



Cape Peninsula  
University of Technology

**THE GROWTH AND DEVELOPMENT PROCESS OF FASHION ACCESSORIES  
MICRO ENTERPRISES IN THE CAPE TOWN METROPOLE**

by

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**at the Cape Peninsula University of Technology**

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## DECLARATION

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**Signed**

**Date**

## ABSTRACT

The immense contribution of small businesses to economic growth has been widely documented. Governments around the world, including in South Africa, are consequently placing increasing emphasis on creating an enabling environment for small businesses to succeed. Yet despite such efforts by the South African government, most start-ups in this country continue to fail and exit the market. This trend is replicated in fashion accessories micro enterprises in the Cape Town Metropole. This study set out to analyse the process of development of those retail fashion accessories micro enterprises which manage to defy the odds and grow. The analysis led to the development of a growth and development model for fashion accessories micro enterprises that aims to reduce the failure rate of start-ups.

A qualitative research study was carried out in the Cape Town Metropole area. A sample of fifteen small fashion accessories business owners was drawn using snowball sampling, and data was collected from them through semi-structured interviews and a focus group. The data was analysed through content analysis using ATLAS.ti software. The research outcome shows that there are three phases in the growth and development of a business, establishment, operations and growth. In the establishment phase of a business most of the effort is put into research and planning before the implementation of establishing the business. In the operations and growth phase, in addition to research and planning there are implementation and review processes.

The conclusion of this study is that the growth and development of fashion accessories retail micro enterprises can be achieved firstly through following three phases namely establishment, operations, and growth. In each of these phases the aim is to effectively engage in research and planning, implementation and review. This way a business is in a position that it can anticipate and effectively exploit opportunities and overcome possible challenges. The proposed growth and development model offers a general guideline on how to establish and grow a micro enterprise in the fashion accessories industry. It might serve to provide a potential entrepreneur with a starting point, bearing in mind that not all businesses will be established and grown in the same way. Potential entrepreneurs should consider establishing their start-ups as micro enterprises to allow them to develop and benefit from actual operating experience, whilst using the growth and development model as a strategic guideline. Small business owners should be actively involved in research and learning in order to make business decisions based on updated information.

**Keywords:** Micro enterprises, small business, growth, development, growth model

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## **DEDICATION**

This dissertation is dedicated to my parents, Felix and Emelda Chikovo, my siblings Munyaradzi and Chipu, my late sister Tendai Chikovo-Mukapa, and my son Bailey:

With unwavering support for each other through the worst moments of our lives, together we stand and will always win!

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## DEFINITION OF TERMS

### **Small business**

A small business is a separate and distinct business entity, which, together with its branches or subsidiaries, if any, including cooperative enterprises, is managed by one owner or more predominantly carried on in any sector or subsector of the economy and classified as a micro, a small or a medium enterprise (South Africa. Department of Small Business Development [DSBD], 2019:110).

### **Micro enterprise**

A micro enterprise is a category of small business that employs ten or fewer employees and has annual turnover of less than or equal to 7.5 million rand (South Africa. DSBD, 2019:111).

### **Growth and development**

The transition process of a business moving from one form to the other, in this case growth from micro to small enterprise (Reeg, 2013:6).

## ABBREVIATIONS

<b>APEC</b>	Asia Pacific Economic Cooperation
<b>BBBEE</b>	Broad-Based Black Economic Empowerment
<b>BER</b>	Bureau for Economic Research
<b>CBD</b>	Central Business District
<b>DPME</b>	Department of Planning, Monitoring and Evaluation
<b>DSBD</b>	Department of Small Business Development
<b>DTI</b>	Department of Trade and Industry
<b>EC</b>	Europe Commission
<b>GDP</b>	Gross Domestic Product
<b>GEM</b>	Global Entrepreneurship Monitor
<b>GGRSA</b>	Government Gazette of the Republic of South Africa
<b>NEF</b>	National Empowerment Fund
<b>SBDC</b>	Small Business Development Corporation
<b>SBDA</b>	Small Business Development Agency
<b>SBP</b>	Small Business Project
<b>SEDA</b>	Small Enterprise Development Agency
<b>SME</b>	Small and Medium Enterprises
<b>SMME</b>	Small, Medium and Micro Enterprises
<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and the Pacific

# CHAPTER ONE

## INTRODUCTION AND BACKGROUND

### 1.1 Introduction

One of the significant characteristics of a thriving economy is a vibrant and productive small, medium and micro enterprise (SMME) industry. The industry is vital in its contribution to the socio-economic development of a country through employment creation and innovation (Bureau for Economic Research, 2016:5). This study focuses on the growth and development process in retail fashion accessories micro enterprises in the Cape Town Metropole. The aim of the study is to propose a development and growth model that can serve to enhance this process and reduce the rate of failure of start-ups. While there are several well-known stories about exceptional micro enterprise owners who achieved success after years of hard work, very little is known about micro enterprise development as it is experienced by the majority of businesses (Nichter & Goldmark, 2009:1453). Research shows that even in developed nations successful businesses rarely start with a successful idea that leads to growth (Collins & Porras, 1994:1; Ormerod, 2005:1; Nichter & Goldmark, 2009:1453; Singer et al., 2018:90).

Most large businesses in Europe and the United States began as micro enterprises; one example is Apple, which had its foundations in a small garage in California. Other major retailers that began as micro enterprises are Microsoft, Dell and Starbucks. There is a consensus around the world that small businesses are drivers of economic growth. If nurtured and developed, they can contribute to the economy through job creation and innovation (Xavier et al., 2012:12; Underhill Corporate Solutions, 2013:8; Singer et al., 2018:90).

Realising the importance of growth and development in micro enterprises, researchers have sought to understand the process. A wide variety of models have been produced to explain the unfolding of the growth and development process. Most of these models fit within one of six frameworks: the stochastic, deterministic, descriptive/stage, resource based, evolutionary and learning frameworks. These will be discussed later in the study (Wiklund et al., 2007:360; Farouk & Saleh, 2011:3).

The importance to a country's economy of the growth and development of micro enterprises is recognised throughout the world. In South Africa, an area of concern has been the dearth of information about the growth cycle and the dynamics that affect micro enterprises at each stage of their development (Small Business Project [SBP], 2014:1). In order to boost the growth and development of fashion accessories micro enterprises, there is a need to establish the processes and stages through which the businesses are likely to go (Reeg, 2013:6).

The South African Minister of Trade and Industry, Rob Davies (2013), and the Minister of Small Business Development, Lindiwe Zulu (2014), have pointed out that among those start-ups that



survive their first year, only half remain in business for the following five years, and only 9% will survive for ten years (Maye, 2014:2). The Global Entrepreneurship Monitor (GEM) for 2016/2017 concurs, reporting that South Africa continues to record a high failure rate of start-ups, while entrepreneurial activity in the country as a whole is decreasing (Herrington et al., 2017:29).

The National Development Plan 2030 (South Africa. National Planning Commission, 2012) outlined that 90% of the eleven million jobs to be created in South Africa could come from small businesses by 2030. Considering the high failure rate of start-ups in the country as described above, there is a need for extensive research to ascertain how they can be made to grow in order to contribute to the economy (Herrington et al., 2017:29).

## **1.2 Background**

Research has established that most micro enterprises in developing nations remain the same (in size and scope) as they began (Reeg, 2013:5). The growth and development of these businesses is vital to economic development because of their potential to contribute to economic growth, alleviating poverty and addressing inequality (SBP, 2014:1).

This study was conducted using fifteen retail fashion accessories small businesses in the Cape Town Central Business District (CBD) as the unit of analysis, to obtain data on their business operations. Fashion is a social construct characterised by trends continuously changing over time (Lam, 2013:1). The fashion industry in South Africa consists of retailers who sell apparel, accessories and footwear. It is a highly diverse industry, including custom-made merchandise and both inexpensive, mass produced basics and higher, value-added merchandise (Pather, 2015:56). The focus of this study rests upon specialised fashion accessories retailers who trade products such as socks, hats, scarves, ties, jewellery, sunglasses, watches, handbags and belts, among others. The fashion accessories industry is a vital complement to the apparel industry and is known for bringing out the uniqueness of individuals by making a basic outfit versatile (Van der Pols, 2016:2). The study focuses on small businesses that are trading both inexpensive mass-produced and value-added accessories. The businesses are owner-managed and the target market for these enterprises is the middle to upper middle-class population.

The Cape Town fashion accessories industry comprises specialised retailers who focus on accessories only, and other retailers who have accessories as departments in their apparel stores (Levy & Weitz, 2009:413). The industry is becoming more complex and changing at an ever-increasing speed. Micro enterprises are also faced with decreasing sales of non-essential products, increased competition due to globalisation, and a lack of access to finance to grow their operations (Rantisi, 2011:259; Pather, 2015:57). This has resulted in a failure of growth

in fashion accessories micro enterprises. The problem is that in order to survive and gain a significant market share in a competitive industry, the business needs to grow (Turton & Herrington, 2012:5; Pather, 2015:57). This study focuses on businesses that have grown and developed since their establishment.

The population for analysis in this study is located in Cape Town. The city is the provincial capital of the Western Cape and the second richest city after Johannesburg, contributing 9.9% to national GDP in 2016 (City of Cape Town, 2016:2). Cape Town is the province's economic hub and accounts for most of the Western Cape's economic activity, with the majority of the city's economic enterprise being driven by small businesses (City of Cape Town, 2016:25). Most micro enterprises in South Africa are devoted to grocery and apparel retailing (FinmarkTrust, 2010:7), so focusing on fashion accessories assists in opening an avenue for growth and diversity within industries in which micro enterprises are to be found.

The city is characterised by a high annual population growth rate with an estimated population of around 4 million people or 7% of South Africa's population (City of Cape Town, 2016:2). As a result, of the rapid growth in population, Cape Town faces a number of economic and social challenges, such as unemployment and increasing poverty. Many unemployed people have opted to start their own businesses to make a living. Hence, most of the start-ups (including those in the fashion accessories industry) are not driven by entrepreneurial innovation. The businesses are clustered in the category of survivalist micro enterprises, with little or no growth potential and little likelihood of hiring staff (South Africa. Department of Trade and Industry (DTI), 2008:61; Bureau for Economic Research, 2016:5).

A major contributor to Cape Town's rapid growth in population is immigration, with the migrants usually seeking greener pastures and the opportunity to make a living. This both creates a competitive job market, and leads to high unemployment, poverty and crime (Western Cape Government, 2016:122). Like most other cities in South Africa, Cape Town is characterised by an unequal distribution of wealth and extremes of wealth and poverty. Although the government has in place initiatives like Broad-Based Black Economic Empowerment (BBBEE) that aim to reduce inequality, such initiatives have yet to improve the lot of the population as a whole. Consequently, most unemployed people resort to survivalist enterprises to make a living (City of Cape Town, 2016:4).

The issues of unemployment and poverty will continue to pose a huge challenge in Cape Town. There is an urgent need to continue opening avenues to help empower the affected communities. One of the best ways to do so is to focus on the informal economy, where most fashion accessories micro enterprises are situated, and create an enabling environment for them to grow (City of Cape Town, 2016:52-53). The informal sector has proved to be vital in

reducing poverty, and hence the city is committed to creating opportunities and an economically enabling environment for job creation (City of Cape Town, 2016:17).

Despite the city's commitment and the widely documented benefits to the economy of SMEs, fashion accessories micro enterprises that grow and develop into small enterprises are still in the minority in Cape Town (City of Cape Town, 2016:20). Such enterprises have the potential to make an immense contribution to the economy, but the major challenge remains to find a way of overcoming the high failure rate among them and enhance their growth (SPB, 2015:1).

Growth and development in general have been the focus of a great deal of entrepreneurship research, and several studies have concluded that growth is a very complex and multifaceted process (Kirkwood, 2009:485; Achtenhagen et al., 2010:291). Notwithstanding this complexity, business growth deserves more attention from researchers as it is crucial to maximising a nation's economic and social development (Kirkwood, 2009:486; Osotimehin et al., 2012:174).

### **1.3 Statement of the problem**

The research problem in this study is that retail fashion accessories micro enterprises are not growing. To address this problem the study investigated the processes of development and growth within a sample of retail fashion accessories micro enterprises in Cape Town, South Africa. The study, investigated how the entrepreneurs established their businesses, exploited the opportunities, and overcame challenges they encountered. The aim was to propose a model to facilitate the growth of these micro enterprises into small businesses.

#### **1.3.1 Research questions**

##### **1.3.1.1 Main research question**

What is the pattern of growth and development among successful retail micro enterprises in the fashion accessories industry in the Cape Town Metropole?

##### **1.3.1.2 Supporting questions**

- ✓ What steps did the entrepreneurs go through in establishing, running and growing their businesses?
- ✓ How did the micro enterprises exploit opportunities in the industry?
- ✓ What are the challenges that the micro enterprises encountered in the industry?
- ✓ How did the micro enterprises overcome the challenges they encountered?
- ✓ What model for the growth and development of micro enterprises can be developed from the data obtained?

## 1.3.2 Research objectives

### 1.3.2.1. Main research objective

To establish the growth and development process of successful retail micro enterprises in the fashion accessories industry in Cape Town Metropole.

### 1.3.2.2 Supporting objectives

- ✓ To identify the steps that entrepreneurs went through in establishing, running and growing their businesses.
- ✓ To establish how micro enterprises exploited existing opportunities in the industry.
- ✓ To identify the challenges that micro enterprises encountered in the industry.
- ✓ To highlight how micro enterprises overcame the challenges they encountered.
- ✓ To establish a growth and development model for micro enterprises.

**Table 1.1:** Research Matrix

Research Objectives	Research Questions	Semi-Structured Interview Guide	Focus Group Interview Guide
<b>Main Research Objective</b>  To ascertain the pattern of growth and development among successful retail micro enterprises in the fashion accessories industry in the Cape Town Metropole	<b>Main Research Question</b>  What is the pattern of growth and development among retail micro enterprises in the fashion accessories industry in the Cape Town Metropole?		
<b>Supporting Objectives</b>	<b>Supporting Questions</b>		
1.To identify the steps that entrepreneurs went through in establishing, running and growing their businesses	1. What steps did the entrepreneurs go through in establishing, running and growing their businesses?	Questions: 6-18	Discussion Point: 1-3
2.To establish how micro enterprises exploited existing opportunities in the industry	2. How did the micro enterprises exploit existing opportunities in the industry?	Questions: 19 - 23	Discussion Point 4
3. To identify the challenges that micro enterprises encountered in the industry	3. What are the challenges that micro enterprises encountered in the industry?	Question: 24	Discussion Point: 5
4. To highlight how micro enterprises overcame the challenges they encountered	4. How did the micro enterprises overcome the challenges they encountered?	Question: 24	Discussion Point: 5
5.To establish a growth and development model for micro enterprises	5. What model for growth and development of micro enterprises can be developed from the data obtained?	Question: 25	Discussion Point: 6

#### **1.4 Aim of the study**

The aim of the study was to find ways to enhance the growth of selected fashion accessories micro enterprises in the Cape Town Metropole by analysing the process of their growth and development. The study also aimed to propose a development and growth model that might serve to identify the various stages and dynamics that fashion accessories micro enterprises appear to go through. This model would help to build retail fashion accessories micro enterprises that are competitive, have a sustainable life span and are capable of growing into small, medium or large businesses.

#### **1.5 Significance of the study**

Sewell (2013:67) summarises the research needs of the wholesale and retail industries in South Africa and notes that one of these is enquiry into the capacity building of micro enterprises and the incorporation of informal trader facilities into formal shopping centres. The growth of retail micro into small businesses has not been as widely studied in South Africa as it has in other parts of the world. The present study will contribute to closing that gap and clearing the way for other studies to address issues pertaining to the development of micro enterprises such as fashion accessories businesses. And the growth of these enterprises will contribute to the economy through job creation.

The study will add to the research output of Cape Peninsula University of Technology as an institution that aims to unlock potential in students and to produce research that is relevant and aligned with the needs of industry, the country and the world at large. It is hoped that the results of the study will appear in an article published in an accredited journal.

Participants in the study will benefit from the literature reviewed as well as the findings of the study. Some of the recommendations may be useful to other fashion accessories micro enterprises that still need to grow, and provide for future research to test the model so as to help mitigate challenges encountered while making maximum use of available opportunities.

The study also served to boost the academic knowledge of the author and help her acquire some practical experience of what is taking place on the ground, to supplement the knowledge gained through the literature review.

#### **1.6 Delimitations**

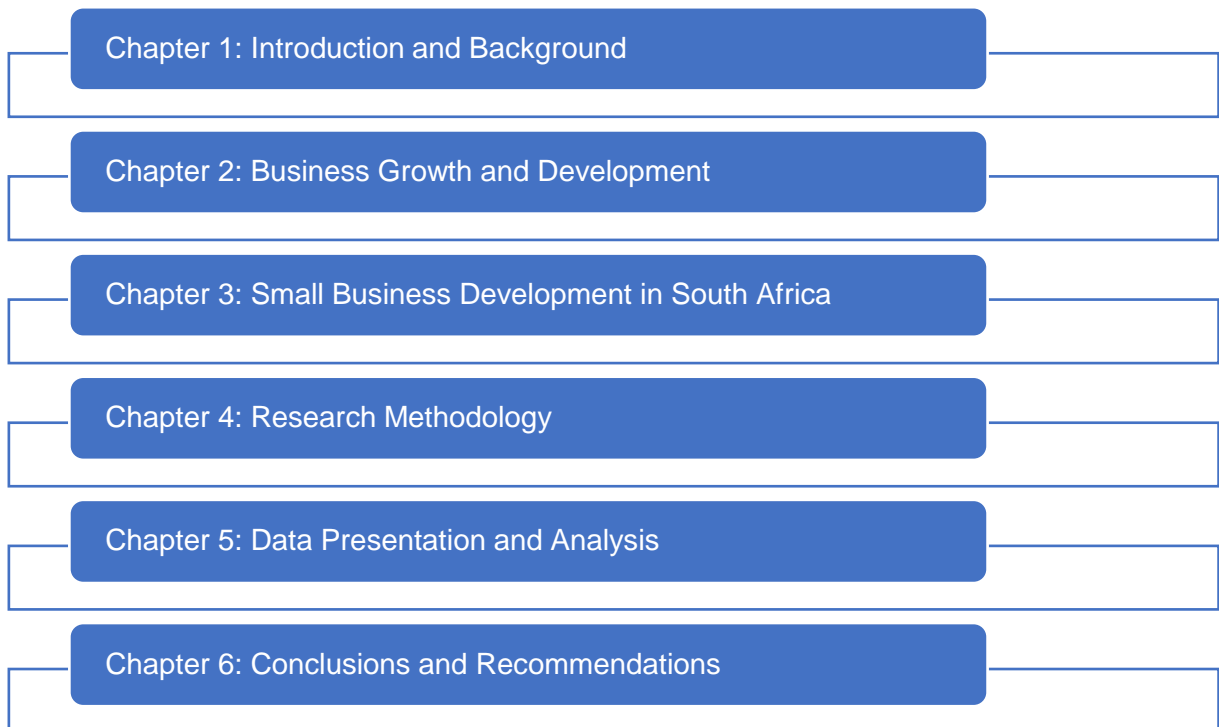
This study was limited to Cape Town CBD in the Western Cape province of South Africa. The province faces a number of social and economic challenges such as unemployment and increasing poverty, which could be reduced by investing in the growth of small businesses (Bureau for Economic Research, 2016:5). It was therefore imperative to address the topic of retail SMME growth in the province, starting with specific areas such as the Cape Town

Metropole. The study focused on the fashion accessories retail industry as an emerging industry that presents opportunities for business growth (Amed et al., 2017:70).

The literature review focuses on the growth and development of SMMEs, discussing issues such as the support policies for small businesses in the country, and the challenges and opportunities that these businesses encounter. It surveyed the growth and development models hitherto published in the small business literature.

The study adopted a qualitative research methodology because the study aimed to understand in detail the growth process of the businesses, and only a qualitative approach could provide suitably granulated and meaningful results. The sample was drawn using snowball sampling. The data was collected using semi-structured interviews and a focus group discussion and it was analysed using ATLAS.ti software.

### 1.7 Organisation of the study



**Fig. 1.1:** Organisation of the study

The study consists of six chapters as shown in Fig. 1.1. Chapter 1 has introduced the study and described the background situation that suggested the need for this study to be carried out. It outlines the research questions and the research objectives that the study aims to fulfil. Chapter 2 reviews and analyses the academic literature and theory pertaining to small businesses, to furnish an overall understanding of the study area. Chapter 3 reviews the literature on small business development in South Africa, looking specifically at the process of establishing a business and possibilities for growth. Chapter 4 outlines the research design

and methodology of the study and the data collection tools used. Chapter 5 presents the data collected and offers an analysis of it. The findings, conclusions and recommendations of the study as a whole are presented in Chapter 6.

## CHAPTER TWO

### BUSINESS GROWTH AND DEVELOPMENT

#### 2.1 Introduction

The previous chapter laid the foundation for the study by introducing the concept of the growth and development of fashion accessories micro enterprises in the Cape Town Metropole. The main objective of the study is to describe the growth and development of successful retail micro enterprises in the fashion accessories industry in Cape Town Metropole, with the ultimate aim of finding out how to reduce the failure rate of such micro enterprises. The purpose of this chapter is to review relevant academic literature and theories of business growth in order to establish a theoretical foundation for the study. The review and analysis of existing literature will provide a more comprehensive understanding of the phenomenon and underline the importance of carrying out this study. The final part of the chapter will introduce a conceptual framework for the study as a whole.

#### 2.2 What are micro enterprises?

Regardless of the consensus on the importance of small businesses, researchers agree that there is no universally accepted definition of a small business (Berisha & Pula, 2015:18). Internationally, the most accessible and commonly used criterion for defining small businesses is in terms of their number of employees (Berisha & Pula, 2015:18). In cases where access to further data is available, businesses can be classified according to turnover or fixed assets value (Abe et al., 2015:3). These other indicators of size are usually difficult to access because business owners can be unwilling to share such information or may not keep records at all (Reeg, 2013:11-12). It is worth adding that although the number of employees might remain the easiest measure of size, employee requirements are different in different industries and sectors, which means that definitions might differ from industry to industry (Stokes & Wilson, 2010:4).

##### 2.2.1 Definition of micro enterprises

Definitions of micro enterprises differ according to country and region. In some countries the definition may even differ among sectors, with more than one agency insisting on their own definition (Tarmidi, 2005:1; Mahadea et al., 2013:34). The following section will look at the definition of micro enterprises in some developed nations as well as South Africa.

Globalisation has transformed the world into one marketplace as businesses increasingly trade internationally. In light of this, some major entities such as the European Union (EU) and the Asia-Pacific Economic Cooperation (APEC) have realised the importance of using a common definition for small businesses in order to establish policies and rules that are fair in terms of



their eligibility for small business support. A common definition allows for easy comparison with other economies, and serves the statistical monitoring of progress in the sector and its contribution to employment and Gross Domestic Product (Dababneh & Tukan, 2007:10).

### 2.2.1.1 Asia and the Pacific definition of micro enterprises

Asia has achieved massive growth in recent years and is fast becoming the manufacturing and technology hub of the world. The continent is home to international enterprises such as Lenovo as well as a large small business sector. APEC officially defines a small business in terms of its number of employees (United Nations Economic and Social Commission for Asia and the Pacific [UNESCAP], 2010:1). APEC defines micro, small and medium enterprises as businesses with less than 100 employees. A medium enterprise has 20-99 employees, a small enterprise 5-19, and a micro enterprise fewer than 5 employees, including self-employed managers (UNESCAP, 2010:1).

### 2.2.1.2 European Union definition of micro enterprises

The EU realised that small businesses are a major source of entrepreneurial skills, innovation and employment in European Union countries, making it vital to measure them according to a common definition to limit competition distortion (European Commission, 2015:3).

The European Commission (EC) defines a small enterprise as:

*any entity engaged in an economic activity irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.*  
(EC, 2009:2)

Table 2.1, below, shows the defining criteria for micro, small and medium enterprises, as determined by the EC.

**Table 2.1:** Definition of micro, small and medium enterprises by the European Commission

Company Category	Employees	Turnover	OR	Balance Sheet Total
Medium-sized	<250	≤€ 50 m		≤€ 43 m
Small	<50	≤€ 10 m		≤€ 10 m
Micro	<10	≤€ 2 m		≤€ 2 m

**Source:** Commission recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (2009:2).

The thresholds apply to the figures for individual firms only. A firm that is part of larger group may need to include employee/turnover/balance sheet data from that group too. The number of employees tends to be used as the primary determinant of size. This is because most of the time the stipulated ranges for turnover and balance sheet do not exactly correspond, making it difficult to say in which category a business falls (European Commission, 2009:3; Turner et al., 2009:283).

### 2.2.1.3 Definition of micro enterprises in South Africa

The phrase “small business” in its official qualitative definition in South Africa encompasses micro, very small, small and medium enterprises. According to the Revised Schedule 1 of the National Definition of Small Enterprise in South Africa of 2019:

*A small business is a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy and classified as a micro, a small or a medium enterprise. (South Africa. DSBD, 2019:110)*

In addition to this, the Revised Schedule 1 of the National Definition of Small Enterprise in South African set thresholds in terms of number of employees and annual turnover. These thresholds further classify the businesses concerned into micro, small and medium enterprises, as shown in Table 2.2.

**Table 2.2:** Classification of Retail, Motor Trade and Repair Services Sectors

Size	Total Full-time Equivalent of paid Employees Less	Total Annual Turnover Equal or Less than (R)
Medium	51 - 250	80.00 m
Small	11 - 50	25.00 m
Micro	0 -10	7.50 m

**Source:** GGRSA (2019:2)

This study made use of the official South African definition of small businesses. Thus, the phrase “small business” in this study refers to all business, from micro to medium. “Micro enterprises” refers to those that employ fewer than ten employees. The above classification is applied to the fashion accessories businesses that are the subject of this study because they fall into the retail sector. The employee thresholds indicated in Table 2.2. actually, apply to all sectors in South Africa, though there are differences in respect of turnover and fixed assets value (South Africa. DSBD, 2019:111). In comparison to developed countries, the South African thresholds are low: what is classified as a medium enterprise in South Africa is probably a small enterprise in countries such as China (South Africa, DTI, 2008:2).

Quantitative definitions of small business introduce an element of objectivity and are relatively easy to apply, as seen in the definitions proposed by South Africa and the EC. The EC, however, has a generalised definition for all sectors, which presents limitations. For example, a small manufacturing business will require more employees than a small retail business (Stokes & Wilson, 2010:4). The Revised Schedule 1 of the National Definition of Small Enterprise in South Africa addresses this issue and defines businesses per sector and subsector. The old definition of small business in South Africa used to include Total Gross Asset value, just as the European Union definition includes balance sheet total. However, the revised schedule of 2019 removed that proxy, describing it as inappropriate and difficult to measure (South Africa. DSBD, 2019:1).

It is difficult to produce a universal definition of micro enterprises using quantitative criteria. The majority of organisations and institutions that have defined micro enterprises have seen fit to combine qualitative criteria with quantitative. Qualitative criteria are usually universal across a sector or country. There are three main characteristics common to all small businesses that make them easy to identify. These businesses are usually owner-managed, with a centralised management structure. Further, they are independent and not affiliated to any large enterprises, and usually have a small market share (Bolton, 1971; Stokes & Wilson, 2010:5; Berisha & Pula, 2015:22). Owner-managed and independent seem to be the most common qualitative criteria in most definitions. Some researchers have dismissed the notion of low market share as a characteristic of small businesses, pointing out that a business may operate in a niche market and gain a relatively high market share (Stokes & Wilson, 2010:5).

### **2.3 Growth of small businesses**

Literature specifically concerned with fashion accessories retailers is not plentiful, so this section will discuss the growth of small businesses in general.

There is little agreement in the literature on how to measure the growth of a business in general. However, researchers seem to agree that the choice of growth indicators and periods should be based on the relevant context, though choices in most studies seem to depend on the availability of data (Wiklund et al., 2007:357; Achtenhagen et al., 2010:291). Scholars have used a variety of measures, such as growth of sales, employees, equity, the expanding volume of business, quality of product, market position, and value addition, among other factors. In the case of policy makers, the most important growth indicator is employment creation, because it contributes directly to economic growth. However, to small business owners, the most important measure of growth is an increase in sales and subsequently in profit (Dobbs & Hamilton, 2007:312; Wiklund et al., 2007:351).

Business growth can be construed in two ways. It can refer to an increase in amount, e.g. of sales or employees, or it can refer to an internal process of development whereby a business's

characteristics change as a result of these developments (Achtenhagen et al., 2010:293; Gupta et al., 2013:2). Growth is defined by some authors as a change in size during a determined time span. The change is usually a result of various internal factors, which lead to an increase in demand for the business's products and services. In turn, the business adapts to the changes by increasing its capacity to cater for new customers (Dobbs & Hamilton, 2007:313; Janssen, 2009:294; Machado, 2016:420).

The majority of studies in the field of small business use the term growth to mean an increase in amount, so the most common indicators of growth are changes in the number of employees or quantity of sales (Achtenhagen et al., 2010:291). Yet the research indicates that it is better to make use of multiple growth indicators to paint a richer picture of a firm's development. The use of multiple measures is likely to provide a more complete picture of any empirical relationships as well as a way to test the robustness of any theoretical model (Wiklund et al., 2007:359; Shepherd & Wiklund, 2009:107; Achtenhagen et al., 2010:291; Leitch et al., 2010:251).

There are also differences in the periods over which growth is assessed and analysed, ranging from one to several years (Wiklund et al., 2007:351). Certain studies have criticised the interpretation of growth as an increase in size, insisting that the vital factor to be focused on is growth as an internal process. Growth as an internal process involves identifying what causes growth by establishing a set of variables that can explain the growth of small businesses. When growth is analysed as an internal process it becomes possible to understand it as an unfolding pattern of development rather than just a final outcome (Achtenhagen et al., 2010:309).

This study has had recourse to both characterisations of growth (Penrose, 1959:1). The study aimed to gain an understanding of the process or pattern of growth, hence the adoption of the sense of growth as "an internal process". But in order to get a holistic picture of growth, it was also convenient to construe growth as an outcome. The study combined the two connotations and used the two most widely recognised indicators of growth, sales and employee growth, because these two indicators constitute the base or initial point that leads a business to improve or develop other factors to accommodate the increase. The study thus examined growth in terms of sales, employment and change in size, as indicated by number of employees and sales, and as reflected through the increasing capacity of businesses that were established between 2005 and 2018.

## **2.4 Theoretical framework for small business growth**

Over the years, as researchers and entrepreneurs have sought to understand the phenomenon of business growth, a number of theoretical frameworks have been developed. Dobbs and Hamilton (2007:297) reviewed the literature on small business growth and divided the theoretical frameworks into six categories: stochastic, deterministic, descriptive,

evolutionary, resource based and learning. Figure 2.1, below, displays these theoretical frameworks.



**Fig 2.1:** Theoretical frameworks to explain small business growth.

**Source:** Own Diagram

The diagram above shows that small business growth process can be explained in terms of six different frameworks. The following section will briefly discuss the assumptions of each of these.

#### **2.4.1 Stochastic framework**

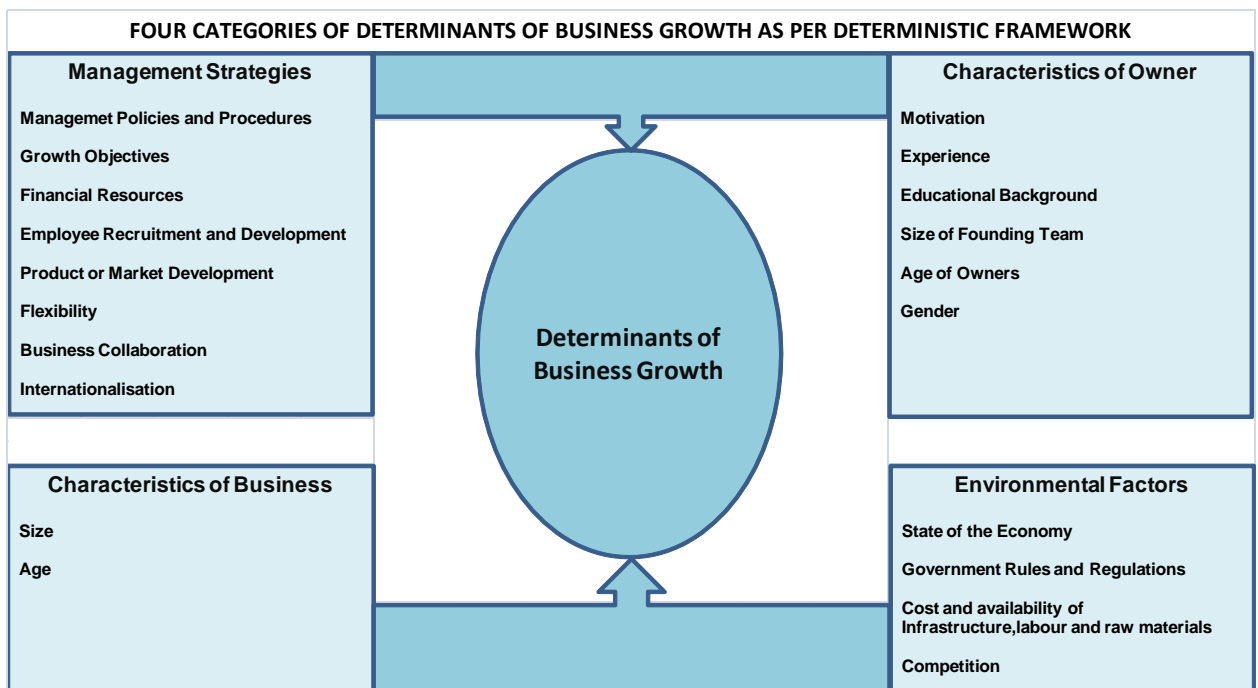
Initial studies that were carried out to understand business growth led to the birth of the stochastic framework, developed from the field of economics. It is based on Gibrat’s (1931) law of proportionate effect, which has been used in many studies on the determinants of business growth. The law of proportionate effect suggests that many factors can affect the growth or decline of a business, and no one factor is necessarily dominant (Dobbs & Hamilton, 2007:296; Farouk & Saleh, 2011:3). The factors that trigger growth or decline in a business include quality of management, customer preferences, and government policy and strategies. These variables are said to account for only a minor portion of overall performance, with some pushing for growth and other causing decline. This framework also assumes that a business’s past growth cannot be used to predict future growth. The potential for growth is theoretically the same for all businesses (Dobbs & Hamilton, 2007:297; Park & Jang, 2010:368; Farouk & Saleh 2011:3).

Although there are studies that have tested and endorsed Gibrat’s law – such as Farinas and Moreno (2000:264), and Leitao et al. (2010:158) – the majority of studies have rejected the law. Contrary to the assumptions of the stochastic model, several researchers have concluded that the growth of a business is not a simple random process and the likelihood of growth is not the same for all businesses (Al-Mahrouq, 2006:163; Lotti et al., 2007:14; Daunfeldt et al., 2011:18; Nassar et al., 2013:271). These studies have provided empirical evidence that

smaller businesses have higher growth potential than their larger counterparts, and that growth is influenced by the internal and external environment in which a business operates (Lotti et al., 2007:14; Reichstein & Dahl, 2004:227; Park & Jang, 2010:369; Farouk & Saleh, 2011:3).

### 2.4.2 Deterministic framework

The deterministic framework aims to uncover the causes of growth in a business by using multivariate statistical techniques on a large data set. The framework aims to identify a set of internal and external factors that contribute to small business growth (Dobbs & Hamilton, 2007:311; Farouk & Saleh 2011:4) in order to explain that growth (Leitch et al., 2010:250; Farouk et al., 2011:3). The determinants of business growth are summarised in a study by Dobbs and Hamilton (2007:299) which reviewed thirty-four studies informed by the deterministic framework. The variables were classified into four categories as follows: management strategies, characteristics of the owner, characteristics of the business, and environmental or industry-specific factors. Figure 2.2, below presents examples of the factors in the four categories.



**Fig. 2.2:** Four categories of determinants of business growth as per deterministic framework

**Source:** Own compilation

The above diagram portrays several of the various factors that affect the growth of a business, according to the deterministic framework. Management strategies, the characteristics of the owner and the characteristics of the business are all internal factors, while environmental factors are external factors, over which a business has limited control. Research shows that there is a long list of determinants of business growth (such as the ones shown in Fig. 2.2,

above), and no single factor necessarily predominates (Dobbs & Hamilton 2007:311; Leitch et al., 2010:249).

This framework has been criticised for its lack of empirical validity, with some researchers arguing that applying the model in different contexts will not produce the same results (Dobbs & Hamilton, 2007:297; Farouk et al., 2011:3). Many studies have used the framework in search of a prescriptive model for small business growth. However, the majority of models presented have proved to be complex and not comprehensive, meaning that the understanding of business growth provided by the framework remains limited and without much hope of leading to a comprehensive model (Barringer et al., 2005:682; Dobbs & Hamilton, 2007:297).

Despite the criticism, research shows that the deterministic framework is crucial to any attempt to understand the growth of a business, because business growth is highly dependent on the environment in which the business operates. Hence, in as much as it is vital to understand how small businesses grow, it is also important to understand the external factors that influence the growth process. This is where the deterministic framework can help to provide a comprehensive understanding of the determinants of growth and how they affect businesses (Reichstein & Dahl, 2007:225; Barbero et al., 2011:671; Gupta et al., 2013:12).

The present author is persuaded by studies that highlight the importance of a deterministic framework, because the ability to identify the factors that impact growth is vital to the success of any business. The stochastic framework also appreciates the importance of factors that affect growth, but it differs from the deterministic framework in that it assumes that the likelihood of growth is the same across all businesses. The deterministic framework recognises that the determinants of growth may have different impacts on each and every business.

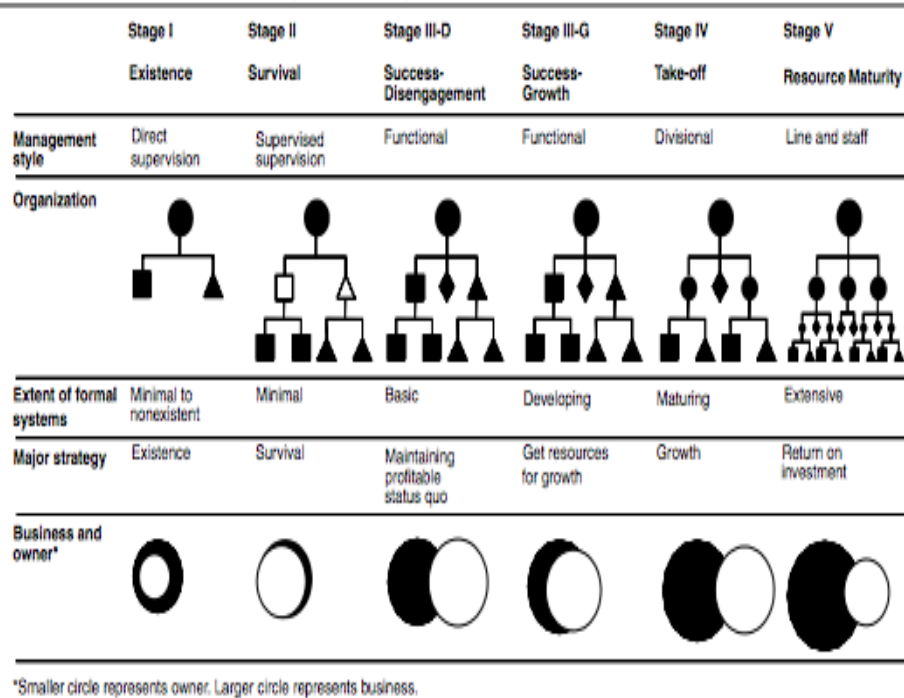
#### **2.4.3 Descriptive/stage models framework**

Descriptive or stage models were first introduced in the literature between 1969 and 1972 and have continued to emerge in forms that are more refined. This framework was adopted by analogy from the biological life cycle (Dobbs & Hamilton, 2007:298; Farouk et al., 2011:4). It presents the growth process of a business as following the successive stages of existence, growth, take off and maturity. The stages are characterised by opportunities and challenges that need to be dealt with successfully for the business to progress to the next stage (Levie & Lichtenstein, 2010:317). The descriptive or stage models framework does not focus on what causes growth, but rather on how growth occurs and how a business adapts to the environment to continue growing (Scott & Bruce, 1987:45; Dobbs & Hamilton, 2007:298; Farouk et al., 2011:4; Gavinelli, 2016:95).

The models in this framework vary in the number of stages they identify from three to six, but all have their foundations in one or more of the four most widely-known and most cited stage models. These are Greiner's (1972) Evolution and Revolution, Christensen and Scott's (1964) Stages of Corporate Development, Lippitt and Schmidt's (1967) Organisational Life Cycle, and Normann's (1977) Morphogenesis (Levie & Lichtenstein, 2010:325; Gupta et al., 2013:16). In the small business context, a useful stage model was developed by Churchill and Lewis (1983), a five-stage model based on Greiner's 1972 Evolution and Revolution (Gupta et al., 2013:7). This model is briefly explained in the following section.

**EXHIBIT 3**

**Characteristics of Small Business at Each Stage of Development**



**Fig. 2.3:** Characteristics of small business at each stage of development (Churchill & Lewis, 1983)

**Source:** Farouk & Saleh (2011:4)

Fig. 2.3, above, presents the stage model devised by Churchill and Lewis (1983:3). The model shows that a small business goes through five stages of growth, which are existence, survival, success, take-off and resource maturity. The model also shows the characteristics of a business at each stage in terms of management style, organisational structure, extent of formal systems, major strategy and relationship between business and owner. As a business moves through the growth process the organisational structure shifts from being centralised to decentralised, corresponding to the management style's changing from autocratic to democratic. This also entails that the relationship between owner and business becomes less intimate and intertwined. As the business grows the major strategy changes from mere survival to setting targets for return on investment, which also entails that the business moves from



having no formal system to operating according to an extensive formal system, as an organisation with a number of employees. Churchill and Lewis's model has been criticised for only focusing on internal factors that affect business growth and leaving out external factors (Farouk & Saleh, 2011:5). It seems the model will serve as a general guideline, but that various external factors in the business environment will also need to be factored in.

The descriptive framework was by far the most used theoretical approach to business growth between 1962 and 2006 (Levie & Lichtenstein, 2010:336). The proponents of this framework emphasise that it equips the owners or management of a business with the knowledge of possible challenges and requirements at different stages of its development (Dobbs & Hamilton, 2007:298; Park & Jang, 2010:54). But scholars such as Levie and Lichtenstein (2010:336) conclude that the descriptive framework is not an accurate representation of business growth. The authors had carried out a comprehensive review of all the empirical research on the descriptive framework that had been carried out between 1962 and 2010, and based their conclusion on the fact that they found no supporting evidence for the stages of this framework in the academic literature of management. The authors observe that a business is different from a living organism that has genetics controlling how it develops, and the fact that its framework was adapted from the biological life cycle renders its underlying assumptions inaccurate.

Furthermore, amongst all the descriptive framework growth models that have been developed over the years there is no agreement on the stages of growth, the way they progress and why they shift (Levie & Lichtenstein, 2010:256). Additionally, the framework does not provide empirical evidence on the sequence of stages, and assumes that the process is the same for all businesses. This has been proved wrong by studies showing that some businesses may not go through all the stages, and some may skip or repeat certain stages (Bessant & Tidd, 2007:22).

This may have been a valid critique of the initial stage models, but Levie and Lichtenstein (2010:256) suggest that the framework can and should accommodate a more dynamic model which acknowledges that unlike living organisms business growth can be created through flexibility and adjusting to continuous changes in internal and external environments. They also acknowledge the need for further research on how to make this dynamic stage model sustainable. Additionally, the framework needs to understand growth as a process, which requires it to include the causes and effects of growth (Levie & Lichtenstein, 2010:257; Gupta et al., 2013:7).

Although adopted from the biological life cycle, the models are descriptive and prescriptive in nature (Mazzarol et al., 2009:321). In addition to that, it provides a sense of direction on where the business is at and where it is possibly heading towards (Gupta et al., 2013:1). Further, the

vision of the business can be split into smaller and achievable tasks and allow a business to be able to focus resources on the current task. It also provides a progress measurement tool, which can always be adjusted as the business progresses (Mazzarol et al., 2009:321; Gupta et al., 2013:1).

#### **2.4.4 Resource-based framework**

According to key contributors to the resource-based framework such as Wernerfelt (1984) and Teece (1982), this framework originates from the work of Penrose, *The theory of the growth of the firm* (1959). The two main arguments in Penrose's work are that a business can be viewed as a collection of resources, and that an effective use of internal and external resources can lead to optimum growth for a business (Dobbs & Hamilton, 2007:298; Gupta et al., 2013:2).

The resource-based view thus assumes that the growth of a business is attributable to a unique mix of resources available to the business. Businesses operating in this same industry are exposed to the same external environment characterised by opportunities and threats. But some businesses grow while others fail to grow or exit the market. According to the resource-based framework, businesses that have strong internal resources and the capability to identify opportunities in the market and make best use of their resources will succeed and earn more profit, while those with limited resources, or with a limited ability to exploit those resources, will earn less (Wiklund et al., 2007:355; Ferreira et al., 2014:100).

The resources can be tangible or intangible. Tangible resources include fixed assets, raw materials, finance, technological resources, while intangible resources are factors such as brand name, reputation, customer loyalty, quality of products and knowledge, to mention a few (Mishra, 2017:7). Other authors have suggested a further classification of resources into six categories: financial, physical, human, technological, reputational and organisational resources. The assumption of the framework is that resources and capabilities are heterogeneous in quantity and quality across businesses (Wiklund et al., 2007:355; Ferreira et al., 2014:100).

Most businesses operating in the same industry will possess more-or-less the same resources (as listed above). However, the resource-based framework is of the view that the vital resources are the intangible ones. These resources are a product of innovative management and cannot easily be duplicated by competitors. They give a business a sustainable competitive advantage provided they are: (a) valuable (b) rare (c) inimitable (d) non-substitutable (Lockett, 2005:85; Mishra, 2017:7).

Research on the resource-based framework subsequent to Penrose (1959) has used the framework to stimulate conversations about creating sustainable competitive advantage. In

fact, the majority of studies in this framework have shifted from describing the process of growth to focusing on competitive advantage (Gupta et al., 2013:6).

The present author recognises that the resource-based and deterministic frameworks have similarities in that they both identify internal factors that can contribute to the growth of a business. However, the deterministic framework is inclusive also of external factors that contribute to growth, whilst in the resource-based framework the assumption is that the internal factors are the determinants of growth, no matter what the external environment is presenting.

#### **2.4.5 Evolutionary framework**

The evolutionary framework originates from the work of Aldrich (1999). This framework states that the growth of a small business over a period of time is dependent on the interaction of a number of internal and external forces that affect the business, such as human resources, financial resources, economic and political stability, etc. This entails that growth and the period over which a business grows is a result of its own unique circumstances. Hence, there is no standard model or sequence of stages to be observed (Gavinelli, 2016:96).

The evolutionary framework acknowledges and highlights the importance of a diversity of frameworks or models of business growth. This framework focuses on specifying that if certain conditions are met, a particular outcome will result. The evolutionary framework does not focus on the causes of growth but uses multiple frameworks to explain changes in businesses (Aldrich & Ruef, 2004:34-35). This framework makes some valid points in so far as it maintains that growth is a result of the interaction of a number of internal and external forces. In this it concurs with other frameworks such as the deterministic, stochastic and resource based. However, it does not have the capability to explain growth process on its own, requiring other frameworks as supporting structures.

#### **2.4.6 Learning framework**

The learning framework is sometimes considered part of the evolutionary and resource-based approaches. However, the emphasis in this particular framework is on the importance of examining the manner in which owners and managers learn and apply their knowledge to the growth of a business. Learning develops managers or owners to equip them with skills and knowledge that is vital to the success of a business. This framework assumes that the growth path of a business reflects the dynamics of learning and the ability to utilise that knowledge acquired within the business (Dobbs & Hamilton, 2007:298; Phelps et al., 2007:9). The emphasis is on understanding how and when individual entrepreneurs can learn most effectively in order to obtain and apply the knowledge that will allow their businesses to grow (Macpherson, 2005:1131; Gavinelli, 2016:96).

In order to continue growing business are encouraged to learn from their previous performances and find ways to improve and fight competition. Businesses are also encouraged to gain access to different sources of learning, such as formal education, conferences, research, etc. (Macpherson, 2005:1132). This framework has also faced criticism stemming from the fact that it cannot fully explain growth in a business, since its focus on learning excludes other external and internal factors that have an effect on growth (Dobbs & Hamilton, 2007:299).

Learning equips one with the ability to deal effectively with possible challenges, both internal and external, and is important in the growth of a business. However, it cannot be adopted as a stand-alone framework for this study: rather, learning will be accommodated as a factor that determines business growth within the frameworks to be adopted in this study.

#### **2.4.7 Framework adopted for this study**

The discussion above has highlighted the fact that researchers have different views regarding which factors are vital to the growth of a business. According to Wiklund et al. (2007:351), despite the substantial research that has been carried out, there is little agreement among the several theoretical frameworks devised and there appears to be no single framework capable of explaining small business growth. Yet this conclusion is misleading in that, although the frameworks have different underlying assumptions, most point to the same set of factors as contributing to the growth of a business. This suggests that it should be possible to combine frameworks in order to increase our understanding of business growth. The researcher therefore adopted elements of the deterministic and the descriptive/stage models to create a framework for the study.

The aim was to combine all the relevant aspects of these frameworks to fashion a model for the growth and development of fashion accessory small businesses. The study's aim of investigating the factors affecting business growth invites the application of the deterministic framework. The deterministic framework encompasses elements of the learning, resource-based and evolutionary frameworks in that it insists that knowledge and resources are among the factors that influence growth. The descriptive/stage model also came in handy in organising the phases and dynamics within the processes uncovered in the small business analysis. Combining all the useful features from the models helped to offset their individual limitations and create a comprehensive model.

All businesses undergo a unique growth and development process with its own unique characteristics. However, there are similarities in the challenges and opportunities encountered in this process, which makes a generic growth model applicable to planning the growth of a business (Scott & Bruce, 1987:45; Gao & Alas, 2010:13). Once a model

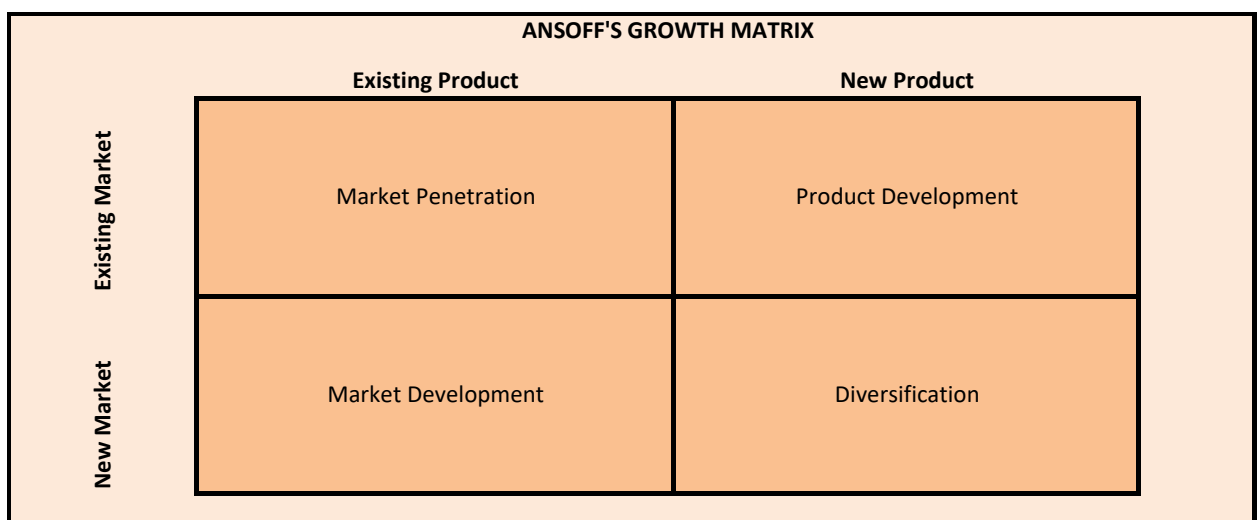
demonstrating the process of growth is available and can show at which stage a business is, decisions on growth strategies can be made. The growth strategies available to fashion accessories small businesses are discussed in the next section.

## 2.5 Growth strategies

Growth is imperative if a business is to survive. Business growth can be achieved via two main kinds of growth strategy, organic and inorganic. A business will select the best strategy based on the goals they plan to achieve and available resources (Kumar, 2010:175).

### 2.5.1 Organic growth

Organic growth is the growth of a business that occurs through increasing output by investing more in the business without external investment. There are many ways to achieve organic growth such as increasing sales, adding new products, or reducing operating costs (Nieman & Pretorius, 2004:110; Levy et al., 2012). Some common organic growth strategies adopted by small businesses are highlighted in Ansoff's Growth Matrix, in Fig. 2.4, below.



**Fig 2.4:** Ansoff's Growth Matrix

**Source:** Kumar, *Enterprise growth strategy: vision, planning and execution* (2010:175).

This matrix indicates the possible strategic choices that a business can make to achieve organic growth, such as market penetration, market development, product development and related diversification. These strategies are briefly discussed below.

#### 2.5.1.1 Market penetration

A market penetration strategy entails a business aiming to increase its sales by selling its existing products to the existing market. This can be done by increasing current consumers' rate of using products, and attracting new consumers from the target market who are not currently buying from the retailer (Kumar, 2010:176). This enables the retailer to increase its

market share. Successful market penetration can be achieved by competitive pricing strategies, advertising and promotions, and opening one's store(s) for longer hours than one's competitors (Dhar, 2006:43; Levy et al., 2012:122). For example, a fashion accessory business could adopt lower prices for some of their products to attract price-sensitive customers to try their products, and then try to retain those customers. Market penetration is the least risky growth strategy because it utilises the existing resources of the business. It is also the most convenient strategy in the introductory stages of a business, but reaches its limit once the market has been saturated. Thereafter, business owners will be inclined to consider other strategies (Wanjiru & George, 2015:185).

#### **2.5.1.2 Product development**

This strategy entails development of new products for the existing target market. Adopting this strategy is a vital move, as all businesses continually need new products in order to succeed in the market. Introducing new products can help a business to reach consumers in their target market who were not using the current/old products (Nieman & Pretorius, 2004:111; Kumar, 2010:176). Although product development may not be considered essential in all industrial sectors, the introduction of new complementary products is likely to increase sales and hence the market share of a business. It can be achieved through minor modifications to existing products, or brand extension (Team FME, 2013:17; Levy et al., 2012:123). A fashion accessory business that is currently trading ladies' jewellery only can opt for product development by introducing ladies' scarves into its stock, aimed at the same target market.

Product development poses relatively low risk compared to other strategies such as market development or diversification because the retailer will be developing a new product for a known market. Product development in the form of brand extension is more likely to be adopted by medium to large enterprises, which have established brands that are well known to their market (Wanjiru & George, 2015:202). Small businesses have to practice more caution when adopting this strategy, by choosing the best way forward. For example, a new product can be developed under an existing brand that customers are familiar with, or the business can seize the opportunity to present a new brand. The decision will depend on the current performance of the existing brands and risks involved in introducing a new brand.

#### **2.5.1.3 Market development**

Market development involves a business selling its existing products to a new market segment (Wanjiru & George, 2015:185). This strategy usually means that the business needs to invest in extensive marketing to expose its product to the new market. This strategy is relatively risky compared to product development, because the retailer has no prior knowledge of the new market. Thus, in adopting this strategy businesses should be careful not to alienate their

existing market (Dhar, 2006:43; Kumar, 2010:176). For example, fashion accessories small businesses that used to target women between the ages of 21 and 30 can pursue market development by targeting teenage girls.

#### **2.5.1.4 Diversification**

A diversification strategy is the riskiest strategy of all four discussed. It involves a business developing new products to be sold to a new market that is not currently being served by the business (Kumar, 2010:176; Levy et al., 2012:124). This strategy is usually adopted by businesses when the current operations are performing poorly and there are no more new opportunities in the present business (Dhar, 2006:43; Kumar, 2010:176; Levy et al., 2012:124). Businesses should adopt this strategy if the level of risk is outweighed by the likely benefits of the strategy, such as the potential of high return on investment, getting an opportunity in a booming industry and reducing the risk of failure in respect of current business operations (Wanjiru & George, 2015:186). Diversification can be classified into two main groups, related and unrelated diversification.

##### **2.5.1.4.1 Related diversification**

Related diversification involves developing new products to sell in a new market, while ensuring that the new products share some commonality with existing ones or belong to the same industry. This reduces the level of risk because the business has some knowledge and skills pertaining to that industry to support the strategy (Levy et al., 2012:124; Dhar, 2006:45). In the case of fashion accessories micro enterprises, related diversification would entail going into the apparel business because the market is more or less the same.

##### **2.5.1.4.2 Unrelated diversification**

In an unrelated diversification strategy, there is no commonality between the present business and the new opportunity. For example, a fashion accessories micro enterprise diversifies into an electrical appliances business, which has a completely different market from fashion accessories. The level of risk in this strategy is high. Interestingly, the majority of businesses that adopt this strategy do so by acquiring an existing business in the industry concerned. This strategy is not common in small businesses as it involves high investment costs (Levy et al., 2012:124; Team FME, 2013:23).

#### **2.5.2 Inorganic growth**

Unlike organic growth, which is internal, inorganic growth is external growth and is associated with substantial investment. Businesses usually adopt inorganic growth strategies when they decide to extend beyond their current sphere of operations (Frentzen & Lampadarios, 2016:125). The decision to adopt an inorganic growth strategy may be motivated by the

maturity of the current product line, economies of scale, diversification and synergy (Gupta, 2009:84). Inorganic growth is time-effective and businesses have access to new assets as soon as the decision is made. It might be an attractive strategy for fashion accessories small businesses because it gives a business competitive advantage, brings in new ideas and increases the market for the business. However, it may come with loss of control of the business (Lockett et al., 2011:52). Inorganic growth can be achieved through unrelated diversification, mergers and acquisitions.

### **2.5.2.1 Mergers and acquisitions**

A merger refers to a transfer of ownership in which two or more businesses come together to become one new company. The goal in a merger is to join two businesses in order to grow and gain competitive advantage (Nieman & Pretorius, 2004:112; Gupta, 2009:83). On the other hand, an acquisition refers to a transfer of ownership in terms of which a business acquires another business operating in related or unrelated business areas. The acquired business is either absorbed into the existing business or remains intact as an independent subsidiary of the parent company (Gupta, 2009:83). The purpose of an acquisition is typically to grow by purchasing a business that may not yet be fully operative or mature but which has the potential to succeed (Nieman & Pretorius, 2004:112; Lockett et al., 2011: 52). In terms of small fashion accessory businesses, mergers can be achieved when two or more small business join forces to create one business. In the case of an acquisition it would usually be a large or medium fashion accessory business that acquires a small fashion accessory business, which is absorbed into the corporate. It can remain a stand-alone brand or get absorbed into the existing brand(s) of the larger company.

Mergers and acquisitions are so common in large enterprises because they present businesses with an opportunity to gain more resources, improve management capabilities, enjoy economies of scale and synergy, that all conduce to a business gaining competitive advantage (Gupta, 2009:84). Problems may arise in mergers and acquisitions as a result of unforeseen internal or external circumstances. The integration process may present challenges such as a clash of business cultures, unclear lines of authority, and duplication of services, just to mention a few (Frentzen & Lampadarios, 2016:126). It is thus vital to ensure that the business has an experienced management team that is capable of dealing with the challenges that come with the changes and growth of the business.

Organic growth is the most common strategy adopted by small businesses because it is associated with lower up-front costs than an inorganic growth strategy, and there is no risk of losing control of the business (Davidsson & Delmar, 2006:157; Davidsson et al., 2010:43; SBP, 2011:1). Organic growth is a gradual process that may occur over years. It is ideal for small



businesses as they can plan and manage the growth according to their resources and capacity (Machado, 2016:427). Adopting organic growth can assist fashion accessory small businesses to improve their market share or introduce new products to new and existing consumers (Team FME, 2013:18). The organic growth of small businesses is highly likely to create employment because as the business expands a larger workforce will be required to meet the needs of customers. This might not be the case with inorganic growth: when a business is acquired, some employees may well be retrenched (Davidsson & Wiklund, 2006:42; SBP, 2011:1).

Although organic growth is more prevalent in small businesses, some small businesses do grow inorganically as large businesses acquire the more innovative ones as independent subsidiaries or simply absorb them. Small businesses can also go into a merger with other small businesses; however, before the merger, the businesses must be sure that they have the resources and management capabilities to operate as a new entity (Chen et al., 2009:297; Frentzen & Lampadarios, 2016:126). European small businesses that grow typically have an active growth strategy in place, ready to be implemented (Mandl et al., 2016:60; Muller et al., 2017:98) (see Section 2.2.1, above). The growth strategy is chosen according to the needs of the business.

In summary, a business can grow in different ways, organic, inorganic, or both. The choice of a growth strategy depends on the business goals and resources available. Businesses that opt for organic growth rely on their own resources whilst those pursuing inorganic growth such as acquisitions are usually backed up by external investors (Chen et al., 2009:295). The growth strategy adopted by a business can also be influenced by the characteristics of the business such as its age, founder and product offerings. For example, medium to large enterprises that have been in business for some time will most likely choose to grow through acquisition because they have the resources or the potential to access the resources necessary, whilst smaller enterprises still in their early stages of development typically choose to grow organically (Wanjiru & George, 2015:186).

## **2.6 Importance of growth in small businesses**

The importance of small businesses is repeatedly emphasised in the literature, and it has been noted that start-up businesses could be the answer to most developing countries' issues of unemployment and economic instability (Osotimehin et al., 2012:1; SBP, 2014:1; Kelly et al., 2016:6). Governments around the world consequently encourage entrepreneurship and have introduced policies to support small businesses. Yet it seems that what governments need to emphasise more is the growth of these businesses, because such contribution to economic development as they can make is more likely to be achieved through their growth (Shane, 2009:141-142).

It is important to note that not all start-up businesses that survive in the market grow and develop. Some businesses fail to grow due to constraints that they face, while in some instances the owners have no intention of growing (Levie & Autio, 2013:9). Growth is an important phenomenon in small businesses: it reduces the likelihood of business failure and closure by providing the resources needed to cope with environmental threats and uncertainty. Growth also increases the return on investment for the business owners and contributes to economic development (Dobbs & Hamilton, 2007:297; Rauch & Rijsdijk, 2013:923). The latter consideration is discussed in the following section.

### **2.6.1 Economic development**

The economy of a country refers to the state of a country in terms of the production and consumption of goods and services and the supply of money, and is measured by economic indicators such as inflation, interest rates, and unemployment (Soylu et al., 2018:95). The establishment and growth of small businesses, especially in an emerging industry such as fashion accessories, plays a vital role in stimulating economic development (in this case, in Cape Town). Economic development in the Cape Town Metropole will obviously assist in addressing the high unemployment rate, poverty and inequality. Research shows that the most competitive and developed cities have the highest level of entrepreneurial activity, with small businesses contributing significantly the GDP (Singer et al., 2018:90). South African SMMEs contributed 36% of the nation's GDP in 2015, which is a slight improvement from 2007, when they contributed 35%. The target of the country is for small businesses to contribute between 60% and 80% over the next 10-15 years (SEDA, 2017:2; Singer et al., 2018:90).

#### **2.6.1.1 Employment creation**

The unemployment rate refers to the proportion of the (economically active) labour force whose services are not currently being utilised (Soylu et al., 2018:94). According to Statistics South Africa (Stats SA, 2018:1), in the last quarter of 2017, the rate of unemployment in Cape Town was at 23%, which is lower than the national rate of 26.7% in the same period. The continuous increase in unemployment is a result of low investment in the country, partnered with retrenchments by large enterprises (Thornton, 2017:1). The promotion of growth and development among small businesses in Cape Town is consequently more urgent than ever.

According to SBP (2012:2), the growth of small businesses would contribute immensely to employment creation. Small businesses are more labour intensive, which means that there are relatively more employment opportunities created per unit of capital invested than is the case with large businesses, which tend to be more capital intensive (SBP, 2013:4). In the country as whole, small businesses contributed between 56% and 61% of private sector employment in 2017 (SEDA, 2017:1).

Although small businesses are considered a vital source of employment creation, it is important to remember that the level of contribution to new employment by these businesses depends on their survival and growth (Gupta et al., 2013:5). As a micro enterprise is established it may create a maximum of five jobs according to the South African official definition, but given the failure rate of start-ups it also entails the possibility of those five employees losing their jobs. Essentially, only those micro enterprises that invest in growth will be able to contribute effectively to employment creation (Davidsson et al., 2010:60; Gupta et.al, 2013:5).

### 2.6.1.2 Alleviation of poverty and inequality

South Africa has three national poverty lines for the official, statistical measurement of poverty: the food poverty line (FPL), lower-bound poverty line (LBPL) and upper-bound poverty line (UBPL). The government makes use of the LBPL for the country's targets for reducing poverty. LBPL refers to the plight of people who do not have adequate resources to consume both basic food and non-food items, and have to forgo one to be able to afford the other (Stats SA, 2017:7).

Inequality in the country is measured by the Gini coefficient, an index that uses a scale of 0 to 1 with 0 being total equality and 1 total inequality. The rate of poverty in South Africa in 2015 was measured at 40% and inequality at 0.68, which are both high (Stats SA, 2017:16). The government has set targets to reduce both factors in the National Development Plan (NDP). The table below shows the targets of the NDP for reducing poverty and inequality, and the progress made towards achieving the targets.

**Table 2.3:** NDP poverty and inequality-related targets

<b>NDP Poverty and Inequality-related Targets</b>			
<b>NDP target</b>	<b>Baseline</b>	<b>2030 Target</b>	<b>Most recent Status</b>
1. Reducing the proportion of persons living below the lower-bound poverty line from 39 percent (in 2009) to zero by 2030	36.4.0% (2011)	0%	40% (2015)
2. Reduce income inequality from 0,7 in 2010 to 0.6 by 2030	0.70 (2010)	0.6	0.68 (2015)

**Source:** Stats SA (2017:16)

The table shows that the poverty rate in the country increased from 2011 to 2015 by 3.6%. This was largely caused by low investment levels, low economic growth and high unemployment in the country (Stats SA, 2017:16). In terms of inequality, there has been a slight improvement between 2010 and 2015. However, with a Gini coefficient of 0.68 in 2015 South Africa is still considered one of the most unequal countries in the world. Furthermore, by end of March 2017, approximately 31% of the population was surviving on government

grants. The number of people who require state assistance has been continuously increasing over the years (South Africa. Social Security Agency, 2017:10).

Cape Town's poverty and inequality characteristics resemble those of the country at large. In 2016, Cape Town had a poverty rate of 39.3%. Although this was a marginal improvement over the 42.8% measured in 2011, the poverty rate was still high considering the national target of zero poverty by 2030 (City of Cape Town, 2016:17). The inequality rate is also high in Cape Town, with studies indicating a Gini coefficient of 0.58 in 2016 (City of Cape Town, 2017:1).

Reducing poverty and inequality in Cape Town can be achieved through the growth of small businesses in an emerging industry such as fashion accessories. Through fashion accessories small businesses, people living in poverty have an opportunity to gain skills while achieving financial success and independence. As these businesses grow, they enable economic and employment participation for the communities in which they operate. Small businesses provide goods and services directly to the communities in which they operate (Naidoo et al., 2011:4).

### **2.6.1.3 Competitive markets**

Growth is vital for small business because it increases their chances of survival in the market. The survival of these businesses is not only important for their owners, but for the economy as a whole. Their ability to continue competing in the market contributes economically through the provision of a diversity of goods and services (Rauch & Rijskik, 2013; Machado, 2016:419). As they grow and increase in their capacity, they introduce competition into monopolised industries or those with minimum competition. This leads to a variety of choices for consumers and price competition. The competition forces businesses to be innovative in order to gain competitive advantage (Arnold, 2010:196). The growth of small businesses also gives them credibility, which means that they can serve large businesses in a complementary role by supplying them with goods or services (Arnold, 2010:196).

In the context of the widely documented benefits of investing in small businesses, South Africa is one of those countries that have tried hard to create opportunities for these businesses to grow. The following section will briefly discuss the available opportunities for small business growth in this country.

## **2.7 Challenges faced by small businesses**

The government of South Africa has policies and organisations designed to provide opportunities for small business growth. However, these measures do not always transform the entrepreneurial activities in the country into success stories. Small businesses are faced with a number of constraints, such as fluctuating economic conditions in their business environments, high labour costs and increased competition. This affects their ability to realise their full potential (Abor & Quartey, 2010:224; Bureau for Economic Research [BER], 2016:1).

Several studies have identified challenges to the growth of small businesses. The table below highlights the major factors that serve to restrict the growth of small businesses, drawn from a variety of sources and assembled for the purpose by the author.

**Table 2.4:** Barriers to the growth of small businesses

<b>Barriers to small business growth</b>	<b>Source</b>
<b>Burdensome regulations</b>	<ul style="list-style-type: none"> <li>❖ SBP (2015:2)</li> <li>❖ BER (2016:9)</li> <li>❖ Herrington et al. (2017:70)</li> <li>❖ Lewis &amp; Gasealahwe (2017:42)</li> </ul>
<b>Lack of educated workforce/skills</b>	<ul style="list-style-type: none"> <li>❖ SBP (2015:2)</li> <li>❖ BER (2016:9)</li> <li>❖ Herrington et al. (2017:70)</li> <li>❖ Lewis &amp; Gasealahwe (2017:52)</li> </ul>
<b>Local economic conditions</b> <ul style="list-style-type: none"> <li>❖ Exchange rates</li> <li>❖ Interest rates</li> <li>❖ Inflation</li> <li>❖ Unemployment</li> <li>❖ Access to markets</li> <li>❖ Crime</li> <li>❖ Poor Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>❖ Cant &amp; Wiid (2013:709)</li> <li>❖ Pather (2015:57)</li> <li>❖ SBP (2015:2)</li> <li>❖ BER (2016:7)</li> </ul>
<b>Cost of labour</b>	<ul style="list-style-type: none"> <li>❖ Pather (2015:57)</li> <li>❖ SBP (2015:2)</li> <li>❖ Herrington et al. (2017:71)</li> <li>❖ Lewis &amp; Gasealahwe (2017:42)</li> </ul>
<b>Access to finance</b>	<ul style="list-style-type: none"> <li>❖ SBP (2015:2)</li> <li>❖ BER (2016:7)</li> <li>❖ Kelly et al. (2016:22)</li> <li>❖ Herrington et al. (2017:67)</li> <li>❖ Lewis &amp; Gasealahwe (2017:26)</li> </ul>
<b>Increased competition</b>	<ul style="list-style-type: none"> <li>❖ Pather (2015;57)</li> <li>❖ SBP (2015:2)</li> </ul>

**Source:** Own compilation

Table 2.4 shows the most frequently cited factors that hinder growth in small businesses, according to the literature reviewed by the author. These factors are briefly discussed below.

### 2.7.1 Burdensome regulations

The major hindrances to business growth presented by the government are the over-regulation of business and unnecessary bureaucracy (SBP, 2015:2; Herrington et al., 2017:70). The World Bank's *Doing Business* Report for 2018 ranked South Africa at number 82 for ease of doing business, out of 190 countries. The most difficult factor highlighted was starting a business, where the country was ranked at 132 (World Bank Group, 2017:4).

Small businesses are most affected by bureaucracy because in trying to save costs they handle all the red tape on their own, which is time consuming. Moreover, complying with some regulations is disproportionately more costly for small businesses than for their larger

counterparts, who can spread the cost over more revenue (Herrington et al., 2017:70; Lewis & Gasealahwe, 2017:42). The strain that over-regulation imposes on small businesses may limit them from being fully competitive and realising their potential.

The government of South Africa has been trying to reduce bureaucracy with the automation of the business registration process, but the process is still time consuming when compared with other countries (Lewis & Gasealahwe, 2017:42). Herrington et al. (2017:71) postulate that, besides reducing red tape, there is need for government to simplify legislative requirements for small businesses, particularly in respect of the labour laws, so as to make the retrenchment and termination process less burdensome.

### **2.7.2 Lack of educated workforce/skills**

The success of a small business is dependent on the skills of the owner/manager and employees (SBP, 2015:2; BER, 2016:9). Generally speaking, small businesses cannot afford to employ skilled employees and are obliged to hire unskilled workers. Given the fact that most small businesses do not have the time and resources to train and develop employees, the end result is typically a business with unskilled employees and low productivity (BER, 2016:9). This generalisation may include even the owner-manager: with many small business owners being necessity-driven entrepreneurs, some may not have the management skills required to run their businesses successfully (Lewis & Gasealahwe, 2017:26).

There is a need to incorporate entrepreneurship into basic education, so that individuals are equipped with financial literacy and problem-solving skills after completing basic education (Lewis & Gasealahwe, 2017:51). Academic institutions that already offer entrepreneurship courses should redesign their curricula to include a more practical orientation, including work experience (Lewis & Gasealahwe, 2017:51-52).

### **2.7.3 Local economic conditions**

Local economic conditions have an effect on the growth of small businesses. The major economic variables that affect the growth of small businesses in South Africa include inflation, exchange and interest rates, unemployment, crime, technological advancements and lack of access to markets (Brink et al., 2003:3; Cant & Wiid, 2013:709). The year 2017 saw South Africa plunged into political uncertainty stemming from allegations of state capture and the downgrading of the country's credit rating by key rating agencies (Thornton, 2017:1). Furthermore, the rand exchange rate has been depreciating since 2014. This has introduced ongoing uncertainty into the economy, with business leaders in the country having little confidence in continuing to invest. The *Global Competitiveness Report* for 2017-2018 ranked South Africa number 61, 14 places below its previous ranking. The report highlighted political

instability, unemployment and slow economic growth as the main contributors to the drop in the country's global competitiveness rating (Schwab & Sala-i-Martin, 2017:34).

The combination of political instability and high exchange rates, inflation and interest rates has led to an economic decline in the country. The economic instability adversely affects sales, revenues, market potential and, subsequently, the growth of small businesses (Cant & Wiid, 2013:709; Thornton, 2017:1). Notwithstanding the effects of the unstable economy, entrepreneurs remained hopeful. The fact that the country is still one of the most competitive in Africa renders it a great opportunity for investment when political and economic environments become stable (Thornton, 2017:1). After the inauguration of President Ramaphosa there was renewed hope, with the rand gaining value to its strongest levels in the previous three years. However, the year 2019 saw fluctuations in the fortunes of the country, with the economy contracting in the first quarter of the year by 3.2% from the last quarter of 2018. The second quarter saw the economy recovering by 3.2%, only to contract again by 0.6% in the third quarter (Stats SA, 2019:2). There has been a similar pattern going into 2020. The government is nevertheless concentrating on stabilising the economy and attracting investment. A strong economy presents an opportunity for small businesses to succeed, because more favourable economic conditions mean lower costs (e.g. inflation and interest rates), as well as higher demand for their products, with more disposable income available to consumers than in a slow or unstable economy (Thornton, 2017:1; Stats SA, 2019:2).

#### **2.7.4 Cost of labour**

It is widely known that South Africa has a high unemployment rate, and one of the proposed solutions to eradicating this problem is to facilitate the establishment and growth of small businesses. Since the aim is for these businesses to generate employment they need to grow, and in order to grow they need a favourable environment. Indeed, that would be the case in an ideal world, but in this actual world the businesses that are expected to generate employment are faced with the problem of rigid labour laws that are costly to conform with (SBP, 2011:4).

According to Herrington et al. (2017:71), minimum wage settlements that are agreed upon by unions and large businesses are also applicable to small businesses. The majority of small businesses cannot afford these minimum wages, especially in the early years of their establishment. In addition, these businesses incur high administrative costs in termination or retrenchment procedures, with the result that small businesses are not that keen on hiring more employees (Lewis & Gasealahwe, 2017:48). The government of South Africa should consider easing labour laws for small businesses and find a way to include small businesses in negotiating minimum wages that will enable growth and the creation of more employment opportunities (Herrington et al., 2017:71; Lewis & Gasealahwe, 2017:48).

### **2.7.5 Access to finance**

In their GEM report for 2016/2017, Herrington et al. (2017:67) indicate that access to funding for entrepreneurs at all stages of their business remains a problem in South Africa, but is particularly acute problem for micro and informal enterprises. The majority of start-ups are funded by their owners' savings and loans from family and friends, with only a small percentage funding their businesses through the various options established to support them (Kelly et al., 2016:22; Herrington et al., 2017:67). Entrepreneurs fail to access finance because South African banks and lenders are conservative and would rather lend to a business that has a proven record of accomplishment. In most cases the entrepreneurs do not meet the minimum requirements set by the lenders in terms of collateral, credit history or having a proper business plan (Ayyagari et al., 2011; BER, 2016:7; Herrington et al., 2017:67).

Government has institutions that are designed to assist entrepreneurs on the financing side, with the main agency being the Small Enterprise Finance Agency (SEFA). In 2015 DSBD launched a website ([finfind.co.za](http://finfind.co.za)), which is a database for funders linking businesses that are seeking finance with the appropriate lenders (Lewis & Gasealahwe, 2017:31). Yet the fact is that access to finance remains problematic, and there is a need for improvements in the area. For instance, there is need to broaden financing options to assist in targeting a wider range of businesses.

Broadening funding options will need to be combined with a change in perception concerning the failure of start-ups. Instead of avoiding risk by not funding start-ups, funders should be willing to give entrepreneurs a chance to be innovative and acknowledge that failure may occur. However, the failure rate of small businesses can be reduced by combining the funding with mentoring or training, which is the task of incubators (Herrington et al., 2017:68). Other measures that can ameliorate the problem of access to finance is to reduce red tape and the turnaround time of funding applications. Also, government subsidies should be granted to businesses that will benefit the economy, regardless of whether they are black-owned or not (Herrington et al., 2017:68).

### **2.7.6 Increased competition**

It is difficult for small businesses to compete in some markets because large businesses usually enjoy economies of scale. However, the GEM report 2016/2017 indicates that the policing of competition laws should be tightened to ensure that small businesses are not pushed out of the market unfairly (Lewis & Gasealahwe, 2017:21; Herrington et al., 2017:72).

Large businesses have an already established footprint in the market which allows them to benefit from customer loyalty. Small businesses can arguably only compete with that through online retail channels that allow them to reach more consumers. Furthermore, the level of marketing that large businesses engage in is something that the majority of small businesses



cannot afford (SBP, 2015:2; Herrington et al., 2017:72). Among the reasons why small businesses fail to compete effectively in their markets is because they are not able effectively to identify and serve their target markets.

Although the sorts of challenges typically faced by small businesses can be listed, it is important to keep in mind that not all businesses necessarily face the same set of challenges. In some instances, challenges tend to be location-specific (Finmark Trust, 2010:32, BER, 2016:7). For example, Finmark Trust (2010:32) notes that small businesses in Gauteng faced infrastructural challenges in terms of the difficulty of finding physical space to operate from, while in the North West they faced utility problems such as interruptions in the supply of electricity. In Mpumalanga and the Northern Cape small businesses claimed to have access to adequate amenities and space, but faced challenges in accessing finance, whilst Gauteng and North West have more ready access to finance than businesses in the other provinces (Finmark Trust, 2010:32; BER, 2016:7).

## 2.8 Conceptual framework of the study

The aim of a conceptual framework is to describe and categorise the concepts (ideas, theories) informing a particular study, in order to establish the relationships among them. A conceptual framework can assist in identifying gaps in the literature (Jabareen, 2009:50; Rocco & Plakhotnik, 2009:122). The literature relevant to this study has been reviewed in the preceding sections, a process culminating in the conceptual framework portrayed in Figure 2.5, below.

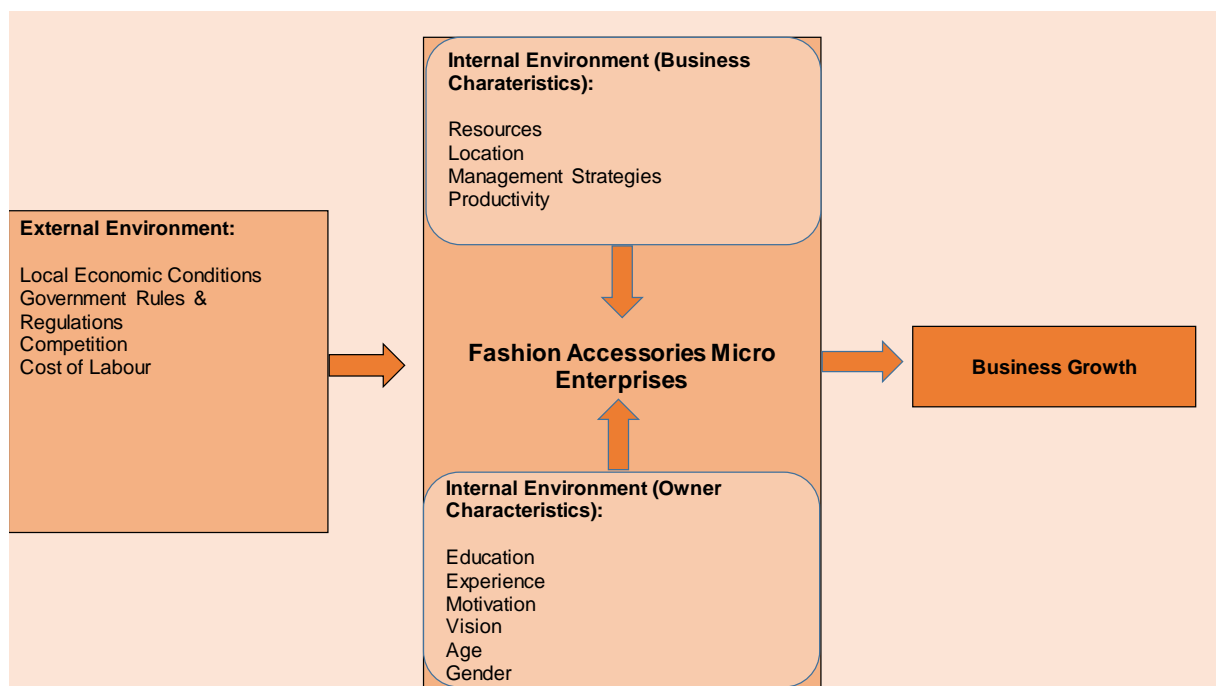


Fig. 2.5: Conceptual framework of the study

Fig. 2.5, above, presents the conceptual framework of this study, based on the deterministic framework and descriptive stage models described earlier. The conceptual framework shows that retail fashion accessories micro enterprises operate in an environment in which both internal and external factors determine their growth. The missing link is a comprehensive model for the growth of fashion accessories micro enterprises, which this study aims to supply. What is distinctive about the proposed framework is that it will take into consideration the strengths of all the frameworks discussed above, to formulate a comprehensive new framework capable of enhancing understanding of the small business growth and development process.

## **2.9 Summary**

In conclusion, this chapter has highlighted the importance of the phenomenon of small business growth and presented a theoretical framework for the study. This framework is an adaptation and combination of two recognised frameworks, the deterministic and the descriptive/stage models. The deterministic framework in turn encompasses elements of other frameworks, such as the learning, resource-based and evolutionary frameworks. The discussion also addressed possible growth strategies (organic and inorganic). Finally, attention was paid to the challenges faced by small businesses that can hinder their growth. The conceptual framework, above, essentially summarised the literature review. The next chapter covers the development of small businesses in South Africa.

## CHAPTER 3

### SMALL BUSINESS DEVELOPMENT IN SOUTH AFRICA

#### 3.1 Introduction

The previous chapter focused on theoretical approaches to small business growth. This chapter will focus on small business development in South Africa. The review will begin with a discussion of the fashion accessory business both globally and in South Africa. There will then be discussion of the process of establishing a small business in South Africa and the opportunities for growth available to small businesses in the country.

#### 3.2 Fashion accessories

Fashion refers to trends that are widely accepted by the majority of people in a particular market at a given time, and fashion is characterised by continuous change over time (Lam, 2013:1; Ciarniene & Vienazindiene, 2014:63). In other words, fashion is an adopted trend that is likely to be short-lived. The continuous changes in fashion are influenced by economic, social and cultural factors (Van der Pols, 2016:2; Lam, 2013:1). Fashion includes apparel and accessories, the latter being the focus of this study. Fashion accessories have presumably existed since the beginning of civilisation, but the term “fashion accessories” only came into use in the twentieth century (Ribeiro et al., 2012:1). The term refers to accessory items that can be worn or carried. Accessories that are worn include jewellery, watches, scarves, hats, socks, gloves, ties and belts, and carried accessories include bags, purses and umbrellas (Ribeiro et al., 2012:1). Figure 3.1, below, presents examples of some of the fashion accessories traded in this industry. The importance of fashion accessories has evolved over the years, and they are no longer just contingent to apparel but products in their own right. Accessories work together with apparel, making one incomplete without the other (Sen, 2016:1).



**Fig 3.1: An assortment of fashion accessories**

**Source:** Sen (2016:1)

### **3.2.1 Fashion accessories around the globe**

Global fashion industry sales are continuously growing: by 1.5% 2016 and 2.6% in 2017 (Amed et al., 2017:78). Growth is prevalent in emerging markets such as Asia-Pacific, Europe and Latin America, where businesses in the industry have the opportunity to grow (Amed et al., 2017:23). The growth of fashion industry sales in these countries is due to a rise in consumer spending, which is in turn the result of economic growth. Apart from innovation and flexibility, an important factor propelling continuous growth in the Asian, European and American fashion accessories markets is the dominant presence of online businesses, which give vendors the capacity to reach a wide range of consumers (Amed et al., 2017:41). Europe, however, remains the world leader in fashion and accessories.

#### **3.2.1.1 Fashion accessories in Europe**

Europe has been the global economic stronghold of fashion over the years, being home to the majority of trendsetters and leaders in the market. The fashion accessories market in this region continues to grow, even during times of economic crisis. This is largely attributed to the fact that consumers pay great attention to detail in their clothing, and accessories are seen as a vital part of an outfit (Van der Pols, 2016:2; Amed et al., 2017:23). Another factor is a growing market segment of young men who are showing a great interest in accessories (PricewaterhouseCoopers, 2016:3). Generally speaking, European consumers prefer to cut down on their clothing budget, by buying quality, durable and seasonless clothes, while investing in fashion accessories to bring versatility to their outfits (PricewaterhouseCoopers, 2016:3). Hence, apparel demand decreases while demand for accessories increases.

Overall, European fashion accessories retailers have managed to continuously increase their sales through a strong online presence in terms of online retail channels and social media advertising (Amed et al., 2017:41). There is evidence that some African entrepreneurs are migrating to run their businesses in Europe, on the grounds that countries there offer supportive entrepreneurial communities and access to business networks (Herrington et al., 2017:6). However, there is keen competition in the European fashion accessories market, which makes it difficult for small businesses to establish a strong consumer base and customer loyalty (Van der Pols, 2016:8). In addition, not all kinds of fashion accessory perform well in economic crisis. The aim of middle-class consumers is to get the same quality for a lower price: the industry may therefore face polarisation as the middleclass segment shrinks whilst the low-end and luxury segments grow. The luxury segment, with brands such as Omega and Harry Winston (luxury watch retailers), holds steady or grows because buyers of these products are not usually price sensitive (PricewaterhouseCoopers, 2016:3; Van der Pols, 2016:9). Small businesses are affected by this polarisation because the majority of them are targeting middle-class consumers, who are price sensitive.

### **3.2.1.2 Fashion accessories in India**

India is a member of the Brazil, Russia, India, China and South Africa (BRICS) formation, a loose association of five major emerging national economies. All five members of the association have great influence on regional issues. The following section discusses the fashion accessory industry in India. The *Doing Business Report* of 2018 ranked India 100 in terms of doing business, 18 places behind South Africa's ranking of 82. However, India's economy is predicted to grow by 8 percent a year between 2018 and 2022. Middle-class consumers in the country are expected to grow at 19.4% a year over the same period (Amed & Berg, 2018:24). Due to this expected development India is set to become one of the most attractive consumer markets in the world. The literature highlights that a large number of international fashion brands are expected to start operating in the country from 2019 onwards. There appear to be lessons to be learned from fashion accessory businesses in India. Yet although the Indian fashion market looks promising, it also has its challenges, such as low-quality infrastructure, inequality and market fragmentation, though this is expected to be reduced by the expected economic growth (Amed & Berg, 2018:26).

The product offering in the fashion accessory industry in India is a blend of international and Indian trends, with products like bags, wallets and belts accounting for approximately 60% of the fashion accessories market in the country (Sen, 2016:1). Fashion businesses that are successful in India are those that have grown to understand Indian consumer behaviour. For example, Indian women are said to prefer to mix the Western and traditional Indian style (Amed & Berg, 2018:26). While accessories shops can be found among formal retail stores, the

streets and markets have a wide range of fashion accessories traders, usually operating micro enterprises (Italian Trade Commission, 2009:6).

India is characterised by a growing middle-class population, and with increasing disposable income their purchasing patterns are moving from basic needs to include lifestyle products such as fashion accessories (Italian Trade Commission, 2009:10). The fashion accessories industry in this country is style-driven, with a majority of unbranded retailers alongside a small portion of branded retailers (Italian Trade Commission, 2009:8; Sen, 2016:1). The combination of a growing middle class and a style-driven market enables small businesses to compete in the market and stand a chance of growing. However, this pattern is not the same in the whole country: in the less developed regions consumers do not purchase much in the way of fashion accessories, because they consider them luxury items or they lack exposure and adequate income (Italian Trade Commission, 2009:14).

### **3.2.1.3 Fashion accessories in South Africa**

In Africa, the fashion industry is relatively young; the retail environment is still evolving and the majority of businesses in the industry still depend largely on traditional outlets, unlike in Europe where online retailing has caught on (Gregorio, 2017:2). South African businesses are more forward-looking than those in other African nations in that both retailers and consumers are slowly moving toward online retailing and shopping. In South Africa, fashion brands such as Zando and Superbalist operate online, only whilst others such as Foschini, Truworths and Edgars combine brick and mortar with online retailing. There is potential for growth in the African fashion industry because of a growing interest in African designs from other continents, making the industry an attractive investment opportunity for African entrepreneurs (Gregorio, 2017:2).

The South African fashion accessories market is comprised of small businesses, chain retailers and large multinational companies that are the market leaders. Among these businesses, only a few such as Lovisa specialise in fashion accessories, with the majority offering these products as part of a wide product portfolio (Euromonitor, 2018:39). Apparel retailers such as Foschini, Truworths, Edgars and Ackermans offer fashion accessories in their stores. However, specialist retailers of fashion accessories in South Africa such as Lovisa and Pichulik tend to have a wider range and deeper assortment that caters more fully to the target market than other retail channels (Euromonitor, 2018:38). Through the internet and social media, the South African population is exposed to the latest fashion trends around the world which means that the country's fashion tends to follow prevailing global trends. This entails retailers keeping up with the latest trends to be able to meet the needs of their target market.

The fashion industry is a dynamic and volatile market, which is constantly responding to an unpredictable macroeconomic environment (Amed et al., 2017:11). Having to operate in a

global market, fashion accessories retailers in South Africa are operating in a highly competitive industry, which requires constant innovation.

As highlighted earlier in the case of India, growth in a country's GDP per capita has an influence on the growth of the fashion industry. South Africa is slowly recovering from the 2015-2016 slump, with GDP increasing by 1.3% and 1.4% in 2017 and 2018 respectively, and 1.8% in 2019. Predictions shows that 2020 will also see a growth in GDP to approximately 1.9% (World Bank, 2018:4). The fashion accessories market in the country is not growing because the recession from which the country is currently recovering put a strain on consumers' disposable income (Euromonitor, 2018:38). Unlike European consumers who consistently purchase fashion accessories even in economic downturns, the majority of South African consumers tend to react negatively by treating fashion accessories as a luxury in times of low disposable income. However, the projected growth of the economy, coupled with growth of the black middle class is likely to reduce poverty and inequality levels and increase disposable income. This will have a positive impact on the fashion accessories market in the long run (Gregorio 2017:2).

### **3.3 Process of establishing a small business in South Africa**

The previous section discussed the fashion accessories industry and the potential for growing a business in that industry. In this section the discussion will focus on how one goes about establishing a business in South Africa. The first step is to carry out research to assess the viability of the proposed business. The potential entrepreneur has to identify a potential market for the business, familiarising herself or himself with the market and deciding how best to serve its needs (Western Cape Government. Department of Economic Affairs, Agriculture & Tourism [DEA], n.d.:9). Once this has been done, the idea needs to be transferred onto paper; that is, potential entrepreneurs have to design a business plan, not only for themselves but for sourcing funds or attracting investors. The business plan should be detailed and give a clear view of what the business's goals are. The plan should be able to answer the following questions: What are you planning to do? How are you planning to do it? When are you planning to do it? Why you believe it will be successful? (Western Cape Government. DEA, n.d.:16).

In the business plan, one would have already highlighted the capital required, the costs of running the business, and expected profits. The next step is to work out how to finance the start-up: how much funding is available, how much needs to be borrowed, and where to borrow it. Consider all possible sources of funding such as banks, government funding and family/friends. In the process of sourcing capital, other issues that may come into play include the decision whether the business will be a sole proprietorship or a partnership (Western Cape Government. DEA, n.d.:14).

Once this has been done, for the business to operate formally it is supposed to be registered. There are various registration requirements. All business structures, whether a sole proprietorship, partnership or company, need to be registered with South African Revenue Service (SARS). Then a private company needs to be registered as a legal entity (Western Cape Government. DEA, n.d.:15). Other registrations required of all business structures include the Department of Labour (DOL) and the Unemployment Insurance Fund (UIF). Some registrations are subject to certain conditions, for example all businesses that employ one or more full-time employees should be registered with the Department of Labour (Western Cape Government. DEA, n.d.:15). This process of establishing a business gives entrepreneurs a starting point. But once established, how is the business to start growing? In line with the aims of this study, the following section will discuss the opportunities available for small business growth.

### **3.4 Opportunities for small business growth**

It is vital for businesses to be aware of growth opportunities around them. Here two kind of opportunity in business will be briefly discussed: information and communications and technology (ICT) and marketing. It is also necessary to discuss the role that the government plays in trying to provide an enabling environment for businesses to exploit growth opportunities. The section will therefore conclude with some consideration of how government has paved the way for small businesses to grow.

#### **3.4.1 Information and communications and technology (ICT)**

ICT refers to any technology that involves the electronic transmission of information. ICT includes all physical items, methods, techniques and software that enables the collection, storage and processing of information. ICT includes mobile phones, computers, wired or wireless intranet, websites and telephones (Cant et al., 2015:445).

Among the reasons why small businesses are adopting ICT in South Africa are global trends, innovation and competitive advantage (Cant et al., 2015:445). Technology has transformed the world into a global marketplace where consumers can buy from anywhere in the world. In order for South African businesses to compete in this market they have to adopt ICT. This has seen a lot of major retailers in South Africa like Woolworths and Foschini branching into online retailing. Adoption of ICT increases operational efficiency in a business and provides an opportunity for the business to conduct its operations anywhere. Operational hours become flexible, since an online store allows customers to shop at any time of the day (Cant et al., 2015:445).



Small businesses that make use of ICT can effectively respond to changes in dynamic markets such as the fashion industry and gain a competitive advantage. A business can only achieve growth if it aligns the use of technology with the strategy of the business. Having the right technology at the right time, can assist a business to gain a competitive advantage through improving its core processes, such as supplier and customer communication (Berisha-Namanil, 2009:3; Apulu & Latham, 2010:4).

Although technology presents a huge opportunity for growth, it is not always easy for small businesses to acquire technology and benefit from it. There are many factors that hinder small businesses from effectively benefitting from the use of technology, such as a lack of adequate finance, information or skills (Apulu & Latham, 2010:12).

### **3.4.2 Market Opportunities**

Market opportunities are described as opportunities that arise from a change in the market or a gap in the market. Market opportunities are derived from strengths, weaknesses, opportunities and threats (SWOT) analysis and a marketing plan (Moderandi Inc, 2013:58). SWOT analysis involves assessment of the internal and external environment of the business, with the aim of uncovering potential opportunities that a business can exploit. The marketing plan is an internal assessment of the business, involving posing questions that try to establish where the business currently stands, where it aims to be and how it can get there to ensure its survival (Moderandi Inc, 2013:56). Both the SWOT analysis and marketing plan aim to uncover market opportunities, and both depend on a thorough knowledge of the market. Among the marketing opportunities identified in the literature are growth in demand, change in customer needs, market consolidation and changes in the supply chain (Moderandi Inc, 2013:56).

### **3.4.3 Small business development policy in South Africa**

#### **3.4.3.1 The White Paper 1995**

Small business development policy refers to all the initiatives by the government to support the growth of the small business sector. The aim of this development policy in South Africa is to reduce inequality and poverty through the encouragement of small business activity (SBP, 2009:2). The initial post-independence move by government to create an enabling environment for small businesses was outlined in the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa of 1995, and the National Small Business Act (Act 102 of 1996) (South Africa. White Paper, 1995:4; South Africa. DTI [DTI], 2008:1). The release of the White Paper was followed by systematic expansion of small business support services, which saw the DTI adopting a decentralised approach in designing the small business enterprise strategy.

However, the implementation of the White Paper (1995) faced challenges. The challenges emanated from the need for policy formulation and institutional expansion to occur before the

delivery phase could begin. Furthermore, the new institutions that had been established like Ntsika and Khula presented their own challenges, mostly attributable to inexperienced staff and financial constraints. As if that was not enough, the country experienced a slowdown in economic growth, which created a harsh environment for small businesses (DTI, 2008:23).

Furthermore, the decentralised approach adopted by the DTI had its shortcomings, such as a lack of cooperation and duplication of services among the support agencies (DTI, 2008:28). To address this possibility, the White Paper had recommended the establishment of an interdepartmental coordinating committee, but this took some time to be implemented (DTI, 2008:25).

Reviews on the performance of government small business support in the decade 1994-2004 have confirmed a minor positive impact on businesses (DTI, 2008:28; BER, 2016:4). However, the chances of this being a smooth process were low, taking into consideration the fact that there was a new government in place that needed to implement a new strategy. Furthermore, the strategy involved simultaneous policy formulation, institution building, and implementation. The impact may have been low for the businesses concerned, but the White Paper (1995) achieved its top-line goals, which were strategy formulation, institution building and expansion of small business support. The implementation phase is where there was most need for improvement.

#### **3.4.3.2 The Integrated Strategy 2005**

The shortcomings of the first decade were the basis for the Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises of 2005. This was a refocused strategy based on research that took into account changes in the economy. The strategy addressed new issues such as local economic development and black economic empowerment as aspects of the aim to improve equity in terms of race, gender and geographical location (DTI, 2008:28; South Africa. Department of Planning, Monitoring & Evaluation/ Department of Small Business Development [DPME/DSBD], 2018:1). The strategy implemented changes in the institutions that supported small businesses and identified several other institutions that had critical roles in the implementation of the strategy. Some of the institutions identified were the Small Enterprise Development Agency (SEDA); the South African Micro-Finance Apex Fund (SAMAF); Khula Enterprise Finance Limited; Umsobomvu Youth Fund (UYF); National Empowerment Fund (NEF); the Land Bank, and Mafisa. Among these agencies, some were dedicated to small business support while others had broader functions.

The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises of 2005 introduced some useful changes, with institutions such as SEDA being perceived as operating effectively. In the seven years from 2008 to 2015 the number of small businesses in South Africa increased by 3%, which was lower than the economic growth rate indicated by a 4%

expansion in GDP over the same period (BER, 2016:19). Although their increase in numbers was relatively low in comparison to economic growth, small businesses still managed to increase their contribution to Gross Value Added (GVA) from 18% in 2010 to 22% in 2015 (BER, 2016:31).

#### **3.4.3.3 Recent Developments**

Despite the improvements introduced by the Integrated Strategy, it did not fully achieve all the goals that were set (DTI, 2008:169). Moreover, the small business environment is constantly changing and there is a need for continuous updates and developments in their support systems. In 2012 the small business sector saw new developments, such as the Department of Economic Development, which took over some responsibilities pertaining to small businesses. The year also saw a merger of three agencies in an attempt to create a one-stop shop. Khula, the South African Micro-Finance Apex Fund and the IDC's small business funding were merged into a single entity named the Small Enterprise Funding Agency (SEFA). The National Development Plan 2030 was launched in 2012. It highlighted the vital role of small businesses in achieving set goals of reducing unemployment (South Africa. DTI, 2012:1).

The NDP identified the small business sector as critical to creating employment. the need to increase support for small businesses to create employment led to the creation of the Department of Small Business Development (DSBD) in 2014 (South Africa. National Planning Commission, 2012:109). This ministry was established to focus on the small business sector and to ensure the coordination of all issues affecting the sector. The new ministry therefore took over some of the responsibilities that fell under the Department of Trade and Industry (DTI) and the Department of Economic Development (DED). The DSBD continues to focus on improving the informal sector, particularly involving township communities.

In a bid to continue redress of the social imbalance in the country, in 2013 the government of South Africa amended the BBBEE Act of 2003. Broad-Based Black Economic Empowerment (BBBEE) is an initiative by the government of South Africa which aims to facilitate the economic participation of the previously disadvantaged population (DTI, 2008:2). One of the five elements of BBBEE is enterprise and supplier development, which presents an opportunity for the growth of small businesses in South Africa.

#### **3.4.3.4 Enterprise and supplier development**

Enterprise development is defined as the guidance and support given to small businesses in the form of knowledge and capital, to assist in establishing, improving and growing their business operations (Verwey, 2011:4). Supplier development is a process that aims to enhance the capacity of small local suppliers through getting them to work together with other businesses in the industry. This assists in creating a competitive local supply base and reducing the country's dependence on imports (South Africa. Department of Public Enterprises

[DPE], 2007:4). Under supplier development businesses are expected to have some of their goods supplied by black-owned small businesses in order to get the required rating under codes of good practice of BBBEE. However, enterprise development can be achieved in other ways, such as business incubation. Business incubators are facilities that offer support to start-up small businesses (DTI, 2014:9). The support offered ranges from access to physical space, to funding and development services. The aim of business incubation is to offer services that assist early-stage small businesses to operate on their own (DTI, 2014:12).

In summary, South Africa's small business development policy has its foundations in 1994 through the White Paper of 1995. All that has transpired in the development policy from then until now have been improvements to the foundation in order to meet the constant changes in the dynamic environment of small businesses. However, there remain serious challenges to small business growth such as access to finance and harsh economic conditions. With so many institutions designed to provide and enhance opportunities for small business growth, one has to wonder why those institutions seem not to be fully achieving their goals. It may be that the SA small business development policy is more reactive than proactive, and a number of issues could be contributing to its shortcomings:

- ✚ The government may not have adequate resources to address all issues in the sector
- ✚ They could also be setting unrealistic targets for the sector
- ✚ They maybe be applying a one-size-fits-all approach
- ✚ The existence of too many institutions may cause confusion for small businesses
- ✚ Red tape and corruption.

Despite all the initiatives by the government of South Africa and available opportunities in ICT and the market, the growth of small businesses has remained stubbornly anaemic (Kumah & Omilola, 2014:4). These businesses still face a number of constraints in the way of growth and development.

### **3.5 Chapter Summary**

The chapter has given an overview of the fashion accessories industry, noting that the industry is growing globally and that there are opportunities for small businesses to invest in the industry. The discussion has points out that in Africa the fashion accessory industry is still in its early stages, and as the economy grows the industry should grow with it. The literature review went on to discuss the process of establishing a small business in South Africa, from carrying out research to assess the viability of the business idea, to drawing up a business plan and registering the business. The final part of the discussion has focused on the opportunities for the growth of small businesses offered by marketing, ICT and the enabling environment created by the government of South Africa. The next chapter will address the research methodology of the study.

## CHAPTER 4

### RESEARCH METHODOLOGY

#### 4.1 Introduction

The previous chapter presented an in-depth analysis of the growth and development of fashion accessories micro enterprises and the environment in which they operate. This chapter describes the methods that were used to answer the research questions posed earlier in the study. The chapter begins by revisiting the research objectives and then outlines the choice of research philosophy, approach and strategy adopted for the study. The chapter also details the sampling methods, sample size and data collection tools employed. The last section discusses how the data was analysed, as well as issues around time horizons, validity and reliability, and matters of ethical concern.

#### 4.2 Research objectives revisited

As previously highlighted in Chapter One, the objectives of the study were as follows:

The main objective of the study was to establish the growth and development process of successful retail micro enterprises in the fashion accessories industry in the Cape Town Metropole.

#### The supporting objectives were as follows:

- ✚ To identify the steps that entrepreneurs went through in establishing, running and growing their businesses.
- ✚ To establish how micro enterprises exploited available opportunities in the industry.
- ✚ To identify the challenges that micro enterprises encountered in the industry.
- ✚ To highlight how micro enterprises overcame the challenges they encountered.
- ✚ To establish a growth and development model for micro enterprises.

#### 4.3 What is research?

Research is a systematic process of gathering, organising and analysing data using specialised tools and procedures to increase understanding of an issue at hand (Kothari, 2004:1; Creswell, 2012:3). It begins with a question or a problem, which leads to the collection of relevant data. The data is then analysed to provide a solution or an answer to the problem or question raised at the beginning (Kumar, 2011:7). Saunders et al. (2009:5) regard research as a process that is undertaken in order to find out information in systematic way to increase knowledge. The term systematic entails an obligation for the research to include an explanation of the methods employed in carrying out a study and to show that the results obtained are meaningful, whilst highlighting any limitations. The declared purpose “to find out information”

can entail, variously, to explain, describe, analyse or understand a phenomenon clearly identified in the research question(s) (Saunders et al., 2009:5).

According to Saunders et al. (2009:8), business and management research projects can be placed on a continuum according to their purpose and context, with pure research at one end and applied research at the other end. This study principally pursued basic/ fundamental/pure research, or research undertaken to acquire an understanding of processes in businesses and their outcomes. This type of research is usually carried out in academic institutions, with little attention being given to practical applications, while the main consumers are other academics (Saunders et al., 2009:8; Kumar, 2011:9). On the other end of the continuum is applied research, which is of direct importance to managers and policy makers, as it addresses specific issues that are vital to them and provides answers to questions they might wish to ask (Kumar, 2011:8; Abbot & Mckinney, 2013:50). Research of this kind can be undertaken by people from various organisations, including but not limited to academic institutions.

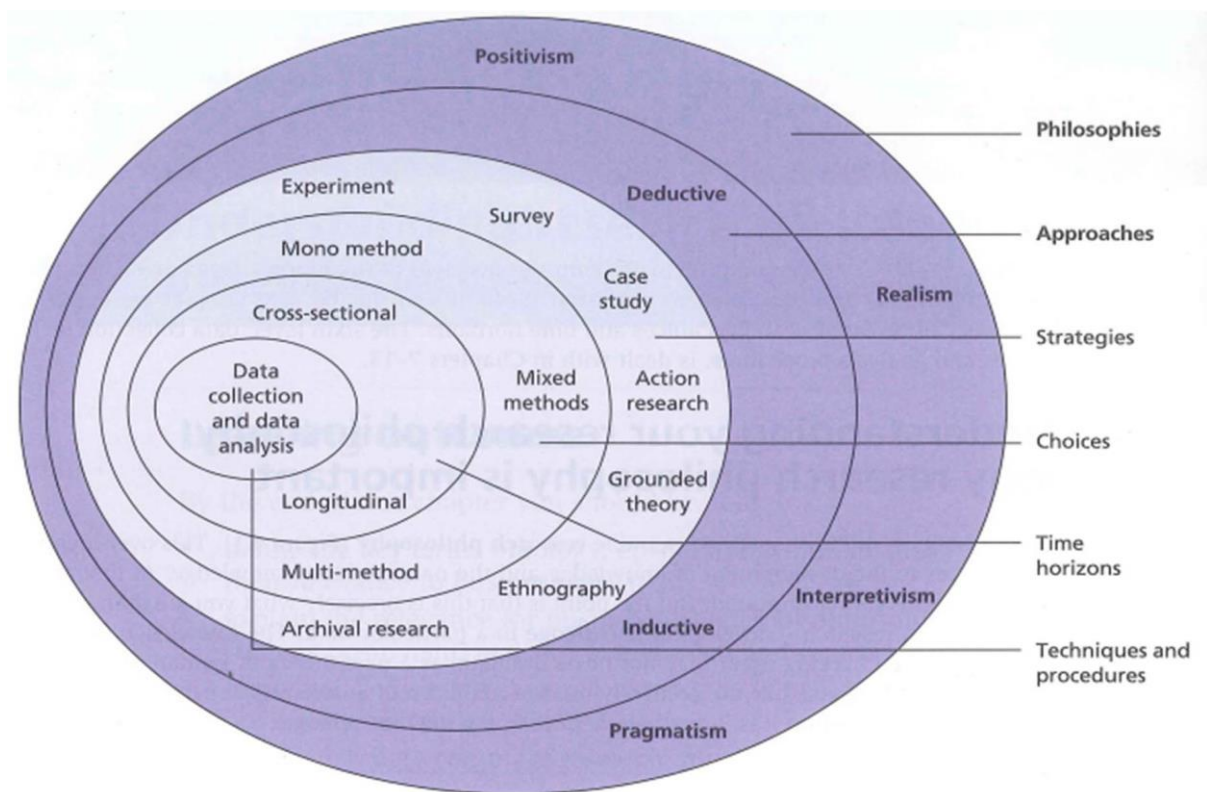
The main difference between the two is that pure research is usually carried out for academic purposes to produce results that are significant to society in general. The findings can later be applied to businesses for problem solving (Sekaran, 2003:8). Applied research, on the other hand, is carried out for a specific purpose in a business environment to produce results that will be immediately applied to solve a certain problem (Saunders et al., 2009:9). This study ultimately performed both fundamental and applied research.

#### **4.4 Research Design**

Researchers concur that research is a process of collecting, analysing, and interpreting information to answer questions or solve problems (Saunders et al., 2009:5; Kumar, 2011:7; Creswell, 2012:3). However, in order for the process to be classified as research it has to be controlled, systematic, valid, empirical, verifiable and rigorous. In order to achieve this, a study must have a research design.

A research design is a general plan that offers guidelines as to how a study will be carried out (Saunders et al., 2007:130; Kumar, 2011:9; Creswell, 2012:3). It is developed from choosing the most suitable methods and procedures from the different research options available.

Saunders et al. (2009:106) illustrate the process that a researcher goes through in developing a research design with what they refer to as the “research onion”. The research onion shows the layers that a researcher has to work through, from choosing the most suitable philosophy for the study. This leads to the choice of research approach, strategies, time horizons and techniques and procedures for sampling, data collection and analysis, as shown in Figure 4.1, below.



**Fig 4.1:** Research Onion

**Source:** Saunders et al. (2009:108)

This study followed the research onion in developing a research design, as described in the following sections.

#### 4.5 Research Philosophy

All research is based on assumptions about how we see the world and how we can best come to understand it. There are three basic approaches to social science research: quantitative, qualitative and mixed methods, a combination of quantitative and qualitative approaches (Veal, 2005:24; Schlegel, 2015:97). The qualitative and quantitative approaches are each based on a particular philosophy or worldview. Philosophy here means the application of reason and logic to ascertain the meaning of social existence (Trochim, 2006:12; Hoy, 2010:4). The philosophy that one adopts affects the relationship between the knowledge that needs to be generated and the process by which this will be achieved (Saunders et al., 2009:108). There are three major aspects of research philosophy – epistemology, ontology and axiology – and distinctions within each of these influences the way in which one thinks about the research process (Saunders et al., 2007:102).

##### 4.5.1 Epistemology

Epistemology defines what knowledge is acceptable in a field of study by focusing on how knowledge can be created, acquired and communicated (Groenewald, 2004:7). The main epistemological question concerns whether the social world can be studied using the same

approach as the natural sciences (Saunders et al., 2007:108; Bryman, 2012:27). The answers of 'no' and 'yes' to this question are the rough equivalent of the epistemological assumptions associated with interpretivism and positivism, respectively.

#### **4.5.1.1 Interpretivism**

Interpretivism takes the view that human behaviour and non-human phenomena cannot be studied in the same way. It claims that the human world is socially constructed and that the reality to be studied consists of the perceptions and opinions of the subjects involved in the study environment (Veal, 2005:25). What is important in interpretivist philosophy is that the researcher has to seek to understand the phenomenon from the research subjects' point of view (Saunders et al., 2009:116).

#### **4.5.1.2 Positivism**

Positivist epistemology takes the view that the researcher can be independent of the study being carried out. Positivist research seeks to provide an objective explanation of the phenomenon under scrutiny, based on facts of a quantitative nature gathered using theories and models developed in advance of the empirical part of the study (Bryman, 2012:28). In terms of this perspective, research focuses on testing theories and providing material for the development of laws (Veal, 2005:25; Bryman, 2012:28). Researchers prefer to study observable social realities that can lead to results that can be generalised. Researchers who adopt this philosophy make use of existing theories to develop hypotheses to be tested and confirmed or refuted at the end of the study (Saunders et al., 2009:113). The researcher is independent and objective, and does not affect nor is affected by the subjects of the study. If the study were to be carried out by a different person it would produce the same results (Saunders et al., 2009:114).

The epistemology for this study was rooted in the assumption that knowledge of the processes of growth and development of micro enterprises can only be gained from people who have experienced these things. Their interpretation was key, and therefore an interpretivist epistemological approach was adopted. This study that aimed to establish entrepreneurs' growth aspirations, Kirkwood (2009:40) in the study which aimed to establish entrepreneur's growth aspirations also adopted the interpretivist epistemology.

#### **4.5.2 Ontology**

Ontology is concerned with nature of reality. The main question of ontology is whether social entities exist in reality, independent of and external to social actors, or whether they only exist in the perceptions, assumptions and beliefs of social actors. The two positions are commonly known as objectivism and subjectivism or constructionism (Saunders et al., 2009:110; Bryman, 2012:32).



Objectivism takes the position that social entities exist in reality external to social actors. This is the perspective of positivist epistemology. On the other hand, the subjectivist view is inclined toward interpretivist epistemology, believing that social entities are the result of the perceptions and actions of social actors, and as such part of a continuous and constantly changing process (Saunders et al., 2009:111). This study adopted the subjectivist/constructionist ontology, in the belief that the reality investigated is inseparable from the views of the participants. In a previous study conducted by Frentzen & Lampadarios (2016:130) to evaluate the different growth strategies of a medium sized-chemical distributor business in the United Kingdom, the researchers based their study on subjectivist ontology.

#### **4.5.3 Axiology**

Axiology is concerned with the researcher's values at all stages of the research process (Saunders et al., 2009:156). The researcher's choice of philosophy, approach and data collection techniques reflects what that individual values. The choice of an interpretivist philosophy in this study indicates that the researcher values personal interaction more than a positivist researcher, who sees him-or herself as independent of the subject matter and seeks deliberately to limit personal interaction (Saunders et al., 2009:110). Axiology also encompasses the researcher's ethical values. In this regard, the researcher aimed to ensure that the study met the ethical standards of CPUT and that it would not negatively affect any of the parties involved in it. Among the ethical precepts respected by the study are anonymity and confidentiality, and they will be fully explained later in the chapter.

**Table 4.1: Summary of interpretivist and positivist philosophy**

	Interpretivism	Positivism
Ontology	<ul style="list-style-type: none"> <li>❖ Socially constructed</li> <li>❖ Subjective</li> <li>❖ May change</li> <li>❖ Multiple</li> </ul>	<ul style="list-style-type: none"> <li>❖ External</li> <li>❖ Objective</li> <li>❖ Independent of social actors</li> </ul>
Epistemology	<ul style="list-style-type: none"> <li>❖ Subjective meanings and social phenomena</li> <li>❖ Focus upon the details of situation</li> <li>❖ A reality behind these details</li> <li>❖ Subjective meanings</li> <li>❖ Motivating actions</li> </ul>	<ul style="list-style-type: none"> <li>❖ Only observable phenomena can provide credible data, facts</li> <li>❖ Focus on causality and law-like generalisations,</li> <li>❖ Reducing phenomena to simplest elements</li> </ul>
Axiology	<ul style="list-style-type: none"> <li>❖ Research is value bound</li> <li>❖ The researcher is part of what is being researched, cannot be separated and so will be subjective</li> </ul>	<ul style="list-style-type: none"> <li>❖ Research is undertaken in a value-free way</li> <li>❖ The researcher is independent of the data and maintains an objective stance</li> </ul>
Data collection techniques most often used	<ul style="list-style-type: none"> <li>❖ Small samples,</li> <li>❖ In-depth investigations,</li> <li>❖ Qualitative</li> </ul>	<ul style="list-style-type: none"> <li>❖ Highly structured</li> <li>❖ Large samples</li> <li>❖ Quantitative</li> </ul>

**Source:** Saunders et al. (2009:119)

The two main research philosophies are summarised in Table 4.1 above, which displays the assumptions of the philosophies in terms of epistemology, ontology, axiology and data collection techniques. Despite their differences, the two philosophies can sometimes coexist in the same study and complement one another (Veal, 2005:25; Saunders et al., 2009:109).

This study assumed an interpretive point of view. In this perspective the researcher is seen as part of the research process, seeking to gain in-depth understanding of interrelationships within the situation being studied. It relies on the people being studied to provide their own explanation or interpretation, which enables the researcher to see the world from their point of view. The interpretive philosophy is suitable for this study because of its intention to understand the growth and development process of fashion accessories micro enterprises as based on the recall of prior experience. The adoption of the interpretive perspective is supported by Hampel-Milagrosa (2014:34), who brought the same perspective to bear in a study that aimed to find out why only a few SMMEs managed to grow.

## **4.6 Research Approach**

Three types of research approach are distinguished: qualitative (inductive), based on interpretivist philosophy; quantitative (deductive), based on positivist philosophy; and the mixed method approach, which is a combination of the two (Creswell, 2014:3). These approaches represent the second layer of the research onion, in which the researcher has to choose the approach that will be adopted in the study. The choice of research approach is dependent on the research philosophy and the type of research problem or questions addressed (Struwig & Stead, 2001:15). It is vital that a researcher is knowledgeable about both approaches in order to choose the one most appropriate adequately to answer the research questions (Easterby-Smith et al., 2008:52; Saunders et al., 2009:126).

### **4.6.1 Qualitative Research Approach**

The qualitative research approach is associated with multiple perspectives because it focuses on collecting non-standardised data in the form of texts, audio or images, and analyse it to obtain the subjective meaning of a phenomenon (Flick, 2008: 542). It seeks to understand the perspectives or opinions of the population of interest. The approach is characterised by emerging questions and data analysis that produces general themes for the researcher to interpret. The approach typically relies upon verbal reports and interpretations of events, which are analysed in raw form (Struwig & Stead, 2001:4; Dunn, 2010:42). It aims to answer questions about the what, how or why of a phenomenon rather than how many or how much, which are answered by quantitative research (Patton & Cochran, 2002:3; Creswell, 2014:4).

The qualitative research approach enables the researcher to learn from participants in the study, and it is relevant in a study where little is known about the phenomenon. This approach tends to rely more on the views and perceptions of the participants and the way they interpret their social world than the direction that might have been picked up in literature (Saunders et al., 2009:126; Creswell, 2012:16). In order to focus on the context in which the study is being carried out, the qualitative approach relies on smaller samples than the quantitative approach, often collecting data using a variety of methods to establish a deeper understanding of the issue at hand (Easterby-Smith et al., 2008:54; Saunders et al., 2009:126).

The qualitative research approach has been criticised for being subjective in that the findings depend upon how the researcher interprets the data (Bryman, 2012:405). However, what makes the qualitative approach unique and suitable for certain studies, like this one, is its ability to include the researcher in the study. This enables him or her to view the phenomenon from the perspective of the participants, thus enabling a better understanding of the issue being studied.

#### **4.6.2 Quantitative Research Approach**

Creswell (2014:4) defines the quantitative research approach as an approach for testing objective theories by examining relationships among variables. These variables can be measured to produce data that can be analysed using statistical procedures. This approach relies on quantitative data collected from large representative samples using structured data collection tools in order to obtain reliable results (Struwig & Stead, 2001:4; Dunn, 2010:42).

The data collection process in a quantitative study is relatively quick compared to that of qualitative research, and data analysis is less time consuming as the data is already uniform and allows the easy use of statistical software. The quantitative approach is mostly suitable for studying large groups and in testing and validating theories that have already been constructed before data collection.

Table 4.2, below, portrays the main differences between the quantitative and qualitative approaches.

**Table 4.2: Differences between quantitative and qualitative research approaches**

	<b>Quantitative</b>	<b>Qualitative</b>
<b>Differences with respect to:</b>		
<b>Philosophy</b>	Deductive; theory testing	Inductive; generation of theory
<b>Epistemological Orientation</b>	Positivism	Interpretivism
<b>Ontological Orientation</b>	Objectivism	Constructionism/Subjectivism
<b>Sampling</b>	Large sample size	Small sample size
<b>Data Collection Methods</b>	Questionnaires	Interviews, observations, focus groups
<b>Types of Questions</b>	Close-ended	Open-ended
<b>Data</b>	Hard, reliable data (explaining causal relationships between variables)	Rich, deep data (in-depth understanding of the phenomenon)
<b>Findings</b>	Generalisation	Contextual understanding

**Source:** Saunders et al. (2009:127); Kumar (2011:18)

The main differences between the two can be attributed to the philosophies on which they are based. In qualitative research theory is developed as a result of the findings, whilst in quantitative research a theory or hypothesis is developed first and the research is designed to test the hypothesis (Saunders et al., 2007:117; Saunders et al., 2009:124). This then influences the sample sizes, data collection methods, the types of question asked and the types of answer elicited.

#### **4.6.3 Mixed methods research approach**

Regardless of the differences between qualitative and quantitative research approaches, they should not be viewed as dichotomous but as different points on a continuum (Creswell, 2012:17). Research shows that all studies tend to be either more quantitative than qualitative, or vice versa (Newman & Benz, 1998:9; Struwig & Stead, 2001:15; Bryman, 2012:405; Creswell, 2014:3). In some cases, a study calls for both qualitative and quantitative research,

and this is known as a mixed methods approach. Comparing the data sets collected is called triangulation.

The aim of mixed methods research is to gain a broader understanding of the issue being investigated. The two approaches can complement each other, offset each other's weakness, and together provide a detailed understanding of the problem at hand (Veal, 2005:39; Creswell, 2014:4). The process can however be time consuming and expensive; it is also difficult for a researcher to attempt both approaches in a single study, especially if they are to be used concurrently (Johnson & Christensen, 2014:492).

As stated earlier the choice of approach is influenced by the research questions. The research questions in this study required an in-depth understanding of the process of growth and development in fashion accessories micro enterprises. Hence the study adopted a qualitative research approach.

#### **4.6.4 Rationale for choosing qualitative research**

This study adopted a qualitative research approach because quantitative measures would not have been able to fulfil the study's objectives. Studies have been carried out which indicate that most SMMEs are not growing and that there is a high failure rate. Most studies are carried out at national, provincial or city level, providing a general picture of trends in the SMME environment. This study aimed to gain a deeper understanding of the growth and development process of fashion accessories micro enterprises that had succeeded in growing, as well as of the context in which this had transpired. Hampel-Milagrosa (2014:34) brought qualitative research to bear in a study that aimed to find out why only a few SMMEs manage to grow. The author emphasised that adopting a quantitative approach would not have produced the rich data capable of fulfilling the research objectives of the study.

With the above in mind, the qualitative research approach was chosen for the following reasons:

- ❖ It provides a detailed understanding of an issue which can only be obtained through direct interaction with the people who have actually experienced it (Creswell, 2005:40)
- ❖ It provides the views of the participants and an understanding of the context in which participants are dealing with the issue (Creswell, 2005:40)
- ❖ It aims to generate new ways of seeing existing data. It is the best approach for a study seeking to construct a theory or framework that reflects reality rather than the perspectives of the researcher or previous research (Veal, 2005:128)

The qualitative approach best addressed the study's research questions, which focused on the how, why and what of the phenomenon. In a similar context, Kirkwood (2009:40) adopted a qualitative research approach in a study that aimed to establish whether entrepreneurs had achieved their growth aspirations for their businesses after five years.

However, the use of a qualitative research approach in this study was time consuming. This was a result of the use of interviews and focus groups as data collection tools. Yet as a limitation this was outweighed by the richness of the data gleaned from the interviews, which contributed to the overall quality of the study. Once a researcher has chosen a research approach, their attention must turn to strategy.

#### **4.7 Research strategy**

A research strategy provides specific direction for procedures to be followed in a study. Some authors refer to it as a research design. There are many strategies that a researcher can choose from, with some associated with qualitative and some with quantitative approach (Creswell, 2012:375). In following sections, the researcher will look briefly at those indicated in the research onion by Saunders et al. (2009:138), and the one adopted for this study, which is phenomenological.

Table 4.3, below, shows some of the options that researchers can choose from when deciding on a research strategy. The table also indicates situations in which each strategy is applicable. The important issue to consider in choosing a strategy is whether that strategy will enable one adequately to answer the research questions posed by the study (Saunders et al., 2007:135).

**Table 4.3:** List of research strategies and their main purpose

Strategy	What it is	When it is applicable
<b>Experiment</b>	<ul style="list-style-type: none"> <li>❖ Used in natural sciences</li> <li>❖ Involves experiments to test hypotheses that are developed before the study is carried out (Saunders et al., 2009:142)</li> </ul>	<ul style="list-style-type: none"> <li>❖ Used to study causal links, whether a change in one independent variable produces a change in another dependent variable (Saunders et al., 2009:142)</li> </ul>
<b>Survey</b>	<ul style="list-style-type: none"> <li>❖ Quantitative research strategy</li> <li>❖ Focuses on gathering knowledge about a population in order to describe trends in the data (Creswell, 2012:376)</li> </ul>	<ul style="list-style-type: none"> <li>❖ Used to describe trends or opinions of individuals to evaluate the phenomenon being studied, such as a new curriculum, policy issues etc. (Creswell, 2012: 376)</li> </ul>
<b>Case study</b>	<ul style="list-style-type: none"> <li>❖ A mixed methods research strategy, which focuses on studying a particular phenomenon within its real-life context (Saunders et al., 2009:145)</li> <li>❖ The unit of analysis/case should be very representative or typical of the population in order to provide insight into that population (Kumar, 2011:102)</li> </ul>	<ul style="list-style-type: none"> <li>❖ It is used when the aim is to generate a deep contextual understanding of a phenomenon in explanatory and exploratory research (Saunders et al., 2009:145)</li> </ul>
<b>Grounded Theory</b>	<ul style="list-style-type: none"> <li>❖ A qualitative research strategy which is used to generate a theory that broadly explains a process or event about a meaningful issue that occurs over time (Creswell, 2012:423)</li> <li>❖ Theory emerges from analysing the data collected</li> </ul>	<ul style="list-style-type: none"> <li>❖ It is used to generate a theory, when existing theories cannot adequately address the aims of the study.</li> <li>❖ The theory that is generated from the data would explain the process more adequately than the already existing theories (Creswell, 2012:423)</li> </ul>
<b>Action Research</b>	<ul style="list-style-type: none"> <li>❖ A mixed methodology strategy can be used in both qualitative and quantitative approaches.</li> <li>❖ It seeks to address a specific and practical issue or find a solution to a specific problem (Creswell, 2012:577)</li> </ul>	<ul style="list-style-type: none"> <li>❖ It is used when there is a specific issue that needs to be solved.</li> <li>❖ Action research provides an opportunity to improve or solve the issue at hand (Creswell, 2012:577)</li> </ul>



<b>Ethnography</b>	<ul style="list-style-type: none"> <li>❖ A qualitative research strategy, which is used to study and understand the customs of groups or cultures, their patterns of behaviour and beliefs that develop over time (Creswell, 2012:462)</li> </ul>	<ul style="list-style-type: none"> <li>❖ It is used when the unit of analysis is a culture-sharing group that has been together for some time and has developed shared beliefs and values (Creswell, 2012:462)</li> </ul>
<b>Archival Research</b>	<ul style="list-style-type: none"> <li>❖ This research strategy makes use of administrative records and documents as the main source of data.</li> <li>❖ The use of data originally collected for another purpose is regarded as secondary analysis; however, in archival research the data is used because it is a part of the reality being studied (Saunders et al., 2009:150)</li> </ul>	<ul style="list-style-type: none"> <li>❖ It is used when the study aims to answer questions about the issue at hand by focusing on the past and changes that have taken place over time (Saunders et al., 2009:150)</li> </ul>
<b>Phenomenology</b>	<ul style="list-style-type: none"> <li>❖ A rigorous and critical investigation of an issue through the perspectives of those who have experienced it</li> </ul>	<ul style="list-style-type: none"> <li>❖ It is useful when the aim is to understand the issue from the point of view of those who have experienced it</li> </ul>

**Source:** Own Compilation

This study adopted a phenomenological research strategy. This means that the study aims to provide a comprehensive description of a particular phenomenon according to the experiences of the population involved (Groenewald, 2004:3). It involves studying a small number of subjects through extensive engagement in order to discern patterns and discover meaning (Creswell, 2004:17). A phenomenological strategy can thus be used to develop a comprehensive understanding of complex issues (Goulding, 2005:301). A study adopting this strategy will offer a direct description of the participants' experiences, identifying the vital features of these. Such a study has only one source of legitimate data, which consists of the views and experiences of the participants (Goulding, 2005:302).

This strategy was the best choice for this study because it seeks to expand awareness of a particular issue. The aim is to describe practical experience without filtering it through the theoretical concepts that might otherwise be used to explain that experience (Schneider & Whitehead, 2013:107). The result should be a deeper understanding of the issues being studied (Patton & Cochrane, 2002:106). Frentzen and Lampadariou (2016:130) adopted a phenomenological research strategy in their study that evaluated the different growth strategies of a medium-sized chemical distributor business in the United Kingdom. The authors noted that they chose the strategy because it enabled them to get valuable and in-depth data that could answer their research questions.

Once the philosophy, research approach and research strategy were in order, the author decided on the research context and population of the study.

#### **4.8 Research context and population**

Research context refers to the physical setting of the research and the natural or artificial properties of that setting, and is sometimes called the study environment (Creswell, 2014:58). In this study, the research context was the Cape Town CBD. A research population refers to all the members of a defined class of people, objects, places or events that are relevant to a study (Creswell, 2014:58). The research population in this study comprised all the owners of small enterprises trading in fashion accessories in the study environment. These businesses were initially established as micro enterprises. Some would have started as informal businesses, but the study focused only on registered businesses. Most of them operate in permanent shops, but some in kiosks. The businesses are in the process of growing: they have grown from micro enterprises to small businesses that are working towards becoming medium enterprises.

The fashion accessories industry was selected as the unit of analysis because it is a growing industry in South Africa that is being boosted by the growth of the middle-class population. There are perhaps more opportunities for SMMEs to make it in this industry than in the usual groceries and clothing sectors. The choice of Cape Town as the context of the study was driven

by the fact that the statistics indicate that not many SMMEs in the area have tapped into the fashion accessories industry. The study was therefore set in Cape Town to encourage more potential entrepreneurs in the city to try establishing fashion accessories SMMEs.

#### **4.9 Sampling methods**

Sampling is the selection of research participants from an entire population in order to draw conclusions about the population. The main concerns in sampling are representativeness and sample size. The researcher must aim to minimise bias and select a representative sample large enough to enable inferences to be made about the research population (Creswell, 2014:59).

Sampling can be classified into probability and non-probability sampling. Probability sampling is based on the concept of random selection, which is a controlled procedure to ensure that each element of the population has an equal chance of being selected. Probability sampling includes simple random, complex random, systematic, cluster and stratified sampling (Creswell, 2014:59). On the other hand, in non-probability sampling each element does not have an equal chance of being selected because the researcher does the selecting. Non-probability sampling includes convenience, purposive, judgmental, quota, and snowball sampling (Veal, 2005:208; Creswell, 2014:59).

Probability sampling methods are generally associated with quantitative studies and typically require a list of population members from which a random sample is generated. Qualitative researchers, on the other hand, do not usually seek random samples because they would rather choose the units of analysis most relevant to achieving in-depth answers to their research questions (Bryman, 2012:416).

##### **4.9.1 Sampling method for this study**

The target population of this study comprised small fashion accessories enterprises. The study adopted snowball sampling. Snowball sampling is a non-probability sampling method applicable when members of a population are not easily identified other than by someone who knows certain members who match the criteria. The few members of the population that can be located are then asked to suggest other members of the population that they know of (Creswell, 2005:206; Rubin & Babbies, 2009:149). The suggested members may in turn suggest a further set of members of the population, with the process continuing until a saturation point is reached (Welman et al., 2005:69; Mishra, 2017:225).

Snowball sampling is very useful when there is some difficulty in identifying potential participants (Welman et al., 2005:70). The sample that is obtained from snowball sampling may not be representative of the population as a whole. However, it is a method commonly used in qualitative research aiming not to generalise its findings but to develop a

comprehensive understanding of a phenomenon (Creswell, 2005:203; Maylor & Blackmon, 2005:198). Hampel-Milagrosa et al. (2013:4) made use of snowball sampling in a study that aimed to establish the factors determining enterprise growth. This study aimed to obtain insight into the process by which fashion accessories micro enterprises develop into small enterprises. Snowball sampling facilitated an increased understanding of the subject at hand (Onwuegbuzie & Leech, 2007:239).

Snowball sampling is usually used in the early stages of exploratory study (Gofton & Ness, 1997:29; Blumberg et al., 2005:222). However, it was the best choice for this study because it allowed the researcher to identify the most appropriate participants to provide answers to the research questions. Snowball sampling is inexpensive, does not require a list of all the population elements, and ensures an element of homogeneity among the participants.

The downside of snowball sampling is that it is subjective, and its level of bias cannot be measured (Kumar, 2011:266; Creswell, 2014:62). While the aim of a study may not be to generalise its findings, it should still seek to minimise bias in its sampling procedures. The researcher did this by asking the members to each suggest at least three potential participants to make up a population from which the researcher could draw a sample.

Another challenge presented by snowball sampling is to locate the initial participants and there may be need to locate people in relevant positions who have information on the population group that the researcher would be interested in (Atkinson & Flint, (2001:2). This comes up with ethical implications and in some cases, they may not be legally allowed to disclose such information. However, some cases the information will be open to be shared with the public (Atkinson & Flint, (2001:3). Further to that, snowball sampling is biased towards the inclusion of individual with interrelationships and exclude those who are not linked to the first participants that the researcher would have located. This however can be neutralised by obtaining a large sample (Bagheri & Saadati 2015:5).

**The researcher followed these steps in sampling:**

- Identified the problem as reflected in the research questions earlier
- Determined what kind of information was required as highlighted in the objectives

She then defined the qualities of potential participants as follows:

**Each business should:**

- Be located in the Cape Town Metropole
- Be in the business of fashion accessories
- Have been initially established as a micro enterprise

- Currently be a small enterprise (small enterprise as per official South African definition of 11- 50 employees with a total annual turnover of R25 mil. or less)
- Have been in existence for five or more years (given the fact that the majority of small businesses in South Africa fail in their first year, the researcher aimed to gather data from the few who defied the odds [Maye, 2014:2]).

Once the criteria were set, the researcher approached the potential participants already known and requested them to suggest other members who met the criteria. Gathering the sample was done over a period of four months between November 2018 and February 2019. From the first point of contact the researcher requested that they suggest other members. In some cases, the participants suggested retailers that did not fit the criteria that the researcher had set. However, this was offset by other participants who suggested more than one potential participant. With every suggested participant, the researcher emailed, to ask them if they would be interested in participating in the study and for those that were willing the following step was to ask them if they fit the criteria as discussed above. Once a potential participant met the criteria then an appointment was made for an interview.

#### **4.9.2 Sample size**

The study included fifteen small enterprises in the fashion accessories industry. The sample size in a research study should be determined by the research questions, objectives and design. In a qualitative research study, sample sizes should not be too small, making it difficult to achieve data saturation, or too large, making it difficult to undertake in-depth analysis (Onwuegbuzie & Collins, 2007:289; Bryman, 2012:425).

As highlighted earlier, this study adopted a phenomenological research design. The guidelines on what is considered an adequate sample size for a phenomenological research design suggest between five and twenty-five participants (Creswell, 1998:64; Onwuegbuzie & Collins, 2007:289). But some researchers maintain that a sample size in qualitative studies can only be determined when saturation is reached (Charmaz, 2006:114; Mason, 2010:4; Bryman, 2012:426). According to Burmeister and Aitken (2012:272), what guarantees saturation is not necessarily a large sample but what constitutes the sample. Guest et al. (2006:78) agree, suggesting that in studies with a homogeneous population, saturation can be attained with a sample of at least six interviews. This study made use of snowball sampling, consistently applying the same criteria, which meant that the selected sample was homogenous and saturation was reached with a sample size of fifteen participants (Patton & Cochran, 2002:9; Elo et al., 2014:5).

In 2009, a study was carried out on sample size and saturation in PhD studies using qualitative interviews. The study was conducted through content analysis of a PhD database of qualitative studies that had been approved by some of the most prestigious universities in Great Britain

and Ireland. The aim was to identify sample sizes in those studies (Mason, 2010:6). The conclusion of that analysis was that all phenomenological studies had at least six participants and were within the range suggested by both Morse (1994:225) and Creswell (1998:64), who suggested a minimum of six and a range of five to twenty-five, respectively (Mason, 2010:3).

This study was able to build quality, rich and detailed analyses from fifteen participants. The interviews, although time consuming, provided adequate data for quality analysis (Silverman, 2006:125; Flick, 2008:201; Bryman, 2007:426; Palinkas et al., 2013:3).

#### **4.10 Time horizons for this study**

According to Saunders et al. (2009:155), there are two types of time horizons applicable in research, cross-sectional and longitudinal. Cross-sectional study is considered a snapshot taken at a particular time, whereas longitudinal is a series of snapshots or a representation of events over an extended period (Kumar, 2011:85). This study adopted a cross-sectional time horizon.

The choice of time horizon for a study depends on the research questions and are largely independent of the chosen research strategy or method. Depending on the research questions one can essay a longitudinal phenomenological study or a cross-sectional phenomenological study (Kumar, 2011:85). This study was limited to a specific period and hence was a cross-sectional phenomenological study. Cross-sectional studies are relatively inexpensive and take less time to conduct. Most research projects undertaken for academic courses are cross-sectional because the courses are scheduled to be completed in a specific period of time (Saunders et al., 2009:155). This study aimed to describe the growth and development process for fashion accessories micro enterprises through reflecting on what the businesses did in the past to get to where they are now. Such a study does not require a longitudinal time horizon. In a previous study conducted by Mboniyane & Ladzani (2011:554) to explore the factors that hinder small business growth in South African townships, the researchers highlighted that a cross-sectional study was the best option to fulfil their objective. The data for their study was collected through semi-structured interviews over a period of six months.

#### **4.11 Data collection tools**

Data used in research can be primary or secondary. This study used primary data or data collected from original sources specifically for the research project being undertaken. Such data can be collected in various ways, such as through interviews, surveys, focus groups, questionnaires and observations. Secondary data refers to data obtained from already published sources such as books, journals, newspapers, speeches etc. It can also take the form of raw data collected for some other purpose (Pawar, 2004:3).

Data collection methods affect the quality, quantity, adequateness and appropriateness of data. Researchers must employ the most appropriate data collection methods, taking into consideration the nature of the study, time, money and the availability of data (Pawar, 2004:3).

#### **4.11.1 Qualitative data collection tools**

There are a variety of data collection methods in qualitative research, including interviews, focus groups and observations. The following section will discuss the two data collection tools used in this study, interviews and a focus group.

##### **4.11.1.1 Interviews**

Interviews are a set of questions that are presented to participants in a systematic way that nevertheless allows them to venture beyond the purview of the questions. The interview is deemed the predominant mode of data collection in qualitative research (De Vos et al., 2005:472), and facilitate the gathering of in-depth data. This is evident in studies by Hampel-Milagrosa et al. (2013:4) and Frentzen & Lampadariou (2016:130), who used interviews to collect data in order to establish the determinants of growth in small businesses, and to evaluate growth strategies for a medium-sized chemicals distributor, respectively. There are three types of research interviews: structured, semi-structured and unstructured. Structured interviews are carried out using an interview schedule with a list of predetermined questions. Semi-structured interviews depend upon an interview guide that assists in highlighting areas that need to be discussed, but allows the interviewer to pursue any new ideas that may come up (Pawar, 2004:30; Gill et al., 2008:291). Unstructured interviews have no strict procedures to be followed. This type of interview is usually time consuming, and if not managed well can be confusing to participants (Gill et al., 2008:290; Pawar, 2004:30).

The present study adopted the semi-structured interview because of its flexibility. It allowed the researcher to obtain more information than would have been possible with structured interviews, while ensuring that all relevant issues were covered. In their study investigating factors hindering the growth of small businesses in South African townships, Mbonyane and Ladzani (2011:554) also adopted this data collection method on the grounds of its flexibility and capacity for information generation.

Table 4.4, below, highlights some of the advantages and disadvantages of interviews as a data collection method, according to Kumar (2011:121).

**Table 4.4:** Advantages and disadvantages of interviews

<b>Advantages</b>	<b>Disadvantages</b>
Generate rich and detailed data	In cases where participants are not in close proximity it is time consuming and expensive
Allows researcher to probe for more information which makes it possible to collect in-depth information	Quality of data depends on the experience and skills of the interviewer
Researcher can explain questions which may not be clear, hence limiting chances of questions being misunderstood	Interviewer can be biased in the way they interpret the responses
Interviews can be used with any type of population hence has a wide application	

**Source:** Kumar (2011:121)

### **Preparing the interview guide**

An interview guide is a list of questions prepared before an interview to serve as a map of the territory that the interviewer aims to cover (Bryman, 2012:473). The interviewer can of course ask additional, more probing questions.

The interview guide for this study consisted of twenty-eight open-ended questions developed from its research objectives (see Appendix A). The guide consisted of key questions that encompassed all the areas that needed to be discussed. The questions were arranged in such a way that the interviewee could narrate their story from how they established and developed their business, up to the present. This allowed the interview sessions to flow naturally, as the interviewees shared their stories of what they had been through to get to where they were now. The interviewer also included possible probing questions in the guide, to encourage an in-depth conversation with the interviewee.

### **Conducting the semi-structured Interviews**

Fifteen participants were interviewed using semi-structured interviews. The interviews took place over four months, from November 2018 to February 2019. The interviews lasted for an average of one-and-a-half hours. All the participants were adequately informed about the research prior to the interviews through an introductory email. The semi-structured interviews allowed researcher to ask follow-up questions to gain more rich data. The researcher endeavoured to ask the questions in a similar manner to avoid different contextual influence on the data.

#### **4.11.1.2 Focus groups**

A focus group is an informal discussion among a group of selected individuals about a particular topic. It usually involves between five and twelve participants, with the researcher facilitating a discussion in which the participants interact with each other and the researcher



(Veal, 2005:133; Liamputtong, 2011:3). The facilitator guides the discussion and makes sure that all relevant issues are covered; ideally all the members participate and no one person dominates. The discussion is usually recorded, with the researcher producing a summary from the recording.

Focus groups provide for interaction among participants, which generates extensive and complex data at low cost and within a reasonable time. They are also useful for exploring and examining the opinions of people without pressurising them into making decisions. Focus groups permit participants to ask questions of their own that may add value to the research (Liamputtong, 2011:5; Creswell, 2012:384). But if some members are allowed to dominate the conversation, a focus group may present biased data (Creswell, 2012:384).

### **Preparing the focus group guide**

The focus group guide consisted of eight discussion points that were developed from the research objectives of the study (see Appendix B). The questions were generally arranged in the same manner as the interview guide, such that the discussion would begin with how to establish and develop a fashion accessory micro enterprise into a small enterprise. The semi-structured interview guide questions focused on collecting data on how each business grew and developed into a small enterprise. The focus group data extended also to what, in the light of their experience, participants would consider the right or ideal process.

### **Conducting the focus group**

The focus group discussion was conducted with six of the fifteen participants who were interviewed. The researcher initially chose the six members with the most experience in running a fashion accessory business, but not all of them could be available on the same day, so the final selection was based on availability. The focus group was conducted as an additional data source, to increase reliability of the data obtained. The focus group discussion was held at a neutral venue for all participants, including the facilitator. The discussion lasted for approximately two hours. The facilitator guided the discussion to ensure the equal participation of all members and allow for different views to be presented.

## **4.12 Data analysis, interpretation and presentation**

Data analysis begins when the data collected is classified and coded in a manner that seems relevant and meaningful to the research design (Greener, 2008:80). The most common qualitative data analysis techniques are thematic or comparative, or involve content and discourse analysis. The choice of the technique to use depends on the research design and available resources (Greener, 2008:80; Harding, 2013:4).

Thematic analysis focuses on identifying themes from the data by putting together datasets with commonalities and differences, and deciding whether they are relevant to the issue at hand. The aim is to identify how different parts of the analysis fit together to contribute to an understanding of the phenomenon being investigated. This approach to data analysis has been criticised on the ground that only looking for areas of similarity and difference may erase much of the detailed information and produce accounts that are not accurate (Gibson & Brown, 2009:129; Harding, 2013:5). Comparative analysis involves comparing and contrasting the data collected to exhaust all possible new themes.

Discourse analysis focuses on the content and patterns of interaction in communication. It examines patterns of speech and the ways in which language is used to convey meaning. Content analysis, on the other hand, involves the detailed and systematic analysis of each transcript in order to identify themes (Leedy & Ormrod, 2001:6; Harding, 2013:4). This approach is vital when the aim is to analyse meanings, changes over time or relationships. It is time consuming and subjective as it can be open to different interpretations (Mathison, 2005:82). Despite the differences, though, these approaches are all interrelated and can be used in the same study to obtain the best results, provided there are adequate resources to do so.

Research shows that there is no single right way to analyse data, and deciding on a method of analysis can be subjective. However, researchers must be guided by aiming to choose a method of analysis that will yield the most valid results (Harding, 2013:5). This study aimed to understand the opinions and views of the participants, and therefore used content analysis, which provided for careful exploration of the data assembled. The study achieved this with ATLAS.ti data analysis software, which helped to reduce the time spent on analysis, increase the quality of the analysis, improve data management and provide an audit trail.

#### **4.12.1 Data analysis in this study**

Content analysis was carried out using ATLAS.ti, however before going into detailed content analysis, the data went through exploratory analysis. According to Komorowski et al., (2016:185) exploratory analysis is necessary in every research and its main aim is to examine data quality and identify any commonalities or anomalies. With this in mind, the researcher took time to go through all the notes from the interviews and focus group and clean the data. The aim was to make sure that the information was correct and that the notes had been fully anonymised. The researcher went further to read and explore possible relationships or themes in the data and took note of those for possible use in the detailed analysis.

Once exploratory data analysis was done, all participants were given a code name and participant number, so that the researcher could easily identify who was who. Once that was

done, all the data was in order, each interview was uploaded into ATLAS.ti and initial coding was done. Coding of the responses was done one interview at a time. For the researcher to be able to quickly recognise and understand the codes, each code had a prefix referring to the question it came from. For example, the code that arose from questions about opportunities would each have the prefix 'opportunity.'

Once initial coding for all fifteen interviews had been done, the researcher began a trial analysis of the codes, which led to second-stage coding as the researcher realised that some codes needed to change and some needed to be consolidated. In the analysis phase the researcher grouped codes into groups. The discussion made use of these code groups to provide answers to the research questions.

#### **4.13 Reliability and validity**

It is vital in research to pay attention to issues of reliability and validity in order to reduce the chances of reaching a wrong conclusion (Saunders et al., 2009:156). Reliability refers to the extent to which the data collection techniques or analysis procedures will produce consistent findings over time, whereas validity measures the extent to which the research truly measures that which it was intended to measure; that is, how truthful the research results are (Golafshani, 2003:599; Easterby-Smith et al., 2008:109).

Qualitative and quantitative researchers need to test their results and demonstrate that their studies are credible (Golafshani, 2003:600). Each research paradigm should have its own terms according to which quality is measured. Reliability is said to be more concerned with quantitative measurements and has little relevance in measuring the quality of qualitative research. To measure quality in qualitative research, the measures that should be used are credibility, neutrality, consistency and applicability (Healy & Perry, 2000:121; Stenbacka, 2001:553). Nevertheless, issues of reliability and validity in this study were addressed through data source triangulation and member checking, respectively.

##### **4.13.1 Data source triangulation**

Data source triangulation refers to the use of multiple data collection methods in one study in order to ensure the reliability of the findings (Groenewald, 2004:11; Saunders et al., 2009:145). The data from multiple sources can be compared to see if they corroborate to confirm the reliability of the findings. The study made use of data source triangulation by obtaining data from both interviews and a focus group to corroborate the findings and provide a comprehensive understanding of the issue at hand.

##### **4.13.2 Member checking**

Member checking involves the researcher's taking data back to the participants from whom it was obtained and asking them to verify that the results are a true reflection of their contributions

(Stenbacka, 2001:551; Golafshani, 2003:601). In terms of ensuring the validity of the findings, the researcher implemented member checking by returning the findings to eight participants in the study for verification. They all agreed that the findings accurately represented their stories.

#### **4.14 Ethical considerations**

Ethics are standards of conduct that distinguish between what is right and wrong (Resnik, 2011:1). The goal of ethics in research is to ensure that there are no adverse consequences for any party involved in the study. A researcher has a responsibility to the research participants and to the people to whom the findings will be presented, and hence ethical concerns are intrinsic to every research study.

Ethical clearance was obtained before the study was carried out to ensure that the study met the expectations of CPU's ethics committee. The study further addressed the following ethical issues: informed consent, anonymity, confidentiality and plagiarism.

##### **4.14.1 Informed consent**

Informed consent is voluntary participation by the participants after being fully informed about the scope and purpose of the proposed research study. It also involves letting participants know that they have the right to withdraw from the study at any given time (Fouka & Mantzourou, 2011:11). The researcher fully disclosed the procedures of the study before requesting permission to proceed with the study. The researcher also followed the procedures outlined to the participants throughout the study. The research participants signed letters of consent.

##### **4.14.2 Confidentiality**

Confidentiality means that participants have the right to share or withhold any information they may deem to be private. It also involves the responsibility of the researcher to protect private information shared by participants in confidence (Fouka & Mantzourou, 2011:6). The participants were not expected to share confidential business information against their will.

##### **4.14.3 Anonymity**

Anonymity is respected when research findings are reported without names or any other details that could identify the specific participants (Bryman, 2007:134). It is not always easy or even possible to measure the dangers of a certain context to a given population, let alone to individuals (Patton & Cochrane, 2002:12). It is therefore essential to protect the identity of the research participants. On that note, the researcher informed the participants that their identities were to remain anonymous throughout the study and would not be used in the reporting of the findings.

#### **4.14.4 Plagiarism**

Plagiarism is defined as the reproduction of others' original work or ideas and failing to adequately acknowledge the source (Das & Panjabi, 2011:67). In this study, the researcher made use of the Harvard referencing system as required by the institution, and sedulously acknowledged the work of other authors as and when this fed into the study.

#### **4.14.5 Institutional ethical clearance**

The study includes a declaration of originality by the researcher. The researcher also adhered to the rules and regulations governing research at Cape Peninsula University of Technology by seeking and obtaining ethical clearance from the institution before proceeding with the study.

#### **4.15 Chapter summary**

This chapter has described how the study was carried out. An account was provided of the methods, procedures and tools adopted for collecting data and analysing it. In summary, the study is grounded in interpretive philosophy and hence adopted a qualitative research approach. Sampling was achieved by using the snowball sampling technique and a sample of fifteen participants was drawn. Data was collected using semi-structured interviews and a focus group and content analysis was done using ATLAS.ti. The following chapter will present, discuss and analyse the findings from the data collected.

## CHAPTER 5

### DATA PRESENTATION AND ANALYSIS

#### 5.1 Introduction

The previous chapter outlined the research methodology deployed to answer the study's research questions. This chapter presents and analyses the qualitative data collected using content analysis via ATLAS.ti software. The findings are divided into two sections: presentation and analysis of the data obtained from the semi-structured interviews and the focus group, respectively.

The first section begins with a description of the fifteen participants in the semi-structured interviews, featuring discussion of the characteristics of each owner and their business, their motive for establishing the business and the source of the capital.

The aim of this study is to establish the process of growth and development pertaining to thriving or at least surviving retail micro enterprises in the fashion accessories industry in the Cape Town Metropole. Presentation and analysis of the data from the semi-structured interviews was conducted for each objective of the study by discussing responses to the questions associated with that objective. Each objective discussion concludes with a summary of the key findings.

The second section presents and analyses data from the focus group discussion that involved six members. It also begins with a brief description of the participants of the focus group. Given the fact that members of the focus group were also among the fifteen participants in the semi-structured interviews, there was no need to discuss the characteristics of the owners and their businesses as this had already been done.

This section also analyses the data, focusing on the major objective of the study: to establish the growth and development process of successful retail micro enterprises in the fashion accessories industry in the Cape Town Metropole. The discussion shows how a business can grow, exploit opportunities, and overcome challenges, with reference to the three themes deduced from the data: research and planning, implementation and review.

The last section of this chapter outlines a growth and development model developed from the findings of both the semi-structured interviews and the focus group discussion.

#### 5.2 Revisiting objectives

The main objective of the study was to establish the growth and development process of successful retail micro enterprises in the fashion accessories industry in the Cape Town Metropole.

**The supporting objectives were as follows:**

- ✚ To identify the steps that entrepreneurs went through in establishing, running and growing their businesses.
- ✚ To establish how micro enterprises exploited the opportunities in the industry.
- ✚ To identify the challenges that micro enterprises encountered in the industry.
- ✚ To highlight how micro enterprises overcame the challenges they encountered.
- ✚ To establish a growth and development model for micro enterprises.

**5.3 Revisiting data collection**

Fifteen semi-structured interviews were carried out with owners of fashion accessories small enterprises. Additionally, a focus group was conducted with six of the owners. The first section of this chapter presents and analyses data from the semi-structured interviews, while the second is devoted to presentation and analysis of data from the focus group.

**5.4 Semi-structured Interviews data presentation and analysis**

The data from the semi-structured interviews was analysed for each objective by assessing the responses to questions relevant to the objective. This section will present and analyse the data from the semi-structured interviews for the five objectives of the study.

**5.4.1 Description of participants**

This section describes the characteristics of participants in the study. Care was taken to ensure that participant criteria set for the study were met. The data was obtained from small businesses that were initially established as micro enterprises and have experienced growth. Table 5.1, below, presents descriptions of the participants and their businesses.

**Table 5.1:** Description of semi-structured interview participants

<b>Participant</b>	<b>Age of Owner</b>	<b>Education Level</b>	<b>Professional Background/ Industry</b>	<b>Age of Business</b>	<b>Products Traded</b>	<b>No of Employees</b>
1 (WS)	55	Tertiary Education	Client Services Manager: Construction	15	Reading glasses, Sunglasses, Jewellery, Watches & Wallets	42
2 (SF)	46	Tertiary Education	Managing Director: Fashion	8	Sunglasses, Watches & Reading glasses	21
3 (CV)	48	Tertiary Education	Merchandise Buyer: Fashion	10	Jewellery	20
4 (KL)	46	Tertiary Education	Investments Professional: Investments & Finance	9	Jewellery, Handbags & Sunglasses	26
5 (FM)	37 & 39	Tertiary Education	Insurance Professional & Engineer: Investments & Finance	7	Men's accessories: Jewellery, bags belts	24
6 (CCL)	43	Tertiary Education	Business Manager: Services	12	Scarves, Jewellery & Bags	23
7 (VK)	Late 40s	Tertiary Education	Merchandise Buyer: Fashion	10	Bags (Handbags, wallets, crossbody etc.)	23



8 (UK)	38	Tertiary Education	Merchandise Buyer: Fashion	8	Jewellery, Scarves & Bags	24
9 (GL)	40	Matric	Buying Assistant: Fashion	9	Sunglasses	23
10 (TG)	35	Tertiary Education	Environmental Planner: Government	8	Ankara Accessories (Hair accessories, Scarves, Jewellery)	20
11 (CM)	36	Tertiary Education	Administrative Assistant: Unspecified	9	Bags	21
12 (MD)	39	Tertiary Education	Researcher: Unspecified	11	Jewellery	18
13 (TD)	38	Matric	Operations Manager: Fashion	7	Jewellery, Bridal Accessories, Hats & Scarves	20
14 (NH)	Early 30s	Matric	Sales Person: Retail	9	Jewellery	14
15 (PK)	Late 40s	Matric	Sales Manager: Fashion	7	Jewellery & Handbags	15

**Source:** Own compilation

Table 5.1, above, describes the participants in terms of owner and business characteristics. Owner and business characteristics are among the determinants of business growth (Farouk & Saleh, 2011:4).

#### **5.4.1.1 Characteristics of the owner**

The business owners in this study were described in terms of age, educational and professional background.

The average age of the participants was forty-two. Most of them had a college diploma/degree and the rest had Matric. A majority of the participants had a professional background in the fashion industry, and the remainder in retail, services, construction, government and investments and finance. There were a few who did not specify in which industry they had had experience prior to establishing their businesses.

#### **5.4.1.2 Characteristics of the business**

The profiles in the above table show that all the businesses trade fashion accessories, with products categories ranging from one to five. The number of employees ranges from fourteen to forty-two.

The table also shows that the age of the business ranges from seven to fifteen years. In terms of the small business failure rate in South Africa that was highlighted earlier in the study, a majority of start-ups fail in their first year, and those that make it may not survive for five years. Thus, all the participants in this study have defied the odds and have a promising future in terms of growth.

#### **5.4.1.3 Motive for establishing the business**

This section aimed to find out why the participant entrepreneurs decided to establish their businesses. (BER,2016:5) note that survivalist enterprises have little or no growth potential. Hence, most businesses that fail and exit the market are those initially established as survivalist enterprises. The participants responded variously to the question of what motivated them to establish their business. Their responses fell into one of three categories: to follow one's passion, to address a gap in the market, and to generate income. Table 5.2, below, presents the findings on proprietors' motive for establishing the business.

**Table 5.2:** Motive for establishing the businesses

Area of Study	Semi-structured Interview Findings
Motive for establishing Business	<ul style="list-style-type: none"><li data-bbox="587 271 1433 398">✚ Most of the participants in this study were motivated to establish their businesses to address a gap that they had perceived in the market.</li><li data-bbox="587 409 1433 495">✚ Some (40%) were driven to establish their business by following their passion for fashion accessories.</li><li data-bbox="587 506 1433 591">✚ A minority (7%) were driven to establish their business to generate income.</li></ul>

The findings displayed in Table 5.2 will be discussed below.

#### **5.4.1.3.1 Need to address a gap in the market**

In this category, the business owners established their businesses to address a gap they had identified in the market. Participant 10 discovered a gap in the market while trying to shop for herself, and this led her to where she is today. Another business owner (participant 7) noticed the existence of a gap while she was working for an accessories business and tried to pitch the idea for them to launch it, but the business was not in a financial position to do so. So, she took the idea and launched her own new business. Below are some examples of responses relating to the need to address a gap in the market.

**Participant 7:** *My twelve years in the industry did not go to waste (smiles), I learnt a lot through travelling and the people that I worked with. In the process of building a career I realised a gap in the market. I pitched the idea to my previous employers although they agreed that it would be a good move, they were not financially ready to take up the project in the midst of all other projects that were being run. I believed in this project so much that, I decided if I was not going to do it there I would do it somewhere, that's how ... came to be.*

**Participant 10:** *It all started as hobby for me, I love accessories and every time I shopped for accessories, I would feel that they are missing a certain touch that would make me stand out (Laughs). I then decided to shop online where I could source my products not only locally but internationally. From then I started rocking fancy head gear, wrist wear and earrings that my friends and family all admired and wanted to know where they could also get them. I realised that it could be an opportunity to start a business, so the first order was a trial and when my order was quickly sold, I decided to put more effort in making this a stable and profitable business and here we are.*

#### **5.4.1.3.2 To follow one's passion**

The participants in this category were driven to establish their businesses either because of their love of fashion and accessories or the desire to build something of their own. For some the motivation was born from a general passion for fashion accessories and for others it developed through working in the fashion industry.

**Participant 1:** *We both enjoy travelling and have a good eye on personal accessories if I can say so myself (laughs). On one of our overseas trips we found some very interesting pieces of jewellery that we thought would be on demand in the South African market.*

**Participant 3:** *I would say being a mum and my love for fashion is what led me here. I just happened to have 11 years' experience in accessories hence I decided to use that experience to build a business.*

#### **5.4.1.3.3 Generate Income**

In this category, the main reason for establishing a business was to obtain a source of income. This is usually a result of unemployment, when one is looking for a means of survival. One example of such a response is that of Participant 11, below.

**Participant 11:** *I did not find it easy to land a job after graduating, I knew that given the opportunity I would go places in the fashion industry. I ended up getting a casual admin job but by that time I did not realise that God was giving me an opportunity to spread my wings. I took that time to reflect on my life and I decided that if no one was willing to give me the opportunity I would create it for myself.*

Some responses fell into more than one of the three categories. For example, in some cases the motive would be a personal passion plus the need to generate income. According to Ranyane (2015:302), a start-up that is motivated by following one's passion or a desire to address a gap in the market is an opportunity-driven business. A business established purely in order to generate income is referred to as a survivalist enterprise. In such a business the owner's income is all stands between them and poverty.

#### **5.4.1.4 Source of capital**

In this section the aim was to figure out the source of the capital that was used to establish the business. Table 5.3, below, presents the findings in this regard.

**Table 5.3:** Source of capital

Area of Study	Semi-structured Interview Findings
Source of Capital	<ul style="list-style-type: none"><li data-bbox="667 275 1428 353">✚ All the participants of this study made use of their own funds to finance their start-ups, wholly or in part.</li><li data-bbox="667 365 1428 443">✚ 60% of the participants fully funded the business with their own funds, whilst 20% got additional funding from family.</li><li data-bbox="667 454 1428 533">✚ The other 20% got additional funds from investors and bank loans.</li></ul>

The findings displayed in Table 5.3 are in line with the literature, which reports that most start-ups are funded by the owner’s savings and loans from family and friends, with only a small percentage funded through the funding options established for the purpose (Kelley et al., 2016:22; Herrington et al., 2017:67).

The literature is also of the view that South African banks and lenders are conservative and would rather lend to a business that has a proven record of accomplishment (Ayyagari et al., 2011; Bureau for Economic Research, 2016:7; Herrington et al., 2017:67). The findings of this study support this, as the participants who managed to secure a bank loan had private assets that they could use as collateral against the loan. For example, participant 6 had this to say when asked how s/he managed to secure a bank loan:

*We worked hard in planning our business and we had faith that it would be a success from the experience that we had gained shadowing our parents in running their business, so we decided to use the house that our parents bought for us as collateral at the bank, that is how our loan was approved.*

#### **5.4.2 Objective 1: To identify the steps the entrepreneurs went through in establishing, running and growing their businesses**

##### **5.4.2.1 Vision of the business**

Vision is vital in a business because it provides direction. Without a vision it is impossible to plan for growth. Table 5.4, below, presents the findings from the semi-structured interviews when participants were asked what their vision for the business was.

**Table 5.4:** Vision for the business

Area of Study	Semi-structured Interview Findings
Vision for the business	<ul style="list-style-type: none"> <li data-bbox="612 271 1428 304">✚ All the participants had a vision of growth for their businesses</li> <li data-bbox="612 315 1428 394">✚ 40% of the participants had the vision of growth through opening more branches</li> <li data-bbox="612 405 1428 573">✚ 33% had the vision to grow through brand building. The remainder of participants were distributed over retail format development, new product introduction and related diversification</li> </ul>

The findings show that all fifteen participants in this study understood the importance of having a vision for the business. For all of them the vision was to grow and increase business capacity. The fact that the businesses had survived thus far means that the owners had been steering their businesses in the right direction, towards fulfilling their vision. What is clear from this is that these entrepreneurs knew about the importance of having a vision in order for the business to succeed.

The visions that were shared reveal that the owners had a sense of direction. The data shows that these visions were driven by the owners and reflected their dreams for the businesses they had built. For example:

**Participant 10:** *I am looking into expanding into clothing in the next few years, which will be a great move for our business and will present an even bigger platform for growth with a new market.*

Most of the participants' visions involved opening more branches so as to increase their market share by reaching more customers. The vision of opening more branches also encompassed retail format development, with some of the participants looking at the option of opening online stores. Some of the small business owners had a vision to build their brands in order to gain a competitive advantage over their competitors. Both expansion through opening more branches and brand building were aimed at increasing the market of the business, leading to growth. This study found that both visions were valid and that each business essentially pursued a vision in line with its resources.

#### **5.4.2.2. Employee growth, key functions and organisational structure in the businesses**

In this section the study aimed to establish the dynamics of employee numbers and organisational structures in the businesses. Table 5.5, below, presents the findings of the study

with regard to employee growth, key functions in the businesses and organisational structures in the businesses.

**Table 5.5:** Employee growth, key functions and organisational structure in the businesses

Area of Study	Semi-structured Interview Findings
Employee growth in the businesses	<ul style="list-style-type: none"> <li data-bbox="628 389 1433 517">✚ Most of the small businesses (80%) were established with one or two employees. The other 20% were initially established with no employees.</li> <li data-bbox="628 517 1433 647">✚ The businesses have grown in terms of number of employees. Numbers of employees in the businesses ranged from 14 to 42.</li> </ul>
Key functions in the businesses	<ul style="list-style-type: none"> <li data-bbox="628 647 1433 685">✚ All the business had management and operations functions.</li> <li data-bbox="628 685 1433 815">✚ Two other functions that become important as a business grows are marketing and merchandise buying.</li> </ul>
Organisational structure of the businesses	<ul style="list-style-type: none"> <li data-bbox="628 815 1433 927">✚ All the businesses in the study have moved from an informal organisational structure to a more formal one</li> </ul>

#### 5.4.2.2.1 Employee growth

Upon their establishment, all the businesses included in this study had zero to two employees, as indicated in Table 5.5. This is a common practice in start-ups, when all the responsibilities of the business lie with the owner, with perhaps a small number of employees to assist with anything necessary to run the business. At this stage of the business, there are usually no set structures and procedures and the relationship between employer and employees is informal.

These are some of the responses given when participants were asked: **How many employees did you have when you established the business and how many do you have now?**

**Participant 12:** *It was all me and my experiment, I did my research while here and gathered all the information that I needed to get started and the next thing I was off to Europe to source my products. It was just me for quite some time and in 2009 my business was gaining direction and I employed X my first employee who practically helped with everything. Now we are a more organised business with eighteen employees.*

**Participant 14:** *... is home to fourteen employees. When it was first launched, I was doing everything in the business because it was manageable. Over the years we have slowly been growing and there was need for more hands on the deck.*

The data analysis also showed that, although at the beginning the businesses required only a limited number of employees, if any, as the business grows and responsibilities increase more employees are recruited. As responsibilities increase, the business owners see the need to

introduce more structure into their businesses. The findings of this study show that the participants have moved from operating their businesses with limited order to structured business with key functions set in place. These key functions have defined duties associated with them. This finding is in line with the assumptions of the stage model by Churchill and Lewis (1983) which assumes that as a business grows the organisational structure shifts from being informal to being formal which also entails that the business moves from having no formal system to operating according to an extensive formal system, as an organisation with a number of employees (Farouk & Saleh, 2011:5).

#### **5.4.2.2.2 Key functions**

Table 5.5, above, indicates that the key functions in most of the businesses are operations and management. This finding corresponds with that of Forkuoh & Osei (2012:228), whose study aimed to establish the best organisational structure for effective management and control of family businesses in Ghana. The authors highlighted that the size of a business influenced the organisational structure: most small business have only a few employees, and there is no or little formality associated with organisational structure. The only organisational structure in such businesses is that the owner of the business is the management and all the other employees report to the owner. The informal organisational structure is usually made up of operations and management, which are the basic functions of a business. It is therefore no surprise that all the businesses in this study have both operations and management teams. These different functions reflect the extent to which the businesses have increased their employee numbers and are now able to allocate them to different functions.

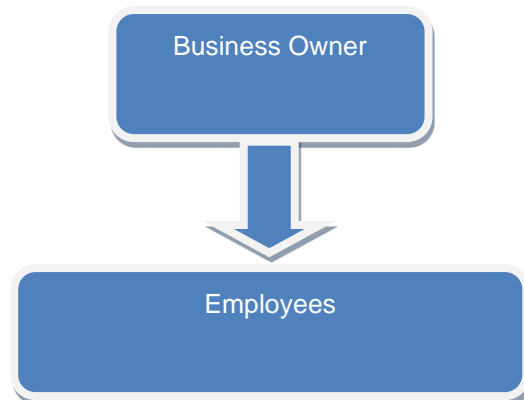
The findings also show that the key functions that were found in these businesses included marketing and merchandise buying. These were found in businesses that are quite advanced in their growth journey, like that of Participant 1. As the small businesses grew, they created key functions, beginning with the basics such as operations and management; then, as the business expanded, more key functions were added. These additions differed from business to business, but marketing and merchandise buying were found in more businesses than not. The study also found that key functions being added to the businesses can start with just a few people, for example Participant 1 had three employees in their marketing department.

#### **5.4.2.2.3 Organisational structure**

Organisational structure is very important in every business, regardless of its size. It assists in defining roles, makes explicit the chain of command, and lays down what is required of employees to achieve the goals of the business (Forkuoh & Osei, 2012:227). The findings suggest that all these functions ostensibly added to the business are not necessarily new to the business. Instead, in the early stages of establishment all these functions would have been performed by a few employees who would be all-rounders, with no clear job descriptions or



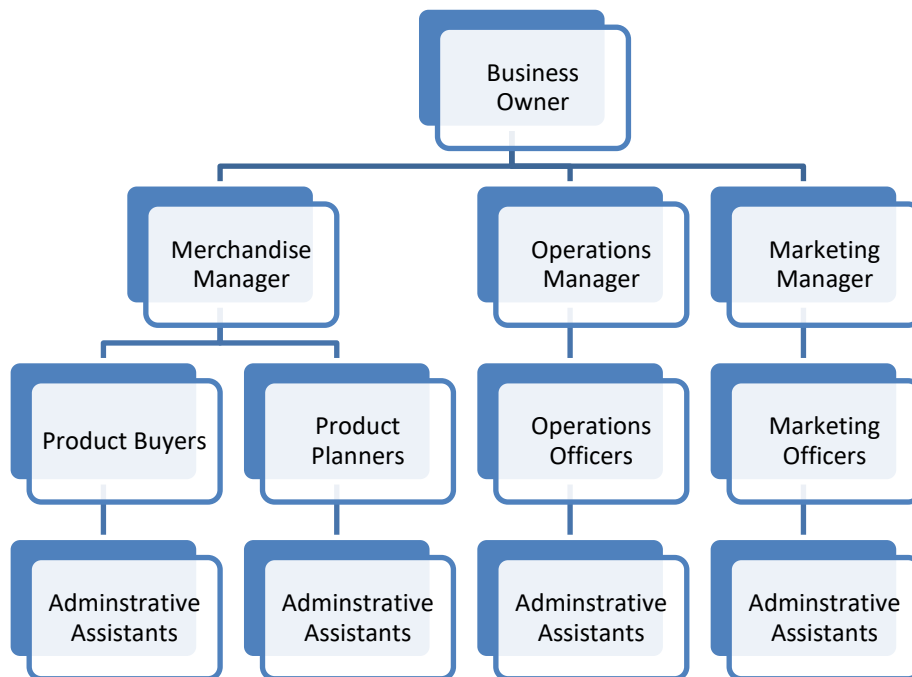
departmental responsibilities. Figure 5.1, below, shows the organisational structure of the businesses when they were established.



**Fig 5.1:** Organisational structure upon establishment

**Source:** Own compilation

The structure of the businesses was such that the owner of the business had full control and there were one or two employees to assist him or her. The organisational structure in this case was informal and the business owner was fully involved in the running of the business, which left little or no time for strategic decisions that could lead to business growth. The growth of the businesses over the years has seen an increase in employees.



**Fig 5.2:** Current organisational structure

**Source:** Own compilation

The new organisational structures in the businesses show evidence of growth in the number of employees. As their business grew the owners saw the need to employ more people and divide responsibilities among them according to the functions of the business. Figure 5.2, above, shows the general structure that the small businesses have adopted. Small businesses may not be able to accommodate all the functions they would like to perform within the business, so they outsource them. Participant 1, for instance, indicated that their business outsourced the human resources function. The findings of this study show that most businesses only have three levels in the organisational structure, as shown in Figure 5.2, which are business owner, senior management and employees. A minority with a larger number of employees have four levels within the organisational structure which includes mid-level management. The changes in the organisational structure have both contributed towards and come about as a result of the overall growth and development of the businesses. Essentially, owners were relieved of other operational duties and enabled to concentrate on the strategic management of the business.

Literature highlighted that success of a business is partly dependent on the skills of the owner and employees (SBP, 2015:2; BER, 2016:9). In this study, most of the business owners were skilled to run their specific businesses. Some had a combination of tertiary education and experience, whilst some only had a high school certificate and experience. This is mostly likely one of the factors that has contributed to the growth of these businesses. In growing their business and increasing employees, the study shows introduction of specific functions in the businesses like marketing and buying, in doing so the businesses recruited a number skilled employee. However, the businesses also highly depend on low or semi-skilled employees especially in operations.

#### **5.4.2.3 Choice of Suppliers**

The selecting of a supplier is very important in business as it has an impact on the quality, cost and lead times of products. To survive in a competitive industry such as fashion a business needs to have reliable suppliers who offer good quality, and at affordable prices that the retailer can pass on to its customers (Mwikali & Kavale,2012:190). The findings in this regard are presented in Table 5.6, below.

**Table 5.6: Choice of suppliers**

Area of Study	Semi-structured Interview Findings
Supplier Location	<ul style="list-style-type: none"><li data-bbox="595 309 1428 387">✚ Most of the participants (93%) have suppliers located in South Africa and China</li><li data-bbox="595 398 1428 477">✚ 29% of businesses that have suppliers in both South Africa and China</li></ul>
Reason for choosing supplier	<ul style="list-style-type: none"><li data-bbox="595 499 1428 577">✚ The choice of suppliers for most of the participants was driven by affordability, product quality and reliability</li></ul>

Table 5.6 above shows that a majority of suppliers are located in South Africa and China. There are businesses that make use of suppliers from both countries, but most were using suppliers from one of the two countries. Furthermore, the findings show that the choice of suppliers was influenced by the product cost and quality, and the reliability of the supplier. The aim of the businesses in choosing their suppliers was to make sure they were able to provide the best quality products to their target market. In their study of factors that influence supplier choice, Jantan, Ndubisi & Cha Hing, (2006:23) identified quality, cost and reliability as among the main ones.

#### **5.4.2.4 Growth strategies**

Growth is an important factor in the survival of a small business, keeping the business equipped with sufficient resources to compete in the market (Dobbs & Hamilton, 2007:297; Rauch & Rijdsdijk, 2013:923). This section presents and analyses data on the strategies adopted by small businesses to promote growth. The findings are presented in Table 5.7, below.

**Table 5.7:** Growth Strategies

Area of Study	Semi-structured Interview Findings
Target Market	<ul style="list-style-type: none"><li>A majority of participants (53%) adopted market development to grow their businesses whilst the rest adopted market penetration</li></ul>
Product	<ul style="list-style-type: none"><li>All the businesses are actively engaging in introducing new products in their businesses as a strategy for growth</li><li>Most of the businesses trade two or more product categories in their business, though there are some who specialise in one category.</li></ul>
Business	<ul style="list-style-type: none"><li>Retail format development was adopted by a few participants to grow their businesses, whilst others were still planning to do so.</li></ul>

#### 5.4.2.4.1 Market Development

Table 5.7, above, shows that 53% of the participants adopted market development as a growth strategy. The findings highlight that most of the participants knew who their target market was from the beginning. Each business has its own target market, although some of their features may overlap.

The businesses that have expanded their target market through market development have introduced new product groups that targeted customers that they were not selling to before. Below are some of the responses that were given by participants who adopted market development.

**Participant 1:** *In the beginning all we did were reading glasses and ladies' jewellery. This was because those two were what my wife and I were knowledgeable about. Yes, as I mentioned in the beginning now, we also trade watches, sunglasses and we also have kids' jewellery range and wallets.*

**Participant 7:** *I would say in the beginning we were mainly selling to middle class women of all age groups who are trend-driven and now we have expanded to include the upper middle class through our...brand.*

**Participant 4:** *We were selling ladies' jewellery only so I would say our customers were mainly young women with a sense of fashion. ... we have expanded our customer range because the sunglasses we sell include men and we have also added handbags which would add more customers to our business.*

The participants indicated that they had introduced new complementary product categories to their businesses to expand through adding market segments. The introduction of complementary new product categories also increased the sales of the already existing products as the market had grown.

Initial target market for participant 4 were women as they were only selling ladies jewellery. The business introduced new products in form of sunglasses for both men and women. Hence, they adopted a new segment in men. Participant 1's initial target market were women on their ladies jewellery offering and reading glasses targeted mainly the elderly and others with eye problems. The introduction of other products such as watches, sunglasses for both adults and kids brought in new segments of fashionable men and kids.

#### **5.4.2.4.2 Market penetration**

A substantial proportion of the participants (47%) adopted market penetration as a growth strategy. These small businesses decided to stick to a market they were familiar with and expanded their trade through introducing variations of the same product categories. Some participants – such as participants 12 and 14, specialised jewellery traders – had no intention of expanding into new product categories. Their market growth is dependent on their expanding their jewellery offering, which means that their target market remains more-or-less the same. They are therefore making a deliberate choice to operate in a niche market. This does not of course mean there can never be market development in such businesses. Although they are currently targeting young people who are trend driven, there are different types of jewellery and other trends. Hence, they can target a new market segment by introducing a different vibe in jewellery, like the Ankara products traded by Participant 10.

Generally, the findings show that both market development and market penetration are viable strategies for business growth. However, in this study the businesses that adopted market development had seemingly exhausted their options in growing the current markets and could only see potential growth in new markets. According to the literature, businesses usually resort to adding new segments when they have saturated their current markets (Dhar, 2006:43; Kumar, 2010:176). One must simply choose the best strategy for one's business at a particular time. For example, Participants 1 and 2 decided to engage in new market segments as their growth strategy because they had saturated their current markets and needed new market segments to grow.

#### **5.4.2.4.3 New product Introductions**

The small businesses described in Table 5.1 earlier trade from one to five product categories. The data in Table 5.7 above suggests that all the small businesses in this study adopted new product introductions as a strategy for growth. The findings go on to show that new product introduction in these businesses is not a once-off process but an ongoing one in which new

product variations or categories are introduced when owners see the need for it. Table 5.8, below, showcases some of the participants who have adopted introduction of new products. Earlier in the study, the researcher discussed how most of the participating small businesses had engaged in market development. Market development usually goes hand-in-hand with new product introduction, as a business needs a new product to attract a market that it has never served before.

**Table 5.8:** New product Introduction illustrated

Participant	Products traded at start-up	Products currently traded
1	<ul style="list-style-type: none"> <li>✚ Reading Glasses</li> <li>✚ Jewellery</li> </ul>	<ul style="list-style-type: none"> <li>✚ Reading Glasses</li> <li>✚ Jewellery</li> <li>✚ Sunglasses</li> <li>✚ Watches</li> <li>✚ Wallets</li> </ul>
4	<ul style="list-style-type: none"> <li>✚ Jewellery</li> </ul>	<ul style="list-style-type: none"> <li>✚ Jewellery</li> <li>✚ Watches</li> <li>✚ Sunglasses</li> <li>✚ Handbags</li> </ul>
5	<ul style="list-style-type: none"> <li>✚ Men's Bags</li> <li>✚ Men's Jewellery</li> </ul>	<ul style="list-style-type: none"> <li>✚ Men's Bags</li> <li>✚ Men's Jewellery</li> <li>✚ Belts</li> <li>✚ Socks</li> </ul>
8	<ul style="list-style-type: none"> <li>✚ Jewellery</li> <li>✚ Scarves</li> <li>✚ Hats</li> </ul>	<ul style="list-style-type: none"> <li>✚ Jewellery</li> <li>✚ Scarves</li> <li>✚ Hats</li> <li>✚ Handbags</li> </ul>

Table 5.8 presents examples of businesses that have opted for new product introduction. Though the precise circumstances leading to introducing new products differ for each business, most participants were driven by the desire to grow their businesses through market development. Hence there was need for new product categories.

Retailers such as Participant 2 concentrate on continuous introduction of new products. Participant 2's business model is different from the majority in that the business does not maintain the same products in store for a long period of time or re-order the same styles once they have sold out. The idea behind this concept is to keep the customer curious about what they might find, and this means that the retailer stocks a wide variety of products. The downside

of wide variety is that order quantities per unit will be low, and the lower the number of units on order the more expensive a product is. This retailer justifies the higher cost because s/he is targeting upper-middle class customers who are willing to pay the price for it.

**Participant 2:** *Our strategy to remain relevant to our customers is to keep them interested and introduce new products more often than our competitors. We also put maximum effort in our sunglasses range as it is our main product, and this allows us to bring only the best to our customers.*

**Participant 2:** *The trick is to keep improving in terms of quality and durability especially if you are targeting the middle class, they are more interested in value for money.*

The findings of this study are in line with literature that argues that every business should invest in new product introduction (Team FME, 2013:17; Levy et al., 2012:123). Introducing new products is vital in an industry such as fashion accessories. The data shows that all the participants realise the importance of new product introduction and they practise it at different levels. Participant 2 stands out because they have built their business model on a new product introduction strategy. Other businesses engage in introducing new products by following industry trends and updating their offerings each season.

#### **5.4.2.4.4 Product category specialisation**

Whilst there are small businesses that choose to add new categories to their business, the data also shows that there are small businesses that prefer to minimise the number of product categories that they work with in fashion accessories. The highest number of categories in this study was five, being traded by Participants 1 and 9.

Some small businesses have traded the same product categories since being established. This is not to say they are not involved in introducing new products, but that their new products focuses on the same product category. In some cases, the reason for not expanding product categories is in order to specialise in one area. One such retailer is Participant 11:

*We are strictly a bags business and we have introduced different kinds of bags over the years just like now we recently introduced the men's cross body bags because it is a trending fashion which would also be good for our business.*

Participants 3 and 14 noted that their choice to specialise in jewellery was driven by the aim to be masters in that trade. Specialisation gives a business an opportunity to serve the market by offering a deep assortment within a product category. Specialising in one product has worked well for participants 3, 9, 11 and 14 because they have managed to grow their businesses so far. However, to remain relevant they will have to keep working on their product range to keep

up with changing consumer needs and the fashion industry. Businesses with more than one product category also have to work hard, but are perhaps at an advantage because they have more market segments: thus, if one segment is not performing, they can offset the losses against other segments. In both instances a business can achieve its planned growth.

#### **5.4.2.4.5 Retail format development**

20% of the participants have adopted retail format development in the form of online retailing as a strategy for growth, with another 40% planning the same route at the time of the interviews. According to the participants that had already launched online stores, the strategy has assisted them to reach more customers than they could before, increasing their competitiveness. According to Amed et al. (2017:11), global competition is affecting most businesses and online retailing is one of the solutions that retailers are adopting to fight competition and grow.



### 5.4.2.5 Key findings for Objective 1

**Table 5.9:** Key findings for Objective 1

Area of Study	Semi-structured Interview Findings
<p>To identify the steps the entrepreneurs went through in establishing, running and growing their businesses</p>	<ul style="list-style-type: none"> <li data-bbox="667 353 1428 477">✚ Opportunity presented itself to establish a business: for most of the participants the motive was to address a gap in the market</li> <li data-bbox="667 488 1428 566">✚ Find capital for the business: most of the businesses fully funded their businesses from their own capital</li> <li data-bbox="667 577 1428 701">✚ Map the vision for the business: most participants have a vision for growth through opening more branches and brand building</li> <li data-bbox="667 712 1428 835">✚ Establish the business and hire employees: a majority of participants had only one or two employees when they established their businesses</li> <li data-bbox="667 846 1428 1025">✚ Make supplier choices: most participants (93%) have suppliers located in South Africa and China. The choice of supplier was determined by affordability, product quality and the reliability of the suppliers</li> <li data-bbox="667 1037 1428 1160">✚ All participants opted for organic business growth, mainly through market development, introducing new products and retail format development</li> <li data-bbox="667 1171 1428 1384">✚ Hire more employees as the business grows: all the businesses in this study have between 14 and 42 employees. This has changed the organisational structure of the business, with employees divided among key functions</li> <li data-bbox="667 1395 1428 1574">✚ The key functions in most businesses were operations and management, with a few businesses that have grown significantly counting marketing and merchandise buying among their key functions</li> </ul>

#### Motive for establishing business

This research found that there is a general pattern to the process of establishing and growing a micro enterprise in the fashion accessories industry. The process begins with a potential entrepreneur identifying a gap in the market. Although the findings also show that some participants were driven to establish their businesses by other factors such as following their

passion and the need to generate an income, the entrepreneurs would still have had to identify a gap in the market in order to establish a viable business.

This study found out that what separates successful from unsuccessful start-ups is the ability to identify a gap in the market. For example, the 7% of the participants in this study who were motivated by the need to generate income have nevertheless managed to grow their businesses. The reason is that, faced with the need to generate an income, the potential entrepreneur did not just go for any business but sought a gap in the market that they could address by building a successful business.

### **Source of capital**

The study found that after identifying a gap in the market, the potential entrepreneur engages in sourcing capital to finance the start-up. The findings also showed that most of the participants fully funded their businesses from their own pockets. This finding corroborates the GEM report 2016/2017, which noted that most start-ups in South Africa are funded by the owners' funds and loans from family and friends (Herrington et al., 2017:67). The reason it was not so difficult for most of the participants to fund their start-ups is that they began as micro enterprises, which means the capital required was less than what would have been required if they had tried to start on a larger scale.

### **Mapping the vision of the business**

Once the capital had been sourced, the next step was to map the vision of the business. Most of the participants had a vision of growth through opening more branches and brand building. This study found out that having a vision in place helped set the business in the right direction for growth.

### **Establishing the business and hiring employees**

The findings show that all the participants in the study had one, two or zero employees to begin with. This means that the owner was running the business, with or without limited assistance. At this stage of the business the business owner must be an all-rounder, with the skills necessary to execute all the tasks in the business and teach the employees. This finding closely relates to the five-stage model by Churchill and Lewis (1983) on small business growth, which shows that when a business is established the management style is direct supervision from the owner to the employees, and at this stage of the business the aim is to just survive.

### **Supplier choices**

The study found that in choosing their suppliers the participants were most influenced by the need for reliability, product quality and affordability. Most participants have suppliers in South Africa and China. The choice of a supplier is crucial as it determines the quality of the products

to be sold. The participants in this study prioritised quality and affordability, which meant that they were trying to provide good quality to their target market at affordable prices. Making the right choice in terms of supplier enables a business to have an effective supply chain which leads to business success. A study by Fatoki (2014:924) reported that not having an effective supply chain is one of the major causes of small business failure in South Africa.

### **Growth strategy**

The findings of the study showed that all the participants in the study adopted one or more strategies of growth in order to expand their businesses. Most of the participants opted for market, product and retail format development to grow their businesses. The findings presented indicate that the small businesses in this study grew their businesses organically. The findings concur with those of other studies, that most small business owners prefer organic growth because it is relatively more affordable than inorganic growth such as unrelated diversification and mergers (Davidsson & Delmar, 2006:157; Davidsson et al., 2010:43; SBP, 2011:1).

### **Employee growth, organisational structure and key business functions**

The findings show that, as the business grows and employs more people, it graduates from a largely informal organisational structure to a new structured business with clear lines of authority and job descriptions. Section 5.4.2.2.3 discussed the changes in the organisational structures of the businesses under study. The findings show that all participants in the study have moved to a decentralised organisational structure, which gives the business owner the ability to delegate work and dedicate more time to strategic management. This finding is in line with that of Forkuoh and Osei (2012:228), who noted that a decentralised organisational structure in a business allows delegation of more routine decisions to a lower level within the organisation. This gives certain employees more responsibility and authority and at the same time gives management more time to focus on growing the business. The pattern of growth in organisational structures in this study are in step with Churchill and Lewis's (1983) five-stage model which was presented and discussed in Section 2.4.3, above. This model shows the changes of organisational structure at five stages in a business's development. While the first stage is a two-level structure, in the final stage, which is referred to as resource maturity, a business has four levels and each level has a number of functions.

## **5.4.3 Objective 2: To establish how micro enterprises exploited opportunities in the industry**

### **5.4.3.1 Opportunities for growth in the fashion accessories industry**

To be able to recognise opportunity is an essential capability that an entrepreneur should have in order to grow and be competitive. Just as important is that the entrepreneur be able to

effectively exploit an opportunity (Cant et al., 2015:445). This section presents and analyses the findings on opportunities in the fashion accessories industry and how the participants exploited these opportunities to grow their businesses. Table 5.10, below, presents the findings on the opportunities exploited by participants in the fashion accessories market.

**Table 5.10:** Opportunities in the fashion accessories market

Area of Study	Semi-structured Interview Findings
Opportunities in the market	<ul style="list-style-type: none"> <li data-bbox="667 555 1430 678">✚ Most of the opportunities that the businesses exploited were market-related opportunities followed by product opportunities</li> <li data-bbox="667 689 1430 768">✚ Some of the participants exploited opportunities in ICT through commencing online retailing</li> <li data-bbox="667 779 1430 857">✚ Most of the businesses exploited more than one opportunity category</li> </ul>

Table 5.10 indicates that the opportunities exploited fell into market, product, and ICT categories. It was also found that most of businesses made use of opportunities in more than one of these categories. Table 5.11, below, shows the specific opportunities in these categories that were exploited by the participants.

**Table 5.11:** Opportunities exploited

Category	Opportunities
Market	<ul style="list-style-type: none"> <li data-bbox="667 1299 1185 1332">✚ Growth of middle-class consumer</li> <li data-bbox="667 1344 1185 1377">✚ Low Pricing Strategy</li> <li data-bbox="667 1388 1185 1422">✚ Social Media Advertising</li> <li data-bbox="667 1433 1185 1467">✚ Untapped Markets</li> </ul>
Product	<ul style="list-style-type: none"> <li data-bbox="667 1534 1185 1568">✚ Product Creativity</li> <li data-bbox="667 1579 1185 1612">✚ New Product Introduction</li> </ul>
ICT	<ul style="list-style-type: none"> <li data-bbox="667 1668 1185 1702">✚ Online Retailing</li> </ul>

The following section will discuss each of these opportunity categories.

#### **5.4.3.2 Marketing opportunities**

The participants highlighted the following opportunities: growing middle-class customers, low pricing strategy, free social media advertising and untapped markets.

The growing middle-class consumer population means that more people have extra disposable income than before. The findings of this study show that the increase in the middle-class population means a potential increase in the market for fashion accessories. Most of the participants in this study target middle-class customers, so the growth of this population presented an opportunity for them to expand their offerings. Participant 4 is an example of a business owner who exploited the opportunity offered by the growing middle class. Upon establishment this business was trading ladies' jewellery. Their target market was middle class women who love fashion. In order to grow the business, the owner aimed to expand the customer base through market penetration or market development. Realising the growth of the middle-class population the business owner saw an opportunity to target a new market segment by introducing sunglasses for both women and men.

The findings of this study show that some participants used a low pricing strategy in their businesses, to get potential customers to try the products and thereby extend their customer base. Participant 12 highlighted the fact that the business aims to serve its target market with value-for-money products. This was a strategic move by the business, realising that what their target market was after was "the look for less". In other words, the middle class they serve cannot afford to spend on premium brands but are willing to pay a reasonable amount for decent quality.

The findings also identified untapped markets as an opportunity for growth exploited by some of the participants. Participants 5 and 10 are examples of business owners who recognised untapped markets and exploited that opportunity to establish their businesses. Participant 5, representing a business owned by two brothers, identified an emerging market in Cape Town for men's fashion accessories. By getting in early they have managed to become a leader in their niche market and have grown their business through that. Participant 10 identified an opportunity in Ankara fashion accessories while trying to shop for herself. Her business was established as a result of this and it has seen significant growth as one of the first small businesses to focus on Ankara fashion accessories.

Lastly the findings highlighted that all the participants had engaged in social media advertising. The participants are actively engaging their customers on social media platforms mainly Facebook and Instagram. Participant 1 highlighted that their marketing mainly occurs on social media as it enables them to reach more customers at a low cost. Participant 3 also noted that Instagram had assisted her in creating a customer base. The use of social media as an

advertising tool has been widely adopted not only in South Africa but around the world (Qwerty Digital, 2017:14).

#### **5.4.3.3. Product opportunities**

The study found that product creativity was one of the opportunities that most of the participants exploited to grow their businesses. They pointed out that the business of fashion was all about keeping up with the latest trends. New and changing products presented many opportunities for a business to gain competitive advantage and grow. Participants 6, 7, 8 and 10 were among the business owners who were unequivocal about creativity in terms of their products. The opportunity in this instance is to introduce products that are not only in line with fashion trends but also different from what competitors are offering. Participant 1 highlighted how important it was in their businesses to know the European trends, as trends in Africa are inspired by Europe. For example, if this summer there is a new trend in earrings in Europe, South African small businesses can take that concept, tailor make it to suit their market, and have it manufactured in China. The instantaneousness of the social media and the internet in general means that people in South Africa can be aware of new trends in Europe and elsewhere well before they get to the country.

The findings also show that some participants are being creative and engaging in new product introduction through giving upcoming designers an opportunity to sell their products. This is not only an opportunity for fashion accessories small businesses to introduce something new to the market, it also provides an opportunity for designers who might be struggling to make it. If the market responds well to the products the small business can become a market leader and capitalise on that as an opportunity to grow. At the time of the interviews this possibility was still work in progress for the participants.

#### **5.4.3.4 ICT Opportunities**

In the twenty-first century the use of ICT in business is widespread, though the level of use of ICT is uneven. This study found that all the participants in this study are making use of basic ICT such as computers, internet, email and telephones. According to Cant and Wiid (2013:709), small businesses do not always have the resources fully to meet the ICT needs of their businesses. However, in this study the participants indicated their awareness of the importance of strategically adopting ICT in order to grow their businesses. Their businesses engaged in affordable ICT opportunities such as social media advertising and online retailing. For example, Participant 3 noted that the use of social media as an advertising tool and opening an online store gave her business the opportunity to reach a wider range of customers than they could have while operating from a physical store only.

### 5.4.3.5 Identifying opportunities

After reviewing the different opportunities exploited by the businesses surveyed, the next logical step was to establish how they came to know of these opportunities. Table 5.12 presents the findings on how the participants were able to identify the opportunities they exploited.

**Table 5.12:** Identifying opportunities

Themes	Codes
Identifying opportunities	<ul style="list-style-type: none"> <li data-bbox="683 600 1259 678">✚ All participants discovered opportunities through learning or knowledge gathering</li> <li data-bbox="683 683 1259 813">✚ A majority of the participants (53%) acquired this knowledge through their experience in the fashion accessories industry</li> <li data-bbox="683 817 1259 896">✚ The other participants acquired the knowledge through networking and research</li> </ul>

All the businesses owners in this study identified the opportunities that they exploited through learning. The learning came about in various ways, through networking, research, and experience in the fashion accessories industry. This finding supports the discussion in Chapter Two that highlighted the importance of learning in business, in order to acquire the skills and knowledge that are vital for a business to succeed (Dobbs & Hamilton, 2007:298; Phelps et al., 2007:9).

As many as 53% of the participants emphasised how much they had learnt through their experience of working in the fashion industry prior to establishing their businesses. This shows that their decision to establish a business in a field with which they were familiar paid off. It does not mean those without experience will not be able to grow their businesses. In this study, there are entrepreneurs like Participant 10 who was an environmental planner by profession. She established a business in fashion accessories because of her passion for accessories. Because of her interest she had some knowledge of accessories, but not of business. She explained that she had engaged in research and the services of a mentor to assist her in navigating the launch of her business.

The businesses that learned through networking and research actively sought the opportunities that they exploited. Participants made use of networking opportunities available in Cape Town such as the Cape Business Connect and Startup Grind.

### 5.4.3.6 Key findings on Objective 2

**Table 5.13:** Key findings on Objective 2

Area of study	Semi-structured interview findings
How micro enterprises exploited opportunities in the industry	<ul style="list-style-type: none"> <li data-bbox="675 394 1420 472">✚ All participants of the study acquired knowledge of potential opportunities in the industry through learning</li> <li data-bbox="675 483 1420 562">✚ Knowledge was acquired through experience in the industry, research and networking</li> <li data-bbox="675 573 1420 651">✚ Most of the participants focused on market and product opportunities</li> <li data-bbox="675 663 1420 741">✚ The opportunities were exploited through product creativity and development, market development and ICT</li> </ul>

Table 5.13 summarises the findings on Objective 2, and these are discussed below.

#### **Learning**

This study found that the participants got to know of the opportunities they exploited through learning. Learning was achieved mainly through experience in the industry, research and networking. As highlighted earlier, this finding supports the learning framework which emphasises the importance of learning for an entrepreneur to be able to achieve growth in their business. Participants in this study acknowledged that the process of establishing and growing a business comprised continuous learning. The fashion accessories industry is characterised by constant change, so it is especially important for business owners in the field to be actively learning.

Research and networking were among the ways in which participants learned about opportunities. According to Al-Shatanawi et al. (2014:153), research is an integral part of any business that is aiming to grow and it should not be a once-off process. Networking gives business owners constantly updated insight into what fellow retailers are engaged in. And the participants emphasised how much they had learned from the experience gained both in their previous jobs in fashion accessories and during the course of witnessing their business grow. Learning from experience helps business owners to improve on their previous performances and not repeat the same mistakes.

#### **Market opportunities**

The participants in this study made good use of opportunities such as the growing middle-class population, a low pricing strategy, free social media advertising and exploring untapped markets. All these initiatives were aimed at increasing their market share.



The findings indicate that some participants benefitted from the growth of the black middle class in South Africa (Mattes, 2015:685). Participants 1, 5, and 10 declared that their target market was the middle-class population seeking value for money. Participant 1 noted that the tastes of this class of consumers were inspired by those of the upper-middle class and high class, but were often too expensive for them to indulge. Small businesses like hers identified an opportunity to provide good quality but not expensively branded products, to give the customer the satisfaction of realising his or her aspirations at an affordable cost. These products are not counterfeit, because they do not carry luxury brand logos: they have their own brands and are designed to be similar, not a copycat of the originals. The participants also sought untapped markets in pursuit of market development. They used low pricing strategies and social media advertising to attract customers. The businesses managed to grow their markets by going for sub-sectors that were less saturated, offering the value-for-money products that are the signature of their target market.

### **Product opportunities**

The findings of the study highlighted product creativity and development as some of the opportunities that the business owners used to grow their businesses. These two opportunities are closely related because creativity in terms of product leads to a new product being introduced to the market. The findings reflect that the businesses did not only engage in introducing new products, but also aimed to be creative in their development. This finding supports that of Bandinelli et al. (2013:1), who noted that new product introduction is a must in fashion, because the fashion market is characterised by rapid change. A business must be highly flexible and capable of adapting quickly.

For example, Participant 6, a co-owner, claimed that they expressed their understanding of their market by being creative in their product offering. Their business offers customers a variety of accessories and they do not stick to typical product categories. Instead, they are always looking for new, creative and fascinating accessories to keep up with new trends. The participant highlighted that this concept has worked to enlarge their market, both through market penetration and market development, as both old and new customers frequent their store because they never know what they might find.

### **ICT Opportunities**

The findings show that small businesses are aware of the growth opportunities that the strategic adoption of ICTs can present and are gradually adopting certain strategies, such as online retailing and using the social media as a marketing tool. For a business to survive in a competitive global market, it has to take advantage of the opportunities that result from the strategic use of ICT. The participants in this study are beginning to make use of ICT to help

their businesses grow and acquire a competitive advantage. According to Johnston et al. (2009:38), learning in business is ICT-oriented and every business needs up-to-date ICT knowledge and skills to remain competitive. In sum, the adoption of ICT is a must in every business that is aiming to grow. The level of ICT use in small businesses is likely to rise as a business grows, because a business increasingly needs ICT services for the efficient running of its operations.

**5.4.4 Objective 3: To identify the challenges that micro enterprises have encountered in the industry**

**5.4.4.1 Challenges encountered in the industry**

The challenges facing small businesses most frequently cited in the literature were discussed in Chapter 2. These were mainly external challenges (Herrington et al. [2017:70]; Lewis & Gasealahwe [2017:52]). Table 5.14, below, presents the findings of this study regarding the challenges that the participants encountered in their businesses, and how they overcame these challenges to grow.

**Table 5.14:** Challenges in the fashion accessories industry

Area of Study	Semi-structured Interview Findings
Challenges in the industry	<ul style="list-style-type: none"> <li data-bbox="667 1052 1428 1131">✚ The majority of challenges faced by the small businesses were internal challenges.</li> <li data-bbox="667 1142 1428 1265">✚ The two most formidable challenges that participants experienced were high operating costs and keen competition</li> </ul>

As much as 80% of the challenges cited in the literature also emerged in this study. However, contrary to the literature, the findings from this study show that the majority of the challenges were internal. The findings as portrayed in Table 5.14 indicate that the two main challenges encountered were high operating costs and keen competition.

The participants noted that although it was easy for them to fund their businesses at the beginning, as their businesses grew the cost of running them increased, which served to limit the resources that could be dedicated to this continuing growth. The participants felt that the growth that they had achieved took them longer than they would have wished.

The participants also cited competition as one of the main challenges they had encountered. The competition was from both local and international businesses. Some relevant responses appear below.

**Participant 3:** ... one of the challenges that will always be around you is competition.

**Participant 7:** ...we are operating in a highly competitive industry and it is all about survival of the relevant ones [smiles].

**Participant 8:** Competition has been tough and now it's not only competition from local retailers but it's a global competition too, our customers have access to online shopping and can choose to shop from anywhere in the world.

#### **5.4.4.2 Key Findings on Objective 3**

The study found out that the majority of challenges that the small businesses faced in their process of growth were internal ones. This is mainly because in the early phases of establishing the business, the owner is learning as the business grows. There are inevitably internal issues that need to be addressed in order to build a strong business that can withstand the external challenges that it may face. The one internal challenge that was experienced by most of the businesses was that of high operating costs. This finding is closely related to what Herrington et al. (2017:71) found, that one of the most frequently cited challenges to small business growth was the cost of labour. However, in this study, the participants encountered not only high labour costs but the sheer cost of products, logistics, and activities aimed at growth. One participant's response to this issue appears below.

**Participant 1:** *When you are a running a small business that is trying to grow, the one most important thing you would be trying to do is to get the best possible cost of everything but it is not always easy, quality products and human resources do not come at a low cost.*

The findings also highlighted strong competition as among the biggest challenges that the participants encountered. This finding concurs with the GEM report 2016/2017, which indicated that it was difficult for small businesses to compete in some markets because large businesses usually enjoy economies of scale (Herrington et al., 2017:72). Responses by Participants 3, 7 and 8 were quoted earlier on the subject of competition as one of the challenges they encountered. Participant 7 declared that the fashion accessories industry was a highly competitive one, and most of the participants agreed. Participant 8 also observed that the competition was especially high because as small businesses they were competing not only with local businesses but globally.

#### 5.4.5 Objective 4: To highlight how micro enterprises overcame the challenges they encountered

##### 5.4.5.1 How to overcome challenges

The objective in this section was to establish how these businesses managed to overcome the challenges of high operating costs and keen competition to grow from micro enterprises to small businesses. Table 5.15, below, presents the findings.

**Table 5.15:** Overcoming challenges in the fashion accessories industry

Area of Study	Semi-structured Interview Findings
How to overcome challenges in the industry	<ul style="list-style-type: none"> <li data-bbox="667 656 1428 734">✚ The participants made use of some of the elements of the 7Ps of the marketing mix to overcome strong competition</li> <li data-bbox="667 745 1428 869">✚ Most of the participants made use of product and promotional activities to overcome the challenges that they faced</li> <li data-bbox="667 880 1428 958">✚ The participants adopted cost cutting measures to overcome the challenge of high operating costs</li> <li data-bbox="667 969 1428 1093">✚ Most of the participants adopted the following measures: managing logistics costs, outsourcing of some business functions and adopting affordable growth strategies</li> </ul>

Earlier in the study, the importance of marketing to the growth of a business was highlighted (Kumar, 2010:175). The findings of this study confirm this, as participants turned to marketing strategies in order to overcome the challenge of competition. The findings in Table 5.15 show that the participants made use of some of the elements of the 7Ps of the marketing mix to cope with strong competition. A marketing mix is a combination of factors that a business can work with to attract consumers. The seven Ps are product, price, promotion, place, packaging, positioning and people (Mohammad, 2015:72). The ones that were used by the participants were product and promotional activities.

On the other hand, some participants who faced the challenge of high operating costs turned to cost cutting measures to allow their businesses to grow. Table 5.17, above, indicates that the measures adopted included managing logistics costs, the outsourcing of some business functions and adopting affordable growth strategies. The following section will discuss the some of the measures implemented to overcome strong competition and high operating costs, beginning with promotion.

#### **5.4.5.1.1 Overcoming competition**

##### **5.4.5.1.1.1 Promotion**

Van Scheers (2011:505) observes that small businesses do not invest sufficiently in promoting awareness of their services and products because they do not have adequate resources to do so. The small businesses in this study make use of free advertising in the social media to raise awareness of their products. Most businesses' target market consists of young people between the ages of twenty-one and thirty-five. This age group spends a considerable amount of time on social media, with Facebook being the most visited social media site in South Africa (Qwerty Digital, 2017:14).

Below are some of the responses given on the topic of overcoming challenges through promotional strategies.

**Participant 13:** *We also try to have our presence known through social media advertising. There is also the challenge of being in a not so essential products and our sales are not always constant because sometimes customers decrease their spending on what they consider luxury spending. There is not much we can do about this but to depend on our existing strategies to keep them coming.*

**Participant 12:** *One other thing we have done to stay on the winning side is pushing our marketing efforts to make sure we maintain a significant customer base.*

Many businesses, including large businesses, are engaged in online advertising. This make it easy for an advert to “drown” and not be noticed by potential customers. Advertising on the social media should therefore be spread across a number of social media platforms, and done repeatedly to increase its chances of reaching customers.

##### **5.4.5.1.1.2 Product branding and development**

In trying to come to terms with strong competition in the industry, some of the participants put their focus on new product introduction, branding and providing value for money products. Most participants emphasised that this was a fast-paced industry that required creativity and innovation to keep up. Differentiating their products through branding is one strategy that businesses have focused on.

###### **5.4.5.1.1.2.1 Product branding**

Product branding is the first step in creating customer awareness by naming and differentiating a business's products from those of their competitors (Spyropoulou et al., 2009:916). The participants who have taken this route to overcome competition challenges acknowledged that

it did not happen overnight as it is a costly strategy. It took some participants two to three years to launch a new brand, but they nevertheless see it as an excellent decision. Their target market increasingly identifies with their products and they have experienced growth in sales. Below are some of the participants' responses on the subject of branding.

**Participant 1:** *I think tough economic conditions are inevitable in business and having a strong brand and a strong competitive position prepares our business to survive in such times.*

**Participant 7:** *...We just launched a new brand which presented a different level of quality and price point, we refer to them as our luxury bags.*

#### **5.4.5.1.1. 2.2 New product introduction**

Besides product branding, the small businesses surveyed also used new product introduction as a way of overcoming challenges in the industry. Introducing new products was discussed earlier under the rubric of growth strategies in which small businesses engage. The relationship between growth strategies and ways to overcome challenges is a given because the strategy is the vehicle through which you run your business to exploit opportunities and deal with challenges. Both vectors aim to achieve more-or-less the same goals: the strategies a business employs to overcome challenges should at the same time be leading to the growth or success of the business.

#### **5.4.5.1.2 Overcoming high operating costs**

##### **5.4.5.1.2.1 Cost-cutting measures**

Faced with the challenge of high operating costs, the participants in this study employed a variety of cost-cutting measures to allow their businesses to grow. The most cited measures included managing logistics costs, outsourcing certain business functions, using social media advertising and adopting affordable growth strategies.

Participants managing their logistics costs as a way of minimising the business's operating costs have done so mainly through shipment consolidations. The businesses have reduced the number of times they place and ship their orders to save on shipment costs. For example, Participant 1 used to ship three times a year but has reduced this to twice a year. S/he is able to pass the savings made on to the customers. Some participants collaborate with fellow fashion accessories small business owners to consolidate their shipments and share the costs.

Another way of cutting costs that the participants have tried is to outsource some of the secondary or support functions in their businesses. Most of the participants pointed out that

although Information Technology (IT) and human resources were crucial functions in the business, they were both support functions that were not required on a full-time basis. Hence, most businesses outsource IT and human resources functions.

The last measure that the businesses in this study adopted to overcome high operating costs was to adopt affordable growth strategies. The participants emphasised that in choosing growth strategies, the cost of adopting a particular strategy was one of the main factors that influenced their decision to adopt or not to adopt it. Some of the less costly strategies that businesses adopted were market penetration and the use of free social media advertising to drive their marketing campaigns. This supports the finding under Objective one that all the participants in the study chose to grow organically, because it was relatively cheaper to do so.

#### **5.4.5.2 Key Findings Objective 4**

##### **5.4.5.2.1 Overcoming strong competition**

This study found that the participants engaged in product branding, new product introduction and promotional awareness to overcome competition. The participants aimed to fight competition by increasing awareness of their products through branding and promoting them on social media platforms. Earlier in the study Participant 8 was quoted as saying that global competition was also affecting their business. The adoption of online advertising helped these businesses to compete on the same platforms as their competitors.

This research also highlights that some participants adopted product branding to differentiate their products from competitors. For these businesses the brand did not only distinguish their products but created an image that the customers could associate with the business. According to Spyropoulou et al. (2009:916), product branding can give a business competitive advantage through creating customer loyalty. To achieve this, a business needs effectively to advertise their brand and create the image with which they want customers to associate their brand.

Lastly, introducing new products was used as a strategy to fight competition. In this scenario the participants introduced new products with the aim of targeting new markets that their competitors were not yet targeting. According to Kumar (2010:176), introducing new products is an essential growth strategy, especially in the fashion industry where a business needs continuously to introduce new products in order to succeed.

##### **5.4.5.2.2 Overcoming high operating costs**

The findings highlight that the participants put in place cost cutting measures aimed at overcoming the challenge of high operating costs. The aim was to reduce costs without

compromising the quality of products, in order to keep the customer happy. The results show that the participants were looking at areas where they could minimise their operating costs and at the same time manage to grow. Instead of abandoning growth plans because of the high costs often involved, the participants decided to go for less costly growth strategies such as market penetration through the use of social media advertising. This finding supports that of Machado (2016:427), who reports that organic growth strategies such as market penetration are a gradual process that a small business can plan and manage according to their available resources and capacity.

In addition to affordable growth strategies, some of the participants opted to outsource of the business functions that they required but could not afford to engage permanently. For example, Participants 1 and 4 stated that their businesses outsourced the human resources and IT functions, respectively. In their study on the outsourcing of IT in South Africa, Johnston et al. (2009:37) found that, most businesses that outsourced were influenced by the need to minimise costs, while others were motivated by the aim of concentrating on their businesses' core functions.

Lastly the study found that some participants reviewed their logistics costs and decided to try to reduce or minimise them. Most such businesses are sourcing their products from overseas, particularly China. Although earlier in the study the participants highlighted that they chose their suppliers for their affordability, reliability and product quality, the cost of shipping from overseas can be too high for a small business. Hence, some of the participants such as Participant 1 decided to consolidate their shipments and reduce the number of times they shipped to reduce costs. Others like Participant 8 have collaborated with fellow fashion accessories small business owners to consolidate their shipments and share the costs. In a study seeking to establish the causes of small business failure, Fatoki (2014:922) found that one of the major causes of small business failure was the non-availability of a logistics chain and the high cost of distribution. In this study the participants all had recourse to a logistics chain, and some of them overcame high operating costs by finding ways to minimise the costs associated with the chain.

#### **5.4.6 Objective 5: To establish a growth and development model for micro enterprises**

##### **5.4.6.1 Steps that should be taken by a micro enterprise to grow into a small enterprise**

The findings presented in this section summarise the findings reported for all the other objectives. The findings were classified into the three categories of establishment, operations and growth. Establishment refers to all the business's start-up activities, operations comprises



the activities that were important in the initial running of the business, and growth refers to activities carried out to achieve growth for the business. Table 5.18 below presents a summary of the processes of establishing, operating and developing a micro enterprise in the fashion accessories industry.

**Table 5.16:** Steps Towards Growth of a Retail Fashion Accessories Micro Enterprise

<b>Stage of Business</b>	<b>Activities</b>
Establishment	Identify a gap in the market
	Decide on sole proprietorship or partnership
	Embark on research: The industry, products, competitors
	Start small
	Business plan
	Source the capital
	Business location
Operations	Contracting suppliers
	Recruitment of employees
	Beginning of operations
Growth	Identify opportunities through learning from experience and networking
	Exploit opportunities through growth strategies
	Identify strategies to overcome challenges

Table 5.16, above, portrays the process of establishing, operating and growing a micro enterprise. The table presents some of the issues that were addressed by the participants when they established their businesses, and some that they did not address but whose importance they came to recognise as their businesses grew.

#### **5.4.6.1.1 Establishment**

As indicated earlier in the section on the findings associated with Objective 1, the first step is to identify a gap in the market. This gap can take the form of a market segment that is under served or product innovations that can attract a new market. Most of the participants pointed out that taking time to find a gap in the market will ensure that a potential entrepreneur establishes a business with some knowledge of the industry concerned.

The next phase for the potential entrepreneur is to decide whether to establish the business as a sole proprietorship or partnership. Most participants were of the view that what would push them into a partnership would be the need for more financial resources. For example, Participant 2 is a co-owner who brought into his business an equal partner in order to raise the capital for the business. A different case is that of Participant 5, who went into partnership with his brother because one had business skills and the other design skills which could make a meaningful contribution to the business.

Prior to establishing the business, the participants highlighted the importance of embarking on research of the industry, products and competitors. The putative business owner needed to make an informed decision about the viability of the business. For example, Participant 10 highlighted how important it was for her to engage in research as she had no prior knowledge of the industry before she decided to establish the business. Most of the participants explained that they learnt about the industry, products and competitors during the drafting of their business plans, with which they were being assisted by professional drafters.

The business plan revealed the whole strategy in terms of which the business was to be executed. Among the issues that it addressed were the size of the business (all the participants in this study decide to start on a small scale). Most of the participants observed that it was difficult to secure funding, so starting small enabled them to manage the initial cost. This is the reason most of them started as micro enterprises and have grown as more resources have become available. This has enabled the owners to grow along with their business and learn whilst reducing risks of high losses.

The business plan also considered the decision about where to locate the business. Most participants' location decisions were influenced by the general locality of their target market. The business plan gave the participants an idea of the required capital and led to the decisions of the majority who fully funded themselves, of others who borrowed part of the money from family and friends, and of those who had access to loans.

#### **5.4.6.1.2 Operations**

Once all activities leading to the establishment of the business have been completed, then the operations phase comes into action. The main commitment at this stage is to get the business running by contracting suppliers and recruiting employees. This study found out that business owners chose their suppliers on the basis of product quality, affordability and supplier reliability. Then most participants recruited one or two employees to help begin their operations, though some made use of family members to assist with the initial phases. Once this was done the business operations began.

#### **5.4.6.1.3 Growth**

Once the business is established the aim is to run operations effectively in order to grow the business. Most of the participants pointed out that the fashion accessories industry was a fast-paced industry which needed one to be constantly on the lookout for opportunities to grow and fight competition. The findings of the study under Objective 2 was that all the participants identified opportunities for growth through learning from experience and networking. Once opportunities have been identified a business chooses the best way to exploit the opportunities to the advantage of the business. For example, Participant 1 identified an opportunity to expand their business through new markets. The participant then decided to introduce new product categories like watches and sunglasses that they were not trading before. This led the business to grow through product and market development.

The findings also show that the process of business growth is not a smooth one. The participants encountered challenges such as high operating costs and lively competition. They made use of growth strategies and cost cutting measures to overcome competition and high operating costs, respectively. For example, Participant 13 made use of promotional strategies through online advertising to increase awareness of their products and create a customer base whilst fighting competition. Others, such as Participants 1 and 7, engaged in product branding to differentiate their products from competitors while building an image for the business which customers could relate to. On the other hand, 47% of the participants sought to mitigate operating costs by choosing market penetration as a relatively affordable growth strategy. For example, Participants 12 and 14 (who specialise in jewellery) engaged in market penetration by introducing variations of their offerings in order to increase purchase volumes.

### **5.5 Focus Group Data Analysis**

#### **5.5.1 Description of Participants**

The six participants in the focus group were drawn from the fifteen participants in the semi-structured interviews. They were initially selected on the basis of their level of experience in running a fashion accessory business, though not all of them were available at the same time. Hence the final selection was based on availability. Table 5.17, below, is an extract from table 5.1, above, featuring descriptions of the six participants in the focus group discussion.

**Table 5.17:** Description of Focus Group Participants

<b>Participant</b>	<b>Age of Owner</b>	<b>Education Level</b>	<b>Professional Background/ Industry</b>	<b>Age of Business</b>	<b>Products Traded</b>	<b>No of Employees</b>
1 (WS)	55	Tertiary Education	Client Services Manager: Construction	15	Reading glasses, sunglasses, jewellery, watches & wallets	42
2 (SF)	46	Tertiary Education	Managing Director: Fashion	8	Sunglasses, Watches & Reading glasses	21
5 (FM)	37 & 39	Tertiary Education	Insurance Professional & Engineer: Investments & Finance	7	Men's accessories: jewellery, bags belts	24
7 (VK)	Late 40s	Tertiary Education	Merchandise Buyer: Fashion	10	Bags (Handbags, wallets, crossbody etc)	23
9 (GL)	40	Matric	Buying Assistant: Fashion	9	Sunglasses	23
10 (TG)	35	Tertiary Education	Environmental Planner: Government	8	Ankara Accessories (Hair accessories, scarves, jewellery)	20

**Source:** Own Compilation

The semi-structured interviews focused on how the small business owners had established and grown their businesses. The following section features presentation and analysis of the data from the focus group discussion, which concentrated on what these business owners had learnt through their experience. The analysis led to the establishment of three themes: Research and Planning, Implementation and Review.

**Table 5.18:** Focus group themes and explanations

Theme	Explanation
Research and Planning	The process that a business engages in to gather information, assess strategies and plan the way forward.
Implementation	The process of executing the strategies that have been chosen for the business to achieve growth.
Review	The process of analysing and assessing how the implemented strategy is performing in relation to the set goals.

**Source:** Own Compilation

## **5.5.2 Business establishment and growth through overcoming challenges and exploiting opportunities**

The presentation and analysis of data obtained from the semi-structured interviews showed how the businesses were established and grown. That discussion showed how small business owners had evolved and what acquired knowledge they had applied in their businesses. The focus group discussion explored the lessons they had learnt in the industry, especially about the best way to achieve growth. The discussion focused on the planning, implementation and reviewing of all the activities carried out in a business.

### **5.5.2.1 Research and Planning**

In the early stages of business establishment, research and planning was carried out to ensure that the business was established on the basis of adequate knowledge. The focus group discussion highlighted the importance of research and planning at all stages of the business from establishment to growth, exploiting opportunities and overcoming challenges.

Small businesses that have achieved growth have engaged in research to gain a sound understanding of their market. It is not possible to serve a market effectively if one has no knowledge of it. The focus group discussion demonstrated that the core business of a fashion accessory small business was to serve its market effectively and efficiently, because if it was not able to do so it would go out of business. The best way to understand the market is through research, which enables a business to keep up to date with changes in consumer needs and

to plan on how to maintain or extend its market. The main point that was highlighted in the discussion was that market research should not be a once-off process but an ongoing one. All the participants agreed that it was vital to invest in market research if a business had growth aspirations. The discussion also noted that the reason why many small businesses did not engage in continuous market research was because it could involve considerable cost. But participants pointed out that research did not always have to be a big project: they rather thought that one needed to build a culture of research in the business on a small scale, and increase capacity as resources became available. An example of the research in which the participants engaged was comparison shopping, to see what competitors were selling and at what prices. They also did desk research on prevailing trends.

The other strategy that these small businesses had engaged in over the years was industrial research. The business owners had gone through phases of learning to understand the industry in which they were operating and their competitors. Through this they managed to plan their strategies on the basis of adequate information. They were aware of what their competitors were doing, how the industry was performing and in what direction current fashion was trending.

Some small business owners explained how they used research to decide on the overall strategy of their businesses. One such example was Participant 5, who highlighted how they conducted research in various industries before establishing their business after seeing a gap in the market for men's accessories. For this business their overall strategy was to focus on a niche and unsaturated market.

In the early stages of their establishment, small businesses usually operate on a reactive rather than proactive basis, which leads to their undertaking some inadequately planned activities. As the small businesses in this study have grown, they have put into practice business planning. Most worked on a business plan before establishing their business, and going forward they planned their strategy on the basis of data gathered from research. Carrying out planned activities has not only saved them time and money but led to business growth.

Included in this planning was to paint a clear picture of where the business should have been heading through setting goals. The business owners agreed that a business should first set specific goals and then plan the implementation of activities geared towards achieving those goals. These goals were shared with all employees so that they knew what they were working towards. Setting goals or targets gave them a benchmark to measure their progress. Some of the participants described their current goals: Participant 10, for instance, aimed to open a boutique in a South African city, and this was still in the research and planning phase. The

business owner had not yet decided where the boutique was going to be located. Another one was Participant 9, whose goal was to secure a Chinese supplier to minimise costs by purchasing straight from the manufacturer. Participant 9 was of the view that working with a Chinese supplier instead of depending on a local one would reduce not only the lead time but also the cost of purchasing.

The small business owners highlighted the importance of continuous learning in the fashion industry, especially for a business aiming for growth. Research has educated the small business owners and help them find their own growth path. The discussion also revealed that learning can be done in less expensive ways such as networking, attending business expos, reading and keeping up with fashion leaders and competitors. As mentioned earlier in the study, most of the participants engaged in networking activities provided by Cape Business Connect and Startup Grind. These networking communities gave the participants the opportunity to learn from other business people about how to run successful businesses. Furthermore, it gave them a chance to create networks with potential mentors or business partners. The participants had acquired access to many opportunities through these interactions.

This study thus found that research and planning were vital factors in growing a business in the fashion accessories sector. In addition, the findings show that research enabled business owners to choose growth strategies from a well-informed perspective. The findings corroborate the insistence of the Western Cape Government (n.d.:9) on the importance of research and planning to the success of a business. Cant & Wiid (2013:709) note that one of the causes of SMMEs' failure is that they do not always engage in research and planning because of limited resources. It seems that engaging in research and planning at least gives a business a chance of surviving and growing, like those of the participants in this study.

#### **5.5.2.2 Implementation**

Once information is gathered through research and planning, the next step is to implement the planned strategies. Just like research and planning, implementation is also vital at all the stages in a business's establishment and growth, for exploiting opportunities and overcoming challenges.

Using the information gathered from research and planning, the small businesses put maximum effort into serving their markets. Some businesses such as participant 1 implemented new product introduction in their business by introducing more product categories. The owner highlighted that this move had grown their market and steered the business in the right direction, towards their goals. In a different case, participant 5 invested in

employee development to equip the employees with the necessary skills to achieve the business's set goals.

The small business owners were aiming for continuous improvement in their businesses in order to achieve growth. Among the strategies they employed was upgrading levels of ICT in their businesses. One example is Participant 1, who purchased a retail system that assisted them to keep track of their sales history and plan ahead. Having this system in their business reduced the amount of manual labour, increasing their flexibility and saving time and money to invest in other business avenues, such as marketing.

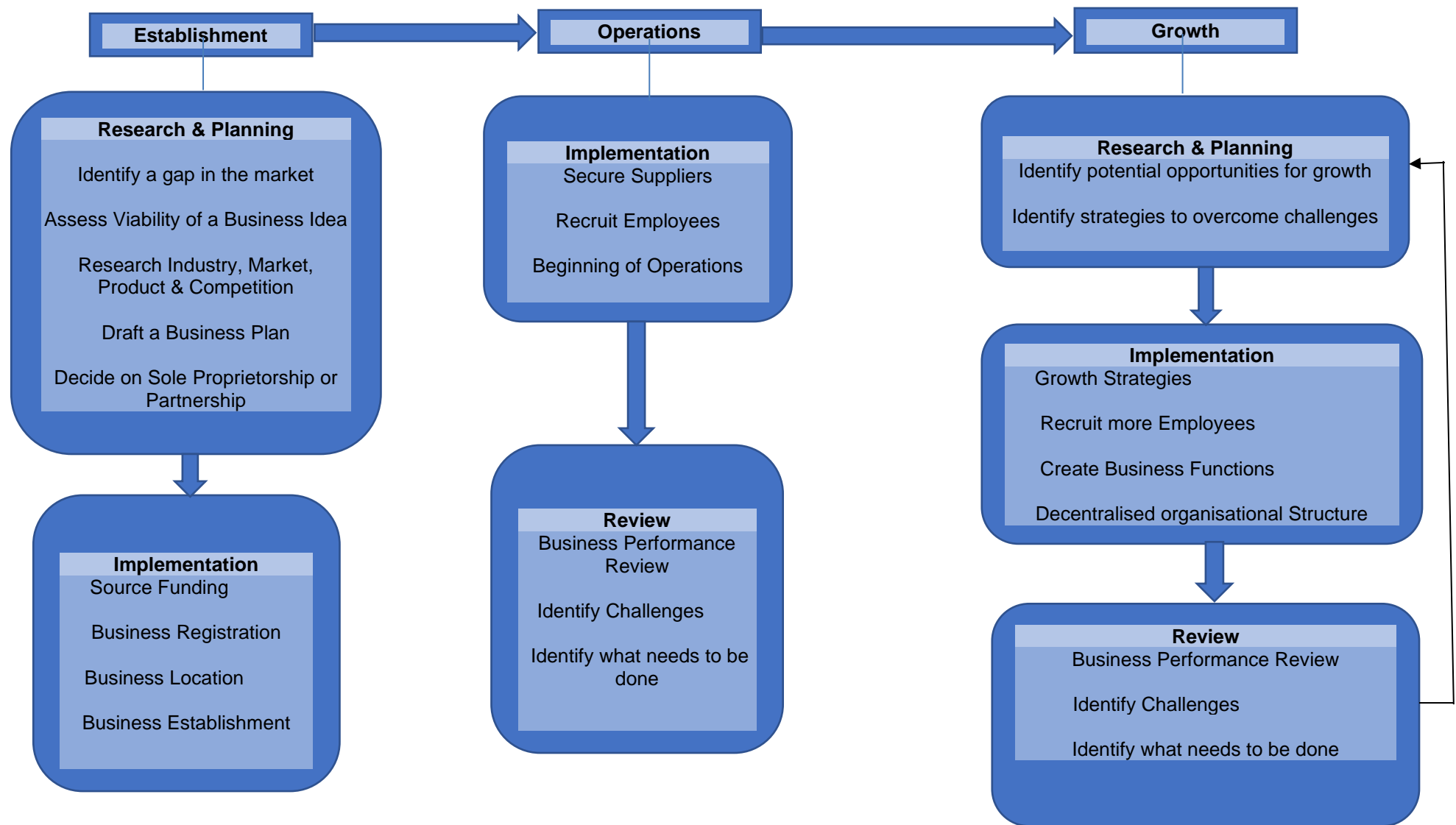
This discussion makes it clear that as businesses are growing, they are actively involved in implementing new strategies aimed at growth; and that the strategies are dependent on what the business is aiming to achieve and the available resources. Continuous improvement is the aim of any business that desires to grow. Bandinelli et al. (2013:1) note that the fashion industry is characterised by rapid changes and for a business to grow in such an industry it needs to be flexible and adaptive to change focused on continuous improvement.

#### **5.5.2.3 Review**

The small business owners in the focus group carried out planned reviews of the performance of their business. These reviews sought to assess performance and to identify areas for improvement or potential opportunities to exploit. Also, after implementing a new business such as improved ICT, market development or introducing new products the businesses engaged in a strategic review to assess if the potential was indeed there to achieve their overall goals. This analysis assisted them in deciding whether to continue with the implemented strategy, to adjust it, or to abolish it and try something new.

The three themes of the study interrelate seamlessly in mapping out the path to business growth. The first step is to gather information through research and planning, the second to implement the strategies deduced from research and planning, the third to review the strategies implemented to assess performance. These steps are repeated in an ongoing way in pursuit of the business's evolving goals. The findings of this study refute, the assumption of the evolutionary framework which entails that growth and the period over which a business grows is a result of its own unique circumstances and there is no standard model or sequence of stages to be observed (Gavinelli, 2016:96). Figure 5.3, below, proposes that a business goes through three phases in the process of growing: establishment, operations and growth.





**Fig 5.3:** The proposed growth and development model for retail fashion accessories micro enterprises

In the establishment phase, the potential business owner invests in research and planning to identify a gap in the market which they can pursue to establish a micro enterprise. The potential business owner also does research to assess the viability of the proposed idea, including research on the industry, product, market and competitors. Depending on the skills level of the potential entrepreneur and availability of resources, they can do this on their own or outsource the service. This research builds up to the drafting of the business plan. Most of the businesses in this study outsourced this activity in order to obtain the best possible business plan. After compiling the business plan, some would-be owners see the need for a partner – to acquire additional financial resources or access to a skill that the potential owner does not have.

In the establishment phase, after research and planning the plans are put into action through implementation. The potential owner sources funding that would have been highlighted in the business plan. They get the business registered and secure the premises if need be. Some businesses were run from the owners' homes in the beginning. Once all this is done the business is established and ready to move to phase two, which is operations.

The operation phase completes the implementation of the results of the research and planning. In this phase the business owner gets the business up and running by contracting suppliers and recruiting employees. The business engages in performance reviews at set periods, when, the performance of the business is assessed to identify possible challenges and solutions. These may be short-term solutions capable of immediate, such as changing the way reports are created or adjusting the business reviews timetable. As the business performance reviews continue in the operations phase there comes a time when the owner may need long-term solutions to improve the business and grow, which requires further research and planning.

This results in the growth phase, which begins with researching strategies to overcome the challenges and take advantage of the potential opportunities for growth identified in the reviews. This is followed by implementation of the strategies chosen. As the business grows through these strategies the need for more employees arises, which gives rise to the need for clearly defined job descriptions and the splitting of tasks into various key functions. The division of tasks in turn leads to a decentralised organisational structure in which the owner is less involved in the daily operations of the business. The growth strategies will also need to be reviewed to see if the business is performing better and what else can be done to keep growing. The need for changes or improvements requires a return to research and planning, and so the cycle continues. The model indicates that when a business reaches the growth stage it will keep going through research and planning, implementation and review to continue improving. Even when a business has reached a stage where growth is no longer a goal, it will still go through the same process, but now with the aim of maintaining their market position.

## **Analysis**

Figure 5.3, above, shows the growth and development model derived in this study from data gathered in both semi-structured interviews and the focus group discussion. Earlier in the chapter, there was discussion of the study's deterministic and descriptive theoretical frameworks.

The descriptive framework stipulates that a business grows through stages and the models that have been established within this framework feature stages such as existence, growth, take off and maturity. This study, however, as identified three stages in the life-cycle of a micro enterprise (establishment, operations and growth). The findings showed that the growth phase in a micro enterprise business is a long one because most such businesses do not have sufficient financial resources to make massive investments in their growth at once. Hence, they adopt less expensive organic growth strategies.

Figure 5.3, above, indicates the activities that are important at each stage of the business. These activities were labelled determinants of growth in the deterministic framework. The framework, as discussed in Chapter 2, notes that there are four categories that determine business growth: management strategies, characteristics of owner, characteristics of the business and environmental factors (Farouk & Saleh, 2011:3). Although the present study took a different route from the deterministic framework, some of the factors highlighted under the four categories were also found to determine the growth of the businesses in this study. These included the motivation for establishing the business, growth objectives, financial resources, product or market development, employee recruitment and development, and business collaboration and competition. Unlike the deterministic framework, which merely identified the factors that determine business growth, the model proposed here indicates at which phase of the business life cycle certain activities need to be carried out. Furthermore, the proposed model focuses on the process of growth and emphasises that a business owner can only know what to do next through research and planning. Of course, all the processes highlighted in the proposed model require the business to make use of financial resources, and since financial resources are not always available to small businesses, each business has to tailor the process to suit their resources. This can be done by choosing affordable research methods and growth strategies.

## **5.6 Chapter summary**

This chapter focused on the presentation and analysis of the data from fifteen individual semi-structured interviews and one focus group interview. The analysis was achieved via content analysis using ATLAS.ti software. Data was presented using tables and detailed explanations. According to the data analysis, the growth process of retail fashion accessories micro enterprises comprises three phases, which are establishment, operations and growth. In

moving through these phases to achieve business growth, a successful business engages in research and planning, implementation and reviewing. Growth strategies include market, product and retail format development. The findings of this study are therefore focused on the process of growth rather than the factors that determine growth, which were highlighted in the theoretical framework. The next chapter presents conclusions and recommendations emanating from the findings of this study. It also offers a summary of the study, conceding its limitations and suggesting directions for further research.

## CHAPTER 6

### CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 Introduction

The previous chapter presented, analysed and interpreted the data collected for the study. The purpose of this chapter is to draw conclusions from the analysis and interpretation in order to make recommendations that respond to the research questions posed at the beginning of the study and fulfil its objectives. The chapter begins with a summary of all chapters of the study and then presents the key findings, conclusions and recommendations. This chapter concludes with the limitations and direction for future research.

#### 6.2 Summary of the Study

The following section outlines what has been covered in the study thus far.

##### 6.2.1 Chapter 1

Chapter One laid the foundations for the study. It supplied some background information about SMMEs in Cape Town and identified the research problem as the fact that few retail fashion accessories micro enterprises in the area were thriving and growing. The associated research questions and objectives were formulated. The aim of the study was to find ways to enhance the growth of fashion accessories micro enterprises by analysing the growth and development of successful such businesses in the Cape Town Metropole.

##### 6.2.2 Chapter 2

Chapter Two reviewed the literature on business growth and development. The review highlighted the importance of growth and presented various strategies and opportunities that can be utilised by micro enterprises to achieve growth. The discussion also identified common challenges and impediments to the growth and development process. The conceptual framework that was developed demonstrated that micro enterprises are operating in an environment with both internal and external factors affecting their growth.

##### 6.2.3 Chapter 3

This was a brief chapter discussing, first, the fashion accessory industry globally. In the second part the focus narrowed to South Africa. The context of and challenges facing SMMEs in the country were discussed in some detail.

##### 6.2.4 Chapter 4

Chapter Four focused on the methods and procedures that were adopted to collect and analyse the data. This was a qualitative study in which data was collected through semi-structured interviews with fifteen participants and a focus group discussion with six

participants. The participants in the study were selected through snowball sampling, and the data was processed through content analysis using ATLAS.ti.

### **6.2.5 Chapter 5**

Chapter Five presented the findings of the data collected from both the semi-structured interviews and the focus group discussion. The findings were discussed according to the objectives of the study. The findings indicated that growth can be achieved by retail fashion accessories micro enterprises through research and planning, implementing growth strategies and then reviewing them. The growth strategies can be market, product or business orientated.

### **6.2.6 Chapter 6**

This is the current and final chapter which summarises the study and present the conclusions and recommendations drawn from the findings.

## **6.3 Summary of Key Findings**

### **6.3.1 Steps that entrepreneurs went through in establishing, running and growing their businesses**

Business owners were mainly driven by a desire to address a gap in the market. They were familiar with the fashion accessories industry through their passion, experience and education. Most of the small business carried out research before establishing their businesses and their source of capital was their own funds and (in some cases) family loans. This finding concurs the Western Cape Government's (n.d.:9) manual on how to establish a business in South Africa, in which it was emphasised that the first step in establishing a business is to carry out research to assess the viability of the proposed business.

Upon establishment all the businesses formulated a vision for the business in order to create a benchmark for measuring progress. They took time to choose reliable suppliers who could deliver good quality product at affordable prices. In the first year of establishment, they all operated as micro enterprises with employees ranging in number between zero and two.

These small businesses adopted growth strategies aimed at expanding their businesses. All those in the study decided to grow organically through market development, introducing new products and retail format development. This finding is in line with the SBP's (2011:1) finding that organic growth is the most common strategy adopted by small business because it is associated with lower up-front costs than inorganic growth strategies.

As the businesses grew, they increased the number of employees. At the time of the interviews the businesses were operating with between fourteen and forty-two employees. The increase in the number of employees brought about decentralised organisational structures, with the

identification and consolidation of several key functions or departments such as management, operations, product buying and marketing.

### **6.3.2 How micro enterprises exploited opportunities in the industry**

The study highlights that the small businesses owners gained awareness of the opportunities available for their businesses through learning – from experience, research and networking. This finding resonates with the learning framework discussed in Chapter Two. The framework focuses on the importance of learning and of applying the lessons learned in business to achieve growth (Dobbs & Hamilton, 2007:298; Phelps et al., 2007:9). Another relevant framework is the deterministic framework, which focuses on the factors that determine business growth. One such factor is composed of the characteristics of the owner, and among these characteristics experience is paramount (Leitch et al., 2010:250; Farouk & Saleh, 2011:3). The findings of this study suggest that experience can endow a business owner with the ability to recognise opportunities in the industry.

The opportunities that the businesses exploited were product creativity and development, market development, and ICT. Market and ICT opportunities were treated in the literature as the main opportunities for business growth (Cant et al., 2015:445). Product opportunities are not much discussed in the literature, but the findings of this study have shown that product and market opportunities are closely related: market opportunities or strategies can only be pursued successfully with the right products. The study found out that these three categories present a range of opportunities for business growth.

### **6.3.3 The challenges encountered by micro enterprises**

The challenges that the businesses faced in their growth path were divided into internal and external challenges. The findings highlighted that most of the challenges faced by the small businesses were internal challenges, a finding at odds with the literature's consensus that most challenges to small business growth were external (Lewis & Gasealahwe, 2017:42). The participants in this study encountered mainly internal challenges because they were micro enterprises and the owners were finding their way and trying to grow their businesses. In order to be able to fight external challenges the participants needed to have adequate resources and skills. This corroborates the perspective of the resource-based framework which states that businesses that have strong internal resources and capabilities to identify opportunities in the market are more likely to grow than those that do not (Ferreira et al., 2014:100).

The findings showed that the two most common challenges encountered by the participants were high operating costs and strong competition. The reason why these businesses incurred

high operating costs is because, as micro enterprises that were growing, they faced a number of business activities in which they needed to invest. The participants needed to find ways to reduce costs whilst pursuing growth. This finding supports the GEM report of 2016/2017, which noted that the costs to which small businesses are exposed are relatively more expensive for them than for their larger counterparts. An example is the minimum wage requirement that has to be adhered to by both small and large businesses (Herrington et al., 2017:71).

Competition was found to be the stiffest external challenge that the participants faced in their businesses. This was mainly because of the fast-paced nature of the fashion industry, coupled with the size of the businesses. They faced competition from both small and large businesses. On top of that, the fact of that the world was now a global marketplace did not make it any easier for these participants. According to Fatoki (2014:924), one of the principal causes of small business failure is the inability to meet or overcome the challenge presented by competition.

#### **6.3.4 How micro enterprises overcame the challenges they encountered**

To achieve growth and overcome the challenges described above, the small businesses employed various strategies. In terms of dealing with keen competition, most of the participants made use of product and service promotional activities. The businesses invested in promoting awareness of their businesses and their products, departing from the typical small business practice of not effectively promoting their products.

Product-wise, the small businesses engaged in continuous new product introduction to keep up with industrial trends and to attract more customers. Product branding was used to differentiate their products from those of competitors. Product branding also defined what a business stood for and what it aimed to deliver to its customers. If the brand is well received by customers it will create loyalty.

Both product and marketing strategies were employed by the participants as a means of gaining competitive advantage. The findings highlighted that the participants used some of the 7Ps of the marketing mix, corroborating Bressler's (2012:3) finding that effective application of the various elements of the marketing mix can enable a business to develop a competitive advantage.

To overcome the challenges of high operating costs, most of the participants engaged in cost-cutting measures such as managing logistics costs, outsourcing certain business functions and adopting affordable growth strategies. The participants adopted such strategies to overcome challenges and pave the way for business growth. This conclusion is in agreement with the



literature, which maintains that neglect of some business function such as logistics may cause a business to fail due to high distribution costs. Yet because some functions can be too expensive for a business to perform, outsourcing such functions can assist in minimising costs whilst affording the time for employees to concentrate on core business (Johnston et al., 2009:37; Fatoki, 2014:922). Furthermore, the participants adopted more affordable organic growth strategies. According to Machado (2016:427), most small businesses adopt an organic growth strategy because it is a gradual process in which costs can be managed.

### **6.3.5 A growth and development model for micro enterprises**

The study concluded that the process of growth in fashion accessories micro enterprises can be achieved in the three phases of establishment, operations and growth. In each of the three phases activities are carried out which fall under the headings of research and planning, implementation and review. The main activities in the establishment phase are the research and planning carried out prior to establishing the business. After the research and planning phase comes the implementation phase, as the business is established and commences operations. Operational activity is followed in due course by review of the business performance, which will inevitably point toward the need for growth. The growth phase again begins with research and planning. This is followed by the implementation of the chosen strategies and other capacity-enhancing activities.

## **6.4 Recommendations**

### **Recommendations for small business owners**

Start-ups in the fashion accessories industry that cannot easily access funding should consider starting small. In this they should be able to fund the business on their own or with the assistance of family and friends.

Potential business owners should carry out extensive research before establishing a business, to acquire adequate information on the industry context of the potential business.

A business owner who is aiming for growth should be actively engaged in learning through experience, research, networking and any other available avenues. The importance of this is highlighted in the findings of this study, which established that all the participants were able to identify potential opportunities in the industry as a result of learning from experience and research.

Small business owners should engage in research and planning to find the most eligible solution to the challenges that they encounter. The study found that businesses that engaged

in research and planning were able to adopt the most suitable strategies to successfully overcome the challenges they faced.

Research, planning, implementation and review should comprise an on-going cycle in a small business that seeks to grow. The process provides direction to a business seeking a new strategy and enables the gathering of information that can be used for decision-making.

### **6.5 Limitations**

The study could have been prone to subjectivity on the part of the interviewer in the analysis and interpretation of the data. The researcher was aware of this possibility and took time to understand the data and remain objective throughout the study.

### **6.6 Directions for future research**

The researcher has been exposed the process that fashion accessories micro enterprises have used to grow their businesses. In that journey it has also become clear that although most micro enterprises are finding ways to grow in the midst of a number of constraints, the one size fits all approach in resolving challenges that affect these business needs to be revised. It is not physically possible to address the specific challenges faced by each business, hence, this study focused on an industrial sector. There is an opportunity for studies to be pursued in other sectors and highlight the opportunities and challenges that businesses in that area may face.

Small business growth as a phenomenon presents so many opportunities for further studies. It is imperative for studies to be carried out on the opportunities for growth on the part of small businesses in South Africa. While the importance of growth for small businesses has been highlighted in this study, perhaps the contribution that they make to employment creation needs further research scrutiny.

### **6.7 Summary**

The growth and development of a fashion accessories micro enterprise involves the three main stages of research and planning, implementation and review. Prior to establishing a micro enterprise, the business owner has to identify a gap in the market and conduct research into the feasibility of the business. This research focuses on the proposed business idea, the industry, the market and the potential competitors. It leads to the drafting of a business plan that stipulates what the business will be about and how its establishment will be executed, including the financial resources required. At this stage it is possible to review ownership of the business; for example, if the financial resources required to establish the business are more than what the owner can afford s/he may opt for a partner or a loan from family and

friends. Once the research and planning have been done the business is established, which leads to the implementation phase in which the owner goes through the process of finding a location for the business, hiring employees and contracting suppliers. The business then engages in a performance review to see what can be done to improve its operations. In the process, certain challenges such as high operating costs and strong competition are inevitably identified. The next step is to find ways to overcome these challenges and grow the business. The business owners return to the drawing board and conduct research and planning, which leads to identifying opportunities for growth. Among the opportunities and strategies for growth are market development, new product introduction and ICT. All these opportunities were identified through learning in form of research, experience and networking. The study concludes that the growth of micro enterprises in the fashion accessory industry lies in the ability of the business owner to research, plan, implement and review their activities, and thereby be in a position to choose the best strategies for the business to grow.

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### Interview Questions

**To commence the interview please tell me a bit about yourself**

1. How old are you? What is your education and professional background?

**Kindly share a brief summary about your business**

2. When was the business established

3. What motivated you to establish this business?

4. Where did you get capital/money to start the business?

5. What products do you trade?

**To identify the steps the entrepreneurs went through in establishing, running and growing their businesses**

6. How many employees did you have when you established the business and how many do you have now?

7. What key roles are there in your business and what are they responsible for?

8. Where are your suppliers based?

9. Has there been sales/turnover increase over the years?

10. What did you change or add to your business to increase sales?

11. What products did you trade when you started your business?

12. Have you added other products along the way?

13. At what point did you expand or change the product offering?

14. What contributed to this decision?
15. Who were your target customers when you established this business?
16. Have you expanded or changed the target customers until now?
17. Did you join forces with other external businesses to grow?
18. What is your future plan/vision for this business?

**To establish how micro enterprises exploited the opportunities in the industry**

19. What opportunities are there in the fashion accessory industry that can lead to business growth?
20. How did you exploit the opportunities to facilitate growth of your business?
21. How did you come to know of these opportunities?
22. Did you require any external assistance in exploit these opportunities? If so indicate what kind of assistance was required.
23. How did you go about in acquiring the assistance?

**To identify the challenges that micro enterprises have encountered in the industry.**

24. What challenges have you faced in your business

**To highlight how micro enterprises overcame the challenges they encountered.**

25. How did you overcome the challenges that you faced in your business?

**To establish a growth and development model for micro enterprises.**

25. Would like to add anything that a micro enterprise should do in order to grow into a small enterprise?

**Thank you for your participation in this study. Should you require a copy of the final findings it will be made available to you.**



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### **Focus Group Points of Discussion**

1. Thank you for volunteering to participate in this discussion. Let us start the discussion by getting familiar with each other. Please briefly introduce yourself and your business.
2. In your own words please give us a summary of how you went about establishing your business.
3. From your experience once established and running how does one go about growing the business?
4. What is the best way to ensure that a micro enterprise is able to exploit opportunities in the industry?
5. What are the strategies that a business can adopt to better overcome challenges that hinder growth?
6. Let us discuss the ideal process of establishing and growing a business in the fashion accessories sector.

**Thank you for your participation and if you require a copy of the findings, they will be made available to you.**