CELEBRATING 20 YEARS OF UNIVERSITY EDUCATION
1992 - 2012
The development of tourism entrepreneurial activities in Namibia: Empirical findings from Windhoek and Okahandja

Mary-Ellen Kimaro, Rosemary Ihula and Margret Ndapewa Angula
University of Namibia

Abstract

For decades entrepreneurship has been recognised as an important contributor to economic growth and development. The purpose of this paper is to examine the tourism entrepreneurial activities in Namibia and assess their potential to contribute to the economy. The main objective is to analyse the development process of tourism entrepreneurial activities in general and their current weaknesses, opportunities and threats as experienced by entrepreneurs in Windhoek and Okahandja. With the high unemployment rate being experienced in Namibia, a solution to this social problem is needed to help alleviate the plight of the unemployed and underemployed. The results of the survey provide insight into the entrepreneurial operations, and the challenges thereof. The results show that tourism entrepreneurs are potential employers in Namibia. The majority of products and services offered are not locally produced, opening an opportunity for entrepreneurs to diversify the offering and increase their market share by offering services and products such as traditional meals, clothing and jewellery. The study concludes that there are benefits for potential entrepreneurs to operate their own businesses. However, some shortcomings were noted that include lack of training and lack of awareness of available and affordable training programmes as well as other common and unique problems faced by these entrepreneurs. The study concludes that measures should be taken to ensure that entrepreneurs are nurtured and mentored in order to realise their business success. Furthermore, the study recommends a number of measures to improve the status quo of entrepreneurs and facilitate growth within the tourism entrepreneurial activities.

Introduction

In many developing countries tourism is a leading economic sector and Namibia is no exception. According to the World Bank (2009) in Namibia it is the third foreign currency earner after mining. Despite the tourism industry being regarded as a source of employment; the unemployment rate is high in Namibia. Gaomab (2007) asserts that statistics show that...
the unemployment rate has reached more than 37% positioning Namibia as having the highest unemployment rate in the SACU member states with Swaziland trailing behind with 30%, combining the underemployment statistics, Namibia’s total unemployment could exceed 60%. According to Miyajima (2007), over half of the people surveyed in Namibia say that unemployment is the most prominent economic problem in the country. Entrepreneurial activities within the economy are known to be sources of employment and a way of rejuvenating economies, leading to the establishment of new businesses and growth of existing ones. According to Loannides (2003), the topic of entrepreneurial activity in tourism environments remains a research lacuna that warrants further examination. This study is based on the qualitative and quantitative analyses of tourism entrepreneurial activities in Okahandja and Windhoek which have shown a satisfactory level regarding entrepreneurship in Namibia.

Literature review

There is a plethora of literature regarding entrepreneurship (Hart and Harrison, 1992; Mazzarol, Volery, Doss and Thein, 1999; Krueger, 1993) and researchers continue to show interest in it. Most researchers tend to look at the factors influencing entrepreneurship and education. Entrepreneurship refers to the action of an individual’s attitudes towards the outcomes of that action and the individual’s self-efficiency (Boyd and Vozikis, 1994; Gartner and Shane, 1995; Krueger, 1993).

Krueger (1993) says that entrepreneurship offers significant opportunities for individuals to achieve financial independence and benefit the economy through job creation, innovation and economic growth. According to the United Nations Economic Commission on enterprises the driving forces to economic development in any developing country lies in the creation of a private sector, the development of entrepreneurship and the creation of small and medium enterprises (UNECE, 2003). Entrepreneurs are self-employed, they initiate, organise, manage and take responsibility for their businesses which provide personal challenges which many individuals prefer over working for someone (Krueger, 1993). Longenecker, Moore, Petty, and Palich (2010) concur that an entrepreneur is a person who relentlessly focuses on an opportunity either in a new or existing enterprise, to create value, whilst assuming both the risk and reward for his or her effort. Based on the Small Business Impact Assessment, the estimated total share of both the manufacturing and service sector of the Namibian labour force that were employed in small businesses or were running entrepreneurial businesses in 2002, was 15.07% and 19.79% in 2003 (Stork, Matomola, Louw, 2003). Despite the significant impact these entrepreneurs can make on the economy, there is a “significant gap within the literature in terms of critical debate on the role of tourism, small businesses and their relationship to economic development” (Page, Forer and Lawton, 1999, page 20). A number of studies related to entrepreneurship simply list entrepreneurship courses without an in-depth discussion on the content of good entrepreneurship (Fiet, 2001). The available literature shows that the economic impact of these courses is usually underplayed (Chrisman, 1997).

Research methodology

A triangulation method was used to collect data for this research. Questionnaires with structured and unstructured questions as well as interview guides were used to acquire in depth information from respondents. A total of 98 entrepreneurs completed questionnaires from the Windhoek Community Markets in Soweto Market, Tukondjeni Market and Oshetu Market. Other tourism entrepreneurs were from Penduka Women Craft Centre, SME Incubator Centres, Industrial stalls and Community Art Centre in
Katutura, KAYEC in Wanaheda, Namibia Craft Centre, Arts and Crafts Centre in Post Street Mall and on Independence Avenue, as well as those from the Arts and Crafts Open Market in Okahandja and those operating in the City Centre of Okahandja. Ten entrepreneurs were randomly selected from each informal community market, craft centre and incubator centres of Wanaheda and Katutura. A key informant was interviewed at the Penduka Women Craft Centre. The questions in section A of the questionnaire covered the history of the entrepreneur such as ownership of the business, the duration of operation and the number of employees, if any, working for the business. Section B covered issues on operations such as type of ownership of business, products and services offered by the entrepreneurs and sources of raw material or wholesale products and services, customer base, training issues, awareness of training available and the organization’s needs offering training as well as benefits received from being an entrepreneur. In Section C respondents were asked to describe their problems and challenges as tourism entrepreneurs and they were asked to explain their marketing strategies. Interviews based on convenient judgemental sampling were carried out with managers of the tourism entrepreneurship centres.

The study area

Figure 1: Map showing tourism entrepreneurial activities in Windhoek and Okahandja

Figure 1 shows locations of tourism entrepreneurial activities where data for this study was obtained. These are areas in Katutura and the informal community markets (Soweto Market, Tukondjeni Market, Oshetu Market, Penduka Women Craft Centre in Goeagdum, SME Incubator Centre in Katutura, KAYEC in Wanaheda Namibia Craft Centre, Arts and Crafts Centre on Post Street Mall and Independence Avenue in the City Centre, Arts and

65
Crafts Open Market in Okahandja as well as those operating in the City Centre of Okahandja. Okahandja Arts and Crafts entrepreneurs are located along the B1 road and within the City centre of Okahandja, about 60 kilometres from Windhoek. The close proximity to the main road of these Arts and Crafts Markets are strategic as they attract tourists when they drive by.

**Analysis of results of the empirical survey**

The survey covered 98 tourism entrepreneurs from the areas of Windhoek and Okahandja. The following results of this paper deal with the opportunities and limitations of tourism entrepreneurs in these areas of operation.

For the purpose of this paper a focus is given to entrepreneurs in the area of Windhoek-Katutura and Okahandja’s Craft Markets as well as the incubator centre and industrial stalls in Katutura, KAYEC in Wanaheha, Penduka Women Craft Centre, Namibia Craft Centre, Arts and Crafts Centre Post Street Mall and Independence Avenue. In Namibia, the Windhoek’s SME Incubation Centre opened in 2003 (New Era, 2008) with a mission of providing a temporary, protected, conducive environment for SMEs to grow their business, as well as a one-stop conducive market environment to prospective customers. The study has shown that SMEs at the incubator centre were to be guided through an on-going mentorship services, business consultations and business management skills training.

The SME Incubator Centre strives to promote business linkages between large-scale businesses and the SME incubates at the centre. The private sector under a trust comprising representatives from Pupkewitz Holding, Namibian Manufacturers Association, Joint Consultative Council, Nedbank Namibia, the Development Bank of Namibia and the City of Windhoek have taken over the management of the small and medium enterprises market in Katutura from the City of Windhoek. The study has shown that for nearly seven years, the City of Windhoek, which was the founder and owner of the market, have been trying to successfully incubate a small business into a self-standing business. Furthermore, among the priorities of the trust is to set up the long-awaited support services for the SMEs at the centre which will include the provision of mentorship and training as well as business management.

**The development of the informal community markets**

Based on the interview with C. Kaverua (personal communication, July 5, 2011) who is an analyst of Micro Entrepreneurial Development at the Windhoek Municipality’s Department of Economic Development and Community Services, thriving entrepreneurial activities where locals have equal access to the mainstream of the economy are vital and can lead to the reduction of unemployment and contribute to local economic development. He adds that participation in tourism entrepreneurial activities in the tourism industry has the potential for providing greater benefits to the local population and resulting in development that leads to balanced and quality growth as a result of economic wealth, self-reliance, self-confidence and an improved state of well-being. Respondents noted that in both the formal and informal sector, entrepreneurship is fundamental in creating employment, increasing production and raising standards of living. Since little research has been done on tourism entrepreneurship in Namibia, this study sought to expand studies carried out by LARRI and NEPRU in 2002.

The results of this study show that through entrepreneurial activities in the form of SMEs, the lowest income people in society can gain access to economic opportunities. This
The development of tourism entrepreneurial activities in Namibia: Empirical findings from Windhoek and Okahandja

The notion is in line with various entrepreneurial studies (Saayman & Olivier, 2005; Saayman & Saayman, 1999; Saayman & Siabbert, 2001; Olivier, 2002) which show that even though there has been people undertaking entrepreneurship in Windhoek and Okahandja, there has been limited success achieved in producing more successful SMEs in the tourism industry. Nevertheless, some respondents indicated that the implementation of a policy document on SMEs entitled “Namibia: Policy and Programme on Small Business Development,” in 1997 by the Government of Namibia recognised the important role entrepreneurs and SMEs can play in the country’s socio-economic development as propounded in the National Development Plans (NDP), NDP3 and Vision 2030.

Ideally, the informal community markets and Incubation Centre in Katutura were meant to nurture the upcoming entrepreneurs for a specific period of time upon which they are expected to grow and expand their businesses in such a way that they can move out and create space for other new upcoming entrepreneurs. However, the study notes that most of the entrepreneurs in Windhoek and Okahandja are more concerned about maintaining their subsistence level than growth.

Financial challenges faced by local small tourism entrepreneurs in Windhoek and Okahandja

The results show that only 9% of the respondents admitted that they received funding or any kind of financial assistance compared to 89% who did not receive any assistance. Lack of funding was echoed as a major limitation by the Ministry of Trade and Industry and other researchers. Potential institutions that can provide financial assistance were noted, such as the City of Windhoek, the SME Committee in the Ministry of Trade and Industry, the Hospitality Association of Namibia (HAN) and NedBank. Despite these figures, respondents felt that access to finance was still a limitation, hence the failure to expand entrepreneurial activities. The study shows that lack of finance is widely regarded as one of the major obstacles to the development of more advanced small businesses. Respondents indicated that banks have strict collateral requirements making access to finance to be regarded as a major limiting factor for entrepreneurship growth. However, it was noted that over the years, banks have expanded their services by providing loans to support entrepreneurs through training and mentorship programmes and, in some cases, facilitating promotional activities.

Respondents were of the opinion that due to lack of knowledge on the importance of keeping financial records, entrepreneurs are not able to keep records of expenses and profits made. In addition, respondents noted that the lack of innovative ideas and customer care skills is another limiting factor. Some additional factors raised by the respondents included the lack of business skills and business management knowledge as well as access to markets for their products. Furthermore, the informal tourism entrepreneurs face additional limitations such as the ability to grow their businesses into more established small enterprises.

Some of the respondents showed concern regarding the SME Policy of 1997 which highlights the need for deregulation, provision of SME incentives, and SME finance schemes, SME market access assistance, technology transfer, SME purchasing assistance, SME site and premises development, and SME training. According to Shejavali, (2007) in 2000, a Small Business Credit Guarantee Fund (SBCGF) was set up to the tune of N$16 million to serve as collateral or security for local commercial banks to lend to SME entrepreneurs. By the end of October 2004, the SBCGF had granted guarantees valued at some N$50
million to over 600 SMEs operating in various sectors. These guarantees have enabled SMEs to create and sustain over 3,700 jobs since the inception of the scheme. However, respondents noted that “despite the apparent enormity and potential of this trust, the credit guarantees provided through the fund were only available through Bank Windhoek, which immediately limited the potential reach and impact of the trust.

Respondents acknowledged that the birth of the Development Bank of Namibia (DBN) heralded a milestone in SME development in terms of access to capital, through its Special Development Fund (SDF) for SMEs. Therefore, this developmental milestone in SME’s history in Namibia saw the major commercial banks positioning themselves for the opportunities this facility offered. The following table shows the problems and reasons why SMEs do not make use of the banking services.

Table 1: Summary of Financial Limitations faced by local small tourism entrepreneurs in Windhoek and Okahandja.

<table>
<thead>
<tr>
<th>Problem</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>High interest rate charges; Collateral; Regulation and policy framework.</td>
</tr>
<tr>
<td>The role of Government</td>
<td>Equity contribution, certain percentage of the loan amount; Trade facilitation's information; Networking and promotion of broad participation in planning and development.</td>
</tr>
<tr>
<td>Collateral security</td>
<td>Financial institutions look more at collateral than to the business viability; Guarantee, in lieu of collateral, institutions require guarantee.</td>
</tr>
<tr>
<td>Regulations and policies</td>
<td>High administrative costs, low value and volume of loans required by SME’s; Facilitating local access to foreign resources.</td>
</tr>
<tr>
<td>Lack of business skills</td>
<td>An elaborate business plan with cash flow statement; Limited role in marketing and promotion; Poor record keeping by SMEs as well as low-level education of managers.</td>
</tr>
</tbody>
</table>

SMEs in Windhoek and Okahandja

In line with the research findings by the Gesellschaft für Technische Zusammenarbeit (GTZ) and JCC (2008) this study noted that SME owners do not fully understand the role of government in supporting entrepreneurship. The Government’s role is to facilitate development by creating a conducive and enabling environment. This study noted that on one hand SMEs expect Government to be directly involved in the development of their businesses and the SME sector as a whole. On the other hand SMEs have a sense of entitlement to Government’s interventions and therefore lack commitment towards their projects. The study noted that investment in tourism entrepreneurial activities and their future by the private sector and the government can yield positive results for the economy and especially if locals are involved in entrepreneurship activities.

Limitations regarding tourism entrepreneurs’ training

Table 2: Limitations regarding tourism entrepreneurs’ training.

<table>
<thead>
<tr>
<th>Training</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance of training programmes</td>
<td>27%</td>
<td>73%</td>
</tr>
<tr>
<td>Awareness of training programmes</td>
<td>39%</td>
<td>61%</td>
</tr>
</tbody>
</table>

Based on the results of the survey in Table 2, only 27% of the tourism entrepreneurs received training compared to 73% who did not. Sixty one percent were not aware of any form of training assistance offered for entrepreneurs compared to 39%.
The development of tourism entrepreneurial activities in Namibia: Empirical findings from Windhoek and Okahandja

The results indicated that they lacked training and were unaware of training programmes available; this can be a limitation to the growth of tourism entrepreneurial activities.

![Training needs](image)

**Figure 2: Training needs**

As shown in Figure 2 above, tourism entrepreneurs expressed their need for training in the areas of customer service (28%), marketing including website advertising (10%), bookkeeping and accounting (12%) as well as training in human resource management, leadership and management skills (9%), 2% felt they needed training in catering skills. The rest (38%) felt they were either too old for training while the remaining 1% of entrepreneurs could not say what area of training needs they had.

The following table summarises the problems faced by entrepreneurs.

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Product</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>lack of proper shelter from rain and sun</td>
<td>customers who request for traditional dress to be made and then never come to collect it</td>
<td></td>
</tr>
<tr>
<td>lack of ablution facilities</td>
<td>delays in delivery of raw materials</td>
<td></td>
</tr>
<tr>
<td>theft and robbery of products because of poor security in the area</td>
<td>customers demand fresh products</td>
<td></td>
</tr>
<tr>
<td>size of stalls is too small</td>
<td>street children interrupt the international tourists during a sale</td>
<td></td>
</tr>
<tr>
<td>no parking for customers</td>
<td>high transport fees for products</td>
<td></td>
</tr>
<tr>
<td>high renting fees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marketing</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>competition among entrepreneurs with the same products</td>
<td>difficulty in getting licenses to transport raw materials such as wood</td>
</tr>
<tr>
<td>unorganized market and no cooperation</td>
<td>rude customers</td>
</tr>
<tr>
<td></td>
<td>health problems due to operating in a dusty area</td>
</tr>
<tr>
<td></td>
<td>access to finance</td>
</tr>
<tr>
<td></td>
<td>management and leadership skills</td>
</tr>
</tbody>
</table>

Some of the problems raised by the respondents included poor facilities in the area where they operate, lack of customers/tourists, stiff competition and accidents occurring along the road. Whilst the results show that there has been an effort being made by the City of Windhoek and Okahandja in the areas of customer service, bookkeeping and accounting, marketing, human resources management and catering skills, currently no training has been conducted on arts and crafts project development with special focus on functionality (i.e. usable artefacts such as wooden chairs, tables, plates, curios).
Based on the problems outlined above, the study notes that not all entrepreneurs face these problems. Entrepreneurs located within the informal community markets seemed to have less problems related to the lack of proper shelter from rain and sun and the lack of ablution facilities. This was peculiar to entrepreneurs in Soweto, Oshetu, Kondjeni markets, Penduka women crafts centre and Namibia craft centre. Furthermore, the study showed that most of the tourism entrepreneurs are not trained wood carvers, nor do they have the skills in producing local wares such as local arts and crafts.

Figure 3: Marketing of products and services

Marketing of the tourism entrepreneurs’ products and services was said to be a challenge with 34% of the respondents not involved in any form of marketing. 21% of the respondents used newspapers and radio to market their products, 15% used product displays, 12% used business cards, 9% relied on word of mouth and 2% on brochures and flyers. Only 2% used T.V. and posters while only 1% exhibited at Trade Fairs. A weakness in marketing activities may lead to low sales.

Oppotunities for tourism entrepreneurs in Windhoek and Okahandja

The study noted that the majority of those involved in tourism entrepreneurial activities own the businesses (64) compared to (34) who were employed by the owners. When one looks at impacts on employment, 31% do not employ anyone to assist them in the business, whereas 38% are able to employ at least one additional person in their businesses. The statistics show that 25% of the people are employing less than ten workers and only 6% of the tourism entrepreneurial businesses are able to provide employment for at least ten employees. This is in conformity with the MTI (2005, 27) which states that most of the SMEs registered with it employed no more than ten people. Consequently, this is based on the size of their operations, the level of their technology and equipment, the volumes of output they handle and their capacity to pay.

The study further revealed that the duration of existence as a business varied from 43% who have operated between 1-5 years to 25% of entrepreneurs who have operated for 6-10 years, while a good 32% have persevered in business despite the challenges they faced. This implies that there is a potential in their type of business and is in line with previous studies (Saayman & Saayman, 1999; Saayman & Slabbert, 2001; Olivier, 2002) which showed that limited success has been achieved in producing more successful SMEs in the tourism industry. Of these entrepreneurs the study observes that 71% are sole traders while 18% operate in partnership, 9% are in joint ventures, while 2% are in other forms of business.

Table 4 below shows that the products and services offered by the tourism entrepreneurs included arts and crafts souvenirs (34%), traditional meals (14%), traditional clothing and
traditional jewellery (10%), hair dressing 5%, meat and fish products 2%. The study shows that respondents who offered a variety of other products and services that might not be linked to tourism per se such as postcards, post stamps, Western/European cloths and jewellery, general repairs services, and hats and bags were 33%.

Table 4: Types of products and services offered by those involved in tourism entrepreneurial activities.

<table>
<thead>
<tr>
<th>Product/service offered</th>
<th>Frequency in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and crafts, including woodcarvings and traditional baskets</td>
<td>34</td>
</tr>
<tr>
<td>Traditional meals</td>
<td>14</td>
</tr>
<tr>
<td>Traditional clothing and jewellery</td>
<td>10</td>
</tr>
<tr>
<td>Hair dressing</td>
<td>5</td>
</tr>
<tr>
<td>Meat and fresh fish</td>
<td>2</td>
</tr>
<tr>
<td>Others: postcards, post stamps, Western/European cloths and jewellery, general repairs, hats and bags</td>
<td>33</td>
</tr>
</tbody>
</table>

The sources of the products/services varied from those entrepreneurs who bought their products locally and sold them within Namibia (31%), to entrepreneurs who bought their products from Rundu (18%), Caprivi and the Kavango, 10% from East Africa, 11% from South Africa, 9% from Zimbabwe and Zambia, and only 4% from the North Central region of Namibia and Okahandja respectively. Opuwo, the Coast (Walvis Bay & Swakopmund), Angola, farms in Namibia and Europe were also minor suppliers to the entrepreneurs with 1% each. Only 1% of the products came from Brazil and West Africa respectively. These figures indicate that 49% of suppliers for the tourism entrepreneurs were local, which is an indication on the potential growth in the economy as a result of entrepreneurial activities not only through supply chains, but also through wholesale and retail.

The results show that both local and international tourists equally patronized the tourism entrepreneurs' stalls for products and services (50% each) indicating an interest not only from international tourists but also the domestic tourism market.

Benefits of Entrepreneurship

- Income generation & profit
- Knowledge of running a business
- Learning communication skills with tourists

Figure 4: Benefits of being an entrepreneur
When the entrepreneurs were asked regarding the benefits sought from entrepreneurial activities, most entrepreneurs felt that they got value for their money from running their businesses, 81% believed they benefited from income generation and profit, whereas only 10% felt that there was no profit in their business, 8% felt that they gained knowledge on how to run a business and 1% appreciated the opportunity to learn communication skills with the international tourists. Entrepreneurs indicated that they found it very beneficial to run their businesses despite the limitations they faced.

Conclusion
The overall conclusion of this study is that developing tourism entrepreneurship in the form of an area’s local culture and traditions, arts and crafts, traditional attire and meals is still a potential pipeline dream. The study concludes that the current tourism entrepreneurs need to be empowered in order to unlock the unexplored potential of entrepreneurship in Namibia. In order to realize this vision, several factors need to be addressed. These include:

- Introduction of diversity of products and services to avoid “overtrading” and low returns to entrepreneurs.
- Adequate attention in tourism research to specifically examine the prospects for developing the tourism entrepreneurial activities in local arts and crafts, culture and traditions.
- A development and strengthening of tourism route(s) to be used by local tour operators so as to form business linkages with larger businesses.
- Training and development of creative skills in production of quality local arts and crafts, traditional attire and meals to suit tourists’ needs and wants. Examples can be seen at the Hosea Kutako International airport duty free shops or at Omba Arts Trust in the City Centre.
- Access to markets through development of websites as well as marketing through social networks.
- Policy intervention and incentives that create a conducive environment to operate enterprises, e.g. subsidizing costs involved for permits to import wood.

It can be concluded that entrepreneurs in Namibia are ready to explore ways in which they can maximize benefits from tourism. The hindering factors are the financial resources, skills, marketing and business knowledge. The overarching challenge noted was the facilities to operate from and product diversification focused on the tourists needs. This shows that in order for tourism entrepreneurs to reap more benefits in the area of local arts and crafts, there is a need to offer specialized training in the production of functional arts and crafts artifacts.

References

Iht• tft•wlopnwnt
llf
tpuri'm entl'l"pfl"puri.JI activities
in Namibta: Empirical finding


