



Cape Peninsula
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Constraints facing SMEs in the pursuit of job creation: The case of the Cape
Metropolis Clothing Industry,

by

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DECLARATION

I, Moses Johannes Matthyse, declare that the contents of this dissertation/thesis represent my own unaided work, and that the dissertation/thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Signed

Date

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- Owners and managers of SMEs within the Clothing Industry; I salute them for their courage, commitment and pioneering spirit. This study is dedicated to them.
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ABSTRACT

The objective of the study was to determine the constraints that SMEs face in the Cape Metropolis Clothing Industry and what owners and managers within the Clothing Industry believe is required to revitalise the industry. SMEs, particularly within the Clothing Industry in the Cape Metropolis, have a vital role to play, in stimulating economic activity, poverty alleviation and raising living standards, which has been widely recognised in most countries. The high level of failure in this regard can be attributed to various reasons, among these being a lack of financial support, training, bottle necks and red tape.

In order to obtain information about SMEs in the clothing industry of SMEs within the Cape Metropolis, a mixed method approach was used, both explorative and descriptive and quantitative in nature. A self-developed questionnaire was used to answer multiple choice, dichotomous type, self-assessment type and measure based questions which deal with the state of the clothing industry in the Western Cape, as well as face to face interviews by using the questionnaire as a template. Generally, the findings reveal numerous constraints, the clothing industry in the Cape Metropolis faces, including government assistance, lack of financing, a skilled workforce and cheap imports and buying power of retailers. The opinions of owners and managers in the industry are essential for government and policy makers. Issues that are highlighted include restrictive labour laws, local sourcing and changing customer behaviour and greater demand for their products. Owners and managers should adopt various strategies to remain competitive and to ensure that they remain profitable. Government support and purpose directed policies and programmes are essential for the sector's survival.

The recommendations could lead to better government interventions, and rigorous import controls. This study recommends better coordination between government agencies, interventions, and for owners and managers within the clothing industry as well as retailers and local consumers to revitalise the clothing industry in the Western Cape. However, innovation is essential for the clothing industry to be able to respond effectively to the changing environment which is triggered by globalisation forces.

The industry faces a number of challenges. These were considered in the study and recommendations were made to provide guidelines to both government and the industry in order to improve business operations and increase employment.

DEDICATION

This dissertation is dedicated to the memory of my late father, Abraham Matthyse (Izak), for planting the seed of education in me, and for being a champion of education within my family, at large even though he had little formal education. You have shown me and the rest of family the significance of receiving an education, and for that I will cherish your input forever. My mother, Magdalena Matthyse, deserves my undying devotion, for believing in me throughout my studies.

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GLOSSARY

Terms/Acronyms/Abbreviations	Definitions/Explanations
BEE	Black Economic Empowerment
CSP	Customised Section Plan
DTI	Department of Trade and Industry
EMIA	Export Marketing and Investment Assistance
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GEAR	Growth, Employment and Redistribution
IBM	International Business Machine
IDC	Industrial Development Corporation
IFC	International Finance Corporation
LFC	Labour Force Survey
NAMAC	National Marketing Advisory Centre
NBC	National Bargaining Council
NEPAD	New Partnership for Africa
SACU	Southern African Customs Union
SACTWU	South African Clothing and Textile Workers Union
SEDA	Small Enterprise Development Agency
SIC 314	Apparel (clothing) industries
SIC 31	Textile, clothing and footwear
SMES	Small and Medium Enterprises
SMMES	Small, Medium and Micro-sized Enterprises
TISA	Trade and Investment South Africa
WTO	World Trade Organisation

CHAPTER ONE INTRODUCTION

1.1 Introduction to the study

This study examines the constraints that Small and Medium Enterprises (SMEs) face in their pursuit of job creation in the Cape Metropolis Clothing Industry. This chapter sketches a background of the research study and details the problem statement, whilst explaining the purpose and objectives, as well as the rationale of the study. It concludes by noting some key concepts, limitations of this study, and presents an outlines of the research report.

1.2 Background of the study

The researcher is employed at the City of Cape Town as a manager in the Finance Division (Safety and Security Directorate) and as a result thereof he has been exposed to a variety of problems that have plagued Small and Medium Enterprises (SMEs) in the Western Cape and particularly those that are, and have been involved in the clothing industry. Where once the clothing industry in the Western Cape was of great significance in terms of employment and prosperity in the region, it has now morphed into what can best be described as an industry under the immense threat of a dark cloud of uncertainty. Large internationally renowned clothing manufacturers like Rex Trueform, which produced suites and other garments for Harrods of London, were eventually forced to close their doors, resulting in massive job losses for workers that oftentimes comprised of families which were made up of three generations of family members (e.g. father, child and grandchild). It was as a result of the above-mentioned problem that the researcher decided to investigate the reasons SMEs in the clothing and textile industries were under threat in the Western Cape.

Small and Medium Enterprises (SMEs) are identified as the job creation sector in the South African economy and the vehicle for social-upliftment and poverty alleviation, but according to Brink, Grant and Ligthelm (2003:1), the failure rate of SMEs in 2002 occurred between 70% and 80%. This, according to Lithelm and Cant (2002:1), as cited in Brink *et al.*, (2003:2) led to more than one million job losses between 1990 and 2002. In 2008 the Department of Trade and Industries' (DTI) statistics showed that the micro enterprises significantly reduced in number between 2004 and 2007 from 50% to 37%, respectively. In terms of this assertion, Brink *et al.*, (2003:2) further state that the survival rate of SMEs is low, with almost half of all newly formed businesses failing within the first five years of existence. The study that was conducted by the Ecumenical Service for Socio-economic Transformation (2003:13) showed that business failure led to major retrenchments and reduced household income levels. Van der Westhuizen (2006:13) agrees with this assertion by stating that 68% of households

experience a reduction in food expenditure as a result of retrenchments, while 34% of households did not have sufficient money to buy food. The clothing and textile industry is an important sector for the Western Cape, with almost 1 000 companies comprising both large and small to medium enterprises. The City of Cape Town's economic statistics (2010) indicate that SMEs generate 50% of industry output. This means that not only are SMEs within the clothing industry a major source of economic activity, but they are also an important part of job creation in the Western Cape, particularly for low and semi-skilled workers.

However, van der Westhuizen (2006:8), Lundy (2005:39) and Mthente (2008:9) show that the clothing industry is declining and, as a result, is shedding jobs.

The South African Standard Industry Database, Quantech (2004), as cited in van der Westhuizen (2006:8), shows a decline in employment levels from 126 901 in 1997 to 113 922 in 2004. The Mthente (2008:9) study highlights this reduction in the clothing industry, showing that only 827 firms formally met compliance standards in June 2004. According to Lundy (2005:39), 21 000 jobs were lost nationally in the clothing, textile, footwear and leather industry, while 6000 were lost in the Western Cape alone. The South African Labour Research Institute's database, as cited by Mthente (2008:9), indicates that 530 firms retrenched workers or closed down completely over the last three years. In 1990, 54 564 workers were employed in the Western Cape clothing industry; while in 2001 only 34 655 were still employed. Bennett (2003:10) asserts that 22 736 clothing workers were retrenched between July 1999 and June 2001, and of these 11 555 lost their jobs as a result of factory closure. Vlok (2006:320) indicates that the decrease in the employment figures from 1996 to 2005 equated to a reduction of approximately 37, 4%.

Although researchers and stakeholders do not all agree on the number of job losses, the negative effects of retrenchments on families are widely acknowledged (Mthente, 2008:8). This is particularly true, as often family members work in the industry and when job losses occur, the impact on such family can be of a catastrophic nature. Concerns that the industry could disappear by 2012 if it continues at the current rate of decline was raised by the Rapid Appraisal of Local Innovation Systems (2004:7) as cited in Lundy (2005:39). Although some researchers regard this as far-fetched, Barnes (2005:6) indicates that the textile and clothing industries, combined, could lose between 50 000 to 75 000 jobs in the formal and informal sectors if factory closures continue to increase within the next nine years.

1.3 Definition of key concepts

The key concepts that are used in this study are briefly defined below.

1.3.1 Small and Medium Enterprises (SMEs)

Various authors define small and medium businesses differently, based on where they are and the requirements of that country. For example, the definition of SMEs by the Europe

Commission is not necessarily the same as in South Africa, especially in terms of size.

This study uses the following definition of Small and Medium Enterprises as follows:

1. Small business – A business that does not have public accountability, employs between five to fifty persons, is formally registered as a business, and is managed and controlled by the owner; and
2. Medium sized business – A business that does not have public accountability,
3. Employs a maximum of two hundred persons, with a maximum asset base of R5 million, and is formally registered as a business.

1.4 Rationale of the research study

Small and Medium Enterprises (SMEs) have been identified as a job creation sector in the South African economy and as a vehicle for social-upliftment and poverty alleviation. This is particularly true for SMEs within the clothing industry, which is highly labour-intensive. According to Abiola (2006:1), the clothing industry is a labour-intensive sector, contributing 1.8% of the overall employment in South Africa. Furthermore, the clothing sector requires a relatively unskilled labour force, as 82,2% of employment in the sector is attributed to semi-skilled workers, 13,4% to mid-level skills, and 3,4% to high-level skills (Barnes, 2005:6). According to the Cape Town Partnership (2015:1), the clothing industry contributes 11,8% of manufacturing and is the second largest contributor to the Gross Domestic Product (GDP) in the Western Cape after the financial sector at 26.6%. This is in despite of the decline of 19% in 1993 to 17% in 2012. The focus of Government is, therefore, on small and medium enterprise growth, whilst supporting development initiatives to create more jobs. The sustainable development of the clothing sector is important so that opportunities for employment for the large unskilled labour force may be increased. According to the Industrial Development Corporation Integrated Annual Report (2012:1), the textile and clothing industry is considered as an essential player in generating jobs and is committed to unlocking job opportunities and sustainable employment. This study attempts to identify constraints that the clothing industry faces in order to facilitate more focused initiatives to support SME development and job creation in the industry. Ultimately, it is hoped that the results of this study may contribute towards the effective and efficient utilisation of resources so that opportunities may be availed through innovation and a more viable platform on which new businesses may be developed. Small and medium enterprises are increasingly seen to be playing an important part role in the economies of many countries. Thus, governments throughout the world are increasingly focusing on the development of the SME sector as means to promote economic growth (Fatoki & van Ardt Smit, 2011:1413). In South Africa SMEs have been identified as being vital to job creation and economic growth. SMEs provide 56% of private sector employment and 36% of the Gross Domestic Product (Ntsika Enterprise Promotion Agency, 2002). South Africa suffers

from high unemployment with an official employment rate estimated at 25, 6% (Statistics South Africa, 2012). SMEs have a significant contribution to make to employment, income generation and export revenue, therefore, the potential to develop SMEs for job creation and poverty reduction is substantial. Nieman (2006:12) indicates that SMMEs play a vital role in technical innovation and allow for more competitiveness in the market than big business, hence its development is important to any country's economy.

The study is important to facilitate the formulation of policy to develop SMEs in the clothing industry in a sustainable manner by understanding the factors that contribute to failures and challenges in the industry. In 2008/2009 Government directed R400 million to SEDA, a further R38 million to the Apex fund, and R70 million to Khula, yet government support agencies and initiatives have not achieved expected outcomes from these investment (Business Environment Specialist, 2009:2). Government and other agencies may have to revisit certain policies and practices to ensure that desired economic growth and job creation are achieved. The research study further intends to stimulate thinking and debate, and to add to the academic knowledge in relation to SME development, sustainability and job creation.

1.5 Problem statement

A problem statement is a description of an issue currently existing that needs to be addressed. It provides the context for a research study and generates the research questions that the study aims to answer and is therefore the focal point of any research.

Problem statements, according to Bwisa(2008) consists of three elements, namely;

1. The problem itself stated clearly and with enough contextual detail to establish why is it important;
2. The method of solving the problem; and
3. The purpose, statement of objectives and scope of the project being proposed.

With the points above taken into account, the problem statement pertaining to this study is 'the clothing industry in the Western Cape is on the decline, resulting in business closures, a reduction in employment and an increase in retrenchments and job losses.

According to the DTI (2008), although South Africa has experienced some economic growth, SMEs within the clothing sector have not been able to reduce the unemployment rate compared to other countries. This is echoed by Brink *et al.* (2003:2) who assert that SME failures within the clothing industry can be attributed to "...entrepreneurs not understanding the basic fundamentals of business, as they have good ideas but don't know how to put it into practise". Therefore, as a result, for entrepreneurs who do not understand business practices such as cheap import clothing from China and India, the clothing industry is declining, resulting in businesses closing down and reductions in employment levels.

Solomons' (2004:28) research shows that SMEs in the clothing industry can make a far greater contribution to the national Gross Domestic Product (GDP) and have higher levels of

labour absorption ability. If South Africa wants to achieve a growth rate of between 8% and 9% per year, it should create at least 700 000 new jobs every year (www.persytours.com/social_issues_article.html).

Kassiem (2003) as cited in Isaacs, Visser, Friedrich and Brijlal (2007: 614), shows that every year only 25% of matriculants enter tertiary institutions. Of the balance, 10% may find formal employment, while the remaining 65% will add to the ever-increasing unemployment market. The contribution of SMEs in the clothing industry in terms of absorbing the unemployed is enormous; however, efforts, which have been made by government in recent years have not resulted in the desired results.

Government has established agencies such as SEDA, Khula, the Industrial Development Corporation, the Small Business Development Corporation and the Umsobomvu Fund, but much more should be done to drive economic growth, increase job creation, and prolong the sustainability of SMEs in the clothing industry in the Western Cape and South Africa, as a whole (Business Environment Specialist, 2009:2).

With the above in mind, the problem statement Associated with this research study is

1.6 Purpose statement, key research questions and sub-questions

The key purpose of the study is to uncover the reasons and to explain, based on the opinions of owners and managers of businesses in the clothing industry in the Western Cape, why the number of operators in the industry are declining. A secondary purpose of the research is to establish, in terms of the aforementioned parties (owners and managers of clothing manufacturing businesses), what can be done to rectify the in the industry's problems in the Western Cape. In this study the researcher has tried to establish constraints and problems that SMEs experience in the clothing industry, with particular reference to the Western Cape. The research questions were used to gather relevant information from targeted respondents in order to identify these constraints so that a better understanding of the problems that the industry faces may be obtained. The research questions were, therefore, directed at these respondents to obtain data-rich responses. The research questions were as follows:

1. In your opinion, what are the reasons for the clothing industry's decline in the Western Cape? (this question relates to key research objective number one);
2. What market factors do you believe influence the development and growth of SMEs in the clothing industry? (this question relates to secondary research objective number one);
3. What political factors contribute to the decline of the industry? (this question relates to secondary research objective number one);

4. What legal/legislative factors negatively impact on the growth of the clothing industry in the Western Cape? (this question relates to secondary research objective number one);
5. What economic factors are contributing to the decline of the industry in the Western Cape? (this question relates to secondary research objective number one);
6. What socio-cultural factors impact negatively on the industry in the Western Cape; in other words, do gang warfare and education play a role? (this question relates to secondary research objective number one);
7. What international factors impact negatively on the industry in the Western Cape? (this question relates to secondary research objective number one);
8. What internal organisational deficiencies or weaknesses impact on the clothing industry's ability to survive and what is needed by the industry to operate more efficiently and profitably? (this question relates to secondary research objective number three);
9. To what extent do the policies and programmes, which are implemented by Government and its agencies ensure the sustainable development of SMEs in the clothing industry in the Western Cape, or has such policies and programmes had an adverse effect? (this question relates to secondary research objective number four); and
10. What, according to your opinion, is required to revitalise the clothing industry in the Western Cape so that the local economy can be boosted, and increase local employment, and what key success factors are required for the clothing industry in the Western Cape to operate effectively, efficiently and profitably? (this question relates to research objective number five).

The secondary questions above are important as they provide the answers to what technological factors have contributed to the decline of the industry in the Western Cape: what internal organizational deficiencies have impacted on SMEs in the clothing industry so that they struggle to survive in the turbulent clothing industry market: what extent the customers (clothing and other retailers) have impacted on the businesses' ability to sustain themselves over the long term: what extent the bargaining power of the suppliers have impacted on the organisations' ability to survive and remain profitable: what way the intensity of exiting rivalry in the industry has impacted on their profitability and ability to survive: what extent have low barriers of entry into the market allowed new entrants into the market making it more competitive and whether product substitutes have impacted negatively on the clothing industry in the Western Cape

1.7 Research objectives

The key objective of the research is:

1. To investigate and analyse the opinions of owners and managers of SMEs that operate within the clothing industry in the Western Cape and ascertain why there is a decline in the industry.

The secondary objectives of the study are:

1. To determine, which markets (retailer and consumer) and industry factors (Porter's five forces model variables, especially product substitutes) influence the development and growth of SMEs in the Western Cape clothing industry so that less can be imported whilst encouraging local buying;
2. To determine the macro environment factors that contribute to the decline of the clothing industry (political legislative, economic, socio-cultural, technological and international);
3. To determine what internal organisational deficiencies or weaknesses impact on the clothing manufacturer's ability to survive in this industry, and what key factors are required to operate effectively, efficiently and profitably in the clothing industry in the Western Cape;
4. To investigate the impact and effectiveness of Government-implemented policies and programmes (and its agencies) on sustainable development in the clothing industry in the Western Cape; and
5. To investigate how the clothing industry can be revitalised in the Western Cape in order to boost the local economy and increase job opportunities.

1.8 Methodology employed in the study and ethical considerations

In order to obtain the requisite primary research data, the researcher concentrated on small and medium businesses in the clothing industry in the Cape Town Metropolitan area. The primary source of data was a self-administered questionnaire. These questionnaires were distributed by email to owners and managers within the clothing industry. The study adopted a mixed-method approach, which is both descriptive and exploratory in nature. A convenient sampling method was used to determine the appropriate sample size.

Quantitative data from the questionnaire were captured electronically, while the descriptive data statistics were summarised which provide a first-level description of the study findings.

The population of relevance for the study were SME businesses within the clothing industry in the Cape Town Metropolitan areas. The sample was stratified to ensure adequate representation in all industry groups. The responses were recorded and transcribed.

Irrespective of the research methods used in a particular study, ethical considerations remain essential. Confidentiality with respect to the sample of respondents (SMEs within the clothing industry) will be guaranteed by not divulging details of their respective businesses.

The necessary written permission will be obtained from owners and or managers of businesses within the industry. Formal ethics approval to conduct the research was obtained from the Faculty's Research Ethics Committee at the Cape Peninsula University of Technology. Prior approvals were obtained before questionnaires were emailed and interviews were scheduled at the convenience of the participants.

The questionnaires were accompanied by a covering letter (Appendix C) that explained the aim of the study and, which also highlighted its importance, stressing complete confidentiality and anonymity. From an ethics perspective the researcher followed the following ethics strategy:

1. He obtained as stated above the informed consent of his respondents;
2. He ensured that the respondents participated voluntarily;
3. He assured the respondents that he would keep the information that was garnered during the research confidential and that he would not divulge the indemnity of the research participants;
4. That he would avoid harming the respondents in any way (physical or otherwise);
5. That he would ensure the integrity of the research; and
6. That he would be, from a research point of view independent and impartial.

1.9 Limitations of the study

The research attempts to investigate challenges which SMEs face in the Western Cape Province only, with particular focus on the greater Cape Town area. The research study is, therefore, only applicable to SMEs in Cape Town and its surrounding areas, where the clothing industry is concentrated. Although the research study is limited to the Western Cape, the findings may, however, be relevant to other provinces such as KwaZulu Natal and Gauteng in which the clothing industry is concentrated.

1.10 Outline of the study

A breakdown of the research study is presented below.

Chapter 1 deals with a background of the study, the research problem that gave rise to the research opportunity, as well as the motivation, purpose and the objectives of the study. The chapter also included the ethical considerations that were implemented during the process of gathering the requisite research data.

Chapter 2 reviews the relevant literature on SMEs and conceptualises various concepts that are applicable to the research study. It further reviews literature in terms of SMEs' ability to create jobs in the clothing industry, and around constraints to sustainable development. This chapter outlines internal and external factors, which influence the development and growth of

SMEs, and to what extent these factors affect the sustainability and job creation ability of SMEs in the clothing industry. In this chapter the researcher reviews literature in relations to the programmes and policies that have been implemented by Government and its agencies, and to what extent these interventions ensure SMEs' sustainability. To achieve this, relevant literature from journals, articles, press reports, books and research studies are reviewed and discussed. Porter's Five Forces Model is also discussed in this chapter.

Chapter 3 outlines the research methodology, which describes the study, the sampling procedure and size, the collection instruments, and the data collection methods.

Chapter 4 presents the results and interpretation of the research data. The results are analysed primarily in terms of the developed research questions.

Chapter 5 summarises the study and draws conclusions. This chapter concludes with a discussion regarding the limitations, the contribution that the study can make to the discipline, and presents recommendations for further research.

1.11. Chapter summary

The research study considers the textile and clothing industry in the Cape Town Metropolis and its surrounds. This industry was once considered to be the largest producer of textiles and clothing, but the Western Cape has been afflicted by a reduction in textile and clothing producers, which has reduced employment opportunities for work seekers and jobs for current workers. Factory closures, besides reducing employment and increasing unemployment, also helps to create social problems such as gangsterism and substance abuse. This study has assisted the researcher to better understand the phenomenon, and to contribute towards the enhancement of knowledge pertaining hereto. This leads to Chapter 2, the literature review, which acts as the foundation upon which the study has been laid.

CHAPTER TWO LITERATURE REVIEW

2.1 Introduction

This chapter presents a literature analysis of factors that influence the development and growth of SMEs, and the extent that these factors affect sustainability and the job creation ability of SMEs in the clothing industry. The chapter reviews literature, which deal with programmes and policies that were implemented by Government and its agencies, and to what extent these interventions ensure SMEs' sustainability. The chapter begins with a discussion of key concepts, and proceeds with a discussion around the extent of job creation by SMEs, and factors that have been identified as crucial for SME survival and growth.

2.2 Definition of job creation

A number of definitions were found for job creation, which include the following:

1. Job creation by government spending – this means that government can stimulate job creation by investing in projects and can improve or create new services;
2. Job creation is influenced by legislation and monetary policy – when there is a change of monetary policies, tax incentives and changes in regulations, employment will be affected;
3. Job creation is a market share approach – job creation can occur when the unemployed start their own businesses; and
4. Job creation through ideas – innovate, create, and invest, while long –term employment can be created by creating new industries¹

2.3 Extent of job creation by SMEs and developments within the clothing industry

Baker (1962), in Natrass and Seekings (2012: 2), traces the origin of the clothing industry in Cape Town to the Witwatersrand in the 1920s and 30s and states that with the strength of protection, employment in this industry grew to about 50 000 in the 1950s. The clothing industry was characterised by inter-regional wage differentiation from the beginning, with higher wages in Johannesburg. During the 1920s and 1930s, Cape Town companies resisted the Johannesburg wage-levels and during the 1940s and 50s many lower-wage companies in Johannesburg relocated to smaller towns such as Parys and Kroonstad (Natrass & Seekings, 2012:2). According the Natrass and Seekings (2012:3), development of the South African clothing industry is largely as a result of this combination of inter-regional wages and the high levels of tariff protection.

¹ Philip.A. Wickham, 2001. Strategic entrepreneurship: a decision-making approach to new adventures creation and management, 2nd edition. <http://www.prnewswire.com/news-releases/job-creation-definition-64448677.html>

This resulted in 170 000 wage employees in the clothing industry in the 1980s and remained more or less at the same levels into the early 1990s. Natrass and Seekings' (2012:13) study results regarding employment figures for the period from 2000 to 2011 are shown in the figure below.

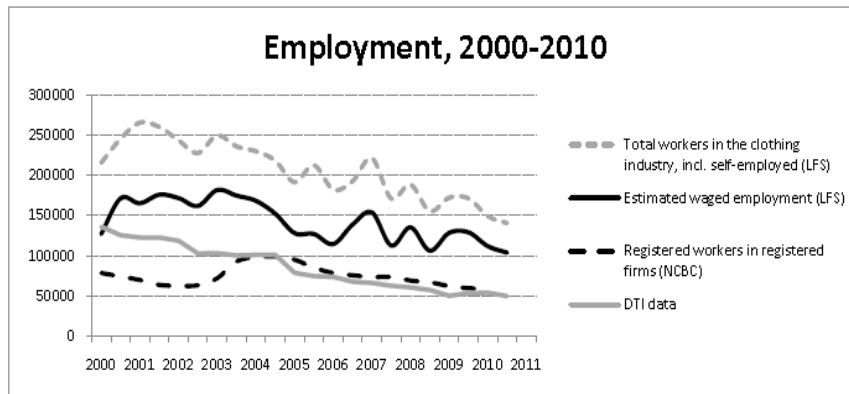


Figure 2.1: Employment in the clothing industry (SIC 314) 2000 - 2011

Source: Natrass and Seekings (2012:13)

Figure 2.1 above reports data on employment from the Nation Bargaining Council (NBC), The Department of Trade and Industry (DTI) and the Labour Force Survey (LFS). The study shows that the NBC and DTI figures differ before 2003, because the NBC excludes employment data from areas such as Newcastle, which fall outside of its jurisdiction. Conversely, LFS recorded more clothing jobs than both NBC and LFS. This is because it had made use of the largest national sample of households and recorded a wide range of formal, informal and self-employment in the clothing industry. Surveys by the NBC, DTI and LFS show that employment declined during 2003-04. This suggests that the losses in the formal sector did not result in an increase in jobs in the informal sector. The number and proportion of jobs employed by firms that are not compliant with the BSC's minimum wage rate and condition of service has shrunk, which could be why these firms have become formal or have simply closed business (Natrass & Seekings, 2012:13). Shakya (2011:221) argues that not only have jobs been lost to China and Lesotho, but also to other countries where employment in the clothing industry doubled between 2000 and 2007. In South Africa, where a quarter or a third of the labour force is unemployed, job losses have become a serious problem and the sustainable development of the clothing industry is crucial in providing the required jobs, especially in poverty-stricken, non-urban areas (Natrass & Seekings, 2012:13). The clothing industry is, in many areas, the only form of formal employment, with many families being dependent on their survival (Vlok, 2006:227). These are the key breadwinners of poor households in areas where the clothing industry offers the only employment opportunities, while the loss of even low-wage jobs will further relegate households into poverty (Van der Westhuizen, 2006:12-14).

Table 2.1: Employment (Number of workers)

Year	1995	2000	2005	2010	2015	2016
Textile	70 000	60 000	50 000	40 000	40 000	40 000
Clothing	120 000	130 000	80 000	60 000	50 000	55 000

Source: Cotton SA: 2018

Table 2.1 above reports data on employment from the Cotton South Africa. It indicates that employment levels, especially in the clothing section declined drastically over the period 1995 to 2016. This was as a result of an increased in garment imports which led to a decline in local garment production. The table shows that employment levels especially in the clothing sector declined drastically from 1995 to 2016. This was as a result of an increased in garment imports, which led to a decline in local garment production.

The impact of production, sales and employment on the local apparel manufacturing industry was profound, resulting in the South African domestic demand increased markedly, however retailers turning to imports rather than local producers (Morris and Barnes, 2014:10).

2.3.1 SMEs' potential for job creation

The SME sector is regarded by many as the driving force for job creation in many countries (Sunter, 2000:23). It is estimated that SMEs account for 70% of Ghana's Gross Domestic Product and 92% of its business, while in South Africa they comprise of 91% of formalised businesses (Gatt, 2012:1). According to Olawale and Garwe (2010:729), SMEs contribute 56% of private sector employment and 36% of the Gross Domestic Product in South Africa. FinMark Trust (2006), in Olawale and Garwe (2010:729), argues that one the best ways to address unemployment is to leverage the employment potential of small and medium enterprises, and to promote and develop SMEs. The contribution by SMEs to employment levels and income distribution is widely recognised (Brink, Cant & Ligthelm, 2003:2). Monks (2010:15-16), agrees, and states that SMEs are the growth engine behind most economies and the largest contributor of employment, technical innovation and new products in most countries. SMEs are therefore, essential for a competitive and effective market. The clothing and textile industry is labour intensive and an important employer, particularly in poor communities and amongst low-skilled workers (Vlok, 2006:229). According to Nattrass and Seekings (2012:1), the clothing industry has always been the most labour intensive sector in the South African economy. This sector encompasses different sub-sectors with different market niches and production technologies, with higher wages, less labour intensive sectors in mostly metro areas, and lower wages and more labour intensive sectors in areas like KwaZulu-Natal and parts of the Free State.

Table 2.2: Labour-intensity in the clothing and South African manufacturing industry (2008).

	Clothing (SIC 314)*	Textile, clothing and footwear (SIC 31)	Total manufacturing
Salaries and wages (as % of total expenditure)	R 2, 667 million (19.2%)	R 8,069 million (18.7%)	R 146,683 million (10%)
Employment (%)	73,643 (5,5%)	168, 912 (12,5%)	1,344,170 (100%)
Value of plant machinery and equipment	R 701 million	R 4,652 million	R 201,367 million
Capital: labour	R 9,519	R 27,541	R 149, 808
Average weekly wage	R 696	R 916	R 2, 098
Output: employment	R 172,565	R 242,925	R 1, 014,088

Source: StatisticsSA, Manufacturing Industry: Financial Report No. 30-20-30 (2008 published 2010) as cited in Natrass and Seekings (2012: 15-16).

Table 2.2 above shows a recent manufacturing research survey. The data indicates that firms in the textile, clothing and footwear (SIC 31) sector are more labour-intensive than the average manufacturing firm. It took only R28 000 of investment in capital equipment to provide a job in the textile, clothing and footwear sector, and R10 000 in the clothing industry (apparel), whereas the manufacturing industry, as a whole, needs R150 000 to provide a job. The high proportion of expenses for salary and wages is another indication of the high labour-intensity within the clothing industry, with 19.2 per cent compared to 10 percent of the manufacturing sector, in general. Although the clothing industry accounts for less than half of the total capital stock in manufacturing, it provides 5 percent of the total employment and 2 percent of the salary and wages bill (Natrass & Seekings, 2012: 15). Wages in the clothing industry are also generally lower than in the manufacturing sector; this lower labour productivity per worker output is an indication of the labour-intensive production (Natrass & Seekings, 2012: 15). Natrass and Seekings (2012:5) further argue that the low wage clothing firms in non-metro areas are important for job creation, because they are labour-intensive and can produce affordable clothing for the majority of people, whilst they are also able to compete with imports. These companies are ultra-labour intensive and produce clothing items for the mass market, using less automated and complicated machinery and cheaper inputs.

2.3.2 Decline of tariff protection and China entering the global clothing market

According to Van der Westhuizen (2006:5), the decline of the clothing industry was as a result of South Africa's accession to the World Trade Organisation (WTO) Agreement on Textile and Clothing (ATC). This resulted in a decrease of the tariff protection levels from 100 percent in 1993 to only 40 percent in 2004. Not all experts are in agreement with the levels of

protection, as some argue that the levels are high by international comparisons, while others indicate that the high levels of protection are necessary for sustainable development in this sector (Van Der Westhuizen, 2006:5). Table 2.2 below shows the levels of protection within the industry from 1993 to 2004.

Table 2.3: South Africa’s typical tariffs on apparel, calculated from collection duties

1993	1995	1997	2000	2001 MFN	2002 MFN	2003 MFN	2004 MFN
100%	90%	78%	60%	54%	47%	47%	40%

Source: Edward (2005), as cited in Van der Westhuin (2006:5).

In terms of Table 2.3 above, note that the ad valorem equivalents are calculated using collection of duties. The collection rate is used in cases where the collection rate exceeds the ad valorem component of the mixed or formula duty. In cases of mixed tariff with a minimum value, the minimum value was used, which may exaggerate the tariff, but avoids underestimating the protection.

The clothing and textile sector prior to the mid-1990s was locked into import substituting industrialisation. Firms were protected by targeted import quotas and high product specific tariffs; however by 2001 the tariffs on textile were down to 28% and tariffs on clothing down to 40% (Christie, 2016:34). This shift was due to a policy change in South Africa favouring trade liberalisation. This resulted in a sharp reduction of tariffs below the requirements of the General Agreement on Tariffs and Trade (Christie, 2016:34).

In June 2019 the South African Services (SARS) published the import tariff as:

Table 2.4: South African’s import tariff

2019	Rate
Apparel	40%
Yarns	15%
Fabrics	22%
Finished goods	30%

Source: Sars 2019

The declining tariff protection and China's entry into the global market are crucial "contextual factors", as well as a rising minimum wage and the strengthening of the Rand, which placed the industry under further pressures (Natthrass & Seekings, 2012: 5). According to Edward *et al.* (2009) in Natthrass and Seekings (2012:7), the reduction of tariffs dropped faster than what was required by the international General Agreement on Tariffs and Trade. Even though the clothing industry received the benefits of lower costs on imported material, the tariff on imported clothing fell from 90% in 1996 to 40% in 2004 (Anstey, 2004: 1842). When China joined the World Trade Organisation and after the multi-fibre arrangement (which had imposed quotas on imports from large Asian countries to developed countries) ended in 2004, it rapidly expanded on exports. This resulted in an increase in imports from China from 11 million in 1994 to 335 million in 2004 (Van der Westhuizen, 2006:5). Table 2.3 below shows a complete view of the changes in imports and exports, since the liberations of trade under the WTO'S ATC.

Due to the government's liberalisation of the clothing trade, the value of clothing imports almost doubled between 1995 and 2000. This trend was sustained with the appreciation in currency from 2002 and 2003 onwards, resulting in a further decline of the industry and employment. Van der Westhuizen (2006:6) shows that liberation of the clothing industry resulted in a decline in employment.

Table 2.5: South Africa's clothing imports and exports (R million current prices)

Year	1995	1997	1999	2000	2001	2002	2003	2004
Exports	960.2751	1377.193	1668.578	2060.417	2575.843	3167.95	3138.788	2500.41
Imports	703.206	1248.77	1554.87	1899.6	2120.21	2282.89	3162.79	4571.93

Source: South African Standardised Industry Database, Quantech (2004), as cited in Van der Westhuizen (2006:6)

With the strengthening of the Rand in 2002 and 2003, South Africa's exports fell to a mere 5,5 million US Dollars, while imports increased sharply in spite of the 45 per cent tariff on imported clothing and the temporary restrictions on imports from China in 2007 and 2008. By 2008 China's imports equalled 61% of South Africa's total clothing imports and 74% by 2010 (AMSA, 2011:1). This resulted in an influx of cheap imported clothing from China and elsewhere, which greatly affected the employment levels within the industry in the Western Cape and in South Africa, as a whole.

Table 2.6: South Africa's import from China (R million current prices)

Year	2014	2015	2016	2017
Cotton yarn: Tons	249.3	166.7	322.0	196.5
Cotton knit fabric: Tons	414	340	404	2 774
Cotton t- shirts: Units (mill)	14.9	13.6	12.7	7.1
Cotton denim trousers; Units (mill)	4.8	4.2	7.8	9.3

Source: Cotton SA: 2018

Table 2.5 above shows that import from China increased of cotton knit fabrics and denim from 2014 to 2017, however cotton yarn and cotton t-shirts decreased over the same period. The clothing imports from China increased from R10.3 billion in 2014 to R12.4 billion in 2016 but decline to R 10.9 billion in 2017. This is approximately 64 per cent of the total volume of clothing imports during 2017 was from China.

Table 2.7: South Africa's Export of cotton products(R million current prices)

Year	2014	2015	2016	2017
Cotton yarn: Tons	1 810.4	326.1	432.7	1087.9
Cotton knit fabric: Tons	1503.7	1.016.5	931.5	920.2
Cotton t- shirts: Units (mill)	1.3	0.7	0.9	0.9
Cotton denim trousers; Units (mill)	0.2	0.28	0.18	0.19

Source: Cotton SA: 2018

South Africa export very little to China, however major exports to China are raw wool. The total exports of clothing increased from R 4 540.3 million in 2014 to R 5 253.0 million in 2017.

2.3.3 Current developments within the clothing industry in South Africa

Payne (2012:5) indicates that the clothing manufacturing industry was up in arms after the announcement by two big players in the industry, namely Seardel and Trudok, which retrenched about 1900 workers. According to Seardel, the largest clothing manufacturer, with about 7000 workers, it reduced its six factories in various locations in the Western Cape to only two, both in Epping. This resulted in about 1000 workers being retrenched in the Western Cape and about 400 at its factory in KwaZulu-Natal. According to Seardel's Chief Executive, Payne (2012:5), the company's apparel division had been unprofitable for the last five years, and by restructuring they would save as much of the business as they could. Similarly, Trubok plans to consolidate its two factories in Newcastle and Charlestown into one, resulting in about 400 job losses (Payne, 2012:5). This came as a shock to the industry with many of the industry players being disappointed at the proposed job losses, which did not encourage employment.

The Bargaining Council and many clothing companies are in dispute over the new minimum wage rate. Many smaller companies that are noncompliant with the new minimum wage rates indicate that, should the execution be enforced, they will have to close down permanently and more jobs will be lost (Payne, 2012:4).

Although the two big players, namely Seardel and Trubok and a number of smaller companies are compliant with the new wage rate, about 36% of the clothing industry refuses to be compliant, stating that the new wage rate is unsustainable in light of international competition (Payne, 2012:4). According to Payne (2012:4), a moratorium offer was made late in 2010, which stated that noncompliant companies could phase in the higher minimum wage rate. Workers should have been paid 70% of the new minimum rate in April 2012, 90% by January 2013 and 100% by April 2013. According to Ahmed Paruk, Head of the United Clothing and Textile Association, in Payne (2012:4), his noncompliant members have resolved that if the 90% was enforceable, they would permanently close shop and more jobs would be lost. He argues that his members are barely breaking even at the 70% of the new minimum wage rate (Payne, 2012: 4). Johann Baard, executive director of Apparel Manufacturers of South Africa, who represents noncompliant companies at the Bargaining Council, said that warrants would be executed on 500 non-compliance companies and together these companies provide about 20 000 jobs (Payne, 2012: 4). Understanding the sentiment of these companies to the enforcement of this new minimum wage rate can only spell disaster for the clothing industry, with many people losing their jobs. Natrass and Seekings (2012: 27) agree that force compliance will not help South Africa to create more jobs in the industry, and will lead to further job losses.

Although the clothing giant Seardel recognises the positive initiatives in the industry with regard to production incentives and the new lower wage dispensation to new entrance in the market, Paruk argues that in spite of these positive developments, job losses will continue if the unions and the Bargaining Council forces their members to give up on producing lower-margin clothing. The compliant companies had for years agreed to high wage increases, which have now led the industry to a “level unsustainability” against cheaper imports. The noncompliant companies believe that a lower wage rate, combined with good incentives, will result in the industry being more sustainable (Payne, 2012:6). Nattrass and Seekings (2013:2) highlight the serious implications for prospective job losses in the industry when firms are forced to comply with this minimum wage agreement, citing that ‘labour-intensive manufacturing in South Africa is now being threatened by a compliance drive’. According to Payne (2012:5), a union statement in November 2012 iterated that the industry experienced a decrease in job losses by more than 50% in 2011, compared to the same period in 2010; however, in 2009, for the same period the industry experienced a decrease of 64% of job losses. Although it seems that the industry is recovering, with the latest development, it is too soon to predict the effect of the enforcement of the new minimum wage rate on the clothing industry in the Western Cape, and on the country, as a whole.

In November 2013, Government approved a 5 year business plan, with a R 200 million grant for the establishment of a national cluster, namely the Southern African Sustainable Textile and Apparel Cluster (SASTAC). The objective of this cluster was to build and improve the capacity in the cotton industry value chain for sustainable textile and apparel (Cotton SA: 2017:3)

The intervention of the SASTAC in the industry was essential for the survival of the clothing industry; however when we look at the information provided by Cotton SA, in five year increments, employment in the industry showed a declining trend from 2000 onwards.

The table shows that employment levels especially in the clothing sector declined drastically from 1995 to 2016. This was as a result of an increased in garment imports, which led to a decline in local garment production.

The impact of production, sales and employment on the local apparel manufacturing industry was profound, resulting in the South African domestic demand increased markedly, however retailers turning to imports rather than local producers (Morris and Barnes, 2014:10). The restructuring of the apparel industry resulted in the decline of the number of formal apparel manufacturing firms and employees.

In 2016, the Minister of Economic Development unpacked the government’s plan to help the industry. These initiatives include duty protection, industry development incentives, cheaper loans for development, fighting customs fraud, local and skills development programmes

within the industry (News 24:2016). The industry was further impacted by the downgrading of the South African economy by various rating agencies in 2017, resulting in raising cost of workers, businesses and reducing governments' support measures and incentives.

Skills development in the industry is crucial for business development and growth. However, the space of change is not enough to keep up with social and economic challenges. Skills are both a constraint on socio-economic delivery and achieving international competitiveness (Christie, 2016:32). According to Christie (2016:32) the survival of firm and businesses in the clothing industry requires manufacturers to focus on both price and non-price factors such as quality, innovation and rapid responses to ensure competitive advantages.

Morris and Barnes (2014:8) found South African manufacturers are confronted with many cancelled orders, and as a result had to find alternative clothing producers. Despite unfavourable exchange rate for import, retailer buyers sourced offshore and found China to be an alternative supplier. Although the local clothing manufacturers sought to return in supplying the local retailers, the restructuring of the domestic value-chain made this solution no longer viable (Christie, 2016:35).

In South Africa the economy had gone through a whole series of reforms since 1994. Despite social progress since 1994, poverty, inequality and unemployment have translated into economic under-performance. Although the economy peaked in the mid-2000, growth is low and well below potential, with the removal of import control in the mid-1989 and the level of tariff protection on textile and clothing were reduced dramatically (Cotton SA, 2018:2). The import from China represent a very insignificant percentage, while import from China represent a major portion of South Africa's textile and clothing market. During 2017, the South Africa imported textile and clothing to the value of R 41.5 billion, of which 46 percent came from China. Clothing Imports from China increased from R10 billion in 2014 to R 12.1 billion in 2016, but declined to R10.9 billion in 2017, while approximately 64 per cent of the total volume of clothing imports during 2017 was from China, down 68 per cent in 2014 (Cotton SA, 2018:3).

In 2018 the Department of Trade and Industry announced a Customised Sector programme (CSP) for the clothing industry. The objective of these CSPs is to assist industries in the upgrading of equipment and processes in order to be more competitive and encourage innovation (DTI: 2018). The Production Incentive Programme (PIP) provides policies and guidelines as part of the overall Clothing and Textile Competitiveness Programme (CTCP). The main of the PIP was to structurally change the clothing, textile, footwear and leather

manufacturing industries by providing funding assistance to invest in competitiveness improvements interventions and to stabilise employment (DTI: 2018).

The upgrade grant is available to provide financial support to the industry and to achieve higher levels of competitiveness. This grant can be used for upgrading of existing plant and equipment, or acquisition of new plant; improving manufacturing processes, developing new productions and people.

2.4 Internal and external factors that affect SMEs' successes and failures

2.4.1 Introduction

The job creation ability of SMEs is greatly affected by the internal and external business environment (Cant, Strydom & Jooste, 1999:23). Internal environment deficiencies are the major cause of SME failure (Ligthelm & Cant, 2002:3) and job losses. The impact of technology and the state of the economy may either facilitate or hinder SME development, sustainability and job creation ability (Brink, 1997:354). Research, which was conducted by Brink, Cant and Ligthelm (2003:10) found that high interest rates, inflation, crime, HIV/AIDS and government legislation negatively impact on the success of SMEs, which can lead to down-sizing and retrenchments. Brink *et al.* (2003:16) found that with the introduction of the new labour laws, many SMEs do not have the required resources, and this negatively affects entrepreneurial morale. Barns (2005:11) agrees that the labour market is highly regulated, and SMEs cannot afford the high labour costs in the current competitive global market. As a result, many clothing firms relocate to non-metro and decentralised areas where they pay lower wages. Mboniyane (2006: 11-20) and Petrus (2009: 24-32) argue that there are various factors, which affect SME development, and these include the following:

1. Poor planning;
2. Lack of small business management education and training;
3. Lack of employee satisfaction;
4. Lack of budget management;
5. Lack of inventory management;
6. Lack of financial support;
7. Access to finance;
8. Globalisation;
9. Poor cash flows and financial planning; and

10. .Poor crime management. (Mbonyane, 2006: 11-20; and Petrus, 2009: 21-32).

2.4.2 Internal factors

According to Guzman and Santos (2001:218) and Fieldan, Davidson and Makin (2000:303), the personal environment (internal or firm-based factors) has an impact on business success.

According to Olawale and Garwe (2010:731), these are factors that are largely controlled by the firms.

This personal environment includes all firm-specific factors such as the availability of resources; personal skills and the effective use of resources inside the firm; finance such as the owner's equity contributions and collateral; the managerial competency of the owner; location; investment in technology; cost of production; and networking (Panco & Kom, 1999:2; Nieman, 2006:22; Olawale & Garwe, 2010:731). Dockel and Ligthelm (2005:61) and Ligthelm and Cant (2002:6) identified the internal environment as one of the major causes of SME failure, with over 65% as a result of firm-based factors. According to Herrington, Key and Key (2009) in Olawale and Garwe (2010:731), the major problem for South African entrepreneurs is access to finance, coupled with a lack of financial support, following education and training. FinMark Trust (2006) and Foxcroft, Wood, Kew, Herrington and Segal, in Olawale and Garwe (2010:731), postulate that only 2% of new SMEs in South Africa manage to access finance and about 75% of new SME applications for bank credit are declined, which suggests that new SMEs are not able to survive and grow. Other important factors include the South African Labour Legislation and the powerful unions. Van Niekerk (2007:7-8) asserts that the South African Labour Legislation is amongst the most rigid in the world. This leads to internal factors which include the following:

2.4.2.1 Company demographics

According to Panco and Kom (1999:2), a company's demographics factors may affect the survival of a business. These include the factors which are described below.

- **Size of the firm**

According to De Villiers (1997:82) and Baard and Van den Berg (2004:2), SMEs exist in a hostile global market, and constraints affect SMEs differently, based on their size in the same industry. Small enterprises are negatively affected owing to their limited resources (Gruber, 2002:194; Davila, Foster & Gupta, 2003:700). Researchers, therefore, agree that the size of a business will negatively affect the profitability of a business owing to their limited resources.

- **Age of the firm**

Studies by Panco and Kom (1999:2) support the fact that the age of an organisation may affect the survival, growth, decline and death of a firm. Davila *et al.* (2003:700) state that new

SMEs face a greater risk in terms of survival than older firms. New SMEs do not have the experience, access, links and legitimacy of older firms, and may have limited access to external resources. This may be one of the reasons for the high failure rate of new entrances into the market.

- **Organisational structure**

Another important factor of firm survival and growth is the method by which the firm was founded. Gundry and Welsch (2001: 458) and Kangasharju (2000:29) state that the organisational structure and strategic objectives may affect the growth and survival or organisational decline and survival of SMEs.

- **Product and competitiveness**

Man, Lau and Chan (2002:129) show that competitive advantage is one of the factors that is crucial for the survival, success and growth of a business. This competitive advantage is achieved through competitive strategies such as product differentiation and the like (Pretorius, Van Vuuren & Nieman, 2005:63). Clover and Darroch (2005:243) indicate that SMEs often do not reach their targeted sales as a result of uncompetitive products, lack of track record and unknown brands.

- **Human capital**

According to Sullivan and Sheffrin (2003) in Olawale (2011:195), human capital comprises is the stock of competence, personal attributes and knowledge to produce economic value. Dahliqvist, Davidson and Wiklund (2000:2) point out that the first place to look for internal determinants of survival is indeed within and amongst the human capital of an enterprise. Rauch and Frese (2000:2) and Markman and Baron (2003:284) identify human capital as the attitudes, commitment, values, knowledge, experience, education, skills and abilities that assist the entrepreneur and his/her team to start, run and grow a business. Ganotakis (2010) in Olawale (2011:196) classifies human capital into general human capital and specific human capital. General human capital is normally measurable by the qualifications and experience of entrepreneurs, while specific human capital relates to specific business education, and specific skills which relate to the industry and managerial experience. Markman and Baron (2003:285) and Man *et al.* (2002:130) suggest that the human capital of an entrepreneur is crucial to the survival, development and competitiveness of his/her business. Rauch and Frese (2000:1) and Lussier and Pfeifer (2001:233) also indicate that a positive relationship exists between SMEs' success and human capital. According to Ahmad *et al.* (2010) in Olawale (2011:193), the critical resource for success is held by individual entrepreneurs. These include their skills, knowledge, experience and education. Success and failure are, therefore, influenced by the skills and ability of SME owners.

- **Financial management and managerial competencies**

Management competence is often determined by the availability of management and financial information. Financial issues, which are important for success, are capital requirements, bookkeeping, financial planning, financial control, management with working capital and income generation. According to Olawale and Garwe (2010:731), managerial competencies are important for the survival and growth of new SMEs. Martin and Staines (2008) in Olawale and Garwe (2010:731) mention that new SMEs fail primarily owing to a lack of financial, managerial experience and skills. Olawale and Garwe (2010:731) also argue that management capacity in new SMEs has reduced owing to a lack of adequate education and training.

- **Investment in information technology and the cost of production**

The investment in information technology and keeping up with technology advances is another factor that influences the survival of SMEs. Olawale and Garwe (2010:731) state that technology plays a crucial role in SME development. Information technology is essential for sales and to maximise business opportunities. According to Rogerson (2003:117), in order for SMEs to have a competitive advantage, they must be able to access the appropriate technology. SMEs must be able to secure the appropriate technology at start-up in today's world of globalization (Clover and Dorrach, 2005:243).

As can be seen above internal factors can affect the survival and success of a business.

This leads to a discussion on the external factors that may affect the development and growth of a business.

2.4.3 External factors

The macro-environment includes factors that are external to the enterprise, which may inhibit or facilitate entrepreneurship at start-up and during the SME's lifecycle (Simpson, Tuck & Bellamy, 2004:484). This is supported by Dahlqvist *et al.* (2000:5) who state that external factors present opportunities, threats and information, and affect all SMEs within a particular industry. Guzman and Santos (2001:217) identify external factors to include markets (local, international, emerging and established markets), cultural, economic, political, legal, institutional, and productive technology, as well as infrastructure and other physical factors of that environment. According to Mazzaroli, Volery, Doss and Thein (1999:50), and Viviers, Van Eeden and Venter (2001:4), these macro environmental factors cannot be controlled, while the success of the SME largely depends on the management's ability to deal with them. According to Brink (1997:354), the most common problems, which influence SME success in this environment is the state of the economy, compliance with legislation, resource scarcity,

HIV/AIDS, crime and corruption and rapidly changing technology. The external factors are grouped into two broad categories: economic factors and market-environmental issues and these are outlined below.

As can be seen above, external factors may affect the survival and success of a business.

2.4.3.1 Economic factors

The state of the national economy is an important factor for the success of a new venture (Baron, 2004:233; Ligthelm & Cant, 2002:5; Viviers *et al.*, 2001:4; Nieman, 2006:22; Gurol & Atsan, 2006:28). These economic factors include the fiscal policies of a government, inflation, interest rates and foreign exchange rates. These factors influence the demand of goods, services and growth (Olawale, 2011:732). The South African economy is currently characterised by slow growth rates, high inflation and a declining exchange rate. In addition, the influx of cheap and inferior goods greatly influences the sustainability of SMEs in the clothing industry. This leads to economic factors which include the following:

- **Inflation**

According to Viviers *et al.* (2001:4) and Ligthelm and Cant (2002:5), inflation has an effect on entrepreneurship in South Africa. By mid-2008 South Africa's inflation figure was 11%, which means that the value of wealth decreased, which resulted in fewer entrepreneurship opportunities.

- **Interest rates**

The lower the interest rate the greater the access to capital and resources for entrepreneurship activities (Ligthelm & Cant, 2002:5). Viviers *et al.* (2001:4) argue that the high prime interest rate in mid-2008 of 15% resulted in a decrease in consumption and capital.

- **Unemployment**

Viviers *et al.* (2001:4) found that high unemployment impacts on the entrepreneurship process. Many people are pushed into entrepreneurship for survival (Wickham, 2001:63; Dollinger, 1999:43).

- **Exchange rate**

Viviers *et al.* (2001:4) and Ligthelm and Cant (2002:5) state that the exchange rate has a major effect on SMEs. The weak rand in South Africa means more opportunities in the export market, but less capital for investment. The rand lost about 15 per cent of its value between 1994 and the end of 2003 (Tshabalala and Rankhumise, 2009:143). The volatility of the

currency means bad news for policy makers and businesses.

- **Taxation**

Robertson, Collins, Medeira and Slater (2003:311) identify taxation as one of the key factors, which inhibit SME development. When the tax rate is high, it reduces profit incentives (Ahwireng-Obeng & Piaray, 1999:78).

- **Change**

Change and the ability to deal with change is an important factor in the success of SMEs (Viviers *et al.*, 2001:4). It can relate to uncertainty and market opportunities. Change may also include technological advances (Ligthelm & Cant, 2005:242) and changes in the market forces (Shane & Venkatarman, 2000:220). According to Morris and Zahra (2000:92), the re-entry of South Africa into the global market resulted in major changes, especially with regard to the import of cheap clothing from China. However, most South African SMEs lack the capacity to deal with the changing business environment (Strydom & Tustin, 2003:4), and in many instances led to closures (Panco & Kom, 1999:7).

As can be seen above economic factors economic factors may affect the survival of a business.

This leads to a discussion on political –institutional factors which may affect the development of SMEs.

2.4.4 Political-institutional factors

According to Themba, Ghamme, Phambuka and Makgosa (1999:104), the political climate of a country can facilitate or hinder the development of SMEs. This includes macro-economic policies, the judiciary, bureaucracy, and the cost of compliance. The political-institutional factors include the following:

- **Macro-economic policies**

Clover and Darroch (2005:241) and Dockel and Ligthelm (2005:54) indicate that macro-economic policies, legislation, regulations and laws can either hinder or facilitate entrepreneurship development. Investment and tax policies and regulations may encourage investment and sustainability of SMEs, as well as job creation (Themba *et al.*, 1999:105; Ahwireng-Obeng & Piaray, 1999:78; Henning, 2003:2).

- **The judiciary**

The judiciary is important for the development of entrepreneurial activity. It provides protection and enforces contractual obligations between parties (Ahwireng-Obeng & Piaray, 1999:78).

- **Bureaucracy**

There is a high level of bureaucracy in South Africa. It corrupts and leads to red tape, which can significantly increase business costs (Ahwireng-Obeng & Piary, 1999:78).

- **Cost of compliance**

Government legal compliance has become a hindrance for many SMEs, while most SMEs experience a lack of capacity (Strydom & Tustin, 2003:3; Rwigema & Venter, 2004:19). Viviers *et al.* (2001:4) and Ligthelm and Cant (2002:5) believe that the cost of compliance with legislation is high in South Africa and is a threat to the SME sector.

As can be seen above political-institutional factors can facilitate or hinder the development and growth of a business.

This leads to a discussion on Government's developmental programmes and policies and their successes and failures.

2.5 Government development programmes and policies and the extent of their success

2.5.1 Introduction

In 1996 Government announced the macroeconomic framework for growth, employment and redistribution (GEAR). The main aim was to promote SMMEs, job creation and income generation (Chandra, Moorty, Nganou, Rajaratnam & Schaefer, 2001:39). However, the SMME sector did not respond as expected, which resulted in various legislation and institutions being established to make SMME development more effective (Chandra *et al.*, 2001:39). In 1995 the White Paper proposed an enabling environment for SMMEs, which was followed by the National Small Business Act of 1997, and established these two agencies to support the goals of new legislation. Ntsika Enterprise Promotion Agency is an apex institution, which supports the non-financial needs of SMMEs, while Khula Finance Agency provides financial services. These agencies work at an SMME level through their retail counterparts (Chandra *et al.*, 2001:39; Monks, 2010:52).

In 2002 the clothing and textile industry was earmarked as part of the President's Growth Strategy, which resulted in role players such as the Department of Trade and Industry and

Trade and Investment South Africa (TISA), which began to focus on the combined efforts of sectors with the greatest growth potential. This resulted in an agreement with role players such as the government and the South African Clothing and Textile Workers Union (SACTWU) with regard to the government's Customised Section Plan (CSP). This CSP spelled out the following actions:

- 'The government to engage with multilateral forums to ensure that South Africa could respond as a developing country to dumping;
- Capacity at customs to be improved to eliminate under-invoicing and illegal imports;
- A partnership to be established between Southern African Customs Union (SACU) members to ensure consistency of policy;
- The maintenance of tariffs at extant levels; and
- The exploration of export opportunities to the rest of Africa. (Van der Westhuizen, 2006:9; Barnes, 2005: 12-13).'

In 2004 the Small Business Development Agency (SEDA) was established. The intention here was to merge organisations such as Ntsika, Enterprise Promotional Agency, the National Marketing Advisory Centre (NAMAC) and the Community Public Partnership Programme. The GEM (2002) report identified NAMAC as one of the most successful initiatives undertaken by government (Monks, 2010:52). The aim of SEDA was to focus on business development and support of SMEs in terms of planning, entrepreneurship training and promotion and access to finance and technology (Department of Trade and Industry, 2004). Khula Enterprise Finance Limited was established in 1996 as an independent entity, though it fell under the DTI. Its primary aim is to assist in the funding requirements of SMEs and SMMEs, especially in cases where commercial banks are not willing to take the risk (Monks, 2010:52). The Export Marketing and Investment Assistance (EMIA) were established to offer export financial support. EMIA supports clients and partially compensates exporters for costs that are incurred in getting the products and services exported, and to attract direct foreign investment to South Africa (Monks, 2010:58). The Industrial Development Corporation (IDC) was established in 1940 to promote economic growth and industrial development in South Africa. Its objectives include:

1. To develop small and medium enterprises;
2. To accelerate Black Economic Empowerment (BEE); and
3. To further the aims of the New Partnership for Africa's Development (NEPAD).

Business Partners Limited was established to provide support to South Africa and selected African SMEs. The products that are provided are tailored to the unique needs of the SME. These include:

1. Business finance; and
2. Mentorship and consulting.

SME Toolkit – build your business is a website that is jointly operated by the International Finance Corporation (IFC) and the International Business Machine (IBM). This website provides information from accounting and finance to marketing, sales and operations (SME Toolkit, 2010; Monks, 2010:57). Through its new Growth Path document, the government has set ambitious job creation goals with 5 million jobs by 2020, and through its National Development Plan (NDP) has proposed 11 million jobs by 2030 (NDP, 2011: 126). This, however, requires a growth rate of about 5-6 percent per year, and an increase of investment and savings (Nattrass and Seekings, 2012: 27). Nattrass and Seekings (2012:27) argue that to create jobs more labour-intensive forms of production must be promoted. Conversely, the NDP recommends the opposite, with the strengthening of capital-intensive industries instead (NDP, 2011:126).

2.5.2 Extent of effectiveness of government initiatives

Monks (2010:58) found that less than 45% of SMEs are aware of the IDC and only 7% of SMEs make use of its services. Only 9% of SMEs has heard of Khula Enterprise Funds, while 1% has made use of their services and only 12% has heard of the Export Incentives and 2% has made use of the service. The 2002 GEM report, as alluded to be Monks (2010:58), states that there is limited government support for the informal sector and at the same time initiatives are directed at the formal sector and is too generic with limited success. The report found that many SMEs are unaware of government initiatives, while others, although aware, decide not to make use of the services. A limitation of the SME Toolkit is that the site only presents the information, but does not offer any collaboration between stakeholders (Monks, 2010:57).

Herrington *et al.* (2009), in Monks (2010:59) produced the following research results that are shown in the table below.

Table 2.9: Effectiveness of South African government initiatives

<u>Initiatives</u>	<u>Heard of:</u>	<u>Used</u>
SETAs	61%	32%
Competitiveness Fund (Terminated 2004)	32%	11%
Industrial Development Corporation	45%	7%
Export Incentives	12%	2%
Manufacturing Advisory Centres (Terminated 2004)	11%	1%
Ntsika Promotion Agency(Terminated 2004)	13%	1%
Khula Enterprise Finance	9%	1%
Brain	9%	1%
Umsobomvu Youth Fund	4%	1%

Source: Herrington *et al.* (2009), as cited in Monks (2010:59)

It is clear from the above study's results that more additional measures should be taken to improve support for SMEs.

2.6 Porter's Five Forces Model

Porter's "Five Forces Model" will be used to analyse the level of competitiveness among firms based on the opinions of owners and managers within the clothing industry.

Porter (2008:85) observed and explained the different levels of profitability across firms and industries in his "Five Forces Model", which are as follows:

- Threat to new entrants;
- Bargaining power of suppliers;
- Bargaining power of buyers;

- Threat to substitute products; and
- Rivalry among existing competitors.

2.6.1 Threat to new entrants

It is not only new rivals that pose a threat to firms in an industry, since new entrants in the industry also affect competition. In theory, any firm should be able to enter and exit the market; however, in reality, industries possess characteristics that protect their profit margins and inhibit rivals from entering the market. New entrants threaten the market share of existing competitors, and at the same time bring existing capacity, placing pressure on prices, costs and rates of investment (Ehlers and Lazenby, 2010:149; Porter, 2008:80). According to Porter (2008: 81), the threat of new entrance depends on the height of that entry barrier and the response that they can expect from existing firms. New organisations are influenced to enter the market based on two factors, namely the barrier to entry and expected retaliation from existing firms in the industry (Ehlers & Lazenby, 2010: 149-150). Ehlers and Lazenby (2010:150) identified a number of barriers to entry, and these are described below.

- **Economy of scale** – is achieved when production is increased during a particular time, which results in lower production costs as the cost is spread over a larger number of units. This economy of scale is both on the supply-side and the demand-side. Economy of scale enhances flexibility and keeps prices constant, whilst increasing profits. Small, new entrants in the market do not have this advantage; conversely, larger companies will face strong competition if they try to gain economy of scale by manufacturing volumes of a product.
- **Product differentiation** – customers become loyal to organisations. Organisations sometimes couple brand identity with economy of scale, and in so doing create high barriers to entry.
- **Capital requirement** – Firms need considerable resources to compete. The new vast capital investment may deter new entrants.
- **Switching costs** – this is the costs that customers incur when they switch from one supplier's product or service to another.
- **Unequal access to distribution channels** – distributors must be persuaded by new entrants to carry their products. The existing firms already have established distribution channels.
- **Cost advantages independence of scale** - some existing competitors may have

access to raw materials and government subsidies.

- **Independent advantage of size** – existing competitors may have cost and quality advantages over their rivals.
- **Government restrictive policies** – government can either hinder or aid new entrants in the industry through its policies. (Ehlers & Lzenby, 2010:150-151 and Porter, 2008:81).

The second factor is the expected retaliation by existing competitors. When existing competitors retaliate quickly, the new firms that enter are reduced (Ehlers & Lazenby, 2010: 151). Porter (2008:81) argues that it is the threat of entry and not necessarily the actual entry that keeps profits down.

2.6.2 Bargaining power of suppliers

A good relationship between firms and suppliers are important for the survival and growth of an organisation. These are the companies that supply raw materials, parts and labour in order for firms to produce goods and services (Ehlers and Lazenby, 2010:152). Powerful suppliers can make or break an organisation (Porter, 2008:82).

According to Ehlers and Lazenby (2010: 151), suppliers are powerful when:

- 'It is dominated by a few large organisations and are more concentrated than the industry to which it sells its products;
- No satisfactory substitutes exist for customers to buy;
- The industry organisations are not important to the supplier, as it sells to different industries;
- Suppliers' goods are critical to buyers and are essential to the success of the buyers' manufacturing process;
- The cost of switching to another supplier is too high, because of supplier effectiveness of differentiation of products; and
- It poses a threat to forward integration when suppliers become buyers.'

2.6.3 Bargaining power of buyers

Customers can receive more value for their money by demanding lower prices and better quality and services. They have the power to play industry players against each other, thus reducing their profit margins. Large volume buyers are particularly in industries that have high

fixed costs. Buyers tend to play vendors up against each other if they believe that they can find an equivalent product (Porter, 2010: 83). Ehlers and Lazenby (2010: 154) argue that buyers become powerful when:

- ‘They purchase large quantities of the sellers’ products and services. In this situation the customer is more important to the seller than the seller is to the customer;
- The sale constitutes a large proportion of the seller’s profit;
- Few or very minimal costs incurred when the customer switches to another product;
- The industry’s products are undifferentiated and standardised;
- The quality of the product is not important to the buyer;
- Customers have access to information on market conditions and thus find them bargaining power; and
- A threat of backward integration when the buyer becomes his own supplier.’

2.6.4 Threat of substitute products

A substitute product is when a product or service can be used from another industry to provide similar functions of the product of the industry (Ehlers and Lazenby, 2010:154; Porter 2008:84). According to Porter (2008:84), the threat of substitution products are high and it offers attractive price-performance trade-off to the industry product. Organisations can withstand the threat of substitution by differentiating in areas in which customers feel that they receive more value in price, quality, after-sales service and delivery services (Ehlers and Lazenby, 2010:154).

2.6.5 Rivalry among existing competitors

According to Porter (2008:85), rivalry is destructive to profitability and is the greatest when:

- Competitors are numerous or equal in size or power;
- Industry growth is slow;
- Exit barriers are high – these barriers may keep companies in the industry even though they may have low or negative growth;
- Rivals are highly committed and have goals that go beyond economic performance;
- Firms cannot read each other’s signals because they are so similar;

- Products and services are identical and there is switching costs for buyers. This creates pressure to cut prices among rivals; and
- The product is perishable, which creates temptations to sell products fast while they still have a value.

According to Ehlers and Lazenby (2010:155), this is one of the threatening forces that can comfort an organisation. Companies and firms compete for the same customers. To this end, competitor analysis is important for an organisation, which involves the following:

- The future goals of competitors;
- Their current strategy;
- What competitors believe about the industry;
- What are their abilities? and
- What will be our response and competitive advantage?

2.6.6 Government

Porter (2008:86) regards government as a sixth force. Government's role regarding competition is best understood by analysing the policies that affect the five competitive forces. When government raises the barriers to entry, it will boost profits; conversely, if government policies favour unionists, it will reduce potential profits.

2.8 Chapter summary

SMEs in the clothing industry are an integral part of the national economy and are influenced by many factors. The challenges, which SMEs face presently are numerous and range from access to finance, market access, skills and an enabling environment in which to strive, as well as job creation. Government initiatives have not had the desired effect, as only 45% of SMEs, for instance, has heard of IDC, while only 7% has made use of their services. There seems to be serious communication challenges, which support organisations and SMEs face.

The announcement to retrench about 1900 workers by two giants, namely Seardel and Trubok has sent shock waves through the clothing industry. The looming of more job losses as a result of compliance to the minimum wage rate is not encouraging for the industry, and can have disastrous consequences. At the same time, should the minimum wage not be enforced, some of the compliant firms may want to reduce their minimum wage rate to what it was

before compliance, which could lead to strikes in the sector.

Porter (2008:85) identifies government as a sixth force in terms of competitive advantage. Government should create an environment in which business can flourish. This is done through government support and policies, which enable SMEs to conduct sustainable business and to create the desired jobs. Government has identified SMEs as a job creation sector, and in its NDP has set ambitious targets to create about 11 million jobs by 2030; however, Natrass and Seekings note that the NDP recommends the strengthening of capital-intensive industries instead, and not necessarily the most labour intensive industries such as SMEs. To provide these jobs, government will have to align its policies and ensure a growth rate of between 5-6 percent per year.

In Chapter 3 the research methodology applicable to the study is discussed.

CHAPTER THREE

RESEARCH APPROACH

3.1 Introduction

In Chapter 2 the secondary data pertaining to the research study was discussed, which formed the foundation on which this study was built. In this chapter, the research approach, design, methodology, the population size and sampling method, research data collection techniques, ethical issues as well as the validity and reliability of the study is discussed.

Small and Medium Enterprises (SMEs) have been identified as the job creation sector in the South African economy and the vehicle for social-upliftment and poverty alleviation. This study concentrates on small and medium businesses in the clothing industry in the Cape Town Metropolitan area. The study consists of two basic components as part of the research methodology, while secondary and primary sources were used to gather information and data on the constraints that SMEs face in the clothing industry in pursuit of creating jobs. The main secondary sources included journals, articles, press reports, books and research studies. The primary sources comprised a collection of data through the use of a questionnaire. The self-administered questionnaires were either hand delivered or emailed to respondents and were either emailed back or collected by the researcher or interviewer at an appointed time.

3.2 Research objectives

The key objective of the research is:

1. To investigate and analyse the opinions of owners and managers of SMEs that operate within the clothing industry in the Western Cape and ascertain why there is a decline in the industry.

The secondary objectives of the study are:

6. To determine, which markets (retailer and consumer) and industry factors (Porter's five forces model variables, especially product substitutes) influence the development and growth of SMEs in the Western Cape clothing industry so that less can be imported whilst encouraging local buying;
7. To determine the macro environment factors that contribute to the decline of the clothing industry (political legislative, economic, socio-cultural, technological and international);
8. To determine what internal organisational deficiencies or weaknesses impact on the clothing manufacturer's ability to survive in this industry, and what key factors are required to operate effectively, efficiently and profitably in the clothing industry in the Western Cape;

9. To investigate the impact and effectiveness of Government-implemented policies and programmes (and its agencies) on sustainable development in the clothing industry in the Western Cape; and
10. To investigate how the clothing industry can be revitalised in the Western Cape in order to boost the local economy and increase job opportunities.

3.3 Research approach, design and methodology

This section discusses the methodology used in the study. Study design, setting, study population and sampling, data collection process, data analysis techniques, ethical considerations and validity and reliability measures are discussed. In the first place, the quantitative paradigm placed emphasis on the quantification of constructs; this means that one of the best ways to measure a phenomena is through quantitative measurement; secondly, it identifies the relation of variables in describing and analysing a topic and, lastly, has controlled the sources of errors in the research process (Babbie & Mouton, 2007:49). The research design that was used was a survey, where medium control was utilized to obtain the requisite primary data, which was required to complete the study. Key research questions were exploratory in nature, and were predominantly descriptive. The strength of the design, according to Mouton (2005:153), is that it has "...the potential to generalise the views, opinions and feelings of a reasonably large population if the appropriate sampling design has been implemented; high measurement of reliability if proper questionnaire construction has been implemented and high construct validity if proper controls have been put into place."

However, authors have cautioned that the method of qualitative research must be fully understood, while there must be a clear understanding of the limitations and possible problems, which are associated with the use this methodology (Lam & Ritchie, 2005: 324). Due to the social, political and economic importance of the SME sector, conducting qualitative research allowed for these multiple perspectives to be highlighted (Leedy & Ormod, 2005: 133). Exploratory research allowed the researcher to gain insight into the problems that are prevalent in the clothing industry in the Western Cape, and has assisted the researcher to obtain the opinions of respondents, as they have first-hand knowledge and experience of the problems. This technique is becoming popular and is important for business and management researchers. Mkocha (2005:141) found that many Master's and Doctoral research works are conducted by using qualitative methods. Welman, Kruger and Mitchell (2005:9) identified a number of characteristics when using qualitative research methodology:

3.3.1 Study design

The study adopted a mixed-method approach, which is both descriptive and exploratory in nature. A convenient sampling method was used to determine the appropriate sample size.

3.3.2 Setting

The participants of the study came from Small and Medium Enterprises (SMEs) within the clothing industry of the Western Cape. These were SMEs formally registered and licence to operate and who are owned, managed and controlled by owners and do not have public accountability. A total of 827 firms formally met the compliance standards of SMEs of which 327 firms are located in the Western Cape. While these SMEs are spread across the province, the vast majority of the Western Cape's clothing industry's output, namely 80% originated from SMEs within the greater Cape Town area. The study primarily concentrated on the 80% of SMEs that resided within Cape Town Metropolitan areas, which equates to a total population of 262 SMES.

3.4 Study population

The population of relevance for this study was Small and Medium Enterprise (SME) business owners in the clothing industry in the Cape Town Metropolitan area. The small businesses that were selected were those that employ between five and fifty persons, are formally registered (have a license to operate a business in the Western Cape), and are owned, managed and controlled by owners and do not have public accountability.

The medium sized enterprises were businesses that employ a maximum of two hundred persons, have an asset base to the maximum of R5 million, do not have public accountability, and are formally registered. One of the difficulties of identifying an appropriate sample frame in relation to SMEs in the clothing industry in the Western Cape Metropolis is the lack of a comprehensive database of such SMEs. Although there is little doubt about their relative importance to the country, the statistical base of all forms of small businesses in South Africa is poor. The fact that half of all newly formed businesses fail within the first 5 years of their existence, makes this situation worse (Brink *et al.*, 2003:2). However, the Mthente (2008:9) study shows that a total of 827 firms formally met the compliance standards of SMEs in June 2004; and of these, 327 were located in the Western Cape (Barnes, 2005:5). While these companies are spread across the province, the vast majority of the Western Cape's clothing industry's output, namely 80% originated from companies within the greater Cape Town area (Wesgro, 2002:1). This study primarily concentrated on the 80% of SMEs that reside within the Cape Town Metropolitan area, which equates to a total population of 262 SMEs. This study, therefore, assumes that the population of SMEs in the textile and clothing industry in the Western Cape Metropolis is 262 SMEs, while the population has not changed since the aforementioned study was conducted.

According to Barnes (2005:5), the total population of SMEs in the Western Cape comprises 327 companies, and of these, 80% is located within the greater Cape Town area. The total

population of SMEs within the Cape Metropolis is, therefore, 262 SMEs. As a high degree of confidence in data collection is desired, care was taken when determining the sample size in order to limit the standard error and thus increase precision levels. According to Wellman, Kruger and Mitchell (2005:9), the sample size for qualitative research is relatively small and in-depth. Cooper and Schindler (2008:409) state that a sample size of 5% of the total population is acceptable in terms of qualitative research subjects to the population being homogenous. Due to the homogenous nature of the population, a sample size of 50 would be selected for this study from the target population of 262 SME's in the Cape Metropolitan area (Wesgro, 2002:1 & Barnes, 2005:5). The target population for the survey and research questionnaire comprised owners of SMEs in the Western Cape. Other sources of information that were used to garner data included both published and unpublished research papers and documents. The size of the sample and the rationale pertaining is defended in this chapter. According to Barnes (2005:5), the total population of SMEs in the Western Cape comprises 327 companies, and of these, 80% is located within the greater Cape Town area. The total population of SMEs within the Cape Metropolis is, therefore, 262 SMEs. As a high degree of confidence in data collection is desired, care was taken when determining the sample size to limit the standard error and thus increase precision levels. According to Wellman, Kruger and Mitchell (2005:9), the sample size for qualitative research is relatively small and in-depth. Cooper and Schindler (2008:409) state that a sample size of 5% of the total population is acceptable in terms of qualitative research, subject to the population being homogenous. They further argue that 'size does not count', and that in qualitative research the quality of the respondents is equally as important as the number thereof.

To obtain the requisite research partners, invitations were distributed to 60 SMEs in the clothing industry, which were randomly selected from the population of 262 SMEs in the industry. Although a sample of 60 was selected to allow for non-responses, the sample size for the study was 50 SMEs within the clothing industry. The figure of 50 responses is deemed to be sufficient sample (19.08% of the population) for the purpose of the study owing to the homogenous nature of the population. This sample comprised all owners and managers of SMEs within the clothing and textile industry in the Cape Metropolis.

3.5 Data collection

A self-administered questionnaire was selected as primary source of data collection solicit the opinions and views from the target sample. The questionnaire consisted of 26 main questions with sub-questions. The study initially targeted to obtain n=50 completed questionnaires, but managed to secure n=54 which represents 90% of the sample. The questions ranges from what is required to revitalised the industry to current government support initiatives and

obstacles to expand businesses and employment.

3.6 Data analysis

Data analysis refers to the process by which the collected data transformed into more manageable size to enable the categorisation and application of statistical techniques (Cooper & Schindler 2016: 94). Quantitative data from the questionnaire were captured electronically, while the descriptive data statistics were summarised which provided a first-level description of the study's findings. The population of relevance for the study were SME businesses owners within the clothing Industry in the Cape Town Metropolitan area. The sample was stratified to ensure adequate representation in all industry groups. All responses were recorded and transcribed.

3.7 Sampling method

A convenient sampling was used to ensure that each member of the SME population is given a known non-zero chance of selection. The sample was also stratified to ensure adequate representativeness in all industry groups. This ensured that each SME had an equal chance of being selected, and that the sample was representative of the industry. Simple random sampling was utilised to identify respondents and to ensure accuracy and precision of the sample in representing the characteristics of the population of SMEs in the textile and clothing industry in the province. In order to obtain the requisite research partners (respondents), the researcher distributed invitations to at least 60 SMEs, which were randomly selected from the population of 262. Although 60 were selected to allow for non-responses, the sample size for this study was 50 SMEs. Once the 50 questionnaires were completed and received, the survey was completed. The figure of 50 responses is deemed to be a sufficient sample (19.08% of the population) for the purpose of the study owing to the homogenous nature of the population. The sample comprised all owners and managers of SMEs within the clothing and textile industry in the Cape Metropolis.

3.8 Questionnaire

A questionnaire was primarily used to collect data, (see copy of questionnaire attached). According to Saunders, Lewis and Thornhill (2003:283), although questionnaires may be used as the only data collection method, it is usually better to use a multi-method approach. The method of obtaining primary data was by way of a self-developed questionnaire, containing items of different formats such as multiple choice questions, which allowed respondents to either select one option or another, as well as dichotomous answers such as 'Yes' and 'No', self-assessment items, measurement based on a 5- point Likert- type scale, and open ended questions (Welman & Kruger, 2001:150). As asserted before, the questionnaires were emailed or delivered with a covering letter to the respective respondents. The covering letter

further explained the need for the research, and the importance of the respondent's input.

The researcher identified a number of advantages of using of a questionnaire. These include:

1. Large amounts of information can be collected at a low cost to the respondent;
2. The respondent may give more honest answers to personal questions in an emailed or self-administered questionnaire;
3. No bias of the interviewer to the respondent's answer ; and
4. Convenient for the respondents who can answer when they have time.

Disadvantages include the following:

1. It takes longer to complete than telephonic or personal interviews;
2. The response rate in some instances are slow;
3. In some cases respondents ignore the email owing to workloads;
4. The researcher may struggle to get responses from participants at times; and;
5. Has no control over who answers the questions.

http://www.ihmctan.edu/PDF/notes/Research_Methodology.pdf. [Accessed: 2012/05/30].

3.9 Validity and reliability

According to Cooper and Schindler (2008:289), validity measures the degree to which a study succeeds to measure the intended values and the extent to which differences that are found, reflect true differences among respondents. They identified three types of validity tests, namely content, construct and criterion-related validity tests. Riley *et al.* (2000 cited in Petrus 2009:36) state that a multi-method approach of gathering data will increase the validity of a research study. In this study the researcher continually ensured that the data collection method was valid by:

1. Checking for bias, neglect or precision in the research methodology;
2. Ensuring that procedures were followed in the same manner; and
3. Discussing the knowledge or verifying the data with research participants.

The questionnaire was the primary source of data collection; and thus the researcher made every effort to ensure that all participants understood the purpose of the study.

3.10 Chapter summary

This chapter presented the methodology and design for the study. The reasons for these designs were given and its importance was outlined. The means and method of data collection, including the development of the tools that were used were thoroughly discussed. The problems that were encountered in gathering data included delays with regard to the return of some questionnaires and the closing down of some businesses.

This leads to Chapter 4 where data is analysed and discussed.

CHAPTER FOUR DATA ANALYSIS AND DISCUSSION

4.1 Introduction

In Chapter 3 the research approach was discussed as well as the research design, the research strategy and as importantly the way the sample size was calculated. As stated previously the goal of this study was to determine constraints, which small and medium enterprises face in the clothing industry in the Cape Metropolis area of Cape Town. This chapter contains a summary of the data that was collected during the study and provides an analysis thereof in terms of the findings. Each of the points that were covered are discussed and illustrated throughout this chapter.

There are several major challenges faced by the Western Cape clothing industry. The challenges range from globalisations, policy regulations, technological change of production. To survive in the change climate of business greater emphasis must be placed on skill development and particular technical related skills within the sector.

The South Africa apparel sector further faces extreme competition from imported garments. Not only does the threat comes from China and other Asian low cost country production sites, but more competitive producers within SSA itself, with competitions from countries like Lesotho and Swaziland. I the sector is to survive government must do more in terms of skills development and technical structural changes within the industry.

4.2 Type of assistance received

The research question that was posed in the questionnaire was to determine the type of assistance that businesses have received from government, or from any other organisation. Assistance by government has been highlighted as crucial by participants for survival. Although 88.9% of respondents received assistance, this assistance comes slow and with much effort. As shown in Figure 4.7 below, 88.9% of the respondents indicated that they received assistance in the form of training; 24.1% of the respondents indicated that they received financial assistance; 22.2% indicated that they received assistance from small business development organisations and agencies; and 9.26% of the respondents indicated that they received specialist assistance from consultations. The balance, namely, 5.6% of the respondents indicated that they received expert advice as a form of assistance.

It should be noted that one person did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

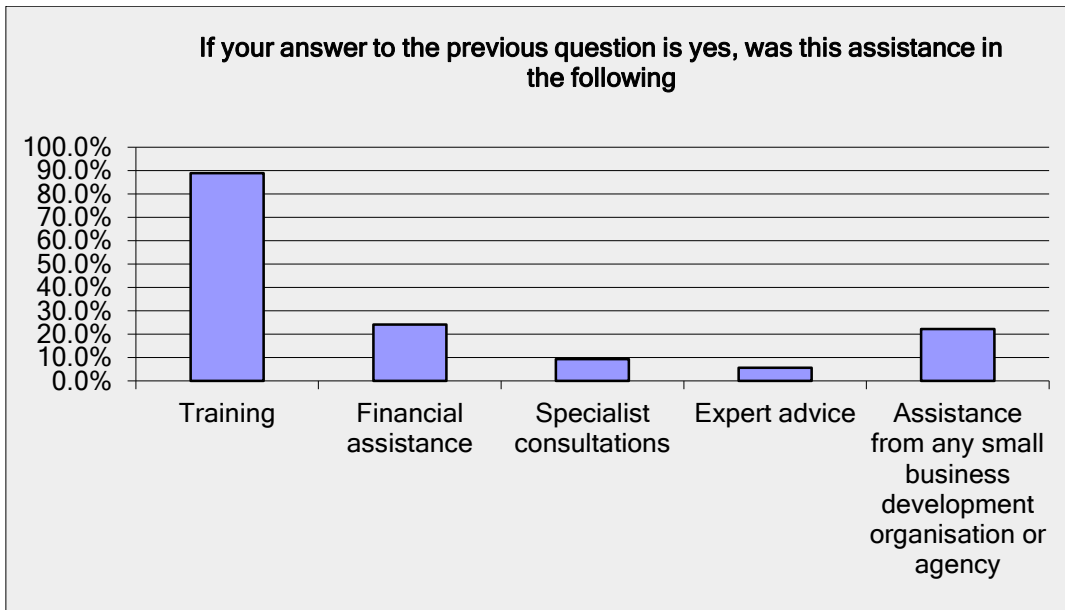


Figure 4.1: Type of assistance received

As can be seen in Figure 4.1 above, most businesses that are involved in the clothing industry have received assistance in the form of training and other expert advice. Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable of the industry, because of their expertise within the industry. Training in various forms is essential for competitiveness within the industry. Training should include both world-class manufacturing principles which should lead to the competency of management, supervisors, and shop-floor workers (DTI, 2018:17).

This leads to a discussion on formal businesses strategies.

4.3 Formal business strategies

The next research question, which was posed to respondents, determined whether businesses within the clothing industry have any formal business strategy. As shown in Figure 4.2 below, the research revealed that 86.8% of respondents indicated that they have a formal business strategy, compared to only 13.2% of the respondents who indicated that they do not have any formal business strategy.

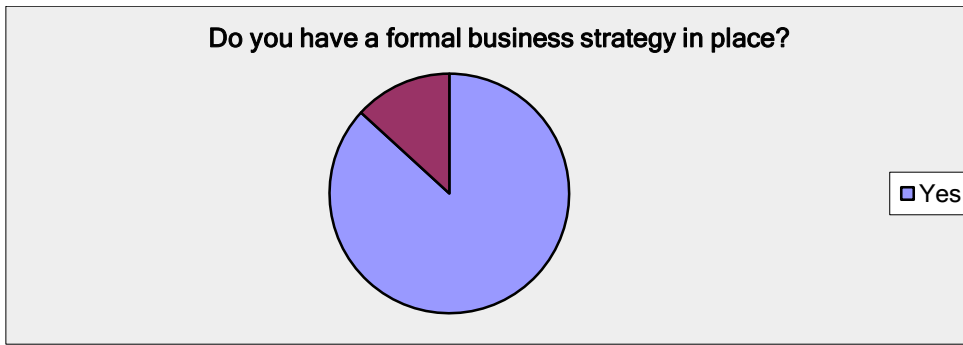


Figure 4.2: Formal business strategies

As can be seen in Figure 4.2 above, most businesses that are involved in the clothing industry do have a formal business strategy.

Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable of out the industry, because of their expertise within the industry.

Businesses strategies should include marketing development, marketing research and a marketing plan. It is imperative to understand the dynamics and size of the market both locally and internationally (DTI, 2018:19). Brand development and product certification can further encourage the competitiveness of businesses in the sector.

This leads to a discussion on the types of formal businesses strategies.

4.4 Types of formal business strategies

The next research question, which was posed to respondents, determined the type of formal business strategies. The research results shown in Figure 4.3 below reveal that 87% of the respondents indicated that they have a focus strategy, which targets specific customers and groups, while 71.7% of the respondents indicated that they have a cost leadership strategy, concentrating on reducing costs, and 43.5% of the respondents indicated that strategic alliances are important in the current climate, and hence forming alliances with retailers and other businesses is important for survival. A total of 34.8% of the respondents indicated that they have a market penetration strategy, taking existing products to new markets, while 15.2% have a diversification strategy, and the remaining 13% of respondents indicated that they have market differential and product differential strategies. It should be noted that one person did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

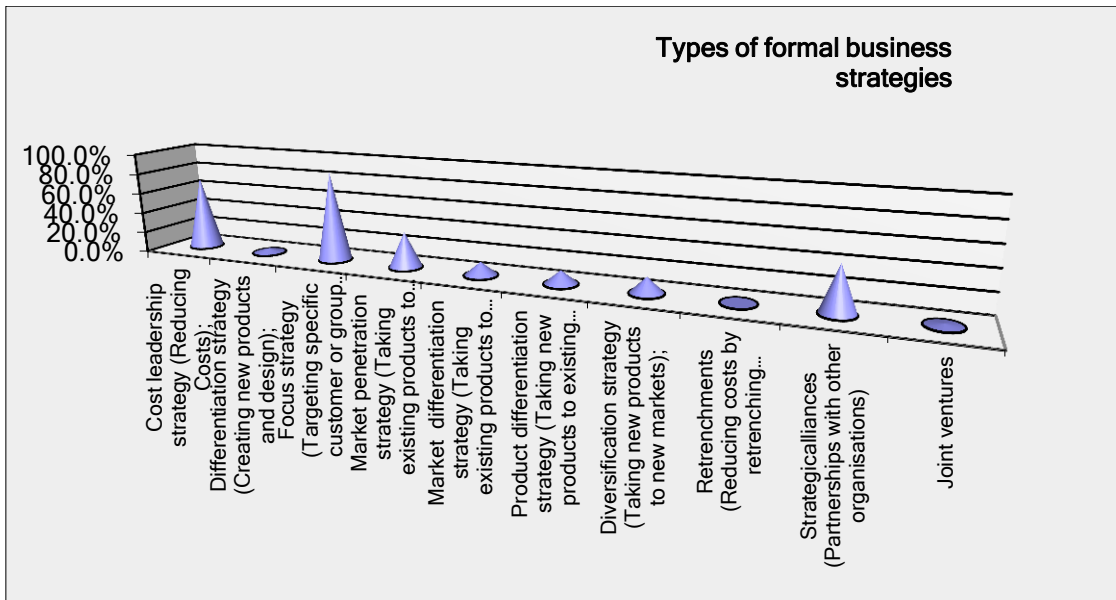


Figure 4.3: Type of formal business strategies

As can be seen in Figure 4.3 above, most businesses that are involved in the clothing industry do have a formal business strategy, and most businesses focus on specific customers and groups, while concentrate on reducing costs. A cost leadership strategy is essential for business competitiveness. This strategy will allow manufactures with a strategic target market, which include a broad cross-section of the market. At the same time create the basis for competitive advantage, lower than the overall cost of competitors (Ehlers & Lazenby, 2011:183). A differential strategy will allow the sector to creating differences in product offerings and creating something that may be perceived to unique by customers.(Ehlers & Lazenby, 2011:185). Strategic alliance is an important strategy the sector might pursue. Businesses in strategic alliance are generally more competitive and have to muscle to withstand competition better.

Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable of out the industry, because of their expertise within the industry.

This leads to a discussion on managerial functions that contribute to the performance of the business.

4.5 Managerial functions that contribute to the performance of the business

The next research question that was posed concerned managerial functions that contribute to the performance of businesses. The aim of this question was to provide the performance of businesses. Respondents were asked to rank the level of importance of various management

functions from most important to least important. As shown in Table 4.1 below, the research revealed that 94.23% of the respondents indicated that general management skills are most important compared to 5.8% of the respondents who indicated that general management skills are important. Table 4.1 also shows that 88.85% of the respondents indicated that financial management, including cash flow and forecasting, are most important, while 9.62% of respondents indicated it as being important, and 1.92% respondents chose the neutral option with regard to financial management, including cash flow and forecasting. As shown in Table 4.1 below, 88.5% of the respondents indicated that entrepreneurial skills are most important compared to 11.5% of the respondents who indicated that entrepreneurial skills are important. Financial accounting skills are regarded by most respondents as being most important, hence 88.46% indicated that financial accounting skills are most important, compared to 3.85% who indicated that these are important, and 7.69% indicated that they were neutral in respect of ranking this skill. Another function that was regarded as being most important by most respondents; is customer services, with 80.77% of the respondents indicating this option compared to 11.54% who ranked it as important.

Table 4.1: Managerial functions that contribute to the performance of SMEs

Managerial functions that contribute to the performance of SMEs					
Answer options	Most important	Important	Neutral	Less Important	Least Important
Skilled personnel	78.85%	21.15%	0%	0%	0%
Customer services	80.77%	11.54%	7.69%	0%	0%
Marketing, promotions, customer relations	67.31%	21.15%	9.62%	1.92%	0%
Access to finance	78.85%	21.15%	0%	0%	0%
Cost of finance	77.08%	22.97%	6.25%	2.08%	0%
Access to land	15.38%	9.62%	34.62%	25.00%	15.38%
Entrepreneurial skills	88.46%	11.54%	0%	0%	0%
General management skills	94.23%	5.77%	0%	0%	0%
Understanding Government regulations	61.54%	21.15%	7.69%	9.62%	0%
Business plans	55.77%	42.31%	1.96%	0%	0%
Training in business	69.23%	28.85%	0%	1.96%	0%
Government assistance	65.38%	28.85%	1.92%	1.92%	1.92%
Planning	55.77%	42.31%	1.96%	0%	0%
Organising	50.00%	40.38%	9.62%	0%	0%
Leading	48.08%	38.46%	5.77%	7.69%	0%
Controlling	44.23%	38.46%	17.31%	0%	0%
Business systems, procedures, processes and records	34.62%	48.07%	15.38%	1.92%	0%
Business linkage, industry clusters and networking	46.15%	46.15%	5.77%	1.92%	0%
Communication and access to relevant information	30.76%	40.38%	28.84%	0%	0%
Computer literacy and information technology	57.69%	36.53%	5.77%	0%	0%
Creativity, innovation and opportunity identification	28.84%	36.53%	42.31%	3.84%	0%
Financial management, including cash flow and forecasting	88.85%	9.62%	1.92%	0%	0%
Human Resource Management and organisational planning	67.31%	23.07%	9.62%	0%	0%
Legal (Business registration, government requirements)	73.08%	15.38%	11.54%	0%	0%
Financial accounting skills	88.46%	3.85%	7.69%	0%	0%

As shown in Table 4.1 above, the research revealed that 78.85% of the respondents indicated that access to finance is most important in their business performance compared to 21.15% of the respondents who indicated that access to finance is important. A total of 78.85% of the respondents indicated that skilled personnel are most important compared to 21.1 % of the respondents who indicated that skilled personnel is important. Legal skills (business registration, government requirements) are regarded as being most important to most respondents, with 73.08% of respondents indicating that these are most important compared to 15.38% who indicated that they are important, whilst 11.54% remained neutral in this regard. The cost of finance is regarded as being most important by 77.08% of the respondents

compared to 22.97% of the respondents who indicated it is important, while 2.08% indicated that it is less important. It should be noted that three persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population. Therefore, based on the results of study, the researcher concludes that general management skills, financial management, including cash flow and forecasting, entrepreneurial skills, financial accounting skills, customer services, access to finance, skilled personnel, legal skills (business registration, government requirements), and the cost of finance are the most important managerial functions that contribute to the performance of businesses within the clothing industry in the Western Cape.

Training and skills development is essential for business competitiveness, which should include labour relations and employee wellness programmes, labour productivity, multi-skilling and employee-employer relationship building. These training interventions should manufacturing principles and quality management (DTI, 2018:17). At the same time interventions should include processes in industrial engineering services, competitive improvement interventions and the implementation of world class manufacturing principles.

Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable of the industry, because of their expertise within the industry.

This leads to a discussion on the SME performances based on the opinions of business.

4.6 Opinions from businesses that influence SMEs' performance

This section of the questionnaire probed owners and managers within the industry to provide their opinions about various business aspects within the clothing industry.

Table 4.2: Opinions from businesses that influence SMEs' performance

Opinions from businesses that influence SMEs' performance					
Answer options	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
National politics in South Africa has a negative impact on the growth and development of my business.	14.00%	48.00%	38.00%	0%	0%
Local politics in South Africa has a negative impact on my business	24.00%	36.00%	40.00%	0%	0%
Legislative (legal) factors in South Africa have a negative impact on my business.	62%	24.00%	14.00%	0%	0%
Global economic factors have a negative impact on the development and growth of my business.	10.00%	38.00%	52.00%	0%	0%
Inflation and interest rates have a negative impact on my business.	8.00%	42.00%	50.00%	0%	0%
South African labour legislation has a negative impact on the development and growth of my business.	84.00%	14.00%	2.00%	0%	0%
Cheap imports from China and India have a negative impact on the growth and development of my business.	94.00%	14.00%	2.00%	0%	0%
The strength of the exchange rate has a negative impact on my business.	36.00%	26.00%	38.00%	0%	0%
Changing consumer buying patterns has led to a decline of my business.	38.00%	24.00%	30.00%	0%	8.00%
Government should assist organisations in times of an economic slump.	38.00%	24.00%	30.00%	0%	0%
Changing consumer buying patterns has led to a decline of my business.	38.00%	24.00%	30.00%	0%	8.00%
Government should assist organisations in times of an economic slump.	38.00%	24.00%	30.00%	0%	0%
A shortage of finance affects the development and growth of my business.	62.00%	26.00%	11.54%	2.00%	0%

Answer options	Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
Product substitutes have negatively impacted the development and growth of my business.	8.00%	18.00%	68.00%	4.00%	2.00%
The buying power of suppliers has a negative impact on the development and growth of my business.	20.00%	26.00%	40.00%	2.00%	12.00%
Government initiatives and programmes have positively influenced the development and growth of my business.	38.00%	30.00%	28.00%	2.00%	2.00%
Socio-economic factors in the Western Cape have a negative impact on my business.	32.00%	40.00%	26.00%	0%	2.00%
A lack of technological innovation has a negative impact on the development and growth of my business.	6.00%	40.00%	50.00%	4.00%	0%
Rivalry in the clothing industry impacts negatively on the development and growth of my business.	0%	28.00%	66.00%	6.00%	0%
New entry into the clothing industry impacts negatively on the development and growth of my business.	2.00%	22.00%	64.00%	4.00%	8.00%
Government should increase import duties to safeguard local producers in the clothing industry.	54.00%	36.00%	8.00%	0%	0%
Government should implement quotas for organisations that import clothing to South Africa.	62.00%	28.00%	8.00%	2.00%	0%
Government should insist on an end to the dumping of clothing imports.	80.00%	18.00%	2.00%	0%	0%
Quality standards should be vigorously adhered to in order to stop the importation of poor quality products.	72.00%	20.00%	0%	8.00%	0%
Organisations that do not adhere to the above should be severely penalised.	80.00%	18.00%	2.00%	0%	0%

As shown in Table 4.2 above, the research revealed that 94% of the respondents strongly agreed that cheap imports from China and India have a negative impact on the growth and development of their businesses, while only 4% agreed and 2% neither agreed nor disagreed. Another key point, which was raised by respondents, concerns South African labour laws, with 84% of the respondents strongly agreeing that South African labour laws negatively impact their businesses, while 14% of the respondents agreed in this regard. As shown in Table 4.2 above, 80% of the respondents strongly agreed that Government should stop the dumping of cheap clothing. Table 4.2 also shows that 72% of the respondents strongly agreed that quality standards should vigorously be adhered to in order to stop the import of poor quality products compared to only 8% of respondents who disagreed. As can be seen in Table 4.2 above, 62% of the respondents strongly agreed that Government should assist organisations during times of economic slump, while 26% of the respondents agreed. Owners and managers also expressed that government should implement quotas at organisations that import clothing to South Africa, and 62% of the respondents strongly agreed that quotas should be implemented. Legislation (legal) factors have a negative impact on businesses, as 62% of the respondents strongly agreed, and 24% of the respondents agreed. As shown in Table 4.2 above, 32% of the respondents strongly agreed that socio-economic factors in the Western Cape have a negative impact on the development and growth of their businesses, while 40% of the respondents agreed with this statement.

As can be seen in Table 4.2 above, the cheap import of clothing; South African labour laws; the poor quality of imported products; legislation; and socio-economic factors (gangsterism, alcohol and drug abuse among others) all have a negative impact on the growth and development of the clothing industry in the Western Cape.

Factors that influence business performance should include processes such as the bottom-line approach in order to increase profitability. Additional data pertaining to the research should therefore be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable of the industry, because of their expertise within the industry.

This leads to a discussion on initiatives required to stimulate SME growth.

4.7 Initiatives required to stimulate SMEs' growth within the clothing industry

In this section of the questionnaire respondents were asked to identify support initiatives that will allow their businesses to grow and develop.

Table 4.3 Initiatives required to stimulate SMEs' growth within the clothing industry

Initiatives required to stimulate SMEs' growth within the clothing industry		
Responses	Number	%
Government support	16	32%
Financial assistance and training	11	22%
Stability in the industry	9	18%
Operational and financial support	3	6%
None	3	6%
Stimulate local manufacturing	3	6%
Establish training centres	2	4%
Training centres and electricity stability	1	2%
Drop fabric duty	1	2%
Reduction in cheap imports	1	2%
More government support in terms of lowering taxes	1	2%

As shown in Table 4.3 above, the results revealed that 32% of the respondents indicated that government support is crucial for the growth and development of the sector, as 22% of the respondents indicated that finance and training is required to stimulate growth in the clothing industry. This finding concurs with research by Mboniyane (2006:11-20) and Petrus (2009:24-32), who identified access to finance and lack of financial support as factors, which affect SME development. Stability in the clothing industry was also identified as one of the issues that should be addressed in order for the industry to grow, as 18% of the respondents indicated that it is important as means to stimulate growth in the industry.

Other issues that were identified to stimulate SME growth include stimulation of local manufacturing, establishment of training centres, drop of fabric duties, stability in electricity supply, and a reduction of cheap imports.

As can be seen in Table 4.3 above, Government support, financial assistance, training, and stability in the clothing industry are some of the most important support initiatives, which will grow the clothing industry in the Western Cape.

Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable of the industry, because of their expertise within the industry.

This leads to a discussion on the major obstacles to expand the business.

4.8 Major internal obstacles to expand the business

In this section of the questionnaire respondents were asked to identify major internal obstacles that prevent their businesses from growing.

Table 4.4 Major internal obstacles to expand the businesses

Major internal obstacles to expand the businesses		
Responses	Number	%
High manufacturing costs	12	24%
Cheap imports	12	24%
Local chain demand	9	18%
Cheap imports, decline in demand, bureaucracy (red tape), electricity uncertainty, and fabric duty	4	8%
Finance, labour laws and too much bureaucracy(red tape)	4	8%
High costs and unstable electricity supply	2	4%
Cheap imports, unstable electricity supply, and local chain demand	2	4%
Too much bureaucracy (red tape)	2	4%
Finance and labour laws	2	4%
Lack of training and development	1	2%

As can be seen in Table 4.4 above, 24% of the respondents identified the high manufacturing costs and cheap imports as obstacles to growth in the clothing industry, while 18% of the respondents identified local chain demands as one an obstacle in this regard. Table 4.4 also shows that 8% of the respondents identified bureaucracy (red tape), unstable electricity supplies, labour laws and finance as obstacles to growth in the clothing sector. These findings concur with research, which was conducted by Olawale and Garwe (2010:731) who identified access to finance as a major problem for South African entrepreneurs. Van Niekerk (2007:7-8) also shows that South African labour laws is amongst the most rigid in the world. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

As can be seen in Table 4.4 above, the high manufacturing costs, cheap imports, local chain demand, South African labour laws, bureaucracy (red-tape), unstable electricity supply, and a lack of finance are major internal obstacles in the quest for the expansion of businesses within the clothing industry.

Businesses should follow a differentiate product strategy with differentiating features that buyers are willing to pay for product superiority and quality (Ehlers & Lazenby, 2011:186). The sector must be able to offer buyers something attractively different from that of competitors, with constant innovations to stay ahead of competitors offering cheap imports .

Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape

Metropolis, as the people who completed the questionnaire is knowledgeable of the industry, because of their expertise within the industry.

This leads to a discussion on initiatives to support new SMEs in the clothing industry.

4.9 Initiatives that should be introduced to support new SMEs

This question sought to ascertain initiatives that should be introduced to support SMEs in the clothing industry.

Table 4.5: Initiatives that should be introduced to support new SMEs

Initiatives that should be introduced to support new SMEs		
Responses	Number	%
Training and training centres	18	36%
Training and financial support	8	16%
Availability of working capital and funding	5	10%
Strategy, operational and financial support	4	8%
Mentorships and training centres	4	8%
Stop cheap imports and drop fabric duty	3	6%
Stimulate local demand for SA goods	2	4%
Financial assistance and support	2	4%
Develop alliances with retailers	1	2%
Availability of funding	1	2%
Mentoring and friendly labour laws	1	2%
Don't know	1	2%

As shown in Table 4.5 above, the research uncovered that 36% identified training and the establishment of training centres to support the clothing industry as important initiatives that support new SMEs, while 16% identified training and financial support as being important to support new SMEs. Working capital and the availability of funds were identified by 10% of respondents as being important as means to support new SMEs. Other initiatives that were identified by the respondents include strategy, operational and financial support, mentoring, ending cheap imports, stimulating local demand, and forming alliances with retailers. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the

sample in relation to the research population.

As can be seen in Table 4.5 above, the establishment of training centres, training, financial support and the availability of working capital are important initiatives, which support new SMEs in the clothing industry. Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

This leads to a discussion on factors that will enable SMEs to be successful.

4.10 Factors that will enable SMEs to be successful?

This question probed respondents about factors that will enable SMEs in the clothing industry to be successful.

Table 4.6 Factors that will enable SMEs to be successful

Factors that will enable SMEs to be successful		
Responses	Number	%
Drop cheap imports	8	16%
Strategic alliances with retailers or develop own revenue stream	7	14%
Drop/scrap import duty on fabric	5	10%
Financial assistance	5	10%
Ease labour laws and power of unions	5	10%
Ease bureaucracy (red tape) and stop cheap imports	4	8%
Drop import duty on fabric and stop cheap imports	3	6%
Scrap import duty on fabric and fair distribution of funds in the supply chain	2	4%
Stop cheap imports and stimulate local demand	2	4%
Mentoring and training centres	2	4%
Greater government assistance	2	4%
Training and stimulating local demand	2	4%
Drop import duty on fabric and sort out load-shedding	1	2%
Stimulate demand for local industry and make more competitive to import	1	2%
Training and skilled labour	1	2%
Stop cheap imports and develop alliances with retailers	1	2%
Increase support form (Industrial Development Corporation(IDC)	1	2%
Don't know	1	2%

As shown in Table 4.6 above, the research revealed that 16% of the respondents indicated that cheap imports affect the success of their businesses. This was highlighted by Natthrass and Seekings (2012:5-7) regarding the decline of tariff protection and China entering the

global market, which resulted in cheap import flooding into the South African market, amongst others. Table 4.6 below also shows that 14% of the respondents identified strategic alliances with retailers and the development of their own revenue streams as being important factors for success. Other factors that respondents identified included an end to import duty on fabrics, financial assistance, the ease of labour laws, fair distribution of supply chain, mentorships and government assistance to stimulate local demand. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

As can be seen in Table 4.6 above, the scrapping of cheap imports, strategic alliances with retailers, the development of own revenue streams, scrapping of import duty of fabrics, financial assistance, ease of labour laws, mentorships and government assistance are key factors that will enable the success of SMEs in the clothing industry.

Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

This leads to a discussion on initiatives required to support innovation in the industry.

4.11 Initiatives that support innovation

This question concerned initiatives that are available to support innovation. Owners and managers of businesses within the clothing industry were asked about initiatives that are available for innovation.

Table 4.7: Initiatives that support innovation

Initiatives that support innovation		
Responses	Number	%
Not sure	15	30%
Not enough/much	9	18%
Training from clothing and textile industry but not enough	8	16%
IDC offers some training but not enough	6	12%
Training	4	8%
Not aware	3	6%
None	3	6%
Don't know	1	2%
More assistance required	1	2%

As shown in Table 4.7 above, the research results revealed that 30% of the respondents indicated that they were not sure of any initiatives, which exist for innovations, while 18% of

the respondents indicated that not enough is being done, and that more should be done, although 16% of the respondents indicated that training is offered by the clothing and textile industry, though these are not enough to stimulate innovation. These findings concur with research, which was conducted by Monk (2010:57) who found that many SMEs are unaware of government initiatives, while others, although they are aware, decide not to make use of these services; he also found that these support initiatives are too generic and have limited success. This entrenches research that was conducted by Jones and Tilley (2003:8), which found that businesses lack expertise to research and develop new business ideas and innovations, since much is done to improve business innovation in the industry, and hence not many new ideas come from the industry.

As shown in Table 4.7 above, the research revealed that 16% of the respondents indicated that they received training from the Industrial Corporation, but that this intervention was not enough for innovation in the industry, while 6% said that they were not aware of any initiatives that are available for innovation in the industry. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

As can be seen in Table 4.7 above, not enough is being done to stimulate innovation in the clothing industry. Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

This leads to a discussion on the differential strategies and competitive advantage in the industry.

4.12: Differential strategies and competitive advantage

With regard to this question, respondents were probed about strategies for competitive advantage that they employ in their businesses.

Table 4.8: Differential strategies and competitive advantage

Differential strategies and competitive advantage		
Responses	Number	%
Low costs/keep costs low	18	36%
Good quality products on time	14	28%
Direct selling	7	24%
Customer focussed	5	10%
Strategic alliances	1	2%
Quality products and fast and reliable services	1	2%
Good quality products and direct selling	1	2%
Imported fabric that is organic and sustainable	1	2%

As shown in Table 4.8 above, 36% of the respondents indicated that low costs is a competitive factor in the industry, while 28% of the respondents identified the delivery of good quality products at the right time and place as being an important aspect for competitiveness. A total of 24% of the respondents indicated that direct selling has given them a competitive advantage, as they can set their prices, and 10% of the respondents indicated that knowing their customers and understanding their needs in order to serve them well, gave them a competitive advantage. Other strategies that were identified by the respondents include strategic alliances, quality products, and fast and reliable service. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

As can be seen in Table 4.8 above, low costs, quality products, fast and reliable service, and direct selling are important strategies to aid competitive advantage over rivals within the clothing industry. Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

This leads to a discussion on issues that may prevent businesses to grow.

4.13 Issues that prevent business growth

This question was posed to respondents to determine issues that prevent business growth within the clothing industry.

Table 4.9 Issues that prevent business growth

Issues that prevent business growth		
Responses	Number	%
High manufacturing costs	14	28%
Finance/working capital	13	26%
Lack of local demand	6	10%
Chain store distribution	3	6%
High costs low demand	3	6%
Skilled staff	3	6%
Nothing	3	6%
Chain store demand	2	4%
Growth of the business	2	4%
Cheap imports, low quality	1	2%
Lack of finance and labour laws	1	2%

As shown in Table 4.9 above, the research revealed that 28% of the respondents indicated that high manufacturing costs is a major issue for business growth, while 26% highlighted a lack of finance and working capital as a hindrance for growth, and 10% of the respondents indicated that a lack of local demand prevents business growth in the clothing industry. As can be seen in Table 4.9 above, respondents identified chain store distribution, high costs and low demand, lack of skilled staff, business growth, cheap imports and low quality products as factors that affect the growth of businesses within the clothing industry. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

As can be seen in Table 4.9 above, high manufacturing costs, a lack of finance, a lack of working capital, cheap imports, and a lack of local demand are among the major factors that prevent business growth within the clothing industry. Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

This leads to a discussion on factors that will enable businesses to increase their number of employees.

4.14 Factors that will enable businesses to increase their number of employees

This question was posed to owners and managers of businesses within the clothing industry to obtain their opinion regarding factors that will enable their businesses to increase in employment numbers. As can be seen in Table 4.8 below, 28% of the respondents indicated

that the growth of their business will enable them to increase their number of employees, while 18% indicated the availability of working capital and finance, and 16% of the respondents indicated that greater local demand and sourcing will increase their number of their employees. A further 14% of the respondents indicated that the scrapping of fabric duty on imported fabrics will enable them to increase the number of their employees. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

Table 4.10 Factors that will enable businesses to increase the number of employees

Factors that will enable businesses to increase the number of employees		
Responses	Number	%
Growth of business	14	28%
Finance/working capital	9	18%
Greater local demand and sourcing	8	16%
Drop fabric duty on imports	7	14%
Business growth and increased demand for local goods	3	6%
Lower basic wage	3	6%
Increase demand and an end to cheap imports	2	4%
Less interference from unions	2	4%
Lower taxes and a drop in fabric duty	1	2%
Lower taxes and tax breaks	1	2%
Eradicate bureaucracy (red tape) in hiring and firing	1	2%

As can be seen in Table 4.10 above, the availability of finance and working capital will enable business growth and ultimately increase the number of employees. Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

This leads to a discussion on whether the South African government is doing enough to promote investment and growth within the industry.

4.15 Is the South African government doing enough to promote investments and growth in the clothing industry in the Western Cape?

With regard to the above question, which was posed to respondents in terms of whether or not the South African Government does enough to promote investment and growth within the clothing industry in the Western Cape, 94% of the respondents said that the Government does not, while 6% of the respondents indicated that the Western Cape Government does provide some assistance regarding tariff schedules, in particular. Natrass and Seekings (2012:27) argue that although the National Development Plan (NDP) proposed the creation of 11 million jobs by 2030, a growth rate of between 5-6 percent is required per annum, which means that a more labour-intensive form of production must be promoted as opposed to what the NDP recommends with regard to the strengthening of capital incentives industries (NDP: 2011:126). It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

Table 4.11: Is South the African Government doing enough to promote investments and growth in the clothing industry in the Western Cape?

Is South the African Government doing enough to promote investments and growth in the clothing industry in the Western Cape?		
Responses	Number	%
No/Not enough	50	94%
Yes, Western Cape government has a strong focus on tariff schedules	3	6%

As can be seen in Table 4.11 above, not enough is being done by National Government to promote investments and growth in the clothing industry. The additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

This leads to a discussion on requirements to revitalise the clothing industry.

4.16 Requirements to revitalise the clothing industry

This question was posed to determine requirements to revitalise the clothing industry. As shown in Table 4.12 below, the research revealed that 54% of owners and managers within the clothing industry indicated that an increase in local sourcing and consumer demand are important requirements to revitalise the clothing industry, while 8% of the respondents indicated that stimulation of the industry and changes in consumer behaviour are important

requirements, and a further 6% of the respondents indicated that stopping cheap imports, a decrease in fabric duty, financial support and direct selling, respectively, are important requirements to revitalise the clothing industry. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

Table 4.12: Requirements to revitalise the clothing industry

Requirements to revitalise the clothing industry		
Responses	Number	%
Increase local sourcing and consumer demand	27	54%
Stimulate the industry and change consumer behaviour	4	8%
Stop cheap imports and drop fabric duty	3	6%
Drop fabric duty	3	6%
Finance and support	3	6%
Direct selling	3	6%
Easier labour laws	2	4%
Access to local manufacturing and increase in local demand	1	2%
Government support and an end to cheap imports	1	2%
Subsidise manufacturing	1	2%
Relaxation of laws and tax incentives	1	2%
More consolidated efforts by all role players in the industry	1	2%

As can be seen in Table 4.12 above, an increase in local sourcing and local consumer demand, as well as changes in consumer behaviour are important requirements to revitalise the clothing industry in the Western Cape. This increase in local sourcing and consumer behaviour require governments, retailers, industries and communities to work together. The idea of buying proudly South Africa should once again be instilled in communities; however, this will not be easy as most imports are cheap and many people prefer to buy these products rather than ones that are produced by South African firms. Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

This leads to a discussion on key factors required to operate successfully in the clothing industry in the Western Cape.

4.17: Key factors required to operate a successful clothing business in the Western Cape

This final question was posed to respondents to determine the key factors that are required to

operate a successful clothing business in the Western Cape. As shown in Table 4.13 below, the research revealed that 34% of the respondents indicated that flexible, fast, reliable services and good quality products are required as key factors to operate a successful clothing business, while 24% of the respondents indicated that the availability of working capital is an important factor, which is required to operate successfully, and 16% of the respondents indicated that discipline, planning, good costing and successful implementation thereof are important factors to that are required to operate successfully in the clothing industry. A further 8% of the respondents indicated that quality products and competitiveness in the industry are important factors, while others indicated that ending cheap imports, friendlier labour laws and scrapping of fabric duty are factors that will ensure success within the clothing industry in the Western Cape. It should be noted that five persons did not answer the question; however, as the target for the sample size was 50 respondents, such action will and did not impact on the representativeness of the sample in relation to the research population.

Table 4.13: Key factors required to operate a successful clothing business in the Western Cape

Key factors required to operate a successful clothing business in the Western Cape		
Responses	Number	%
Flexible, fast, reliable service, good quality products	17	34%
Availability of working capital	12	24%
Discipline, planning, good costing and successful implementation	8	16%
Quality products and an industry that is competitive against global markets	4	8%
Quality products and availability of working capital	1	2%
Stop cheap imports and quality products	1	2%
Friendly laws and low costs	1	2%
Drop fabric duty	1	2%
Working capital and ease of labour laws	1	2%
Working capital and government assistance	1	2%
Friendly laws and tax cuts for small businesses	1	2%
Skilled workforce	1	2%
Don't know	1	2%

As can be seen in Table 4.13 above, fast, reliable service, good quality products, discipline, good planning, good costing and successful implementation of plans are key factors, which are required in order to operate successfully within the clothing industry in the Western Cape. Additional data pertaining to the research should, therefore, be an accurate reflection of the state of the clothing industry in the Cape Metropolis, as the people who completed the questionnaire are knowledgeable in this regard.

4.18 Chapter summary

The research results, which are outlined in this chapter indicate that business are operated by owners or managers who act on their behalf, and most have a turnover of between R50 000 to R150 000. It can also be concluded that businesses within the clothing industry regard business strategies as being important factors that are required to operate successfully, with most of the businesses having a formal business strategy. General managerial skills was highlighted as one of the important aspects, which is required to operate a successful business, and most of the respondents regarded general managerial skills as being most important. One of the issues that influences SMEs' performance was identified as the dumping of cheap imports from China and elsewhere, as the majority of the respondents agreed that dumping should end and that government should do more, since these imports negatively impact on the development and growth of the clothing industry. Government support was highlighted as the most important initiative to support SME growth, alongside financial assistance and training. The need for stability in the clothing industry was also clearly expressed, as well as the scrapping of fabric duty on imported fabrics.

Respondents also identified high manufacturing costs and cheap imports as major internal obstacles to expand their businesses. Among the initiatives that were identified to support new SMEs are training and the establishment of training centres and mentorship programmes. This will enable new SMEs to operate more successfully, and will give them a surviving chance in the sector. In order for SMEs to be successful, government must do more to stop cheap imports and scrap import duty on fabrics. Respondents indicated that a strategic alliance with retailers and development of their own revenue stream are also important factors for success. It is not surprising that 30% of respondents are not aware of any initiatives that stimulate innovation, and that more should be done. High manufacturing costs was also highlighted as one of the factors that prevent businesses to grow and develop. This, together with high labour costs and labour laws, make it difficult for businesses to grow and to increase their number of employees. The results show that in order to be competitive, businesses should keep their costs as low as possible and provide good quality products, along with fast and reliable service. This, together with strategic alliances and direct selling, allow businesses to differentiate themselves from competitors. The increase of local sourcing and consumer demand are requirements, which will revitalise the clothing industry, together with changing consumer behaviour and the scrapping of cheap imports.

Lastly, the results show that in order to operate successfully within the clothing industry, businesses must be able to adapt to the changing demands of their customers. They should be flexible, and provide reliable services and good quality products.

CHAPTER FIVE CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The previous chapter presented an interpretation and discussion, of the research study's findings; it described the empirical evidence of the barriers, which face SMEs in the clothing industry in the Cape Metropolis. This chapter presents a summary and an overview of this study, and provide its conclusions and recommendations that have been arrived at based on the techniques that were applied in this research. Evidence from the study's findings suggests that barriers to the successful conducting of SMEs' clothing activities in the Cape Metropolis do exist. Furthermore, the interventions that can support SMEs are not enough to grow the clothing industry at present, hence more should be done to revitalise the industry. The factors that hinder the growth and success of these businesses, as they are highlighted in the findings, should be addressed. These businesses should be empowered and given the support in order to increase employment and contribute to the South African economy.

5.2 Overview of the research

An introduction, as well as a background of research study problem was discussed in Chapter One. The problem statement, along with the aim and objectives of the study and its limitations of the study were also presented.

Chapter Two offered a comprehensive review of the constraints, which SMEs face within the clothing industry, as well as the opportunities that support businesses in the clothing industry. The secondary information was collected by using different sources such as journal articles, textbooks, internet sources and completed theses.

A brief explanation of the research design that was used was provided and of the qualitative and quantitative research methodology in Chapter Three. The chapter also outlined the population and sample that was utilised for the research, as well as the reliability of the instrument that was used to gather data. This was followed by analysis and discussion of the research findings in Chapter Four including interpretations. Finally in this chapter, in relation to the research objectives and supporting questions, conclusions are drawn about the study, and recommendations are made regarding SMEs in the clothing industry in the Cape Metropolis.

5.3 Research objectives

The major research objectives of the study were to achieve the following:

1. Analyse the opinions of owners and managers of SMEs that operate within the clothing industry in the Western Cape, and to ascertain why there is a decline in the industry.

The secondary objectives of the study were to achieve the following:

1. Determine, which markets (retailer and consumer) and industry factors (Porter's five forces model variables, especially product substitutes) influence the development and growth of SMEs in the Western Cape clothing industry so that less can be imported, whilst encouraging local buying;
2. Determine the macro environment factors that contribute to the decline of the clothing industry (political legislative, economic, socio-cultural, technological and international);
3. Determine what internal organisational deficiencies or weaknesses impact on the clothing manufacturer's ability to survive in this industry, and what key factors are required to operate effectively, efficiently and profitably in the clothing industry in the Western Cape;
4. To investigate the impact and effectiveness of Government-implemented policies and programmes (and its agencies) on sustainable development in the clothing industry in the Western Cape; and
5. To investigate how the clothing industry can be revitalised in the Western Cape in order to boost the local economy and increase job opportunities.

The objectives of this study were met. The research briefly outlined the challenges that businesses in the clothing industry face, which should be addressed. The constraints that are primarily experience include accessing finance, the influx of cheap imports, legislative factors, initiatives that are required to stimulate business growth and success, government support and investment in the clothing industry and how to revitalise the clothing industry and operate successfully.

5.4 Contribution made by the study

The study contributes to the body of knowledge in following two ways:

(a) **Practical Contribution:**

How government and policy makers can influence SME growth and development within the clothing industry, and how best to create an environment to stimulate growth within the clothing industry;

(b) **Methodological Contribution:**

Adds value to the information that was previously available to the Minister of Trade and Industry, and it should enable policies to be developed that are viable and inclusive of the opinions of owners and managers of businesses within the clothing industry in order to stimulate sustainable growth and increase employment levels in the Western Cape.

5.5 Limitations

A few shortcomings were encountered during the data collection for the study. Obtaining the required number of responses was not easy, as a number of SMEs were closing down and relocating to other provinces. In some cases the questionnaires were emailed after initial telephonic discussion, only to discover that the business had closed down. Some businesses were merely not interested in being part of the research.

5.6 Summary of the research findings

The research findings show that the following factors were found to be contributing barriers within the clothing industry at the time of the study.

5.6.1 Opinions of owners and managers

The opinions of owners and managers in the clothing industry are crucial for the survival of the clothing industry. The findings reveal that an overwhelming majority of the business owners and managers agreed that they need managerial skills in order to improve their business performances and growth. The respondents in the study indicated that managerial skills, financial management, finance, and entrepreneurial, legal, personnel and customer services skills were the aspects that should be addressed, as these skills are crucial for business performance and growth. Similarly, researchers, such as Kunene (2008:265) identified these skills as being important requirements for SMEs in the clothing industry in Johannesburg. They suggest that well directed training is required in this sector.

Owners and managers overwhelmingly agree that high manufacturing costs, and finance and working capital are of the most important barriers that prevent their businesses from growing. These constraints have a direct effect on the expansion of their businesses and, ultimately, on increasing the number of their employees. Not surprisingly, the need for greater local demand and sourcing are factors that greatly impact growth in the clothing industry. It suggests that local clothing retailers should do more to stimulate this industry. It also suggests that local consumers prefer imported clothing to locally produced clothing.

Government should do more in respect of awareness, policies, programmes and assistance for this industry to help it to develop and grow. It is imperative that appropriate mechanisms are established to empower the clothing industry with efficient and effective tools that will assist with innovations, which will so contribute more to economic development in the Cape Metropolis as they did at the time of the study in order to reduce the unemployment level. This addresses primary objective number 1.

The findings overwhelmingly suggest that cheap imports from China and India have a negative impact on the growth and development of the clothing industry, and that government should do more to restrict these imports. It is suggested that sticker controls should be enforced by government in terms of imports and quality standards, and that penalties should be imposed on organisations and businesses that do not adhere to these controls. Owners and managers want government to implement more stringent measures to stop the influx of cheap inferior quality clothing into the South African market. Although respondents agreed that national and local politics impact on the growth and development of their businesses, they neither agreed nor disagreed that it impacts on their business growth.

The South African apparel sector is facing extreme competition from imported garments. The threat comes not only from China but also other Asian countries; even shifted to more competitive producers within SSA like Lesotho and Swaziland. The local apparel sector is thus under severe threats from all market segments, whether firms operating within the parameters of the bargaining council compliancy. This addresses primary objective number 1 and secondary objective 2.

Overwhelmingly, owners and managers strongly agreed that South African labour laws affect the growth and development of their businesses. It is suggested that owners and managers would rather invest in equipment than increase employment levels owing to the strict labour laws and power of the unions. Labour law is one of the challenges South Africa apparels have to face in the mist of tough competition. Not only from China but also from Lesotho and Swaziland where labour laws are more relaxed and no minimum wage.

Undoubtedly, legal and legislative factors require considerable attention. The legal and legislative environment must stimulate business growth, as businesses must find it easier to do businesses and develop. This was one of the areas that were identified in the literature review, yet the clothing industry still faces this issue. This addresses primary objective number 1 and secondary objective number 2.

This is another area that requires considerable attention. Owners and managers agreed that not enough is being done to stimulate innovation; while some are not even aware of any initiatives that are available. Others have limited exposure through training from the Clothing and Textile Industry Cluster. The DTI should do more so that this industry can become more competitive in the global market.

Owners and managers within the industry agreed that more government support is required in order to enable growth in this industry again. A need for stability in the industry, financial assistance and training and training centres for training and development for this sector are some of the key support initiatives, which are required. This was identified in the literature review and from the industry respondents. This addresses primary objective number 1 and secondary objective number 2.

A common issue amongst a number of respondents is that finance should be flexible in order to complement the SME's business, and that finance should not be too expensive.

Often new SMEs do not have any form of credit history, which makes it difficult to receive credit from suppliers. This resulted in businesses purchasing goods for cash, thus negatively affecting cash flows, which also makes it difficult to grow. This addresses primary objective number 1 and secondary objective number 3.

A majority of the owners and managers strongly agreed and agreed that socio-economic factors affect their businesses in the Western Cape. Gangsterism, crime and drug abuse in homes and in areas where most of the workers reside negatively impact on the development of businesses. Although businesses are not merely as affected, the industry is crippled by these factors in the Cape Metropolis. This addresses primary objective number 1.

Although a majority of the respondents remained indecisive regarding this issue, a number of respondents agreed that technological innovation does impact on their business' growth and development. In this technological era the need for technological development in this industry is crucial in order to survive. Although most businesses neither agreed nor disagreed, it is suggested that the use of technology and innovation will greatly advance this industry. This addresses secondary objective number 1.

Although some owners and managers agreed that global economic factors impact on business growth and development, the majority of respondents were indecisive on this issue. However, it is clear that global economic factors impact the local clothing market. Cheap imports from China and India where labour is relatively cheap make it difficult for local manufacturers to compete in respect of price. The interest rate and inflation do affect growth and development of the industry. Owners and managers do not only have to pay an import duty on imported fabrics and increased exchange rates, but also have to provide for inflation on their products and the high costs of interest rates. This addresses secondary objective number 1.

Owners and managers agreed that there is a need to change customer buying patterns. Not only is it the responsibility of the industry, but government and other agencies should place greater emphasis on buying proudly South African. This will not only stimulate growth, but will also increase employment levels in the industry.

A majority of owners and managers expressed indecisiveness on this issue; however, some respondents expressed concern that product substitutes do impact growth and development of their businesses. This suggests that this issue had less concern for the majority of businesses during the time of this study. This addresses the secondary objective number 1.

Some respondents strongly agreed and agreed that retailers have too much buying power, which impacts on their business growth. This suggests that some retailers have become so powerful, and have hence impacted on businesses survival in the industry. The fact that suppliers are not willing to provide products on credit, and the lack of working capital, restrict the growth of businesses in the industry. Although some respondents expressed indecisiveness regarding this factor some did not agree that this is a real concern for their businesses.

The findings revealed that owners and managers agreed rivalry in the industry does impact on their business' development and growth. Businesses that produce similar goods and services are competing for the same customers and are one of the most important and potential threats in the industry. Although a majority of the respondents remain indecisive on this issue, and others disagreed, rivalry among businesses must have an impact on the closing of some businesses. This addresses secondary objective number 1.

The majority of the respondents agreed that high manufacturing costs and cheap imports and local sourcing are some of the key barriers to grow their businesses. Others identified the costs of sustainable electricity and finance, as well as bureaucracy (red tape) as some of the barriers. The high costs of machinery, labour, fabric duty and imports are restricting the industry, which can barely survive in the current climate. The need for government intervention is increasingly becoming desperate for the industry's sustainable development.

Owners and managers agreed that more training, as well as the need for training centres, and financial support is vital to develop this industry. Sophisticated mentoring and coaching are essential for sustainable development. The availability of working capital and cash flow are also some of the factors expressed as requirements to grow this industry.

Business owners and managers agreed that flexible, reliable and quality services and products are key factors, which are required to operate successfully in the current environment and retailers expect nothing less. This addresses secondary objective number 3.

Overwhelming, owners and managers agreed that not enough is being done to promote investments and growth in the clothing industry by national government. Some respondents agreed that provincial government agencies do assist in investment efforts such as training and tariff schedules, but if the industry is to flourish much more should be done to assist it. Some respondents are not aware of any government initiatives that are available to them, and hence do not make use of such programmes. A more focused effort with all role players in the industry, clothing manufacturers, local clothing retailers, national and local government agencies are needed in order for the industry to be revived. As a result of the current state of the industry during the time of this study, it is clear that government programmes and policies have not had the desired effect and a more coordinated approach must be adopted to increase participation from the industry in government programmes and policies. This addresses secondary objective 4.

Owners and managers agreed that an increase in local sourcing and customer demand are key requirements for the industry to be revitalised. It is clear that the DTI's efforts that businesses and organisations should procure clothing and that a certain percentage should be local content has not had the desired effect and that more should be done in this regard. At the same time, some respondents have called for change in the behavioural patterns of consumers in order to buy locally manufactured clothing. Other SMEs have opted for direct selling strategies in order to stay in business, while others expressed the need for manufacturing subsidies and the relaxation of laws and tax incentives. Unless these issues are adequately addressed, the smaller businesses in the industry will not survive.

The findings revealed that a majority of businesses do engage in strategic planning. This suggests that businesses should develop strategies in order to remain profitable. These strategies include reducing costs, targeting specific customers, taking new products to existing customers and forming strategic alliances. The overwhelming majority of the respondents stated that they do employ low costs, good quality products and direct selling to sustain their businesses and to remain competitive. This addresses primary objective number 1 and 4 and secondary objective number 3.

5.7 Recommendations for government and policy makers

Training plays a key role in addressing any social-economic problems in any industry.

The South African Government, together with industry leaders, should introduce training centres for SMEs, particularly in the clothing industry. This is especially important for new start-up businesses, where mentoring and coaching are important for survival. This aspect is highlighted by Sharpe (2013:458), who agrees that education, training and mentorship are vital for the success of a business. Training in supportive skills must be comprehensive and practical in business usage and application. Training would be especially beneficial for SMEs that did not have management training before establishing their business.

Government support is crucial in order for the clothing industry to succeed. Access to finance and working capital must be made more assessable. The DTI should monitor the effectiveness of government programmes and policies, and should make amendments more readily in order to enhance businesses. A more coordinate approach should be adopted to support businesses, while programmes and policies should be tailored for the industry's growth. The DTI should have local offices in each province, which monitor and evaluate businesses in terms of finances, technology, innovation, and labour and also tailor policies to enable businesses to develop. There should be greater awareness of government support programmes for the industry, encouraging businesses to make use of these interventions.

Financial and managerial skills are challenging for many small and medium businesses. It is imperative that these skills should be addressed based on adoption of a strategic approach. Key functional skills (namely finance, marketing, managerial and legal skills) should be integrated into these training programmes. It is highly recommended that financial, managerial and accounting skills programmes should be provided as part of training and mentoring interventions through the appropriate SETA, as means to address the cash flow challenges that some businesses experience.

There should be greater coordination of the functions of various agencies. Although the Western Cape clothing cluster does promote synergy amongst various agencies, greater Coordination is required to streamline activities, promote efficiencies and prevent duplication.

The provincial government should ensure that national agencies are familiar with provincial interventions and targets.

Support agencies should market their products to businesses extensively. There is still widespread lack of awareness of these agencies, as well as the products and services that they offer.

Local sourcing and local demand must be encouraged by industry leaders as well as by provincial and national government. Greater emphasis should be placed on buying locally manufactured clothing and the idea of wearing proudly South African. Government should implement incentives to companies that buy locally manufactured clothing in order to reduce costs and prices of final products. Customers should be encouraged to buy locally manufactured clothing through education, and understanding the vast benefits for both the development of the industry and the potential for greater employment levels.

Government should make greater efforts to assisting clothing businesses in manufacturing. Tax incentives should be considered for companies that show a greater willingness to develop the industry for the greater good of the Metropolis. The costs of labour, materials, electricity and rentals are constantly highlighted as barriers that prevent growth within the industry.

Access to finance is a problem. Government agencies should address this problem with financial institutions. Growth requires resources, and owners and managers should have access to these resources in order to grow their businesses.

Government should address the current restrictive labour laws, which seem to favour employees.

5.8 Recommendations for owners and managers of SMEs within the clothing industry

Owners and managers should attend management development courses to enhance their knowledge and skills in terms of managing their businesses.

Owners and managers understand the significance of financial management. Financial skills are essential for the continued existence of the business; hence any lacking in this regard should be addressed. Cash flows can be hampered if retailers do not settle debts in a specified period.

Owners and managers understand the importance of marketing management. Changing the buying patterns of customers would require great attention. Similarly, the reliance on key customers requires that owners and managers should develop strong relationships and should also regularly conduct customer satisfaction surveys.

5.9 Suggestions for further research

It is hoped that the findings of this study will inspire further research in the following outlined areas:

- The research findings revealed that there is a lack of local sourcing and supply chain distribution in the local clothing industry. It is suggested that local clothing retailers should source their products locally.
- A comparative study should be conducted around the retailer, manufacturer and service sectors on the issue of growth and development.
- Studies should be conducted that investigate factors of successes and failures of SMEs in the clothing industry in other metropolitan areas in order to draw comparisons and recommendations for the national agenda regarding development of this sector.

5.10 Significance of this research

The significance of this research is that owners and managers of the sector had to opportunity to raise their opinions on the challenges within the industry. Research by Morris & Barnes (2014:18) also identified competition as one of the factors for the decline and shrinking of employment in the sector. Similarly, respondents indicated they cannot compete with the cheap imports that flood the South African market. Due to cheap labour in China, India and elsewhere, these countries can reduced their prices much lower than any of the South African manufacturers. The structural changes government is planning to implement will go far, however owners and managers are concern of the time it takes to implement these changes. Since 2010, government has started to implement some form of changes; however the full potential of these changes has not yet been felt by most manufactures.

Another challenge is the buying power of retailers. Many respondents raised concerns that retailers have become so powerful. In many cases manufacturers hardly make any profits and they mostly break- even and can barely keep their businesses open in order to keep their staff employed.

Another important issue is that firms that do not comply with the bargaining council compliancy do not qualify for any assistance. Many of these manufacturers cannot pay their staff the minimum wages and are thus excluded from any support programmes.

Like, Christie (2016:55), the study identified skills as an important requirement within sector. However, owners and managers identified the long time it takes for assistance and training

interventions. At the same time, the process to apply for financial assistance is so tedious and too many legal and compliance issues. There also exist skills gaps within the sector. In order for the sector to become competitive, the workforce needs to have the required skills to meet the objective of businesses. These skills are both operational and technical in nature. Another important finding of the research is the number of vacant positions within the sector. Low wages in the sector renders some occupations less attractive and the advancement of technology requires new skills to enter the sector, at the same time old and outdated equipment and tools make work at some business less productive. The introduction of incentive programmes announced by the Department of Trade and Industry in 2018, business hoped that the process to access these support programmes will improve operations and competitiveness as a whole.

5.11 Conclusion

The literature review focused on various factors, both positive and negative which the clothing industry faces in South Africa and the Metropolis. The aims and objectives were discussed, and the research findings and discussions were summarised, which allowed for a way forward. The findings of the study were summarised and recommendations were made to improve conditions in the industry, and to provide for growth and development in this sector.

The clothing industry faces a number of challenges. This study considered these constraints and attempted to provide recommendations, which address these based on the opinions of owners and managers within the clothing industry. In this chapter the objectives of the study were revisited, and it was indicated that all the objectives were met.

The main finding of the study are summarised as:

- There is a need for well-directed training in all areas of entrepreneurship (namely managerial skills, finance, accounting, cash flow management, legislation, and legal and customer services skills);
- There should be stricter controls of cheap imports of clothing that flood the South African market;
- The industry's labour laws should be relaxed;
- Legal and legislative barriers;
- More innovation initiatives are required in the industry;
- Greater government support initiatives are required in the industry, including investments;
- Finance and working capital challenges;

- Socio-economic challenges;
- There is a need for technology advancements in the industry;
- Market and industry factors;
- High manufacturing costs; and
- Increases in local sourcing and distribution.

The aim of the research was to determine the barriers of development and growth within the clothing industry based on the opinions of owners and managers within the industry, and to examine whether programmes and policies of government has had any effect on the development of this sector.

The findings from the empirical part of this study have helped to highlight the key role that government plays in terms of support for business success. A dominant theme in this research is that an integrated approach is needed by all parties in order to make a difference in the way the clothing industry operates and its chances of survival and success. The study has shown that in order for businesses to increase employment, they need to grow. Changing customer behaviour is a task not only for businesses in this industry, but also for government and its agencies in order to revitalise the industry. Until an effective awareness program is created and a tool is developed that measures the effectiveness of support initiatives, SMEs in the industry will struggle to grow and create the number of jobs that are required to assist to increase employment levels. It is hoped that the findings of this study will make an important contribution in the areas of theory, and assist with developing appropriate training programmes and policies in various departments, which are connected to the promotion and development of the clothing industry.

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APPENDIX/APPENDICES

Appendix A: Survey Questionnaire

SECTION ONE: DEMOGRAPHICS

1. Are you the manager or the owner of the business? Please tick the appropriate block.

Owner	1
Manager	2
Other (for example employee, secretary, and so on)	3

2. How long have you owned or worked for the organisation? Please tick the appropriate block.

less than 5 years	1
6 to 10 years	2
More than 11 years	3

3. Total number of years of experience in the clothing industry (Please tick the appropriate block)

0-5yrs	6-10yrs	11-15yrs	16-20yrs	21yrs+
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4. How many employees are permanently employed in the business? Please tick the appropriate block.

Less than 10	1
11 to 49	2
50 to 100	3
100 to 200	4
More than 200	5

5. What is the highest education level that you have attained? Please tick the appropriate block.

Below matric	1
Matric	2
Certificate (one year or less in duration)	3
National diploma	4
Degree	5
Honours/Post Graduate Diploma	6
Master's degree	7
Doctorate	8
Any other (Please specify below) *	9

*.....

SECTION TWO: BUSINESS INFORMATION

6. Which subsection best describes your business? Please tick the appropriate block.

Design & manufacturing of textiles (Fabrics)	1
Design & manufacturing of clothing (wearing apparel)	2
Design & Manufacturing of footwear	3
Design & manufacturing of other accessories, for example, bags, hats, belts, leather, ties, scarves, socks, handkerchiefs, gloves	4
Design & manufacturing	5
Support of textile industry, for example, dyeing, finishing, printing, trims & accessories, fasteners	6
Other subsection – please specify below *	7

*.....

7. Please read the following statements and indicate either 'yes' or 'no' to each of the following statements: Please tick the appropriate block.

	Yes	No
My business has been profitable during the last financial year.		
The turnover of my business has increased over the past three years		
My business has not been profitable over the last five years.		
As a result of not being profitable, I am considering closing my business.		

8. Please indicate the annual turnover of your business. Please tick the appropriate block.

Below or equal to R50 000 per year	1
Above R50 000 but not exceeding R150 000 per year	2
Above R150 000 but not exceeding R1 million per year	3
Above R1 million but not exceeding R5 million per year	4
More than R5 million per annum	5

SECTION THREE: SUPPORT INITIATIVES

9. Since starting your business, have you received any form of assistance from government in relation to business matters? If yes, was this assistance in the form of the following? Please indicate the appropriate block. Do you have a formal business strategy in place?

Yes	No

10. If your answer to the previous question was yes, please indicate the nature of the assistance, as shown below.

1	2	3	4	5
Training	Financial assistance	Specialist consultations	Expert advice	Assistance from any small business development organisation or agency

SECTION FOUR: BUSINESS STRATEGY

11. Do you have a formal business strategy in place?

Yes	No

12. If your answer to the previous question was yes, is the business strategy in the form of:

- a) Cost leadership strategy (reducing costs);
- b) Differentiation strategy (creating new products and design);
- c) Focus strategy (targeting specific customer or group segments);
- d) Market penetration strategy (taking existing products to existing customers);
- e) Market differentiation strategy (taking existing products to new markets);
- f) Product differentiation strategy (taking new products to existing customers);
- g) Diversification strategy (taking new products to new markets);
- h) Retrenchments (reducing cost by retrenching employees and or selling off assets);
- i) Strategic alliances (partnerships with other organisations); and
- j) Joint ventures

SECTION FIVE: FACTORS THAT AFFECT THE PERFORMANCE OF SMEs

13. Answer the following questions by ranking the different options on a Likert scale of 1-5, where:

- (1) =Most important;
- (2) = Important;
- (3) = Neutral;
- (4) = Less important; and
- (5) = Least important.

Which of the following managerial functions contribute to the performance of your business?

1	Skilled personnel	
2	Customer services	
3	Marketing, promotions, customer relations and competitor analysis	
4	Access to finance	
5	Cost of finance	
6	Access to land	
7	Entrepreneurial skills	
8	General management skills	
9	Understanding of Government regulations	
10	Business plans	
11	Training in business	
12	Government assistance	
13	Planning	
14	Organising	
15	Leading	
16	Controlling	
17	Business systems, procedures, processes and records	
18	Business linkages, industry clusters and networking	
19	Communication and access to relevant information	
20	Legal (business registration, government requirements, regulations and incentives)	
21	Financial accounting skills	
22	Financial management, including cash flow, forecasting, financial statements, pricing and costing	
23	Human Resource Management and organisational planning	
24	Legal (business registration, government requirements, regulations and incentives)	
25	Financial accounting skills	

14. **SECTION SIX: PLEASE ARRANGE THE FOLOWING STATEMENTS IN TERMS OF YOUR OPINION.**

- (1) Strongly Agree
- (2) Agree
- (3) Neither Agree nor Disagree
- (4) Disagree
- (5) Strongly Disagree

	<u>STATEMENT</u>	<u>RESPONSE</u>
1	National politics in South Africa has negative impact on the development and growth of my business.	
2	Local politics in South Africa has a negative impact on the development and growth of my business.	
3	Legislative (legal) factors in South Africa have a negative impact on my business.	
4	Global economic factors have a negative impact on the development and growth of my business.	
5	Inflation and interest rates have a negative impact on the business.	
6	The South African labour legislation has a negative impact on the development and growth of my business.	
7	Cheap imports from China and India have a negative impact on the development and growth of my business.	
8	The strength of the exchange rate has a negative impact on my business.	
9	Changing consumer buying patterns has led to the decline of my business.	
10	Government should reduce taxes to assist organisations in times of an economic slump.	
11	A shortage of finance affects the development and growth of my business.	
12	Product substitutes have negatively impacted on the development and growth of my business.	
13	The buying power of suppliers has a negative impact on the development and growth of my business.	

14	Socio-cultural factors in the Western Cape have a negative impact on my business.	
15	A lack of technological innovation has a negative impact on the development and growth of my business.	
16	Rivalry in the clothing industry impacts negatively on the development and growth of the business.	
17	New entrants in the clothing industry impact negatively on the development and growth of my business.	
19	Government should increase import duties to safeguard local producers in the clothing industry.	
20	Government should implement quotas for organisations that import clothing into South Africa.	
21	Government should insist that the dumping of clothing imports should be totally stopped.	
22	Quality standards should be vigorously adhered to in order stop importation of poor quality products into the country.	

*Is there any other issue that you believe negatively impacts on your business?: Please specify below.....
.....
.....
.....

15. SECTION SEVEN: QAULITATIVE /OPEN ENDED QUESTIONS:

15. Did you receive any assistance from government with regard to source funding? If yes, please specify.

Yes	No
-----	----

.....
.....
.....

16. What support initiatives will assist you to grow your business?.....
.....
.....

17. What, in your view, is the major internal obstacle to the expansion of your business?.....
.....
.....

18. What support initiatives should be implemented to support a new SME?
.....
.....
.....

19. What in your opinion will enable SME to be successful?.....
.....
.....

20. What support initiatives are available to support innovation?.....
.....
.....

21. How do you differentiate yourself from your competitors and what is your competitive advantage?.....
.....
.....
22. What prevents you from growing your business?
.....
.....
.....
23. What will enable you to grow the number of your employees?.....
.....
.....
24. Is the South African government doing enough to promote investment and growth of the clothing industry in the Western Cape?
.....
.....
.....
25. What in your opinion is needed to revitalise the clothing industry in the Western Cape?.....
.....
.....
26. What in your opinion are the key factors to operate a successful clothing business in the Western Cape?.....
.....
.....

Once again I would like to thank you for participating in this questionnaire; your contribution has been invaluable.

Appendix B: Letter requesting permission.



Dear Respondent

The following questionnaire is part of an extensive master study on the constraints facing SMEs in the pursuit of creating jobs within the Clothing Industry in the Cape Metropolitan area.

It will be highly appreciated if you, the owner and or manager of the business, would participate in the interview that is aimed at answering the questions as thoroughly as possible.

All information will be treated as STRICKLY CONFIDENTIAL and will only be used for academic purposes. Please feel free to contact the researcher or promoter in cases of any queries:

Researcher: Moses Matthyse; Telefax number: 086 576 0330, Cell: 082 940 7851, email address: moses.matthyse@capetown.gov.za

Promoter: Dr M Wakeham; Phone number: 084 506 5544 Email address: WakehamM@cput.ac.za

Instructions for completing the questionnaire

- a) Please read the questions and instructions carefully.
- b) Please answer the questions as objectively and honestly as possible.
- c) Please answer based on your own business and experiences as much as possible.
- d) Please mark the option which reflects your answers most accurately.
- e) Please answer all the questions as this will provide more information to the researcher so that an accurate analysis and interpretation of data can be made.
- f) You are kindly requested to complete the questionnaire and return to me by either fax or email at your earlier convenience.

Appendix C: Letters of consent

CAPE CLOTHING AND TEXTILE CLUSTER

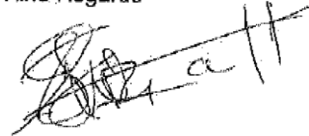
Unit 42, Block A
Millennium Business Park
Edison Way, Century City
Cape Town, 7441

RE: SME SURVEY – CLOTHING INDUSTRY

To whom it may concern

The Cape Clothing and Textile Cluster grant permission to be assessed for the survey on the challenges facing SMEs in the clothing and textile industry to be carried out by Moses Matthyse.

Kind Regards

A handwritten signature in black ink, appearing to read 'S. Wright', with a large, sweeping flourish extending to the right.

Stephen Wright

B & M Analysts

AL'S Clothing CC.

Reg. No. 2006/038928/23
VAT No: 435 0101327

P O Box 299
Maitland, 7404
Ph: (021) 593 3120

781 Voortrekker Street
Maitland, 7405
Fx: (021) 593 4486

5 June 2013

Re: SMME survey

To whom it may concern

The above named company has granted permission for the survey regarding SMME's in the clothing industry to be completed for the benefit of Mr Moses Matthys, who is currently doing his Masters Degree at CPUT.

Sincerely yours

Gavin Leite (Production Manager)



GRAMMARIAN CERTIFICATE

SHAMILA SULAYMAN PROOF READING AND EDITING SERVICES

29 August 2016

Dear Sir / Madam

This confirms that I have proof read and edited the research dissertation, entitled "***Constraints facing SMEs in the pursuit of job creation: The case of the Cape Metropolis Clothing Industry***", and that I have advised the candidate to make the required changes.

Thank you.

Yours faithfully

A handwritten signature in black ink, consisting of a large, stylized initial 'S' followed by a long, horizontal, wavy line that ends in a small dot.

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