing a broad array of new challenges and those challenges require a new approach to doing things. Businesses are turning to wider participation in strategy-making to help them achieve an advantage over their competitors in a rapidly changing market arena. Strategy once was the exclusive province of senior management. It is now the responsibility of people at every level in today's most

forward-looking companies. Getting more people involved in strategy making can help companies meet the following kinds of challenges.

- **Focusing on your customers and markets**

In rapidly changing competitive environments, information about what customers need, what competitors can do, and how your firm's products and services stack up is critical. People who are closest to the customer on a daily basis often have the best information about customers. In some firms this information about customers never makes it to the strategists at the top. Sometimes when information does reach the senior levels, it is often ignored or denied and that is why some organisations fail to survive in markets.

Large organisations have been faulted for failing to spot emerging trends that indicated the need for a major shift in strategic direction. During the mid 1990s the root of many IBM problems was its rapidly changing environment. By making people at all levels responsible for strategy-making, organisations can counter the tendency towards top management myopia and open the eyes and ears of everyone in organisations. Wherever you are in the firm, whether you are a member of a project team or a manager, or a corporate executive, you are already part of the strategy process. That awareness encourages a focus on the market and on relevant data, good or bad (Sutton, 1980).

- **Staying flexible and responsive**

It is not enough merely to focus on your customers and markets. This kind of focus will give a competitive advantage only if your organisation plans are flexible enough to accommodate the information. A company can have a good plan, but it is bound to change as the environment is changing. The future is so hard to predict, unforeseen events at times beneficent heads. The plan changes in reaction of those events.

The leaders must see themselves as strategy-makers with power to shape the strategies as necessary. They are then likely to act more flexibly and responsively. The challenge facing companies in our day is to be able to determine what products they

should manufacture, and what modifications should be made based on customers, description of their needs rather than internal factors (Bourgeois, 1986).

- **Invest in knowledgeable employees**

Today, because of globalisation and environment changes, companies are forced to enter into strategic alliances, joint ventures, mergers etc. These strategies force companies to be particular about the employees they have.

In the past ten years in all industries companies were downsizing by offering people early retirement packages, while being forced to retain those experienced employees. Retaining those highly skilled and trained professionals became important, as knowledge has more and more to do with the company's ability to build and maintain a competitive advantage.

In businesses that rely on the provision of professional services, the only way to gain a competitive advantage is to have superior people-to be the employer of choice. Leading-edge companies in a variety of industries are recognising that 'intellectual capital' is one of their most valuable assets. Gary and George Mueller, the founders of Internet Securities, managed to be on top in the mid 1990s because they hired an knowledgeable and capable workforce of talented employees in key areas who were motivated and rejuvenated. They used cutting edge knowledge and intellectual capital, astute entrepreneurship, and managerial know-how (Applegate et al, 1999).

If knowledge is truly to be a distinguishing characteristic of successful firms like Internet Securities in the mid-1990's, companies will need to find a way to tap that knowledge and retain those skilled workers by giving them a strong sense of purpose and control over their destinies. In companies today, people are working together to arrive at a shared understanding of the business and its direction. This is essentially part of the learning, taking place in the organisation and a way to synthesize the creative energies and knowledge of people at all levels (Karlof, 1987).

- **Avoiding management burnout**

Some companies are looking for ways to retain their most valued employees: others are being forced to pare their workforces. In the process of mergers, restructuring, and downsizing, many management positions have been permanently eliminated. Teams, who now regularly handle such administrative duties as scheduling, hiring and even performance appraisals, have taken up their management work.

Advanced information systems perform much of the information gathering and synthesis formally done by managers. The newest wave of technology is software programmes designed to give people throughout the organisation information they need to work together. Another important step is to distribute some of the planning work of management to others in the organisation as well. This action is good for empowerment and a necessary step to avoid burning out the managers who remain (Andrews, 1999).

2.6 CORE AREAS OF STRATEGY

The process of strategic management involves three core areas, strategy formulation, strategy implementation, and strategy evaluation and control.

2.6.1 External environment

Companies are a part of a large society that constantly affects them in many ways. Therefore, they must be aware of changes and potential changes within the key variables in their task and societal environments. Before strategy-makers can begin formulating strategy, they must scan the environment to identify possible opportunities and threats. The environmental scanning is the monitoring, evaluating, and disseminating of information from the external environment to key people within the corporation. This tool is useful to companies to avoid strategic surprise and to ensure their long-term health.

- **Societal environment**

Usually environmental scanning begins with the identification of strategic factors in the societal and task environment. Strategic factors are those variables that top

management believes have great potential for affecting its corporation's activities. The number of possible strategic factors in the societal environment is enormous. Some of the factors likely to be of strategic importance to most corporations are as follows.

- Career expectations
- Growth rate and population
- Regional shifts in population
- Life style changes

Each company will develop its own list of key factors to monitor, a task typically performed by its long-range planning staff. The following were issues that the majority of planners felt would strongly affect their companies in South Africa.

- Government intervention/regulations
- Inflation
- Energy
- Economic climate
- International economic stability
- Foreign competition

Other issues of some importance to the planners were increased domestic competition, changing consumer preferences, rapid technological changes, cost and availability of raw materials, labour supply problems and changing demographics (Manning, 1988)

- **Task environment**

Most corporations tend to be most interested in analysis of customers, supplies, competitors, economic conditions and government. Porter (1999) contends that companies must be mostly concerned with the intensity of competition within their industries. The level of this intensity is determined by five basic competitive forces. The collective strength of these forces, he contends, determines the ultimate profit potential in the industry where profit potential is measured in terms of long-run return on invested capital.

A corporation must carefully scan the task environment to assess the importance to its success of each of the following five forces.

➤ Threat of new entrants

The new entrants to an industry bring new capacity, a desire to gain market share, and substantial resource, which are threats to an established company.

➤ Rivalry among existing firms

In most industries, corporations are mutually dependent. A competitive move by one firm can be expected to have a noticeable effect on its competitors and therefore may cause retaliation.

➤ Threat of substitute product or services

Substitutes limit the potential returns of an industry by placing a ceiling on the prices that firms in the industry can profitably charge.

➤ Bargaining power of buyers

Buyers affect an industry through their ability to force down prices, bargain for higher quality and play competitors against each other.

➤ Bargaining power of suppliers

Suppliers can affect industry through their ability to raise prices or reduce the quality of purchased goods and services.

2.6.2 Internal environment

Strategic planning and decision-making cannot be successful at the corporate level without an in-depth understanding of the strategic factors within the corporation. These factors are internal strengths and weaknesses that act together to constrain strategy. Strategic factors in a corporation's internal environment are structure, culture and resources.

- **Structure**

The structure of a corporation is often defined in terms of communication, authority, and workflow. It is the company's pattern of relationships, its 'anatomy' (David, 2001). It is a formal arrangement of roles and relationships of people so that the work is directed toward meeting the goals and accomplishing the mission of the corporation. In most companies this is referred to as the chain of command and is often graphically described in an organisational chart. Below is a list of structural forms as noted in figure 2.1 (page 26).

- **Simple structure**

A company with a simple structure is usually small in size and undifferentiated laterally. It is likely to have a simple structure and be managed by an owner-manager who either does all the work or does whatever needs to be done to provide a single product.

- **Functional structure**

In a functional structure, work is divided into subunits on the basis of such functions as manufacturing, finance and sales. A functional structure enables a firm to take advantage of specialists and deal with complex production or service delivery problems more efficiently than it could if everyone performed an undifferentiated task. The long vertical channels of communication and authority and to make the company rather inflexible to the requirements of a changing environment, but very successful when adaptability is not required and predictability is important.

- **Divisional structure**

When a corporation is organised on the basis of divisions, an extra management layer, the division of chiefs is added between top management and functional managers. A standard function is then designed around products and clients. The divisional structure is appropriate for a firm with many products serving many different markets. It gives the corporation the flexibility it needs to deal with a complex and changeable environment. It can be potentially inefficient if there is much duplication of equipment and support staff.

➤ **Matrix structure**

In a matrix structure, functional and divisional areas are combined simultaneously at the same level of the corporation. Employees have two superiors, a project manager and a functional manager. The matrix structure is very useful when the external environment is very complex and changeable.

➤ **Conglomerate structure**

A variant of a divisional structure organised by product, the conglomerate structure is typically an assemblage of separate firms having different products in different markets but operating together under one corporate umbrella. The divisions are independent of each other but share a dependence on central headquarters for financial resources and corporate planning (David, 2001).

- **Culture**

A company's culture is the collection of benefits, expectations, and values shared by the corporation's members and transmitted from one generation of employees to another, creating norms that define acceptable behaviour of people from top management to the operative employee. Corporate culture shapes the behaviour of people in the firm. An understating of a corporation's culture is imperative if the firm is to be managed strategically. A change in mission, objectives, strategies, or policies is not likely to be successful if it is in opposition to the accepted culture of the corporation.

- **Resources**

A practical way to develop a master strategy of the corporation is to pick particular roles or niches that are appropriate in view of competition and the company's resources. Company resources are considered in terms of financial, physical, and human resources, as well as organisational system and technological capabilities.

2.2.3 Strategy formulation

Strategy formulation is the process of developing long-range plans to deal effectively with environmental opportunities and challenges in light of corporate strengths and

weaknesses. It involves defining the corporate mission, pinpointing achievable objectives, developing strategies and setting policy guidelines (Wheelan, 1983).

- **Mission**

The corporate mission is the purpose or reason for the corporation's existence. According to Thompson and Strickland (2002:45) a company mission statement is typically focused on its present business scope 'who we are and what we do'. A mission statement broadly describes an organisation's present capabilities, customer focus, activities, and business makeup.

- **Objectives**

The corporate mission determines the parameters of the specific objectives top management chooses to achieve. The objectives are listed as end result of planned activity. Objectives state who is responsible for accomplishing what, by when, and at what cost. The achievement of corporate objectives should result in a corporation's fulfilling its mission.

- **Strategy**

The strategy of a corporation is a comprehensive master plan, stating how a corporation will achieve its mission and objectives.

- **Policies**

Broad guidelines for making decision and policies flow from strategy. They provide guideline for decision making throughout the organisation.

2.2.4 Strategy implementation

Strategy implementation is the process of putting strategies and policies into action through the development of programmes, budgets and procedures.

It is typically conducted by middle and lower level managers but reviewed by top management. Sometimes referred as operational planning, it is concerned with day-to-day resource allocation problems. Functional managers work to fully develop the

programmes, budgets, and procedures that will be used to achieve the objectives of the corporate strategy.

- **Programmes**

A program is a statement of activities needed to accomplish a single use plan. It makes the strategy action-oriented.

- **Budgets**

A budget is a statement of a corporation programme as in Rand terms. It lists the detailed costs of each programme for planning and control purposes.

- **Procedures**

Procedures are a system of sequential steps that describe how to perform a particular task.

2.6.5 Evaluation and control

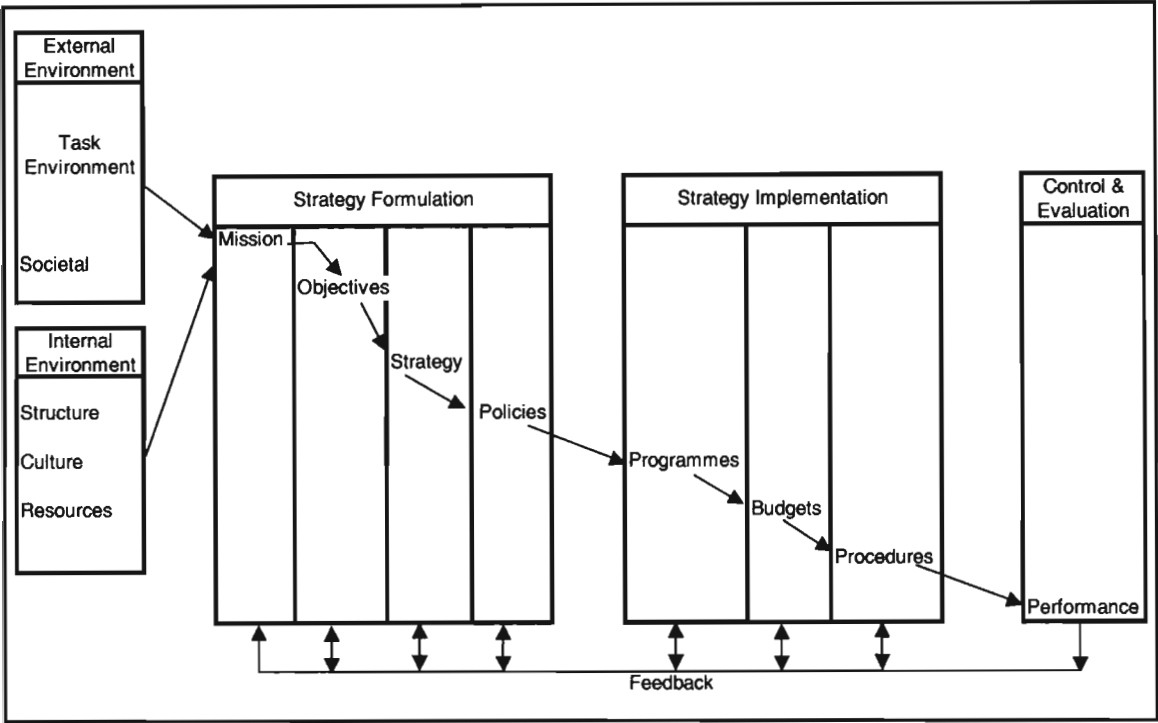
Evaluation and control is the process of monitoring corporate activities and performance results so that actual performance can be compared with designed performance. Managers at all levels use the resulting information to take corrective action and resolve problems. Although evaluation and control is the final major element of strategic management, it may also serve to stimulate the beginning of the entire process by pinpointing weaknesses in previously implemented strategic plans. For effective evaluation and control, managers must obtain clear, prompt, and unbiased feedback from people below them in a firm's hierarchy.

- **Performance**

Top management of large corporations monitors and evaluates results by using periodic reports dealing with key performance indicators, such as return on investments, net profits, earnings per share and net sales. Some companies are structured in such away to pinpoint performance problem areas with profit centres, investment centres, expense centres, and revenue centres.

Activities are much harder to monitor and evaluate than are performance results. Because of the difficulties in describing which activities to monitor and of the bias inherent in evaluating job performance some companies now manage by objectives (Mintzberg, 1994).

Figure 2.1. The Strategic Management Model (Source: Wheelan, 1983 p6)



2.7 SUMMARY

All societies are in a constant state of flux, as generation follows generation and acceptable norms change over time. Change sometimes has positive results and sometimes-negative results. Best strategy is usually associated with the positive results of change, which implies that there are certain standards by which the quality of change is judge. Strategy is essential ingredient for successful economic growth. The next chapter details the case study of Ethekwini municipality.

CHAPTER 3

CASE STUDY OF ETHEKWINI MUNICIPALITY

3.1 INTRODUCTION

The White Paper on Local Government and the package of related legislation provide a new national context for local governance across the country. Ethekewini Municipality is now charged with the responsibility for being a developmental local government whose core business is to respond to socio-economic challenges in strategic and developmental ways. The broader challenge lies in ensuring that cities' responses to these challenges do not also threaten their ecological integrity.

The range of critical issues faced by Ethekewini city mirror-South Africa's national concerns, so dealing with them in a way that is sustainable requires concerted and coordinated intervention by all three spheres of government, the private sector and civil society partners. The issues that cannot be dealt with by local government alone. In essence then, this means that the city must align its local government system, organisation, strategy, budget and implementation programmes with those of other spheres of government, and vice versa. The Integrated Development Plan published in June 2003 noted that, whilst progress has been made in ensuring alignment, much work still need to be done in this regard.

As an organisation, the city needs to ensure employment equity and improve the organisational culture, skills and capacity of the councillors and staff. The challenge that the city faces also goes beyond the internal organisation. It includes designing innovative policies, structures and systems that will facilitate the deepening of local democracy and accountability and equity, by supporting community empowerment and fostering local partnerships to ensure that development happens the right way (Integrated Development Plan, 2003).

Without a doubt, the city's greatest asset is its people. Historically, the city has not invested in developing its people. With regard to the skills base it is of concern that 16% of all adults are functionally illiterate. 38% of the adult population have passed

matric and only 8% have tertiary qualifications. In terms of employment skills, there is a gap at all levels between the skills required in the workplace and current skills available in the working population. For example, 60 to 70% of information technology graduates from universities in Durban leave the city immediately after finishing their degrees. The council has not previously been involved in promoting development and overcoming this skills gap. This issue poses a new and exciting challenge.

3.2 BACKGROUND

In 1870 South Africa was overwhelmingly an agrarian society, having about twenty towns with the population not exceeding 1000 inhabitants. The first major impetus to urbanisation in South Africa came with the internal discoveries of diamonds in Kimberly in 1870, and gold in the Witwaterand in 1860. The crises in housing and overcrowding in cities started before 1910. The urbanisation process took place and the cities failed to provide enough accommodation for a growing population.

3.2.1 Urban development

In striving to meet challenges facing the city. It is important for the city to create a development path that is sustainable. It is estimated that the national resource base in Durban provides R3.2 billion worth of free services to the residents of the city per annum. Durban is already home to 60% of KwaZulu-Natal's economic activity and 30% of the province's population, all located within just 2% of the province's land area.

Money has been invested in growing the infrastructure network. Very little has been invested in the maintenance of existing infrastructure leading to a situation where much of the municipal infrastructure is now well beyond its lifecycle and requires substantial investment. The lack of maintenance in Durban's Central Business District and South Durban Basin has contributed to declining business confidence in these areas and a loss of investment. These two areas play very important roles as the

largest centres of employment: they provide of 75% of rates income, and the income and the core destinations within the public transport network.

The entire structure of Ethekwini Municipality was governed by the racial regulation of urban space via the Group Areas Act. Passed and refined in the 1950s, this Act empowered urban administrators to slice up the city into four racial segments exclusively reserved for Whites, Africans, Coloureds, and Indians respectively. Each segment was then governed and administered separately by a different body of planning, with municipal and administrative laws developed for each segment.

By the beginning of the transition to democracy in 1990, each area had its own unique local government system, urban planning, housing delivery, ownership system and so on.

Because of apartheid zoning, all the major commercial and industrial areas were located in the white areas and fell under the jurisdiction of the White Local Authorities. The central business districts around which Ethekwini Municipality developed is where economic activities were concentrated, although sub urbanisation and deconcentration in the metropolitan urban area has taken place (Swilling, 1997).

As far as black townships are concerned, they had virtually no commercial or industrial base. They were residential areas populated by people who worked in the urban areas. Revenue for their services came from service charges on the services they paid and from rentals paid on the largely state-owned housing that they lived in. The end result was a systematic underdevelopment of black townships as a result of the net financial drain of resources from the poor blacks. This was the exploitative logic that held the apartheid city together as a single inter-dependent urban system (Swilling, 1997).

Ethekwini Municipality urban forms and functions are directly linked to the structure of the economy, economic inequalities and the extent of poverty. Poverty is a direct consequence of high levels of economic concentration and centralisation, and it is exacerbated by the low economic growth rates that were experienced during the late 1980s and 1990s. Urban poverty in the last century increased for those at the bottom of the class structure, particularly in light of the new divisions opening up within the

black population as a rapidly growing black middle class developed. Unemployment levels were rising drastically as the labour absorption rate dropped towards the end of last century (Swilling, 1997).

3.2.2 Local urban governance

Given the conception of local urban governance, there is no doubt that the nature of the South African local government transition framework has promoted the development of trust through consensus-building at the local level and reciprocity through stakeholder-based negotiations in forums. As the urban political elites consolidate their hold on these instruments, there is less certainty about whether the space for far reaching reciprocity will survive. Ironically the fiscal, technical and administrative incapacities of the new local governments to meet basic needs on their own create a new rationale for the retention of reciprocity relations between local governments and their respective civil societies (Davies, 1991).

Whether or not incapacity translates into sustained reciprocity will depend on the management culture of local government managers and the degree to which political leaders remain committed to a culture of political tolerance. The level of urbanisation and the concentration of the urban population in the major metropolitan areas make urban development problems particularly important for the government.

Given the inequalities in wealth distribution, skewed public and private investment patterns that will still take time to reverse, the spatial form of the urban economy that confines the urban poor to areas where employment opportunities are scarce, the institutional weaknesses of the informal sector and SME's, and the fiscal limits imposed on local governments by central and provincial governments who are worried about the fiscal autonomy of local governments, it becomes clear that the restructuring and transformation of the urban system will be fraught with ongoing conflict, tension, and power struggles (Swilling, 1997).

Changes in the global and national economies, the policies of national and provincial governments, the lending policies of the commercial and developmental banks, and

the increasing mobilisation of independent community based organisations against the local councils (in the form, for example, of the numerous ongoing land invasions), are just some of the major macro-forces that will shape urban development outside the policies and strategies of the local councils (Swilling, 1997).

3.3 THE CHANGING ECONOMY OF DURBAN

In order to understand the complex nature of Durban's economy, and the challenges that lie ahead, it is imperative to look back at the early days of its economic development.

3.3.1 Commercial beginnings –early history to 1910

From the 16th century to the middle of the 19th century, Durban served as a supply and trading stop for ships sailing the coast of Africa. During the first quarter of the 19th century a small settlement was established close to the natural bay that would become the Port of Durban. Durban grew from a colonial town into a city in the period from 1860 to 1910. This growth was encouraged by investment in city services and infrastructure. In addition, the construction of a rail line near the port was begun in 1870, and then extended inland to provide the lifeblood of the city's economy when rich mining deposits were discovered near Johannesburg in 1885 (www.durbaninvestment.co.za).

As Johannesburg became the country's dominant financial, commercial and industrial centre, it set up substantial demand for locally produced goods as well as commodities imported through the Durban port. During the 19th century economic policy was biased against the development of manufacturing in Durban. Transport was considered to be more important and Durban was seen merely as a conduit for imports and exports (www.durbaninvestment.co.za).

When Natal entered into a Customs Arrangement with the Cape in 1898, local manufacturing was given a boost. The limited early industrialisation that did take

place was concentrated in food and beverages. Many industries that formed were related to the growth of sugar and timber cultivation in the rural areas of Natal (www.kznec.org.za).

At the turn of the century, an ambitious programme of harbour development and land reclamation was undertaken. Durban became South Africa's premier port in 1909. From 1906, the Durban Municipality recognised the city's tourism potential and began beachfront development. By the early 1900s, the economy hinged on activities, related to the port, the processing of food, production of textiles and clothing and Durban's role as a major commercial centre for the surrounding agricultural economy. The economy grew in a way that was largely dependent on trade to the interior (www.thedti.gov.za).

3.3.2 Industrialisation, modernisation and racial segregation 1910 to the 1970s

From 1910 through to 1970 the economy diversified and the city's population grew. The key to the city's industrial success was its access to both the national market and ocean traffic. The First World War and the imposition of tariffs, provided impetus for industrial growth within the city. Between 1900 and 1921, Durban's share of manufacturing increased to 24% of South Africa's, but then declined to 19%, the level it retained for most of the century. In the 1930s the City Council facilitated industrial development by making investment in infrastructure and housing development in the southern corridor of Durban. This was all done within the framework of a racial zoning plan that sought to place cheap labour close to industry (www.thedti.gov.za).

At about the same time, Durban developed as a major centre for the textile industry. Large textile firms took advantage of lower minimum wages at the coast. The textile workforce was mainly African. The clothing industry was associated with small firms, Indian entrepreneurship and Indian labour. Protective duties in textiles, clothing, and footwear supported their local expansion. During the Second World War many industries were established to supply goods in short supply, many of which were previously imported. The foundations of the metal, engineering and chemicals industries were laid and later supported by the introduction of the city's first oil

refinery. By 1959, planned industrial areas had been occupied in the south, west and north of the city. In 1961, an analysis of Durban pointed out that a diverse set of industries of various sizes had started to display interconnection, and the benefits of clustering, known as agglomeration economics (www.dumac.co.za).

The city entered its golden age of manufacturing growth in the 1960s, mostly by import substitution. Textiles was the main source of growth in manufacturing, but was closely followed by the local motor industry that grew after a local content programme was established in 1961. A second oil refinery led to further downstream development of the chemicals industry. Tourism also experienced a boom along with the expansion of the white middle class after World War Two. In this period Durban's growth surpassed national averages and also occurred in labour intensive industries resulting in a significant increase in employment. During this period the state intervened in the economy to enforce racial segregation and white privilege (Davies, 1991).

Government policy served to ensure a supply of cheap and abundant labour, to limit competition from non-whites and exercise social control over an increasingly large and resistant African population. A policy of forced removals of Indians and African families from the white municipal core was implemented from the early 1950s under the Group Areas Act and Natives Acts. Urban apartheid divided one racial group from another, placing the poorest sections of the population in townships on the urban periphery, in most cases remote from commercial, industrial and service centres controlled by whites (Bernstein, 1991).

3.3.3 Signs of trouble – 1970 to early 1990

In this period, two drivers of Durban's economy, industry and tourism, showed signs of faltering after major shifts in markets, technology and work organisation. The economic performance of the city as a whole was negatively affected, though there were new sources of growth related to the port. Following a wave of strikes in the 1970s the typical mode of the industrial economy's operation began to unravel. Many elements of the old system of producing for mass market were swept away by a new focus on producing goods of greater quality, specialisation and variety. New

technology, communication systems and methods of work organisation provided the means to achieve this (www.dumac.co.za).

Industrial growth in Durban slowed from 1972 onwards, matching a general slow-down in national output. Overall manufacturing performance in the 1980s and early 1990s was disappointing. As import-substitution proceeded, more capital-intensive industries were encouraged to expand, whilst key labour intensive industries declined. Labour intensive industries tended to move to the outskirts of Durban where wages were lower and labour less organised.

Although the industrial sector of Durban had important linkages to the Witwatersrand, by 1989, 38% of the output of the industry in Natal was forward linked (in the first stage) to Durban-Pinetown and Pietermaritzburg. It is fair to say then that Durban was largely an independent industrial entity. Tourism also faced a major shift. During the 1950s and 1970s Durban built up assets on its 'Golden Mile' beachfront to capitalise on a warm climate and beautiful beaches. It became the country's premier tourist destination, receiving upwards of 2.5 million visitors per annum. This contributed significantly to the growth of tourism related enterprises. By the late '80s, tourism began to decline as the traditional domestic markets of the Witwatersrand, and the Orange Free State no longer found Durban's increasingly multi-cultural profile to their liking (www.durban.org.za).

In 1978, the port of Durban was overtaken by Richards Bay as the largest South African port as measured by crude tonnage of goods. Bulk exports were increasingly made through Saldanha on the west coast and Richards Bay, which lies to the north of Durban. Durban benefited substantially from the container revolution that was initiated in 1977 with the introduction of container handling facilities. As a result, its share of higher value import traffic rose from 44% in 1972 to 62% in 1988.

Durban thus retained its status as the number one port in Africa in terms of value (www.isa.org.za).

In addition, Durban began to play the role of a hub port, where goods arrive in large volumes in one shipment (the source often being Asia or North America), and are then trans-shipped in smaller consignments to various locations, such as East Africa,

Madagascar, Mauritius and Australia. Other fundamental changes within society were underway. Indian workers, managers and producers successfully entered previously white dominant markets. The fact that fewer industrial jobs were available meant an increasing imperative on enterprising alternatives. There was growth in the number of small, medium, and micro businesses, and the informal sector expanded rapidly. While the state had previously been very effective in blocking economic activity by Africans, it increasingly struggled to control the number of African business people (www.nafcoc.co.za).

3.3.4 Durban before democratic transition

According to the 1996 population census, Durban had 2.52 million residents and 609 000 households. This amounted to 28% of the provincial population of almost 9 million people, and 6.2% of the national population of 40.6 million. Between 1985 and 1996 the city's population grew at an average annual rate of 2.15%. Durban was and still is the main economic drive of the province of KwaZulu-Natal, contributing over half of its output, employment and income. In national terms, Durban remains the second most important economic complex after Gauteng, and accounted for 8.76% of national output, 14% of household income and 11% of national employment.

Table 3.1: Basic indicators of Durban's share of the economy (Source: StatsSA)

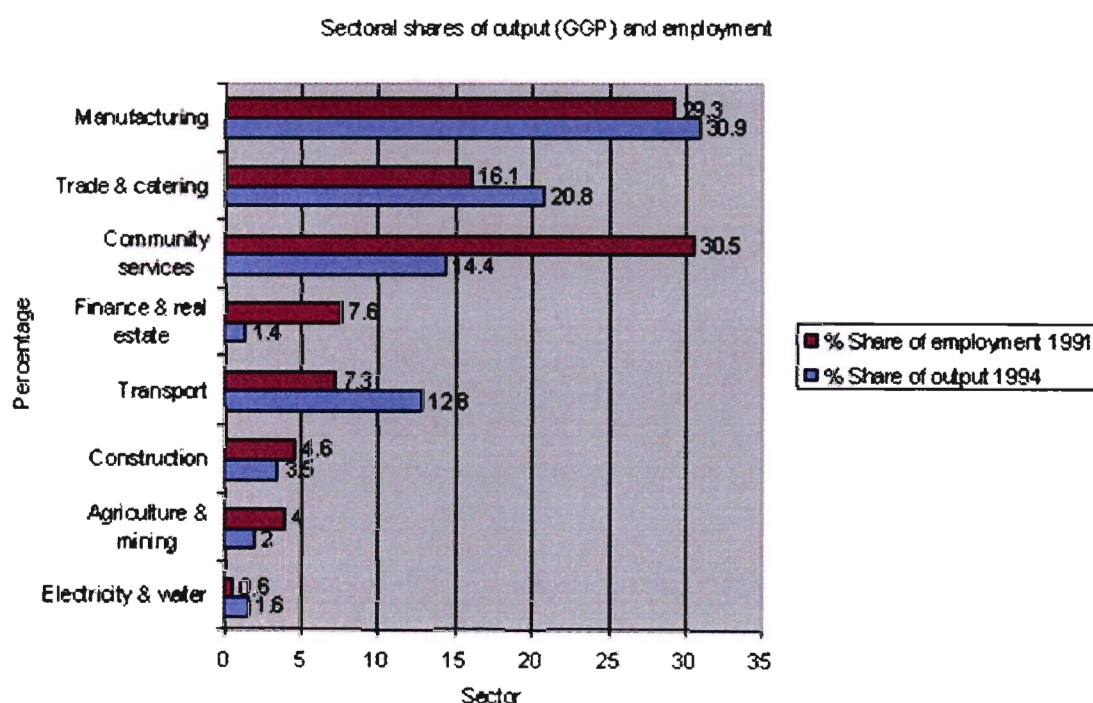
Indicator	% share of KwaZulu-Natal	% share of South Africa
Gross Geographic Product in 1994	56	8,76
Employment (1991)	50	11
Income (1991)	60	14

Manufacturing was the major contributor to the Durban Metropolitan Area formal output. Over the previous two decades, its relative importance declined, and trade and services (including tourism) grew significantly. The transport sector reflected the centrality of the port in the local economy as well as the connection between Durban

and other urban centres. By 1996, air road and rail infrastructure was well developed. Durban was an important and growing commercial and financial centre, with commercial services such as banking, insurance and other financial activities, concentrated primarily in the Durban central business district. Durban also had significant wholesale and retail activities, with linkages into the substantial informal economy (www.dumac.co.za).

Formal employment was concentrated in manufacturing, the state, and in trade and catering industries. Transport, communications as well as real estate and finance together were also significant (this is shown in figure 3.1 below).

Figure 3.1: Sectoral shares of output (GDP) and employment (Source: StatsSA)



Although not reflected in the figures for output or employment, the informal economy played an important role in Durban, contributing an estimated 6.7% to GDP. Durban's manufacturing base had clearly diversified, with three sub-sectors standing out as major contributors to employment and output: textiles and clothing, chemicals and food and beverages (www.dumac.co.za).

A second grouping, according to employment, included paper and paper products, transport and transport equipment, and metal and metal products. From the 1980s to the early 1990s output in most manufacturing industries remained static. Only wood and related industries grew substantially.

Industrial development in Durban hinged on the following.

- Emphasis on production for the domestic market.
- Close links to the policy of import-substitution industrialisation.
- The highly segmented labour force, which gave rise to a dominance of low-waged industrial development.
- The quality of transport links to the Witwatersrand and other industrial areas in the province.
- The presence of vast water resources compared to the Witwatersrand.
- The multiplier effects of processing key commodities, most notably sugar, timber and crude oil.
- Dependence on the growth of mining and minerals in the Witwatersrand.

3.4 KEY STRENGTHS OF THE CITY

In the early 1990s Durban could claim that it had several fundamental strengths, which are still present today.

3.4.1 Location

The city has four main location advantages.

- The city is well located for trade in the Indian Ocean Rim
- It enjoys a favourable location relative to domestic trade with the country's inland centre (Gauteng) and the Southern African Region.

- Good proximity to other industrial and commercial centres within the province, notably Pietermaritzburg (significantly in aluminium) and Richards Bay (significant in heavy industry and metals fabrication)
- The city acts as a gateway for tourists to explore the many world-class attractions situated within KwaZulu-Natal

3.4.2 Infrastructure

The city established and maintained a world-class infrastructure to support growth. Industrial development and modernisation resulted in the development of a modern freeway system with fast access inland, large rail networks, a sophisticated port, an international airport, as well as water, recycled water, electricity and effluent disposal networks. This represents an important foundation for any further expansion in the regional economy.

3.4.3 Manufacturing

Manufacturing growth, if increasingly capital intensive results in high levels of diversity. Forward and backward linkages were extensive. A locally oriented segment of small and medium manufacturing enterprises was established and agglomeration economics have existed since the 1960s. The city attracted some foreign inward investment on the basis of many locational advantages associated with this. By the end of the 1970s a range of international firms had a presence in the city, including Toyota, Shell and BP.

3.4.4 Tourism

The infrastructure to support domestic tourism was largely in place. A start had been made to develop new tourist attractions in and around the city, and to encourage visitors to come to Durban throughout the year, and not just during the very short traditional holiday seasons. There was agreement amongst stakeholders that sports

events; large conventions, and conferences had the potential to put Durban on the international tourism map.

3.4.5 Local government

The city was widely known for its financial stability and innovation. One major example is the Capital Development Fund which was established in the 1960s to reduce the city's debts and for investment purposes, and which now provides Durban with a sound financial base. There is an emphasis on professionalism and competence. City government has been able to attract and retain highly skilled people.

There was a high degree of fragmentation and duplication of functions at all levels of government and administration, largely a legacy of the apartheid era- this is a fertile ground for transformation.

3.4.6 Strong civil society

Another feature of Durban that has an important bearing on its future is the talents and resourcefulness of the majority of people who were deliberately excluded from political and economic power. The disenfranchised people of Durban displayed great resourcefulness in the face of oppression and discrimination. Democracy was taken very seriously with in the organised resistance to the apartheid state, finding expression in a range of outlets, notably art, music, literature, drama and business. Wide ranges of civil society organisations were formed out of this resistance, often supported by non-governmental organisations. A high degree of networking and organisational capacity developed, linked to these political and ideological struggles.

3.4.7 Multi-cultural

The multi-cultural nature of the population of Durban has created a rich and diverse city that has served as an attraction to visitors. A consequence of Durban's multi-

culturalism has been strengthened trade links with other countries, especially India, Pakistan, Mauritius, the Middle East, Europe, UK, Australia, the Far East and USA.

3.4.8 Small business

A wide range of new small, medium and micro enterprises has been established since the 80s. This generation of small and medium entrepreneurs has gained some access to skills, appropriate technology, and production sites. These enterprises tend to be more labour-intensive than large firms and are rooted in the local economy. Many are black owned, with a greater proportion of female participants, particularly in the micro and survival enterprises.

3.4.9 Environment

The city had already taken measures to protect the considerable environment resources to ensure their sustainability. The Durban Metropolitan Open Space System provides a framework for conservation of ecologically sensitive areas whilst the city and its economy grow. This enhances the natural beauty of the city and has important implications for tourism (www.durban.gov.za).

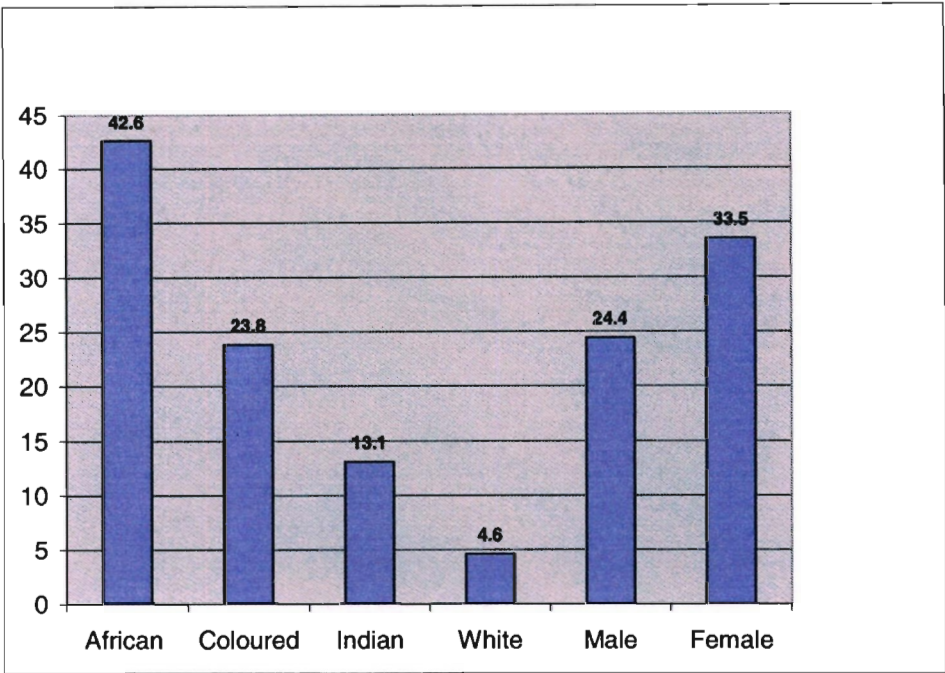
3.5 THE CHALLENGES FACING THE CITY

There are a number of key challenges facing the city.

3.5.1 High unemployment

Whilst Durban's economy has diversified, it is in need of new sources of growth, and especially growth that is accompanied by significant increases in employment. A glance at unemployment rates highlights the urgency as indicated in figure 3.2. below.

Figure 3. 2: Strict unemployment rates by race and gender (%) (Source: Census 96)



3.5.2 Inefficient and segregated spatial structures

The structure of the city, largely a consequence of apartheid planning, has left several inefficiencies. It is a considerable challenge to reconstruct the city in a more equitable and effective manner. If successful, it promises to improve the productivity of the existing economic base.

3.5.3 Exports

Exports from Durban have not taken off significantly. Partly a result of complacency stemming from trade protection and then unsustainable export incentives, this has served to limit the economy’s growth. Reduction of trade tariffs in the late’90s to meet World Trade Organisation guidelines delivered a great shock to the old system, but there is base of exporting to build on especially in chemicals, auto components and plastics.

3.5.4 Foreign investment

Anti-apartheid-linked economic sanctions, which intensified from the late '70s, served to discourage foreign direct investment.

3.5.5 Business constraints

The growth of small, medium and micro-enterprises had its own momentum. The growth of these enterprises has been retarded due to constraints such as a lack of access to finance and traditional procurement practices of the corporate and public sectors.

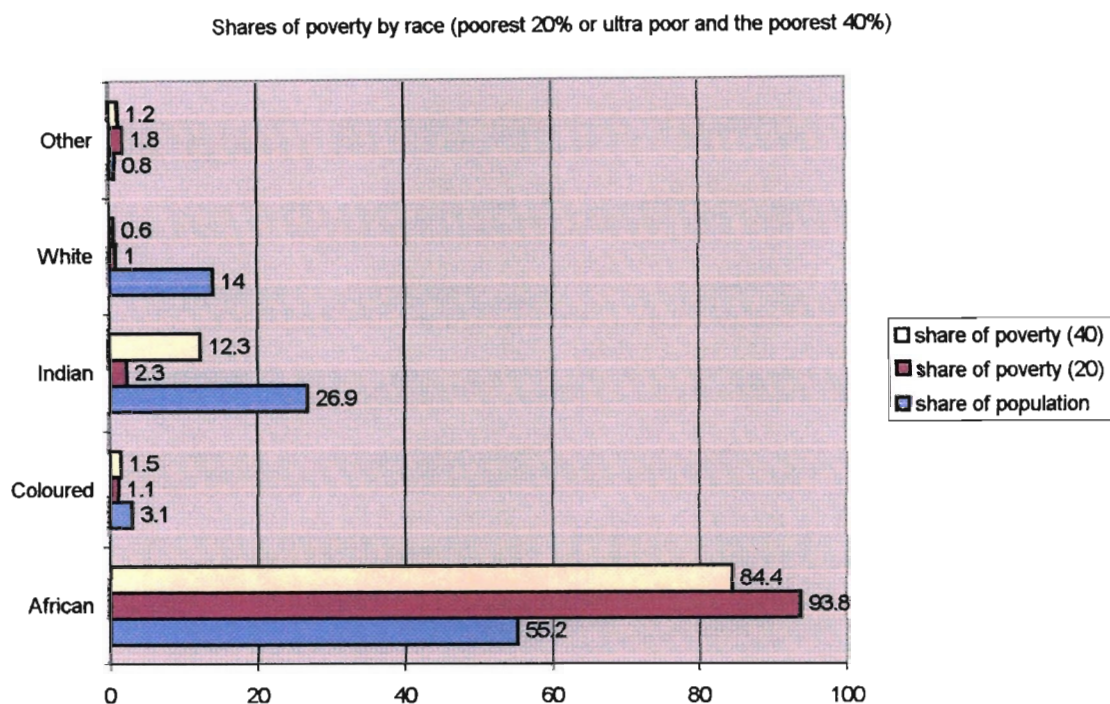
3.5.6 Lack of a common business vision

The degree of organisation and cohesiveness within the formal business sector had been far from ideal. Unlike other cities where business adopts and actively pursues a common vision, organised business in Durban was marked by fragmentation and ineffectiveness.

3.5.7 Gap between rich and poor

The huge disparity between rich and poor is not an adequate basis upon which to embark on broad-based growth. The Gini coefficient is a commonly used indicator of inequality. It ranges from zero to one. South Africa has a notoriously high Gini coefficient of 0.58, with only Brazil having a higher degree of inequality. The situation in the Durban Metropolitan Area is only slightly better, with a Gini coefficient of 0.54. The distribution of income is highly unequal, both according to race and gender. This is indicated by figure 3.3. below.

Figure 3.3: Shares of poverty by race (poorest 20% or ultra poor, and the poorest 40%) (Source: Census 1996)



3.5.8 Education

Education is a critical factor in an increasingly information-intensive age. Yet Durban shows signs of highly unequal levels of education attainment, one of the most serious legacies of the apartheid system. While only 2.5% of white people lack any secondary schooling, this rate lies at 37% for Africans, 19% for Indians, and 14% for coloureds. The same distribution is present when considering the percentage of individuals who have passed the matriculation examination. According to the findings, while only 21% of Africans have completed secondary school, the rates for whites, Indian and coloureds are around 51%, 37% and 28% respectively. The unequal distribution of education is even shaper at the higher tertiary education. While less than 1% of Africans have a university degree, almost 10% of whites have attained this level of education. (www.economic.durban.gov.za).

3.5.9 HIV/AIDS

Like many other cities and countries, Durban has been affected by the AIDs epidemic. Substantial initiatives are required to address the consequences and prevent further infection.

3.5.10 Crime

According to official crime statistics, Durban is the safest large city in South Africa. Nevertheless, the prevalence of crime, fuelled by poverty and unemployment, requires a coherent strategic response. Durban is well placed to achieve this because it inherited a large city police force that supplements the work of the South African Police Service (www.durban.gov.za).

3.6 GO FORWARD PLAN

Responding to the city challenges, the Council has made a choice to adopt a long-term plan.

3.6.1 City vision

*** By 2020 the eThekweni Municipality will enjoy the reputation of being Africa's most caring and liveable city, where all citizens live in harmony. This Vision will be achieved by growing its economy and meeting peoples needs so that all citizens enjoy a high quality of life with equal opportunities in a city that they are truly proud of *.**

3.6.2 City economic development plan

Durban has a diverse economy with a competitive services component. The city has well-developed infrastructure, prime real estate, competent skills pool, and sophisticated applied research facilities.

3.6.2.1 Signs of innovation

South African political and economic systems have changed dramatically over the last few years. The new government initiated a much-needed process of economic reform, with the aim of creating an outward-oriented economy going hand in hand with efforts to improve social equity and income distribution. The challenge at the start of the transformation process was immense. Several decades of relative economic isolation meant that firms were not well prepared to take advantage of the opportunities arising from trade liberalisation, while the potential adjustment costs were correspondingly high (Development Profile, 2002).

Economic performance has however been better than expected as shown below towards the year 2000.

- Trade liberalisation has proceeded, permitting a significant increase in trade flows.
- Economic growth has recovered somewhat (at a modest annual average of 2.5%), inflation was until recently on a downward trend and there are no major fiscal or financial imbalances.
- Export subsidies have been removed. South Africa has become an active member of the World Trade Organisation; it is the most important participant of the SADC and conducted trade negotiations with the European Union.
- Progress has been made in the area of Foreign Direct Investment (FDI) liberalization.

- Several South African enterprises are now listed on major international stock exchanges.
- In certain firms, international best practice and world-class manufacturing has influenced work organisation, production and management methods.

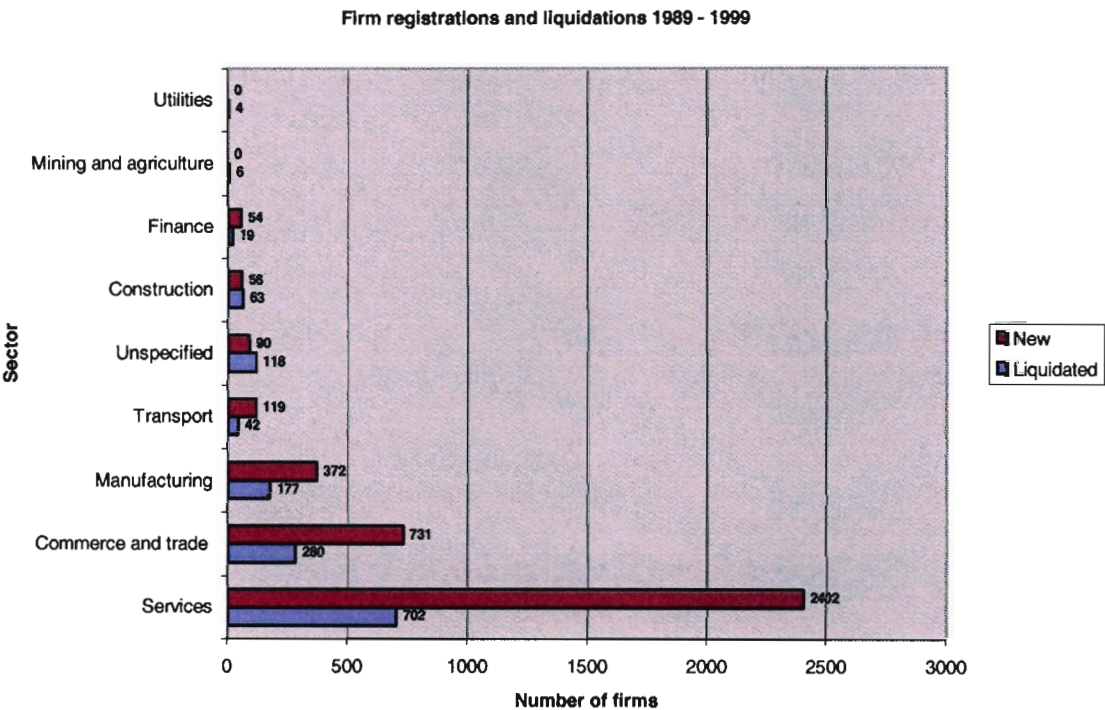
Government and social partners have taken important steps to foster growth and increase employment. The steps include the following.

- Removing obstacles to the creation of small business in order to maximise the benefits from trade, while stimulating job creation.
- Making education a major government priority.
- Reforming labour regulations to allow a sufficient degree of labour market adaptability while also providing employment security.
- Importantly, in all measures, there is an explicit aim to promote the rights and improve the working conditions of the African majority.

During 2000, prospects for the world economy improved after recovery from the Asia crisis. Global economic growth is now expected to be stronger over the next five years. International developments offer the prospects that output conditions in South Africa will improve over the medium term. Some commodity prices have already risen in reaction to expectations of stronger world growth.

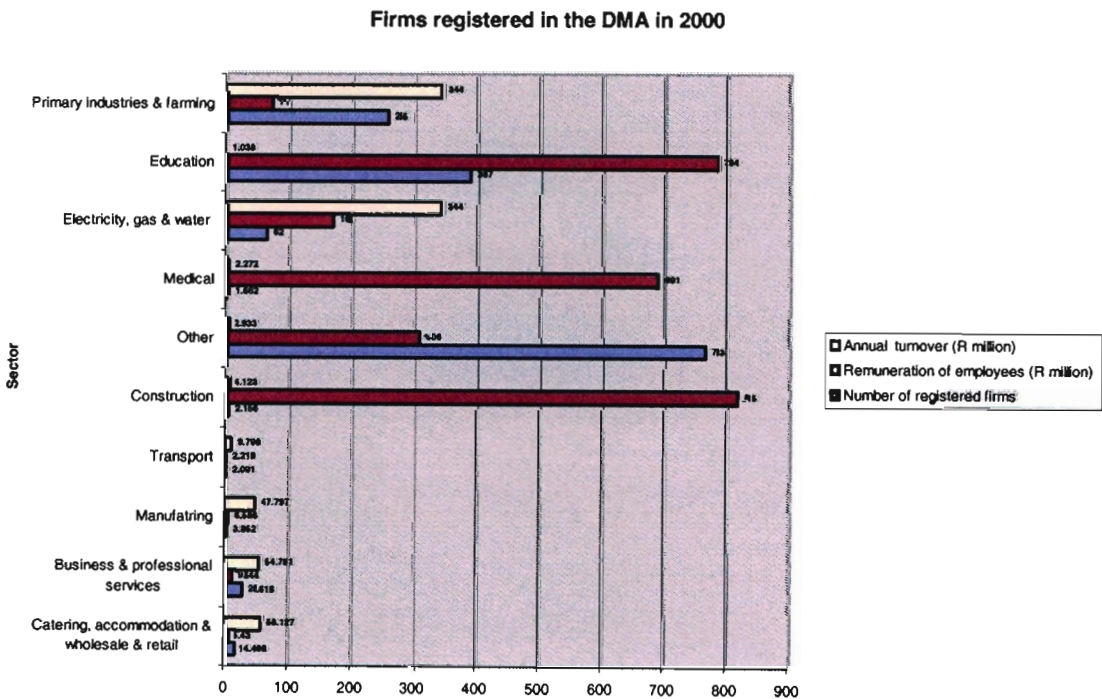
Within Durban, recent data suggests that major shifts have occurred in the structure of the economy following changes in the macro-economy. It is clear that there has been a significant increase in the number of firms providing services. Commerce and trade has also increased and may be related to a growth in tourism. Growth in the number of manufacturing firms has been less pronounced as indicated in figure 3.4 below.

Figure 3. 4: Firms registration and liquidations 1989-1999 (Source: McCarthy 1999)



Local company registration data shows the relative size of different sectors in Durban in 2000 as indicated in figure 3.5.

Figure 3.5: Firms registered in the DMA in year 2000 (Source: Levy Database 2000).



3.7 TRENDS IN EACH OF DURBAN'S MAJOR ECONOMIC SECTORS

3.7.1 Transport and telecommunications

The South African transport sector has had to adapt to a changing environment. Reduced tariff barriers and the formation of trade agreements have resulted in increased international trade flows (imports and exports), with more attention being paid to the cost of undertaking trade. Trade flows have also increased because the cost of international air and maritime transport has declined and so has the cost of long-distance communication. Fundamental changes have occurred in the way finished goods are manufactured, including just-in-time production and sourcing of components from different locations around the world. All this demands high-precision transport system that has spurred the growth of a service industry focusing on logistics.

Technology and lower transport cost have also facilitated an increase in international travel for business purposes and tourism. Within South Africa a policy shift from import-substituting industrialisation to export-led manufacturing has occurred, raising the importance of lower exporting costs. Tourism, a transport intensive sector, is now seen as a major source of economic growth. The extension of basic needs infrastructure and services, and the broad-based growth in incomes that this implies, will also increase the demand for transport services.

Durban key transport and telecommunication assets are listed below.

- **Port of Durban**

The Port of Durban is the principal port of the African continent and the Indian Ocean Rim. It claims this title when measured by the employment it generates directly and indirectly, by the linkages it forges with other industries and sectors, by the revenue it generates and by the expenditure patterns required to sustain its activities (www.portof-durban.co.za).

The port interconnects with a variety of international trade routes and is the primary trade gateway to southern Africa. It also serves its immediate hinterland and South

African's commercial centre of Gauteng. The port has the technical capacity for despatching and receiving containers, dry bulk, liquid bulk, neo-bulk, highly specialised goods and general break bulk cargo. The port's facilities are structured to handle both uniform as well as mixed cargos at well-designed terminals. The port and its ancillary industries offer a range of services from piloting, vessel tracking, ship repairs, bunkering, goods handling and storage, and linkage to the country's major rail and road networks (www.portof-durban.co.za).

Given the diversity of the port's facilities and services it is not surprising that the port acts as a site for the creation and maintenance of jobs, revenue, and investment. The range of activities directly and indirectly associated with the port includes a long list of vessel and cargo related activities. The port and its related industries employ a minimum of 31000 people. This amounted to a wage bill of approximately R950 million per annum in 1994. Port revenue was in the order of R2 billion in 2000, accounting for approximately 65% of the value of all port revenue in South Africa. It has been estimated that the port generates R3.5 billion in aggregate annual local expenditure (at 1994 prices) (www.portof-durban.co.za).

The port has seen a general increase in the volume of activity following increasing openness to the international economy. The following points are notable.

- Burgeoning trade links with the Indian Ocean Rim are likely to make heavy demands on multi-purpose tonnage and have encouraged the establishment of combo terminals tailor-made for these vessels. A significant proportion of Durban's callers fall into this class of so-called multi-purpose freighters, and the patronage by this vessel type may well increase, particularly as South Africa expands its trade with other countries at an intermediate stage of development.
- There has been a decline in break bulk cargo as well as a longer-term increase in the volume of container traffic.
- It is widely acknowledged that the Port of Durban is faced with significant challenges.
- After establishing itself as the major general cargo port of the western Indian Ocean, Durban's pre-eminence is now less secure.

- A growing container shipping industry, structured around complex interconnected regional and round the world service, could focus its Indian Ocean operation on hub ports as far a field as Dubai, Singapore or Colombo (www.portof-durban.co.za).

- **Telecommunication**

Super-fast connections to global telecommunication networks are being made possible by local investment in fibre-optic cabling and a multi-partner project to connect Africa to Europe and Asia by undersea cable (www.safe-sat.co.za).

The Durban Central Business District already has an extensive network to support computer and voice communication. Suburban connection to this network is well advanced. The vast improvement in international bandwidth that the undersea cable will bring stands to substantially reduce costs and support the growth of local IT industries.

- **Durban International Airport**

The table below shows the profile of activity at the airport. Handling domestic flights and passengers is the primary function of the airport. International flights formed less than 8% of the airport's business in 1999. Johannesburg International Airport by 2000 was serving as the major recipient of international flights, with a large number of tourists transferring to Durban on domestic carries. The airport offers a range of ancillary facilities and is used by many manufacturers in the Southern Industrial Basin and elsewhere to transport goods. The airport used to be managed by a parastatal, but is now owned and managed by a private company. Government, a foreign investor, black empowerment companies and employees own the company's shares.

Durban international has experienced overall increases in passenger arrivals from 1998 to 1999 of 7%. This can be compared with an increase from 3.5% from 1997 to 1998. More significant increases are notable at key holiday periods from 1998 onwards, a consequence of improvements in event based tourism and conferences within the city.

Table 3.2: Volumes of activity at Durban International Airport in 2000(Source:ACSA2000)

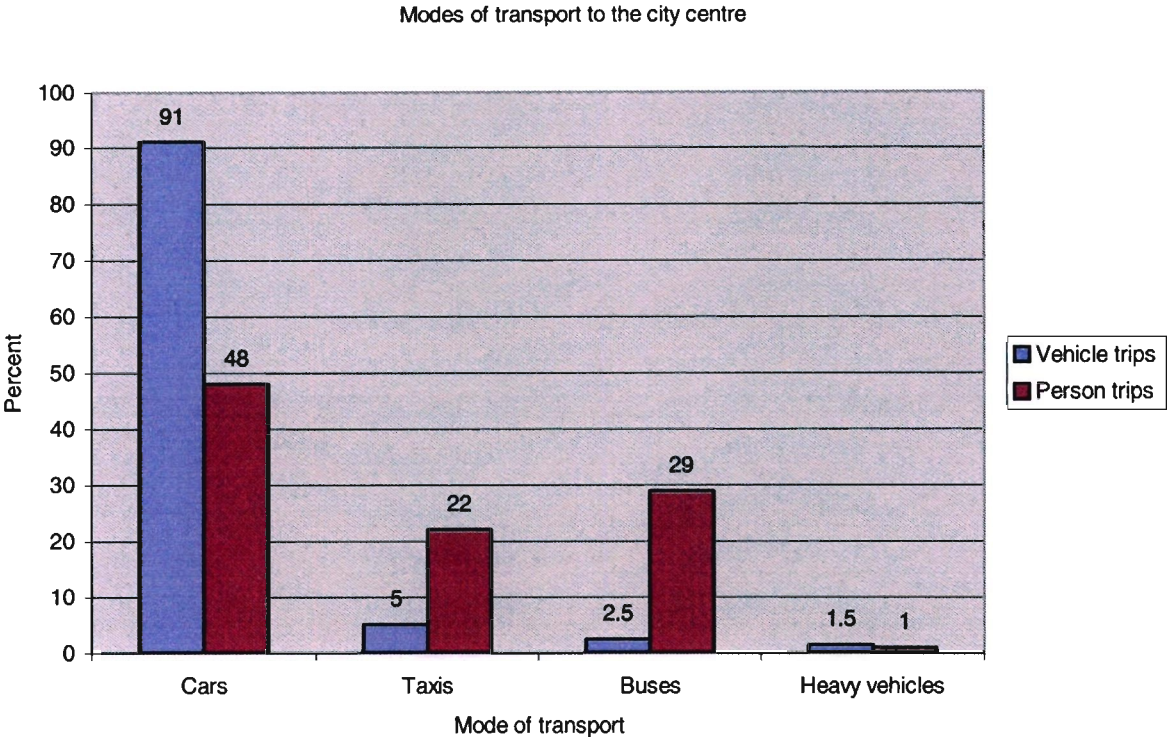
Category	Departing passengers	% of total	Air traffic landings	% o total
Domestic	1,178,368	92%	17,375	82%
International	95,925	8%	1,026	5%
Non-schedule	2,013	0%	2,595	12%
Regional	338	0%	174	1%
Total	1,276,644	100%	21,170	100%

- **Road network**

Durban has a road network that supports both haulage and passenger transport. The network encompasses a full hierarchy from high-speed national linkage freeways through to local access roads. A generally high standard of infrastructure is concentrated in the city's core and along three spins serving the north, west and south.

The performance of the road system has been inhibited as road construction and improvements have not kept pace with the increase in traffic volumes. In under-invested areas on the periphery the standard is much lower and some roads are unsurfaced. Bottlenecks in the system are starting to form. Enforcement of loading standards is also providing difficult and overloading of heavy vehicles has resulted in the more rapid deterioration of some links. Projected growth in traffic to the year 2020 shows that a continuation of the current system will lead to serious congestion. As far as passenger transport is concerned, the system is characterised by high rates of private car usage by middle and high-income people as noted in figure 3.6 below.

Figure 3.6: Modes of transport to the city centre (Source: City Plan, 1999)



- **Rail**

Rail is responsible for the carriage of some 9.4 million tons of traffic to and from Durban and includes container traffic of 2.4 million tons. Capacity utilisation of the Durban to Gauteng line is low at 50%. The low levels of utilisation reflect cost/ price distortions in respect of road and rail transport. Spoornet, the parastatal responsible for managing the rail system, has approximately 2365 workers based in Durban. A limited railway service is in operation to transport passengers. An indication of rail usage can be gauged from the numbers of passengers entering inner city stations.

- **Pipelines and Gas**

Fuel is an important component of the cost of several production processes. Sasol Gas has extended its gas pipeline to the south of Durban. Sasol Gas expected approximately 50 customers to connect to gas supplies in year 2000, and hopes to double this in the next 5 years. Major companies are converting from using heavy furnace oil to heating boilers and furnaces with gas. Durban also has an offshore floating mooring for the receipt of crude oil from tankers.

3.7.2 Manufacturing

Following a period of extended import-substituting industrialisation; South Africa has adopted policies to ensure a stable macro-economy, trade liberalisation, a Southern African trading block, and increased exports. Durban has the second largest manufacturing base in the country and its performance in generating output and employment is crucial to the city's economic success. Durban continues to be an attractive location for manufacturing firms. According to a survey conducted in 1998, the four top reasons for locating in Durban were proximity to input and sales markets (41%), factory/site-specific characteristics (28%), proximity to major infrastructure (22%) and the good road network (19%) (www.economic.durban.gov.za).

The Durban Metropolitan Area has many internationally competitive firms, which are located in one of the many industrial estates within the city. As the Durban economy has been increasingly exposed to the world economy through tariff reductions, significant changes have occurred in the relative and overall strength of different sub-sectors. Some have survived while others have dwindled. While output growth has remained relatively stable, formal employment has dropped dramatically since the early 1990s. Direct investment into Durban is an increasingly important feature of the economy. Durban attracts investment on the basis of its high quality infrastructure and well-established base of manufacturing firms (www.economic.durban.gov.za).

Industrial Development Zones involve providing facilities and services tailored for export-oriented industries. These zones will add to the array of features that make South Africa a top investment destination. South Africa's vision for industrial development zones is a hybrid of the international industrial development model, spanning light manufacturing and assembly through to capital-intensive natural resource based industries. This model for zone development places emphasis on the development of links between domestic industries and those located in zones so as to optimise the use of existing infrastructure, generate employment and achieve transfers of technology (www.economic.durban.gov.za).

A second set of initiatives concerns the support of particular industrial clusters as part of the Department of Trade and Industry's Sector Partnership Fund. The fund supports sector partnerships in preparation of technical and marketing programmes with the aim of improving competitiveness and productivity of firms (www.economic.durban.gov.za).

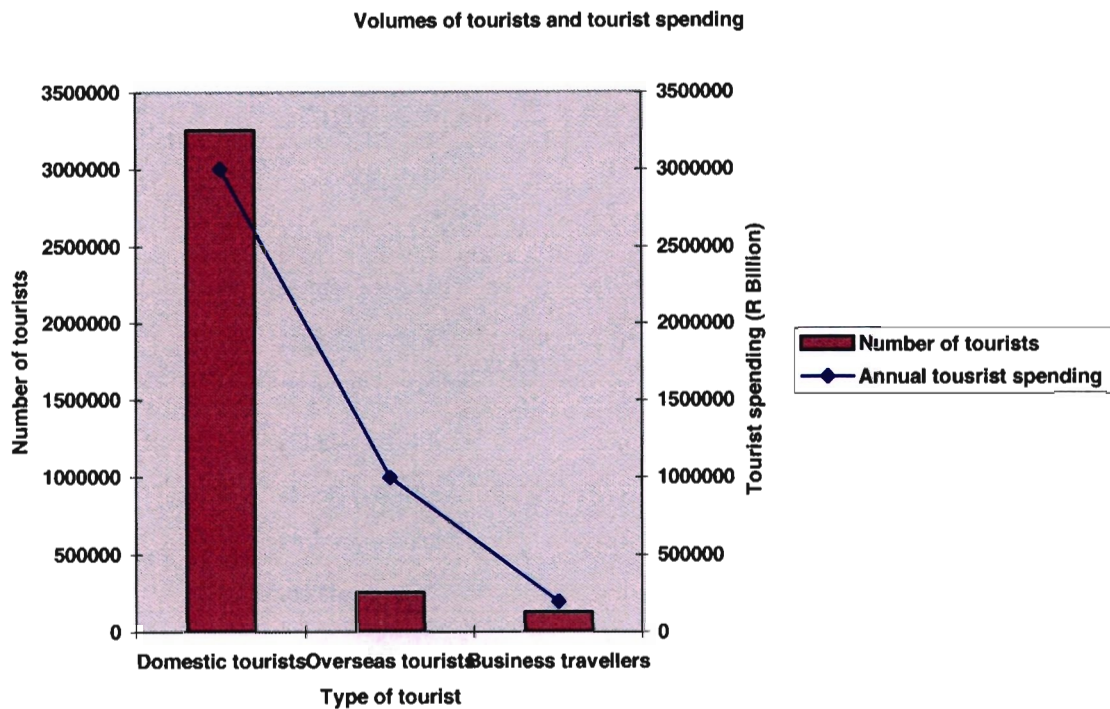
3.7.3 Tourism

Tourism is a significant catalyst for economic growth creating a demand for goods and services, especially accommodation, transport, food, entertainment and public infrastructure. Tourists have high levels of discretionary spending. The implications of tourism for a local economy are wide spread and include investment opportunities, revenue, income streams for business and most importantly, employment. The way that tourism operates as a demand force is unique. It has the potential to encourage sustainable development through sensitivity to the environment and cultural heritage but also because of its unusually high capacity for labour absorption.

Attracting tourists requires the right mix of experiences and requires an industry that is characterised by information co-ordination, co-operation and partnership. International experience suggests that it is prudent to promote tourism growth on the basis of real local strengths, harnessing comparative and competitive advantages, which in Durban's case include its natural resources and cultural diversity. A key challenge will always be how to keep pace with the volatility of consumer preferences, and ensuring that the city's tourism industry has a clever risk profile (www.durban.org.za).

Durban is one of South Africa's prime tourist destinations. Its key strengths are its physical setting, vegetation, climate and cultural diversity. It is known as South Africa's truly African city. It acts as a gateway for visitors to the province of KwaZulu-Natal that is described as a 'country in one province' because of its strong and diverse tourism asset base. Durban attracts and caters for a large number of domestic and business travellers as indicated in figure 3.7 below.

Figure 3.7: Volumes of tourists and tourist spending (Source: StatsSA, 1996).



Increasing numbers of international tourists, who spend proportionately more per capita, are also coming to Durban. The domestic market is composed of three primary market segments.

- 63% are established achievers. They are urbanised, live mainly in metropolitan areas, own homes, tend to have tertiary education, and average household income upwards of R4571 per month.
- 29% are classified as emerging market. They are urban, live mainly in metropolitan areas, and blue-collar employed, and average household income of R1059 per month.
- 8% are classified less privileged. They are mainly rural, young single adults or over 50, mainly unemployed, and average household income of R557 per month.

The international tourist market includes a young and upcoming segment as well as a middle-aged segment. Both Durban and KwaZulu-Natal have diverse asset bases. Durban has particular strength in activities related to the natural environment and

warm weather, sports and entertainment events and cultural festivals. These assets are heavily concentrated in the central beach areas, which account for about 60% of the metropolitan total and include the Golden Mile, which remains Durban's main attraction. The balance of the assets is concentrated on the coastal zone from Umhlanga to Manzimtoti.

Tourism activity is important to the local economy. Growth in tourism is regarded as especially desirable because of its strong local multiplier effects. In 1996 only, direct spending by tourists in Durban totalled an estimated R4.2 billion (www.durban.org.za). The tourism industry is also labour-intensive, and generates broad range of job opportunities. Tourism also generates significant indirect employment opportunities in related sectors, such as construction and maintenance of infrastructure and tourism facilities, agriculture, transport, and complementary services. Tourism provides an important source of support for cultural industries. Leading up to and following democratic transition, local cultural industries have begun to grow, including those for art, craft, catering, and community based tourism.

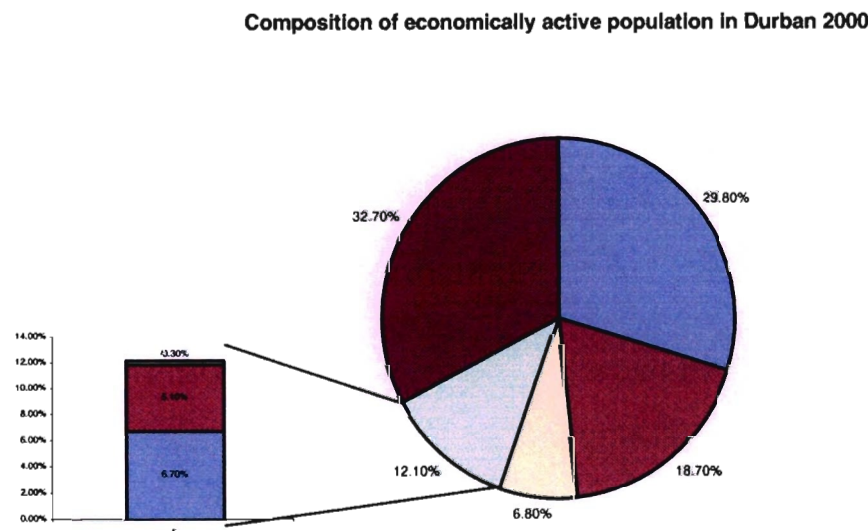
3.7.4 Work and livelihoods

South Africa's increasing openness to the international economy has brought sweeping changes to the nature of work and livelihood of the city's people. Many other countries in the development world share this trend. Increasingly people are involved in atypical employment being either self-employed, working under less formal contracts, or with no contracts at all. More and more workers have little or no formal job security. Many people have lost their formal jobs, especially women. Some are now unemployed, some are doing home-based work on an outsourced basis. Cities all over the world are being faced with changing work patterns, and the challenge of how to manage the new places of work (Casale and Thurlow, 1999).

Only a third of Durban's economically active population is formally employed. In the absence of adequate formal work opportunities, many people rely on informal income-generating activities. According to the 1999 October Household Survey, 52% of those involved in the informal sector worked for their own account, while 48%

were informal employees. Some employers avoid entering into contracts with their employees often leading to very low pay and low quality work conditions. Many poor people, and some wealthier ones, turn to informal self-employment as a way to support themselves and their families (www.labour.gov.za).

Figure 3.8: Economically active population in Durban 1999(Source: StatsSA, 1996)



3.7.5 Retail market

Retail is one of the most dynamic urban markets. It is characterised by quick changes, fierce competition, e-commerce on the horizon and major changes in demographics and lifestyle. The past two years have witnessed tough conditions, with dampened consumer demand resulting from low saving, high consumer indebtedness and lower consumption levels. Consumers include people who live and work in the city, those who are in the city temporarily on business, tourists, and long-distance shoppers from rural areas.

Expenditure in the retail and wholesale trade by those living in the metropolitan region is estimated to be R13.9 billion per annum (1998 prices). The composition of demand for retail and wholesale goods suggests that Durban is predominantly a mass

consumer market with a high promotion of expenditure on food and clothing. This profile is typical of markets with large numbers of lower-income consumers.

Although Durban is predominately a wage goods economy, there is also a sizeable market for luxury goods. Enterprises in this sector range from formal, relatively large firms, which are often branches of national or international companies, rapidly growing, labour-intensive small, medium and micro-enterprise component, and thousands of individuals in informal survival activities. The formal sector accounts for 92.3% of this market. Durban offers a range of shopping experiences, from international quality shopping malls to vibrant street markets offering unique and affordable products (www.durbaninvestment.co.za).

Based on formal retail trade sales data, the market experiences a large December peak and a much smaller mid-year peak, due mainly to seasonal tourism and additional expenditure derived from annual bonuses. Long-term trends show that Durban's share of South Africa's retail trade sales has been slipping. There is nevertheless a 0.7% increase in national share over December. The performance of the sector clearly relies on the extent to which jobs and incomes are created by lead sectors elsewhere in the economy. Tourism adds income at some times during the year and has helped to increase the annual value of expenditure in the city substantially (www.thedti.gov.za).

3.7.6 Property market

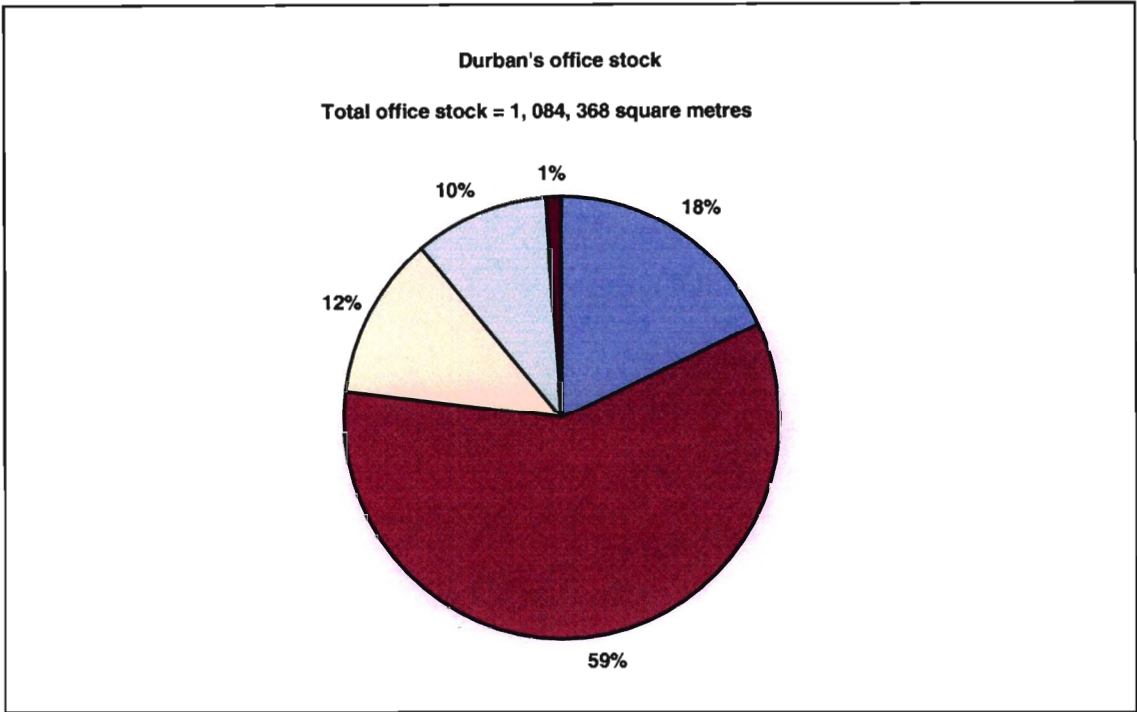
The property industry has just emerged from a prolonged 18month period of high real interest rates: investor interest in property was at an all time low. Signs of recovery were signalled by interest rates dropping to pre May 1998 levels during year 2000.

The market for retail property is influenced by the nature and size of the market segments that use different facilities. Low-to middle-income consumers rely on public transport and shop either close to home or work: the focus is often the CBD. The more affluent consumers use suburban shopping malls, theme shopping centres and shopper-tainment centres. Retail rentals, an indicator of demand, range from R120 per

square metre to R180 per square metre in the CBD to as high as R200 per square metre for Musgrave and the Pavilion shopping centres.

Office space within Durban is located primarily in the CBD and decentralised nodes at Westville, Umhlanga and the Berea as noted in figure 3.9 below.

Figure 3. 9: Durban’s office stock (Source: SAPOA).



There are just over a million square metres of office space at key nodes. An increasing volume of higher-grade office stock is becoming available in decentralised areas, particularly in the north. Durban has an active residential property market offering relatively affordable prices when compared to other major urban centres.

A trend in this market has been affected by changes in the way that institutional investors view property investments. Until 2000, the property market offered investors the prospect of steady performance, based on secure and inflation-related rental increases. This has given way to a market characterised by greater volatility and a wider variation in returns in different sectors and locations. Investors’ tendency of paying greater attention to their existing portfolios, picking and trading more

selectively and taking a shorter-term perspective had an impact on investments. Nodes change their mix more rapidly and the length of leases has generally come down. High-interest rates and generally poor returns have affected new developments. Returns on existing properties have tended to outperform those for new developments. The macro-economic condition has improved for development activity and there is a projected up-turn in the business cycle, a lower interest rate environment and relatively low cost escalations of 4% per annum (www.durbaninvestment.co.za).

3.7.7 Construction

Activity levels in the national building industry had reached record lows towards the end of the century. This is mostly attributed to high interest rates and occurred despite and increase of 2.3% in the real value of state expenditure in non-residential activity. Several firms in the industry have liquidated and others are following till today. Durban's construction industry has shared some of these misfortunes, but several large projects have assisted in maintaining levels of investment and activity.

Nationally, the building industry implemented R25 billion worth of construction projects in 1999, 80% of which was funded by the private sector. According to data for the Durban Metropolitan Area, R2.35 billion worth of built environment projects were either completed, in progress, or out to tender in 1999.

From 1998 to 2000 has been very difficult for the building industry. In the first quarter of 1999, 30 000 jobs were lost nationally and 50 000 during 1998. Several large companies have sought contracts outside of South Africa's borders as a result of poor domestic demand, the formal industry association had to downscale. The last booms in construction were in 1991 and 1984. Investment levels in 1999 were 60% of what they were in 1984. Analysts suggest that the industry will have to wait until 2010 to achieve the 1984 levels. Government investment in the building industry is still low since the last boom.

3.7.8 Local government and the economy

Local government is a major provider of infrastructure and services, plays a role in regulating economic activity, employs a significant number of people and buys large volumes of goods and services. Following the 1996 democratic elections, local government initiated a more integrated approach to its planning and operations. The previous system based on line-function departments and fragmented administrative entities has given way to an increasingly coherent set of developments, interventions and greater efficiency (www.cityofdurban.co.za).

So far, integrated planning has focused on strategic priorities, including, promoting economic opportunities, spatial restructuring, and a safe and healthy urban environment, providing appropriate physical and community infrastructure, creating total living environments and managing transformation. The approach to economic development has followed three main strategic thrusts since democracy.

- **Getting the basics right**

The first thrust is concerned with ensuring that the preconditions for investment are present, especially in ensuring a well-serviced, clean, safe and well-governed environment.

- **Developing a globally competitive city**

The second thrust is concerned with building the Durban Metropolitan Area as an attractive investment environment. Key economic zones within the city require dedicated management by local government in order to ensure that they are attractive to investors. The city is becoming more effective at marketing itself to the right target market. The city spends a considerable sum on marketing the city as tourism destination through Durban Africa.

- **Spreading economic benefits**

The growth of the Durban economy is essential for addressing the complex problems of employment and poverty.

3.8 ECONOMIC DEVELOPMENT STRATEGIC DIRECTION

The entire South Africa economy is emerging from a sustained period of restructuring which has seen some major shifts in line with global economic processes and national policy goals. Today South Africa is seen to be offering a sound economic platform, fully integrated with global economic processes. In the context of uneven global economic relationships and under conditions of extreme poverty and inequality generated by the apartheid system many challenges still arise.

City economics, such as that of Durban operate at the nexus of these processes. This places on the city a requirement to act in a manner where it is fully conscious of its responsibilities to reinforce sustainable economic growth and job creation and to tackle matters of exclusion from economic processes that characterise many of the city communities.

Within the city an approach has been adopted which emphasises the following in its economic development related programmes.

- **Creation of an operation environment for all businesses conducive to growth and development through.**
 - Predictable, timeous and consistent decision-making.
 - Maintaining competitive operating cost platforms.
 - Enhancing infrastructure and service standards.
- **Facilitation and community level and strategic economic empowerment through.**
 - Support for community level enterprise to improve income levels and skills.
 - Working in partnership with the private sector to improve black economic empowerment.
 - Delivering targeted SMME support programmes.
 - Access to finance and markets for SMMEs

- **Training and skills development for SMMEs.**
 - Promoting job creation opportunities through affirmative procurement.
- **Building government and private sector partnerships for sustainable economic growth through.**
 - Joint initiatives with existing industry stakeholders in leading industries.
 - Co-operative ventures with other spheres of government and stakeholders to facilitate new sector development opportunities (Integrated Development Plan, 2003).

3.9 SUMMARY

There are many challenges facing the city at the present moment, like, rural development, combined municipalities, political economy, population growth, and poverty. A central factor in the present overall economic crisis is, precisely the poverty crisis. Poverty is the single burden of South African cities and is the direct result of poor management of resources. The following chapter is the evaluation and analysis of the case study.

CHAPTER 4

EVALUATION OF THE CASE STUDY

4.1 INTRODUCTION

Towards the end of 20th century Ethekewini Municipality was faced with numerous challenges. The Durban Metropolitan Council established the Economic Development Department after the first democratic local government election in 1996. Its role is to advise and guide the Metropolitan Council on how it should promote economic development, job creation and redistribution. The city seeks, through its work with political leaders, to promote and facilitate the following.

- The growth of tourism, industry and small business.
- The economic regeneration of previously disadvantaged communities.
- The provision of excellent economic information and advisory services.
- The competitiveness of Durban economic information and advisory services.

This chapter evaluates the existing information and research on Durban's economy in an accessible way. The previous chapter provide baseline information on past and current trends and realities.

4.2. THE CURRENT ECONOMIC SYSTEM

Ethekewini municipality economic development division is tasked with the responsibility of promoting economic growth and social equity. To enable it to achieve its objectives, the division has put in place mechanisms that serve as the pillars for its operations. After constructing its policy framework, the division entered a crucial process of penning its strategic plan, which compliments the guiding policy framework.

4.2.1 The competitive position (Porter)

Given its central role in economic growth, competitiveness has been the object of major research and study since Professor Michael Porter first published the results of a worldwide study into global competitiveness in some 100 sectors in 14 different countries across the world. At the heart of the study was a search for commonality between different sectors, in different countries, to understand the conditions under which global competitiveness emerges and to understand the policy and strategy implications of such conditions.

The competitive positioning paradigm, drawing largely on the work of Porter, dominated strategic management in the 1980s. It emphasized the idea of strategic fit between the organisation and its environment so as to achieve competitive advantage, referring to this as competitive positioning. The approach is often describe as 'outside-in' as the initial emphasis is on analysis of the environment before determining how to achieve a strategically desirable position.

Porter (1980) developed a framework for analysing the nature and extent of competition within an industry. He argued that there are five competitive forces which determine the nature of competition within an industry.

The five forces are.

- The threat of new entrants to the industry.
- The threat of substitute products.
- The power of buyers or customers.
- The power of supplies (to businesses in the industry).
- Rivalry among businesses in the industry.

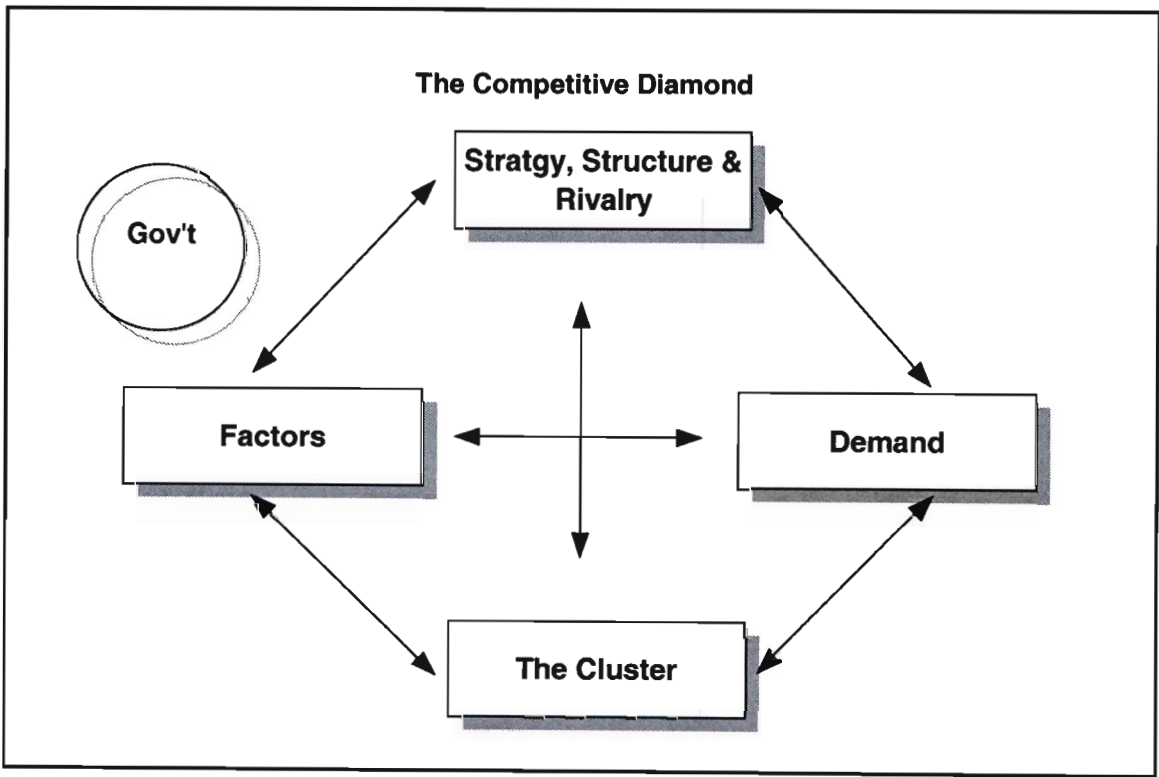
By determining the relative power of each of these forces, an organisation can identify how to position itself to take advantage of opportunities and overcome threats. The study conducted by Porter concluded that there are four main determinants in economics independent of country or sector where similar, strong

conditions prevailed for globally competitive sectors and firms. This dynamic structure of determinants has become widely known as ‘Diamond’. It provides a thorough, structure, framework for analysis.

Every region must create the type of environment that will enable and inspire firms to build advantages. The diamond provides a critical yardstick for measuring the quality of an environment where firms in developing countries are likely to make more sophisticated choices (Porter, 1990).

Using the diamond framework to analyse Durban, there are many strengths upon which Durban can build in order to achieve its economic vision, following the diamond methodology:

Figure 4.1: The Diamond of Competitiveness



4.2.1.1 Factor conditions

- **Excellent Infrastructure and Position**

Durban has excellent infrastructure and its position with respect to the port as a transport hub, allows Durban to respond to increased national, regional and international demand.

4.2.1.2 Demand conditions

- **Growing World Export Markets**

World exports markets are growing very rapidly at about 6.9% per annum over the last decade and South Africa has increased its share of world trade from about 0.4% to about 0.67% of trade.

4.2.1.3 Firm strategy, structure, and rivalry

- **Strong Presence in Advanced Sectors**

Durban has strong presence in advanced sectors of the economy, sectors that have the potential to produce high income and to have multiplier effects on other parts of the economy in terms of their ability to spread innovation and learning, and to enhance growth and development. Specifically, Durban is strong in manufacturing, transport and communication, financial services and in tourism.

4.2.1.4 Related and supporting clustering

- **Potential for Industrial Clustering**

There is a great potential for industrial clustering. Particular potential exists in chemicals and plastic; auto components and related products; wood and wood products, furniture, printing, pulp and paper, clothing, textile and possibly leather and footwear, transport and logistics, electrical and non-electrical machinery; food products and beverages. There is also geographic clustering, a manufacturing

clustering in the Southern Industrial Basin and a tourism clustering in the northern and central parts of Durban.

- **A Network of Related and Supporting Industries**

In particular, a number of universities and research organisations are conducting research in areas that have great importance to the Durban economy.

4.2.1.5 Government

- **Efficient Local Government**

There is an efficient local government with fiscal strength that has not experienced the same fiscal crises, as have other cities in South Africa. The local government is considered both within and outside Durban to be an effective and efficient deliverer of service. The local government has to declare itself to be very supportive of growth initiatives.

4.2.2 The SWOT analysis

The strengths and weaknesses are based on the internal analysis of the organisation and the opportunities and threats are based on the analysis of the environment that is external to the organisation. One key distinguishing characteristic between the strengths and weakness is the degree of control that managers may have. With the internal strengths and weakness managers can often exert control whereas with regard to the external opportunities and threats, managers are less likely to be able to control such factors. The SWOT represents a position statement starting where the organisation is at the time of the analysis in relation to its environment. It provides a firm platform for planning for the future of the organisation (Campbell et al, 2002).

The SWOT matrix is an important matching tool that helps managers develop four types of strategies:

- **Strengths-Opportunities Strategies**

These strategies use a firm's internal strengths to take advantage of external opportunities. All managers would like their organisation to be in a position where internal strengths can be used to take advantage of external trends and events.

- **Weakness-Opportunities Strategies**

These strategies aim at improving internal weakness by taking advantage of external opportunities. Sometimes key external opportunities exist, but a firm has internal weakness that prevents it from exploiting those opportunities.

- **Strengths-Threats Strategies**

These strategies use a firm's strengths to avoid or reduce the impact of external threats. This does not mean that a strong organisation should always meet threats in the external environmental head-on. Rival firms that copy ideas, innovation, and patented products are a major threat in many industries.

- **Weakness-Threats Strategies**

These strategies are defensive tactics directed at reducing internal weakness and avoiding environmental threats. An organisation faced with numerous external threats and internal weakness may indeed be in a precarious position. In fact, such a firm may have to fight for its survival, merge, retrench, declare bankruptcy, or choose liquidation.

Thompson and Strickland (2003) noted that SWOT analysis is more than an exercise in making the above four strategies. It determines what story the SWOT list tells about the company's situation and thinking about what actions are needed. Understanding the story involves evaluating the SWOT and drawing conclusions about.

- How the company's strategy can be matched to both its resource capabilities and its market opportunities.

- How urgent it is for the company to correct which particular resource weaknesses and guide against which particular external threats.

Again the emphasis is that to have managerial and strategy –making value a SWOT analysis must be a basis for action. It also needs to provoke thinking and answers to several questions about what future resource strengths and capabilities the company will need to respond to emerging industry and competitive conditions and to produce successful bottom-line results.

The management must be in a position to answer these questions.

- Will the current strengths matter as much in the future?
- Are there resource gaps that need to be filled?
- Do new types of competitive capabilities need to be put in place?
- Which resources and capabilities need to be given greater emphasis and which merit lesser emphasis (Thompson and Strickland, 2003)?

Ambrosini (1980) argues that assessing the impact of environmental changes on the current strengths and weakness of an organisation can help managers to understand the changing environment in such a way that will allow them to identify opportunities. Johnson and Scholes (2002) noted that SWOT analysis summarises the key issues from the business environment and the strategic capability of an organisation that are most likely to impact on strategy development.

Table 4.1: Impact analysis for the city

Environmental change	Technology	Multi-cultural	Crime	HIV	Decline/ market growth	Human assets	+	-
(Opportunities and threats)								
Strengths								
Location	+3	+3	-3	-2	+1	+3	+9	-5
Infrastructure	+3	+1	-3	-2	+2	+2	+8	-5
Manufacturing	+3	+1	+2	-2	-3	+2	+8	-5
Tourism	+3	+1	-2	-1	-2	+1	+5	-5
Environment	+1	+1	-2	-2	2	+1	+4	-4
Weakness								
Unemployment	-3	-2	-2	-1	-1	-2	+0	-11
Exports	-2	-1	-2	-1	-1	-2	+0	-9
Inefficient and segregated special structures	-3	-2	-2	-1	-1	-2	+0	-11
Lack of leadership	-3	-2	-3	-3	-3	-4	+0	-18
Education	-2	-1	-2	-1	-1	-2	+0	-9
Environmental impact scores								
	+10	+7	+2	+16	+4	+9		
	-13	-8	-20	-0	-14	-12		

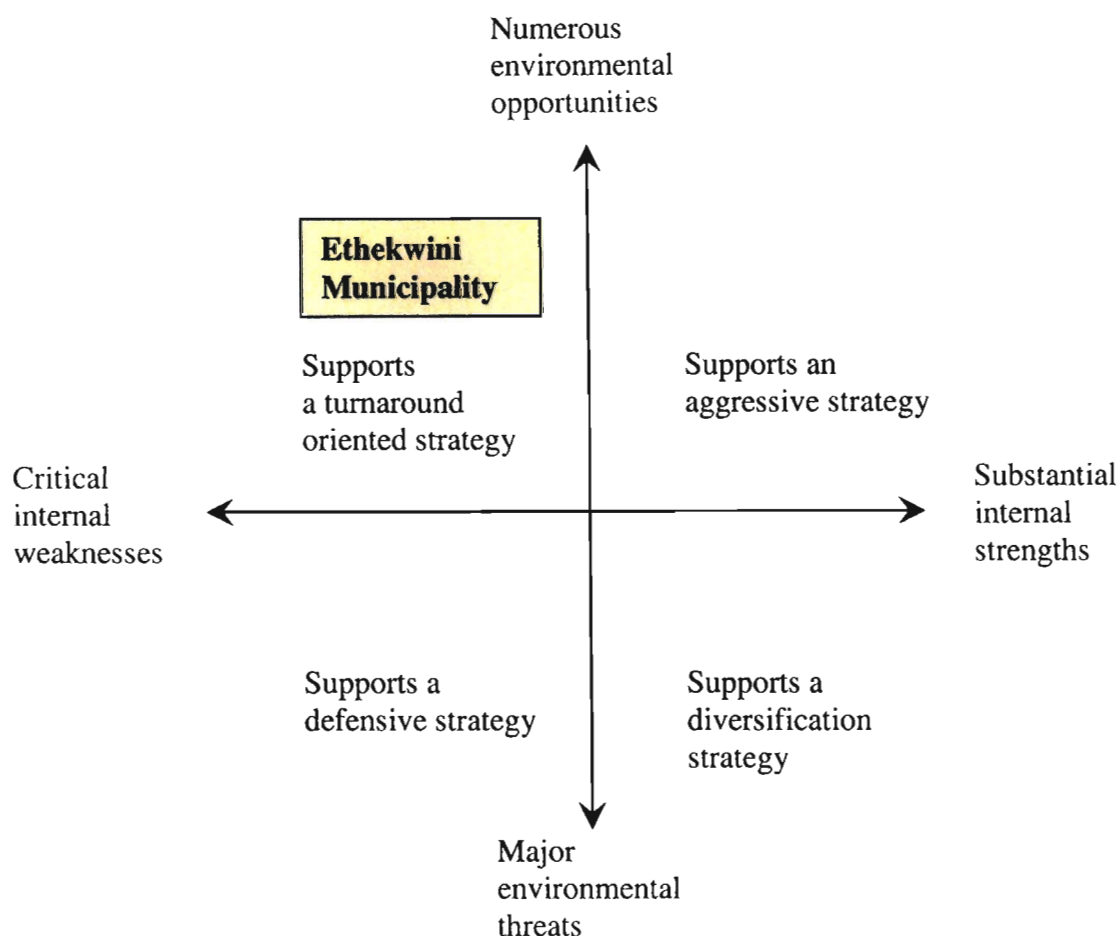
A positive (+) score denotes that a strength that the city possesses would help it take advantage of a problem arising from an environmental change, or a weakness that would be offset by the environmental change.

A negative (-) score denotes that strength would be reduced by the environmental change, or weakness would prevent the organisation from overcoming the problems associated with an environmental change.

A zero (0) score indicates that current strength or weakness would not be affected by an environmental change (Ambrosini, 1998).

This is what SWOT analysis reveals:

Figure 4.2: SWOT analysis diagram

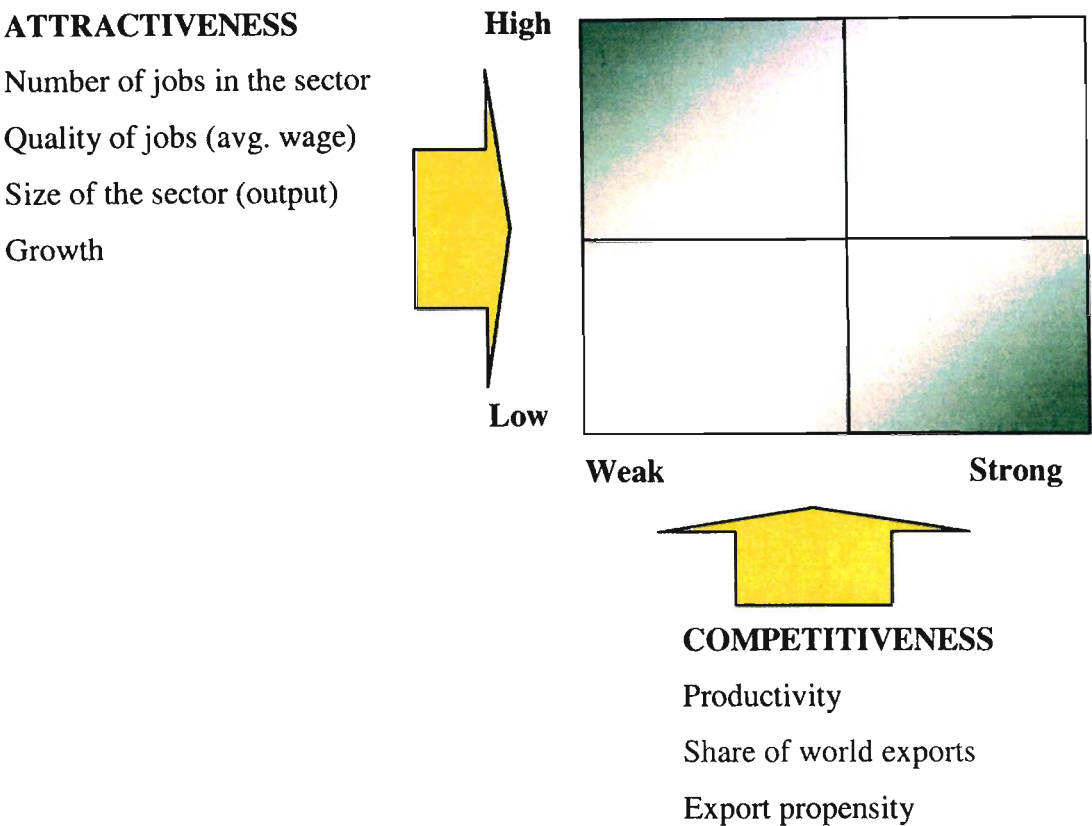


4.2.3 Analysis of the sectors in the Durban economy

The performance of different sectors with respect to the economic goals can be judged by two criteria.

- The attractiveness of the sector to the city
- The competitiveness of the sector, as a predictor of the sector's ability to contribute in future and sustain performance over time.

Figure 4.3: Relative Attractiveness and Relative Competitiveness



The above figure presents relative attractiveness and competitiveness in a matrix. Viewing attractiveness on the Y-axis from low to high, unattractive creates few jobs and has little impact on the output for the economy as a whole. An ideal situation includes as many highly attractive industries as possible. Competitiveness is represented on the x-axis from weak to strong. Drawing the two together in a matrix creates four quadrants.

- Positioning in the top left represents highly attractive but uncompetitive sectors. The challenge for sector in this quadrant is to increase competitiveness so as to compete on the world stage in a meaningful way. Failure to do so will result in decline and the sector will become less attractive.
- A bottom-right positioning reflects a competitive sector that is focused on operating in an unattractive environment. The challenge here would be to seek other parts of the value chain where the inherent competitiveness

seek other parts of the value chain where the inherent competitiveness can be exploited. For instance, such a position in a tourism sector would indicate a competitive value proposition, without appealing to the most attractive customer sets. The challenge would be to seek other tourist segments, whilst maintaining the competitive nature of the infrastructure and sector.

- The bottom left is where both attractiveness and competitiveness are low. The approach needed here is to review those sectors to determine whether they can be fixed or enhanced with an aim to move towards the top right quadrant. There may also be the need to consider a diversification strategy or exist from sectors with little potential.
- The objective is to ensure that more sectors migrate to, appear and remain in the top right quadrant, i.e. highly competitive. The more of these, the more sustainable the economy and the stronger the engine for future growth of those sectors.

The analysis above shows that, Durban's industries and planners have not repositioned to meet the competitive challenges and realize the potential of the current platform. Specifically, there has been an insufficiently widespread and robust response to the competitiveness challenge. Few companies repositioned against a new basis of competition, often not believing that they can compete successfully on a global stage. There has been declining investment in manufacturing over the last decade, correlating to declining growth rates. In fact, investments in a number of important parts of the Durban economy are insufficient to maintain the current capital stock. Inadequate industrial land planning is resulting in inappropriate mixed use of land, particularly in the Southern Industrial Basin.

4.2.4 PEST analysis

In the process of PEST analysis it is important to explore and understand the relationships between the forces at work. It is equally important to identify the relative importance of the influences at work for the business, its industry and its markets. Because of the uncertainty of the effects of environmental change on the

microenvironment, it is essential that a range of possible outcomes of the changes are identified and considered. A temptation when carrying out a PEST analysis is to think of each influence as separate when in fact they are often interlinked. Increasing concerns about ecology and 'green issues' provide a good example of this.

In recent years there has been an important social trend that has changed people's attitudes towards the effects of products and production processes on the environment, whereas in the last century most consumers showed little concern for the long-term effects of products and processes on the need to protect it. This has led to the pressure on governments to introduce legislation and other measures to control pollution. The combined desire of consumers for products that are themselves environmentally friendly and which have been produced by 'green' methods has resulted in the realisation by business that there are profits to be made by being environmentally friendly.

4.2.4.1 Political

The political environment is defined as that part of the macro environment that is under either the direct control or influence of the government. Political, governmental, and legal factors can represent key opportunities or threats for organisations. The increasing global interdependence among economies, markets, government, and organisations makes it imperative that firms consider the possible impact of political variables on the formulation and implementation of competitive strategies.

Strategists today must possess skills to deal more legalistically and politically and spend more time in anticipating and influencing public policy actions. Government has direct control or influence to greater extent over the following aspects that determine the performance economy of the city.

- **Legislation and regulation**

This covers laws that influence employment, consumer protection, health and safety at work, contract and trading, trader union's monopolies and mergers, tax laws etc.

- **Economic policy**

Particularly, fiscal policy Government has policies concerning the levels of taxation and expenditure in the country.

- **Government-owned business**

Nationalised industries are controlled by the state and the way in which these businesses are controlled can have knock-on effects.

- **Government international policy**

Government intervention to influence exchange rates and international trade has effects. All the businesses including the city are affected by political influences. It is important for the managers to monitor the government policy to detect changes early so as to respond effectively.

4.2.4.2 Economic

Analysis of the economic environment centres on changes in the macro economy and their effects on business and consumers. Two key policy instruments, fiscal policy and monetary policy bring about the regulation of the national economy. These policy instruments, alongside influences from international markets, determine the economic climate in the country in which a business competes.

- **Fiscal policy**

This is the regulation of the national economy through the management of government revenues and expenditures. The government is able to influence the economic climate in a country by varying either or both of these sides of the fiscal equation.

- **Monetary policy**

This is the regulation of the national economy by varying the supply and price of money. Money supply concerns the volume of money in the economy and the price of money is the base rate that determines the interest rate that banks and other lenders charge for borrowings.

Economic growth, exchange rates, levels of income, inflation and unemployment will all affect people's ability to pay for products and services and hence affect levels and patterns of demand. Again, levels of productivity, wage levels, levels of inflation and exchange rates will affect cost of production and competitiveness.

4.2.4.3 Social

The social environment is concerned with understanding the potential impacts of society and social changes on a business, its industry and markets.

- **Social culture**

The cultures of countries in which a business operates can be of particular importance. The culture of a country consists of the values, attitudes and beliefs of its people. These, in turn, will affect the way that they act and behave. Culture can affect consumer tastes and preferences, attitudes to work, attitudes to education and training attitudes to corruption and ethics, attitudes to credit, attitudes to the social role of a business in society and many other things.

- **Demography**

Demography is the social science concerned with the size and structure of a population of people. The sizes of the population will obviously be a determinant of the size of the workforce and the potential size of markets. The age structure will determine the size of particular segments and also the size of the working population. The size and structure of the population will constantly be changing and these changes will have an impact on industries and markets. In EThekweni Municipal Area, the age profile reveals that the working age (15 to 64) group comprises 67% of the population and youth is 38% (under the age of 19)

- **Social structure**

Social structure is strongly linked to demography and refers to the way in which the social groups in a population are organised. There are a number of ways of defining social structure such as by socio-demographic groupings, by age, sex, location, population density in different areas. The social structure will affect people's

lifestyles and expectations and so will strongly influence their attitudes to work and their demand for particular product types. Increasing awareness of the problems caused by pollution and the exhaustion of non-renewable resources has caused businesses in many industries to rethink the way in which they produce their products and the composition of the products themselves.

4.2.4.4 Technological

Analysis of the technological environment involves developing an understanding of the effects of changes in technology and their impact on all areas of an industry, its members and their activities including.

- Goods and services.
- Production processes.
- Information and communication.
- Transport and distribution.
- Society, politics and economics.

Changes in technology affect the products available to consumers and businesses, the quality of the products and their functionality. Developments in information and communications technology such as the development of personal computers, networks, satellite, cable and digital communications and the Internet, together with rapid advances in software, have all contributed to revolutionizing the way in which business is conducted in many industries.

Similarly, changes in transport technology have revolutionized business and have changed societies and cultures. It is possible to transport materials, components and products with far greater speed and at much lower cost as a result of developments in road, rail, sea and air transport. These improvements in transport have also increased the amount of personal and business travel that people undertake. Increasing personal travel has had a significant influence on the patterns of consumption in Durban.

As a consequence, it is important that organisations monitor changes in the technologies that can affect their operations or their markets. In most industries,

organisations must be flexible and be ready to innovate and to adopt new technologies as they come along. The way in which organisations do employ the latest technology can be an important determinant of their competitive advantage.

4.2.5 Gap analysis

Gap analysis is one of the least well-used tools of strategic analysis. It is a first stage technique that gives the managers a feel for the size and the nature of the strategic problem. It is one approach to assessing the need for change in the organisations. Ambrosini (1998) noted that, gap analysis could help the manager better understand the dynamics of the competitive environment. Importantly it can be used to reveal where an organisation has weakness, and where it has strengths, in relation to its competitors. Again gap analysis is less concerned with the fact that there is a gap between things, than how to close the gap.

Grundy and Brown (2002) explained the key benefits of the gap analysis.

- Provides a very clear focus for sketching decision makers for aspirations for the business.
- Links in with the strategic breakthroughs required in order to move the business forward.
- Emphasizes the long and medium term and is not just confined to the short term.

4.2.5.1 Performance gap analysis

This approach centres around three questions.

- **Where are we now?**

At present the city is faced with big challenges. If the city carries on along its current path, it will slid toward real economic crisis within the next 10 years to 15 years.

- The city will continue to slide into poverty as per capita incomes drop towards R19.000 per annum.

- The gap between rich and poor will increase as jobless growth continues.
- There will be further vast loss of jobs, especially in areas of the manufacturing economy that are highly labour intensive if current population growth trends continue.
- Service delivery will decline as revenues of the city decreases.

- **Where do we want to be?**

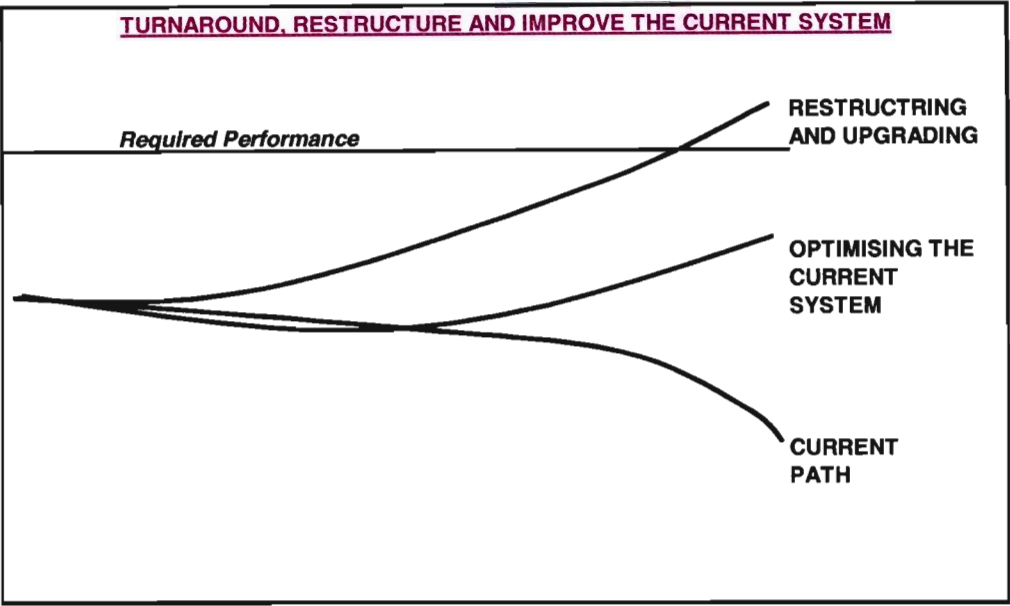
The city has to achieve annual growth of 7.5% and job growth of 3.1% to meet the challenge the vision requires and to avoid the economic crises. To deliver on the vision these are the requirements they have to meet to create the required outcomes.

- Significant reduction in crime levels.
- Significant growth in domestic fixed investments.
- AIDS is managed through a well-supported reduction program.
- Port is fully upgraded.
- New and improved mass transport systems.
- Durban establishing itself as the main coastal gateway city into Southern Africa.

- **How can we get there?**

Durban's economy is incapable of delivering on the vision, given its current economic system. As the situation reveals it demands that the current system will need to be improved. For the growth rate of 7% to be achieved, a major turnaround of the current system is needed. The gaps can be narrowed by internal changes to improve the efficiency and effectiveness of existing operations. In the case of the city, this paper finds a gap between objectives and forecast. The city can change the current strategy and develop a new strategy that will help it to be productive. The figure below represent strategic gap analysis:

Figure 4.4: Turnaround, restructuring and improvement of current system



4.3 ASSESSMENT OF SUITABILITY

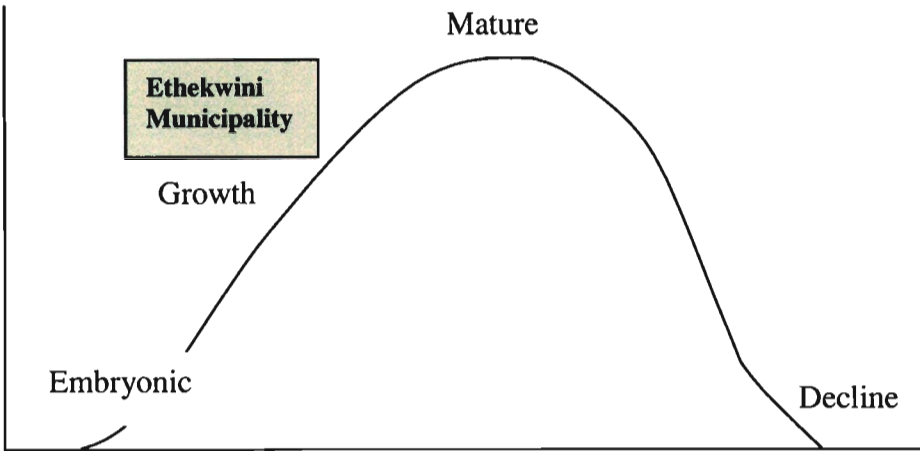
A strategic option is suitable if it will enable the organisation to actually achieve its strategic objectives. If it will in any way fall short of achieving these objectives, there is no point in pursuing it and the option should be discarded. To give an example, if an organisation's objective is to spread its market portfolio by gaining a presence in foreign markets, then the option of increasing the company's investment in its domestic home would clearly be unsuitable. Johnson and Scholes (2002) define the suitability as a broad assessment of whether the organisation addresses the circumstances in which the organisation is operating. This process consists of two stages: establishing the rationale, and establishing the relative merits.

This paper is going to assess suitability by establishing the rationale. It will concentrate on four analysis options.

4.3.1 Life-cycle analysis

The strengths and weakness of the organisation reveal that the city is in a growth stage and is tenable. The challenge facing the city is to catch up, turnaround, grow with industry and harvest the non-productive areas of growth. Durban’s vision can be achieved only if it creates a strong economic platform as a whole, which requires Durban to capture much value. It needs to increase production of downstream high value added products and services.

Figure 4.5: Product life cycle



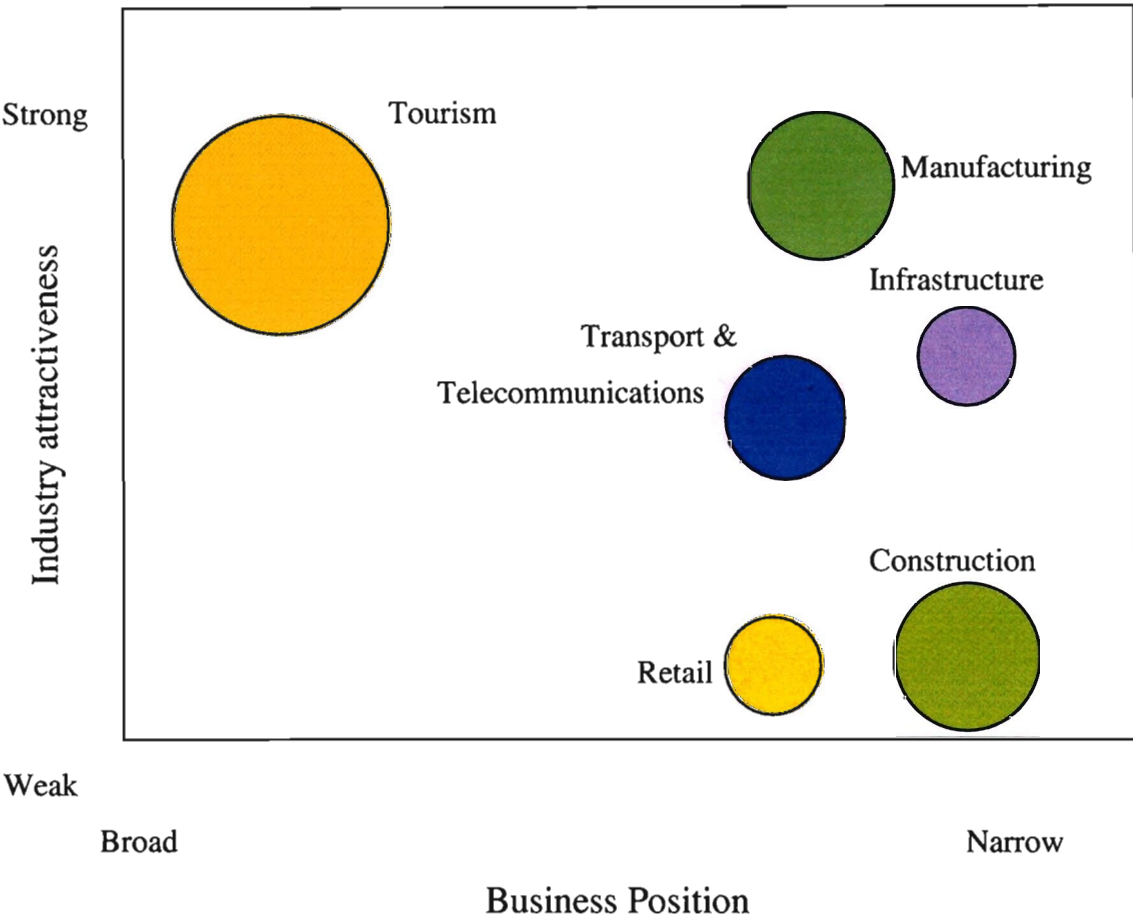
4.3.2 Positioning

Positioning is assessing whether current and future positioning is viable. Durban generates 7.77% of the South Africa GDP, as compared to the City of Johannesburg (16%), Cape Town (14.01), Pretoria (8.55%) and Port Elizabeth (2.46%) (www.sacities.net).

The demand can be grown if the city is revising its strategies to improve its reputation and GDP. The current performance of the economy of Durban can generate 3.2% growth per annum, which is below the maximum growth (4.5%), needed to survive. To achieve annual output growth of 7.5% and job growth of 3% is what is required to

be competitive and be able to contribute to the GDP of the country (www.economic.durba.gov.za).

Figure 4.6: Representative strategic Group map



4.3.3 Value chain analysis

The value chain links the value activities of an organisation with its main functional parts. It then attempts to make an assessment of the contribution that each part makes to the overall added value of the business. The primary activities of the city are listed below.

4.3.3.1 Operations

The production area of the city is mostly dependent on other departments for it to grow. These are the key implementing departments:

- Economic Affairs and Tourism
- Transport
- Local Government and Housing
- Public Enterprises
- Works
- Health

The question is whether these departments do have a capability to deliver as the majority of them are lacking human assets. One of the major obstacles to the realisation of good policies and programmes is the absence of clear guidelines for implementation. Such guidelines have to identify action plans including the role players and their responsibilities. The growth and development strategy also cuts across many disciplines thereby requiring commitment and partnerships among many role players including government departments, business, labour, non-governmental organisations and communities.

4.3.3.2 Marketing and sales

This function analyses customers wants and needs. Durban has no existing and dedicated investment marketing resource with which to promote and market the region to investors. Efforts to promote the city have been made by the Durban Chamber of Commerce, the ICC Durban, Durban Africa and Tourism Marketing Authority, but these remain with little measure of real success.

Research into the benchmark cities abroad and into the five other cities in South Africa reveals that many of these cities have specialist investment promotion agencies, empowered with substantial marketing budgets. These agencies also have specific and structured marketing programs that are integral to their respective metropolitan economic development priorities.

4.3.3.3 Service

In line with successful benchmark and best practice cities worldwide, Durban needs to more fully subscribe to a customer service orientation wherein investors are regarded with anticipation and concern for their needs. In terms of an attitudinal shift, this will require a market orientation and a commitment to customer service training from the

most senior executive down through all levels of the administration. In particular, there is a pressing need for the city to be more responsive and prepared in its dealings with targeted groupings specifically emergent entrepreneurs.

Each of the above categories will add value to the city in its own way. They provide the areas of competitive advantage of the city.

There are support activities that are important.

- **Human resources**

Recruitment, training, management development and the reward structures are vital elements in all companies. One of the weaknesses facing the city is lack of leadership. There are fundamental issues that appear to be the cause of widespread frustration amongst the city leaders. Firstly, there is the issue of an absence of clear policy and delegation of authority. Secondly, the city's current employment policy is focused on achieving meaningful transformation in accordance with national trends in government. In Durban metro, this employment policy has resulted in instances where comparatively less experienced persons are replacing experienced officials. This process has exacerbated the levels of operational frustration that exist in the ranks of both the established officials and new emergent officials. Staff shortages have also impacted negatively on the levels of customer service.

- **Technological development**

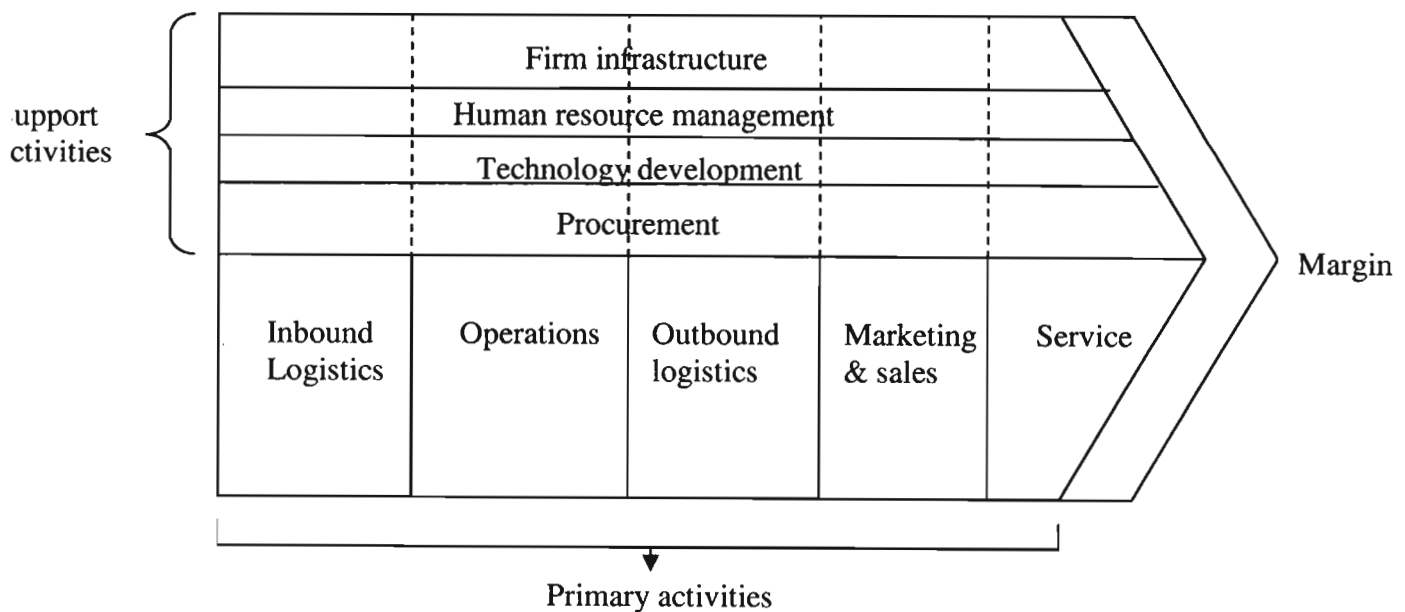
Technology is transforming the World's economy. It is radically changing how people live, learn, work, play, and consume. Increasingly technology is shifting the firm's relationship with its customers from a face-to-face to a screen-to-face interaction. The impact of the Internet on business is akin to previous innovations that transformed not just one business sector but every sector. The Internet is not an innovation that concerns only one or two sectors of the economy. Because it changes the way business should sensibly organise their activities and go to market, the Internet affects all economic activities. In the Integrated Development Plan published by the city in June 2003, there is no plan on how the city intends to exploit the technology to capitalise on the emerging digital economy.

- **Firm's Infrastructure**

The city leaders have a responsibility and the authority to formulate policy on investment and development matters. There is a need for the city policies to be articulated in a manner that empowers officials to exercise their judgement and discretion when applying the legislative framework and statutes to a development application. The report published by Best Practice Commission (1999) contends that this process has been deficient and that there have been instances where officials have acted in terms of unpublished policies the implication of which the investor community is unaware. This practice of applying uncommon policies to official decision-making serves to frustrate investors.

The above activities, primary and support are designed to help organisations to reach the margin. With the above information, stating the lack of sense of urgency of these activities indicates the city's desire to fail. The city is faced with a problem of failing to identify the activities that are critical to the buyer satisfaction and market success. It is those activities that deserve major scrutiny in an internal analysis. Some of the activities like procurement, inbound logistics and outbound logistics are not even mentioned in the city's integrated plan published in June 2003.

Figure 4.7: The value chain



4.3.4 Portfolio analysis

Portfolio analysis analyses the balance of an organisation's strategic business units. Multibusiness companies usually find that their various businesses generate and consume very different levels of cash. Some generate more cash than they can use to maintain or expand their business while others consume more than they generate. The city leaders are faced with the very important challenge of determining the best way to generate and use financial resources among the businesses within their company. They have to balance cash generators and cash users so that along with outside capital sources, they can efficiently manage the cash flows across their business portfolio.

The case study reveals the following information about the market share and growth rate of the city.

- **The stars**

The stars are businesses in rapidly growing markets with large market shares. In the case of the city, tourism can be identified as a star. It represents the best long-term opportunities (growth and profitability) in the city portfolio. It requires substantial investment to maintain its dominant position in a growing market.

- **The cash cows**

The cash cows are businesses with a high market share in low-growth markets. In the case of the city manufacturing can be identified as a cash cow. It can be managed to maintain its strong market share while generating excess resources for corporate-wide use. It has strong position and minimal reinvestment requirements, this business generates cash in excess of the needs.

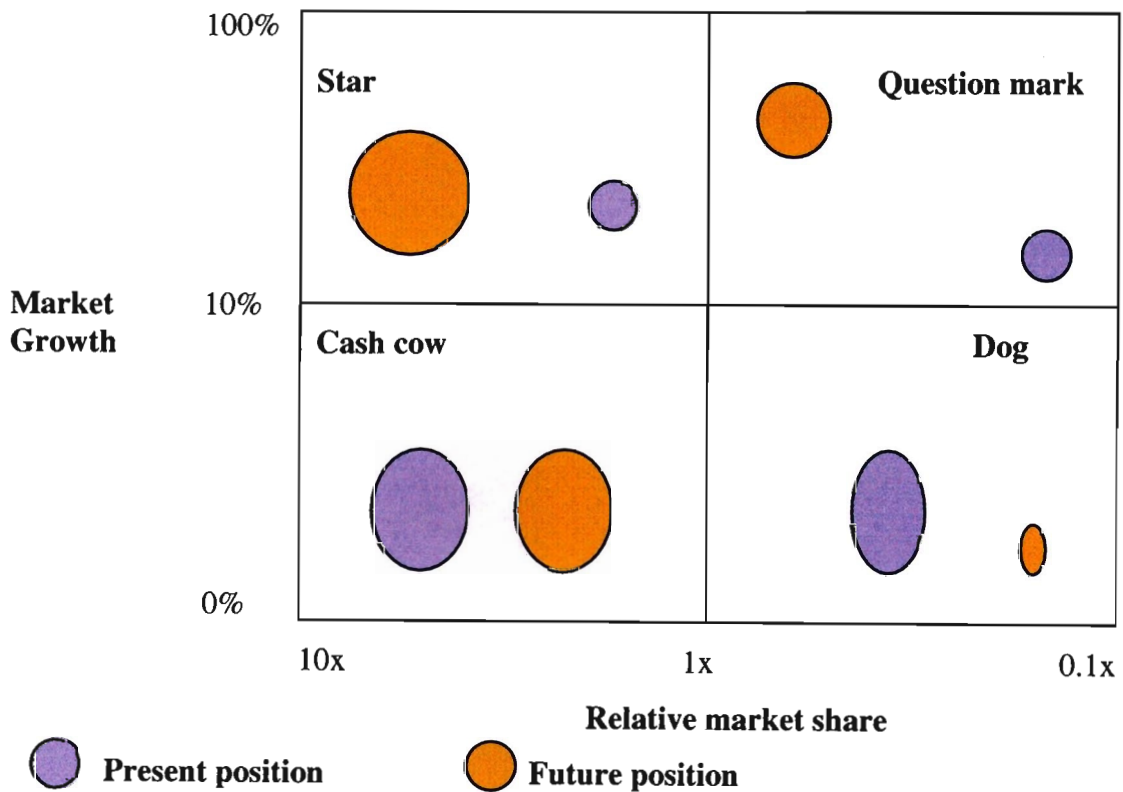
- **Question marks**

These are businesses whose high growth rate gives the city considerable appeal but whose low market share makes their profit potential uncertain. In the case of the city, the property market can be identified as a question marks. At a corporate level, the responsibility is to earmark the question marks that would increase their market share and move into the star group if extra resources are invested to them.

- **The dog**

The dogs are businesses whose market share is low and have low market growth. In the case of the city, the construction industry can be identified as a dog. Activity levels in the national building industry have reached record lows over the last five years. This is mostly attributed to high interest rates. Again textile industry can be identified as a dog. This industry has been affected by cheap and illegal imports.

Figure: 4.8: Growth share matrix



4.4 REASONS FOR CITY FAILURES

This paper concludes that the gap between the theoretical economic benefits of planning and its practical results has been large. The gap between public rhetoric and economic reality has been ever greater. While the city is professing to be concerned with eliminating poverty, lowering inequality and creating employment, many municipality planning agencies have in fact unknowingly contributed to their

perpetuation. Some of the major explanations for this have to do with the failures of the planning process itself.

These failures include the following.

4.4.1 Deficiencies in plans and their implementation

Plans are over-ambitious, trying to accomplish too many objectives at once without consideration of conflicting and competing priorities. They are grandiose in design but vague on specific policies needed to achieve stated objectives and the gap between formulation and its implementation is enormous.

4.4.2 Insufficient and unreliable data

The economic wisdom of a development plan depends to a great extent on the quality and reliability of the statistical data on which it is based. When this data is weak, unreliable or simply non-existent as in many poor countries, the quality and accuracy of quantitative comprehensive plans are greatly diminished. Moreover, where this unreliable data is compounded by an inadequate supply of qualified economists, statistician and other planning personnel. The attempt to formulate and carry out a comprehensive and detailed development plan is likely to be frustrated in all levels.

There is little in the way of reliable, topical and up-to-date information on Durban that is readily available to potential investors. Typical information requirements among investors would include data on economic development planning and programs, corporate and planning information, business directories and data base lifestyle information and a register of available and developable land. An events calendar and visitor profiles are requirements also often demanded (Best Practice City Report, 2000).

4.4.3 Unanticipated economic disturbances, both internal and external

Since most municipalities are open economies with considerable dependence on external variables such as changes in international commodity prices, fluctuating

trade, the domestic economic policies of developed-nation purchasers of their exports, and the irregular flow of private and public development assistance, they need to retain a maximum flexibility in their economic plans and be ready to make an adjustment as the occasion arises.

4.4.4 Lack of political will

The ultimate cause of city planning failures is not only lack of economic potential and inadequate administration capacity. Rather, poor plan performance and a growing gap between formulation and implementation is largely attributed to lack of commitment and political will on leaders and high-level staff members.

4.4.5 Institutional weaknesses

Institutional weaknesses include the separation of the planning agency from the day-to-day decision-making machinery of the organisation, the failure of planners, administrators and political leaders to engage in a continuous dialogue and internal communication about goals and strategies, and the international transfer of institutional planning practices and organisational arrangements which may be inappropriate to local conditions. Secondly, the incompetent and unqualified staff members, cumbersome bureaucratic procedures, excessive caution and resistance to innovation and change add to the weakness.

4.4 SUMMARY

To achieve its goals, the city requires the conditions for action to be in place. This indicates the importance of being able to have the right people on board and being able to ensure that all relevant stakeholders are aligned to create action against the agenda. In the absence of these conditions and in the absence of the required leadership, the potential for ensuring that the outcomes are achieved is low. Thus, a plan that is not supported by key players may in fact have less impact, than a plan that is believed in by many players and is driven towards its goals. The next chapter examines findings, makes recommendations and draws conclusion.

CHAPTER 5

RECOMMENDATION AND CONCLUSION

5.1 INTRODUCTION

According to the Urban Foundation (1989), whatever the political configuration of South Africa in the 1990s and beyond, one of the most compelling sets of challenges confronting the country's strategists and policy-makers will be that of managing a situation of rapid urban expansion. Essentially planners are concerned with the management and control of resources and services as they affect the human population. This will include the concern for a more equitable distribution of social goods and the implementation of strategies to facilitate human development and improve the general quality of life.

To achieve the objectives, the city strategists and planners will need to identify the prerequisites of an equitable and satisfying urban environment and how these can be achieved through physical structuring of the city and through policies which will affect functioning of elements of the urban system (transportation, housing, education, health, employment, commerce etc) and their interrelationships. Strategists need to develop a future conception of the city so that development can be guided in such a way that society's valuable resources are protected for future generations, while allowing for the diversity of tastes, and values as they are expressed and are modified over time. Uncertainty exists because of the elapse of time period between the making of a decision and its outcome. The passage of time is incapable of being made wholly precise by deterministic methods such as probability analysis, which is not covered in this study.

The city strategists must be concerned with a variety of forces: social, economic, and political: at a variety of scales-metropolitan, local and the concerned site itself- as they affect the equitable and qualitative functioning of the urban system. They should be concerned with issues of who ultimately gains from city development and how forces can be manipulated to achieve a more equitable distribution of societal resources and services (Urban Foundation 1994).

5.2 IMPOTANCE OF ECONOMIC DELOPMENT STRATEGY IN CITIES

The experiences of many cities throughout the developing world show that there are least five good reasons to manage cities of all sizes but especially large cities effectively and efficiently.

5.2.1 Cities are engines for the national economy

It is estimated that in lower-income developing countries nearly 60% of the GDP is produced in cities, and in middle-income countries this is even higher at almost 75%. World Bank research notes that even if rural development programmes were highly successful, about 80% of future GDP growth in developing countries would originate in urban areas (Urban Foundation, 1993).

5.2.2 City growth is inevitable

There is little question that large cities across the developing world will continue to grow. Even if the misdirected spatial policies to stem rural-urban migration were to succeed, large cities would continue to grow due to their natural population increase. Since the majority of people in and around cities are living in conditions of poverty, this means that attempts to address poverty in cities should closely look at how poverty can be alleviated through good urban economic management.

5.2.3 Large cities can perform well

There is a common myth in some policy circles that large and growing cities are inevitably chaotic and disordered. The upbeat conclusions which the experiences of the city have shown are that crisis, chaos, unemployment, and poverty need not be part of rapid urban growth if an appropriate macroeconomic environment is rated and sound urban management practices followed.

5.2.4 The problems of the urban poor can be handled

Often, policy-makers have not fully explored the potential range of cost-effective actions that could improve the living conditions of poorer people in a city. This may

simply include anticipating and preparing for urban growth. In addition, there are at many specific policy options that have been used in other cities like Colombia.

5.2.5 Neglecting city management can cause breakdown and disorder

There are many international cities where neglect, mismanagement and corruption that have had disastrous consequences for their inhabitants. The experience of those cities shows that neglecting urban management can lead to a number of negative consequences, not least massive land invasions, widespread squatting, as well as corruption as a way of life.

5.3. THE STRATEGIC REQUIREMENTS AND RECOMMENDATIONS

The SWOT analysis reveals that the city is faced with numerous environmental opportunities and critical internal weaknesses. This paper suggests that the city is to implement a Turnaround Strategy, to overcome the weakness and redirect internal resources. The reason why this paper recommends this strategy is reflected below.

5.3.1 Strengths

- Location
- Infrastructure
- Manufacturing
- Tourism
- Environment

5.3.2 Weaknesses

- High unemployment
- Exports
- Inefficient and segregated spatial structures
- Education
- Lack of leadership

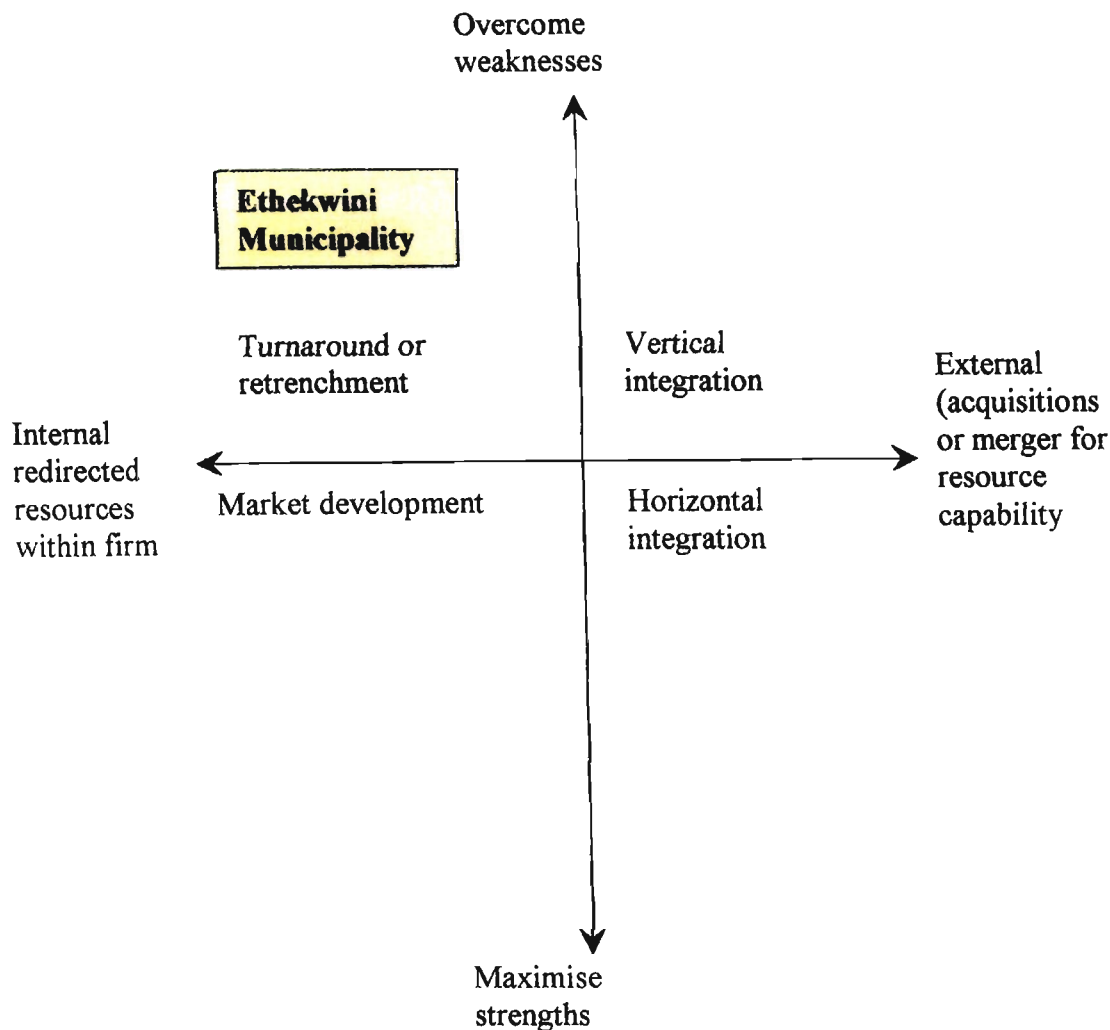
5.3.3 Opportunities

- Use of Internet and e-commerce technologies to cut cost and improve service delivery.
- Multi-cultural
- Building the competitiveness platform
- Hire valuable human assets

5.3.4 Threats

- Slow down of market growth
- Crime
- HIV/AIDS
- Business constraints

Figure 5.1: Grand strategy selection matrix



The city is faced by challenges more than strengths that demand the managers to review both the broad platform for the economy, as well as the key sectors that will be driving future growth. Durban’s economic vision will only be attainable by a turnaround strategy, which is able to upgrade the economic and competitive diamond, as follows.

- **Reposition Durban’s industries in higher growth areas**

Durban is required to serve and compete in global markets where there is greater potential for growth than purely serving national markets. It needs to be globally competitive. The global economy and trade flows are growing at a rate that is much greater than that of the local economy. This suggests that if there is a need for much higher levels of demand and growth, the city has to compete successfully for some of the international demand. To optimise potential to serve national growth challenges,

and capture global share, there is great potential to improve the internal positioning of industries. Areas offering potential include transport, the port, tourism, manufacturing and certain financial services, such as maritime and transaction financial services.

The city managers must look at diversification, culture and injection to South Africa's Gross National Product. They have to start to market the city to the outside world to attract investors and tourists to be part of the city. Usually when South Africans and other Africans from other countries seek to travel, they think about the first world countries for destinations. This results in lost opportunities for our city yet there is infrastructure to attract tourists but it is mismanaged. The marketing plan must be sustainable and consistent and ensure that profit margins are reached.

Structural unemployment is one of South Africa's biggest challenges. Manufacturing, as an industry tends to accommodate a lot of unskilled labour because it often requires labour intensive skills, which can assist to combat and address structural unemployment in our city. Senior management must embark on a feasibility study to establish which countries host manufacturing firms that match our skills base and invite those countries to invest in our city. Durban needs to increase downstream production in manufacturing. Being able to capture more of the value chain than is currently the situation can improve the economy of the city. Durban must grow in the parts of the economy that have high multiplier effects and lead to the creation of real value, such as industrial and supporting functions and specialised inputs. Every business unit should be responsible for the profit margin of the value chain.

Durban must build industries in high global growth areas with long-term growth potential. Durban is currently not well positioned in a number of areas where the global economy is growing very rapidly, and here there is potential for great sustainable future growth. Durban needs to turnaround, and decrease dependence upon negative growth industries, specifically in areas where there has been dependence of tariff barriers and protection, where Durban is highly uncompetitive, such as textiles and clothing. For the city to grow, these industries have to turn themselves around and are therewith able to create a sustainable base for future development and creation of value, or the city will need to diversify out of these

sectors to limit the impact of the decline. Textiles and clothing are industries falling into this category.

Strengthening the cluster and platform requires a deepening of Durban's advantage as a port, transport and logistics hub. This involves both a review and investment in the port, the back of port areas and the logistic links in Durban. If Durban is going to be able to translate its comparative advantage of having a port into a meaningful competitive advantage, it will need to become world class in this area.

The city needs to strengthen industrial and geographical clustering where cluster opportunities exist, between industries that share similar activities or operate within a value chain. The cluster development process requires an understanding of the strategic possibilities, the potential levers and constraints for developing competitiveness.

Geographical clustering is also necessary in situations where proximity provides a benefit and results in lower system costs. The intention is clear, to create well functioning geographic clusters that are not constrained by space and supported by excellence in logistics, ensuring that the benefits of clustering are in fact filtering through to different parts of the industry, reducing cost, improving quality and ensuring that those industries are becoming increasingly competitive and able to capture greater market share.

- **Strengthen consumer demand**

The decline of the city's retail sector as a share of the country as a whole must be overturned. This requires growth concentrated within the Durban area, captured by the local economy and by the people in the local economy. Growth must spread to more people within Durban to create a positive cycle of increased demand and hence further strengthen the engine of growth in Durban.

The city must improve customer relationship management to match the standard of other cities in South Africa like Johannesburg. The majority of head offices are based in Johannesburg and Cape Town, and that channels the majority of people with more

buying power to be based in these cities. Build Durban as a quality of life city by improving service delivery and planning. Since these services will be funded, and will enhance opportunity for economic growth, there is a clear linkage between the economic and service delivery agenda. A key issue in this regard is the need to attract and retain the skills required for industrial development.

The city can embark on strategies with the chamber of commerce to devise means of paying more salaries to attract the highly competitive people to come to work in our city. It should also embark on strategies that will prevent all the educated and experienced people from moving to other cities. Encouraging the upcoming companies to have their head offices in Durban will put the city on the map for future sustainability.

- **Develop industries which can lead to increasing job growth**

Durban needs to extend its consideration and involvement from growing the manufacture and services base, to creating and sustaining more skilled jobs. In addition, there is a need to build the strength of the informal and small business sector within the economy. This requires a shift away from a focus on creating any jobs to a focus on creating particular kinds of jobs, those which are sustainable, create value and do not erode the future profitability and productivity of certain industries but enhance those industries and grow them further.

- **Build conditions for action**

Durban will need significant support from a number of stakeholders from within Durban, as well as from stakeholders at different levels of government, from labour, business and from interested parties in areas of focus. They have to develop a meaningful working relationship that delivers value to dependence between Durban and Portnet.

- **Tackling urban poverty**

To meet the vision the city needs to address the gap of 690 000 people who need to be uplifted from extreme poverty, and an additional 510 000 whose living conditions need to be improved (Development profile, 2002). This gap can be closed if the city can introduce an Export Processing Zone Policy. This policy can change Durban from being just a friendly city to a major industrial exporter, performing outstandingly in particular in the manufacturing industry. Targeting at attracting foreign investment the city can successfully swell the number of export enterprises and in addition the number of jobs can increase.

Remarkable achievements can be made in providing food for the growing urban population. Community gardens can be established in the Ethekewini Municipality Area to supply thousands of families with fresh vegetables. Home gardens must be encouraged along with growing crops on idle and unused land in the city, especially on vacant public land adjoining streets and main roads. Even small spaces, such as balconies and rooftops can be vital providers of food, in cases where land is not available. Cities can be linked into intensive livestock farming and vegetable production. Night soil and rubbish produced in the city can be recycled and used to fertilise the soil that grows food for the urban population.

- **Building city and country**

Harnessing urbanisation to improve economic growth can help the city to achieve the highest national growth rate in its modern history. Promoting the performance of the construction sector had the dual effect of meeting the demand for housing and providing a kick-start for the economy. The city must see providing services and infrastructure as not only a social need, but also a basic requirement for economic growth and general stability. This can also generate millions of jobs.

- **Growing the informal economy**

A vibrant export economy can evolve in the city based on networks of small-scale and informal producers. This option can provide many indications about the potential role of the informal economy in urban economic growth. Not limited to labour-intensive and low technology goods, many of these small enterprises capture niches in high income and even high-tech production. This can help a strong business and entrepreneurial culture to develop in the city. This paper does not suggest the city should tolerate the informal economy as a way for people to survive; instead it must actively support and promote entrepreneurial ventures as a way of expanding the overall economy.

5.4 SUMMARY

What has emerged from this paper is that strategies are interlinked in complex ways. Consequently, it is vital that they are not perceived as distinct remedies to identify development but rather as an interlocking set of mutually supporting strategies in which the strategic linkages between different strategies are understood. Further, the trade-offs both in terms of cause and effect consequences and what is possible in particular locations at particular point in time are also central to any process of managed change.

With this background this paper concludes that planning is rooted in problems, so planners have to attempt to formulate a planning and management strategy for resolving or improving the problems and conflicts subsequent to the reality. The strategy is evident in the ordered and organised nature of the individual elements within the urban living patterns. Strategy is evident in the ordered and organised nature of the individual elements within the urban living patterns. It is generated through all scales of urban environment and therefore has structural and spatial implications for informing planning decision-making.

6. BIBLIOGRAPHY

- A' Bear, D.R. (1983). *Urbanisation and Settlement Growth in Pietermaritzburg-Durban Region*. Durban: University of Natal.
- Ake, C. (1991). *A Political Economy of Africa*. New York: Longman.
- Ambrosini, V. (1998). *Exploring Techniques of Analysis and Evaluation in Strategic Management*. London: Prentice Hall.
- Applegate, L.M. et al (1999). *Corporate Information System Management*. New York: McGraw-Hill.
- Bernstein, A. (1991). in Swilling, M. (et al) (eds) *Apartheid City in Transition*. Cape Town: Oxford University Press.
- Bourgeois, L. J. (1996). *Strategic Management*. New York: Dryden Press
- Burkey, S. (1982). *People First*. London: Zed Books.
- Campbell, D. et al (2002). *Business Strategy*. (2nd ed) New York: Butterworth.
- David, F.R. (2001). *Strategic Management*. (8th ed) New York: Prentice Hall.
- Davies, J. (1991). *Cities Home Apart: South Africa Segregated*. Cape Town: David Philip.
- Dewar, D. (2000). *Urbanisation Poverty and City Development*. Cape Town: Oxford University Press.
- Friedman, J. (1973). *Urbanisation Planning and national Development*. California: Sage Publication.
- Friedman, J. (1992). *Employment: The Politics of Alternative Development*.

New York: Blackwell.

Grungy, T. and Brown, L. (2002). *Be You Own Strategic Consultant*. London: Thomson Learning.

Harrison, J. and John, S. (1998). *Strategic Management of Organisations and Stakeholders*. New York: South West College.

Hussey, D. (1998). *Strategic Management* (4th ed) London: British Library.

Hyman, D.N. (1992) *Economics*. (2nd ed) New York: Iwin.

Johnson, G. and Scholes, K. (2002). *Exploring Corporate Strategy*. (6th ed) New York: Prentice Hall.

Lynch, R. (2000). *Corporate Strategy* (2nd ed) New York: Prentice Hall.

Manning, A. D. (1991). *Business Strategy in the New South Africa*. Cape Town: Johannesburg: Southern Book Publishers.

Mathur, S.S. and Kenyon, A. (2001). *Successful Business Strategies*. (2nd ed) Johannesburg: Butterworth.

Mc McCarthy, J.J. and Bernstein, A. (1995). *Post-Apartheid Population and Income Trends*. Johannesburg: Centre for Development Enterprise.

Mintzberg, H. (1989). *Mintzberg on Management*. New York: The Free Press.

Mintzberg, H. (1994). *The Rise and Fall of Strategic Planning*. New York: The Free Press.

Pearce, J. A. and Robinson, R. B. (2003). *Strategic Management*. (8th ed) New York: McGraw-Hill.

- Peters, B.G. and Pierre, J. (2001). *Politician Bureaucrats and Administrative Reform*. London: Routledge.
- Porter, M.E. (1980). *Competitive Strategy*. New York: The Free Press.
- Porter, M.E. (1985). *Competitive Advantage*. New York: The Free Press.
- Schirm, S.A. (2002). *Globalisation and the Regionalism*. New York: Blackwell.
- Sutton, C. J. (1980). *Economics and Corporate Strategy*. New York: Hamilton.
- Swilling, M. (1991). *Apartheid City in Transition*. Cape Town: Oxford University Press
- Swilling, M. (1977). *Governing Africa's Cities*. Cape Town: Oxford University Press
- Swilling, M. and Boya, L. (1995). *Local Transition and the Challenge of Sustainable Urban Development*. Cape Town: Oxford University Press
- Thompson, A.A. and Strickland, A.J. (2003). *Strategic Management*. (13th ed) New York: McGraw-Hill.
- Urban Foundation, (1994). *Policies for the Urban Future: Urban Debate 2010*. Johannesburg: Urban Foundation.
- Urban Foundation, (1989). *Policies for the Urban Future: Urban Debate 2010*. Johannesburg: Urban Foundation
- Urban Foundation, (1993). *Managing Urban Population Growth: International Experience*. Johannesburg: Urban Foundation.
- Wheelan, T. L. (1983). *Strategic Management and Business Policy*. Canada: Addison-Wesley Publishing Company.

Durban Economic Review (2002 and 2001)

The Best Practice City Commission Report (1999 and 2000)

Economic Development and Tourism: Strategic Plan Report (2002)

Ethekewini Municipal Area: Development Profile (2002)

Ethekewini Municipality: Integrated Development Plan (2003)

www.sacities.net

www.dumac.co.za.

www.kzn-deat.gov.za

www.tourism-kzn.org

www.durban.org.za

www.kmi.co.za

www.isa.org.za

www.nafcoc.co.za

www.economic.durba.gov.za

www.durbanchamber.co.za

www.stassa.gov.za

www.portnet.gov.

www.durbaninvestment.co.za