

# ENTREPRENEURSHIP STRATEGY IN A MONOPOLISED SECTOR: CASE STUDY OF THE PRINT AND PUBLISHING MEDIA SECTOR IN THE WESTERN CAPE PROVINCE OF SOUTH AFRICA

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## ABSTRACT

*The purpose of this paper was to explore the strategies that can be adopted by entrepreneurs to enter monopolised industries. The paper analysed the Print and Publishing industry as a case study in order to find the nature of monopoly in industries. Following the analysis, the study assessed the implications of nature of monopolies on entrepreneurial strategy. The study found that monopolies are difficult to break and they engage in activities aimed to prevent entrants of entrepreneurs and also to maintain their market positions. It was then found that the disruptive strategy and the value chain strategy for entering monopolised industry seemed relevant. Entrepreneurs were recommended to seek opportunities that are based on technologies in order to enter industries and sectors that are dominated by monopolies.*

**Keywords:** Strategy, Entrepreneurship, Monopoly, Print and Publishing Industry.

## INTRODUCTION

Despite the fact that there is a large volume of scientific articles on entrepreneurship that are in existence, the business environment is dynamic (Louw & Venter, 2010) and the search for more knowledge based on existing studies remains paramount (Ramirez et al., 2019). The dynamic business environment implies that there will always be a need for research to understand emerging phenomena or to search for new knowledge frontiers. While there has been significant research findings that entrepreneurship plays a critical role in the economy (Bowmaker-Falconer & Herrington, 2020; Herrington et al., 2009), this study explored the impact of monopolies on the growth of entrepreneurship in the South African economy. The study was formulated to investigate the questions: How do monopolies impact entrepreneurship growth and development? and What are the entrepreneurial strategies that can be adopted in monopolized sectors? From the Resource Based View of the firm, a monopoly exist when one or a few firms own the difficult to imitate and difficult to substitute resources (Barney, 1991; Powell, 2001) that gives them a dominant and sustained competitive advantage over others. The situation created in monopoly situations tend make it difficult for other firms to enter the sector or industry. This paper, therefore considered how such situations affect entrepreneurship in that particular sector. The study was based on the Print and Publishing sector of the Media industry in in South Africa which is an example of a highly monopolized sector. The study was based on a case study of organisations in the Print Media which are located in Cape Town. Having noted the above, the section below makes a closer examination of entrepreneurship as a multidimensional concept.

## **Entrepreneurship**

Among politicians, social commentators, business leaders and the academia, entrepreneurship remains a topical concept (Herrington et al., 2009). A search on the origins of the word 'entrepreneur' shows that the term originated from France in the 1700s. Ever since it gained prominence, there have been notable attempts to define it. Schumpeter's early conceptualization of entrepreneurship as the introduction of new products, new methods of production, the creation of new markets, the opening of new supplies or the creation of new organisations is widely cited (Ramirez et al., 2019; Herrington et al., 2009). The proficient management writer, Peter Drucker (1985) defined entrepreneurship as the act of innovation that involves endowing existing resources with new wealth generation capacity. While many definitions can be referred to, the key themes in entrepreneurship can be found from the definitions provided above. A review of the definitions of entrepreneurship shows that the key concepts that they entail are the recognition and exploitation of business opportunities as well as calculated risk taking (Tom et al., 2019).

## **Entrepreneurship Strategy**

Reporting for the Harvard Business Review, Gans et al. (2018), presented four strategies for entrepreneurship that were considered in this study. These are: (1) the intellectual property strategy, (2) the architectural strategy, (3) the value chain strategy and the (4) the disruptive strategy. The intellectual strategy is described as one that involves the design of an innovative idea and then collaborating with incumbents while keeping intellectual rights. Lately, there have been debates on the creation of entrepreneurial universities and their capability to churn out graduates who can commercialise their ideas through the acquisition of intellectual property (Yusof & Jain, 2010). In contrast, the value chain strategy has been described as the strategy that is concerned with fitting a new idea in existing industries and sectors (Gans et al., 2018). This strategy obviously faces challenges of breaking existing barriers erected by existing players and monopoly organisations. On the other hand, disruptive strategies have received significant scholarly attention especially as they relate to the use of technology to outdo existing methods (Girasa, 2020; Haptay, 2012). It has been suggested that entrepreneurs can penetrate markets through disruptive techniques aided by technology. The use of Fourth Industrial Revolution technologies has been widely reported to offer great potential for disruptive strategies for entrepreneurs. The architectural strategy is described is based on outright entry into a market and competing with existing giants. Gans et al. (2018) commented that the strategy is costly and few entrepreneurs can afford to adopt it.

It can be argued that monopolies present a difficult case for entrepreneurs. The entrepreneur obviously faces the challenge on which strategy to follow owing to the entry barriers presented by the monopolies. This study made a closer study of the Print media sector in South Africa which is dominated by four monopolistic organisations. The aim was to analyse and provide a deep understanding of the entrepreneurial strategies that can be appropriate in monopolistic situations.

## **CASE STUDY SELECTION AND ANALYSIS**

Two techniques were used to select a case for further analysis, namely: (1) purposive case selection and (2) extreme case selection. The extreme case selection is used to choose the case

that fully depicts the extreme case of the idea of interest (Seawright & Gerring, 2008). The Media Industry is highly monopolized and was selected for analysis. The Print Media sector in South Africa is monopolised by a few very big companies was selected for study. The main industry players with about eighty percent (80%) of the market share include Media 24, Times Media Group Limited previously known as Avusa which offers popular products such newspapers like Sunday Times, The Times, Sowetan, book shops such as Van Schaik and even cinemas such as Nu Metro. The other major competitor is Topco Media which offers popular magazines such as ESG Green Pages, Estetica, Impumelelo, Management South Africa, Top Managed companies in South Africa, Top Women in Business and many other products just to mention a few. Other competitors within the industry include Cape Media, South Africa Broadcasting Corporation (SABC) and Premedia Group and many others as well. Despite the fact that there have been a number of new competitors within the media and publishing industry, Media 24 has remained as leader within the industry mainly facing strong and stiff competition from Times Group Media notwithstanding its success factors such as operational flexibility, personal touch with key stakeholders, niche marketing and gap filling, large market share. The sector include publishing and print media companies offering products ranging from newspapers such as City Press, Dailthwy Sun, Die Burger, The Witness, magazines such as Drum, You, Fair Lady and Finweek and many others as well. The sector relies on providing information ranging from entertainment, education, and business financial information

### **Industry Analysis**

The study employed an industry analysis approach in order to establish the state of entrepreneurial opportunities and possible strategies for capitalizing on the opportunities. The actual data collection involved the analysis of secondary data which mainly involved published material that was found to be relevant to the study. An industry can be defined as a group of companies offering products or services that are close substitutes for each other according to Hill and Jones (2004). With that in mind, it is always necessary to take note of the fact that defining it too broadly has the disadvantage that it dilutes focus and increases complexity while defining it too narrowly means that important opportunities or threats maybe missed according to Louw and Venter (2010). As we have already defined what an industry is from a theoretical and practical point of view, it is now appropriate to now turn attention into describing what the key success factors are. Louw and Venter (2010) states that the key success factors are mainly determined by competition, customers and corporation. Jones and Hill (2008) states that should a business organisation fail in appropriately identifying the key success factors, it will imply that a business will have a greater risk in its strategy towards sustainable organisation. The key success factors include market control because there is a large number of customers within the market. There is considerable number of both existing and potential numbers of customers within the market. The total market share is dominated by monopolies. The monopoly organisations in the media and publishing industry determine prices of products, supply of products and even helps to lure investors for more capital for business growth and even to borrow more capital from banks while to a larger extent a large market share helps to fight competition.

## **Easy of Industry Entry of Entrepreneurs in the Industry**

Monopolies in the industries have been reported to engage in various activities to strengthen their dominance in the market. According to Louw and Venter (2010) Porter's five forces framework include: rival between existing competitors, threat of new entrants, threat of substitutes, bargaining power of buyers, bargaining power of suppliers. Rival between competitors in the market is the most and direct source of competition. In any industry, competitors use their products which are similar to attract the same customers. Furthermore, the following are various sources that mainly influence the level of competitive rivalry. The more the competitors the more they are likely to be equal in size and power and likewise, the more the intense the rivalry will be. Print and Publishing industry, rivalry is mainly between the competitors themselves, new entrants find it difficult to enter the industry. This seems to employ that entrepreneurs who use disruptive tendencies or who can complement the existing value chains may have a better chance of entering the industry those who may use other strategies.

## **High Industry Entry Cost as Barriers for Entrepreneurs**

In the Print and Publishing industry, the capital required to operate even on small scale is huge such that it makes it very impossible for new competitors to enter into the industry. The capital cost does not cover paying salaries but it goes beyond into running a well uninterrupted plant that print various products to meet the demand in the form of mass productions hence failure to meet the capital cost usually limit the growth prospects and may even constrain working capital of potential companies who may like to enter into the media and publishing industry. Some ambitious small companies undergoing rapid expansion usually end up suffering liquidity constraints due to over trading at the back of poor access to credit facilities. The monopolistic companies have continued to invest in innovation to sustain and build the competitive advantage which exists. The monopolies in the industry have been report to engage in the following activities to inhibit the entry of competitors: (1) cover any moves made by competitors to develop alternative competitive advantages by closing off opportunities for new entrants, (2) aggressively maintaining market share and engage in collaborations, take overs and partnerships, (3) move into related markets which complement the existing position including venturing into other media related activities such as radio broadcasting.

## **STAGE OF INDUSTRY DEVELOPMENT**

The development phase in the South African media industry traces its origins from as early as 1800. This is when the first South African Newspaper called the Cape Town Gazette and African Advertiser was first published. From this first publication, the media industry in South Africa has gone through different phases of growth. During the industry growth phase, the product starts to become established and early followers start to buy the product. At the same time competitors will start to enter into the market to make profit from the market growth. Therefore completion is likely to centre around market share instead of the price of the product. Competitors are more likely to attain differentiation advantage. During this phase, the South African media saw the development of three distinct groupings namely the English press, the Afrikaans press and the Black press. This phase was reached in around 1832 with the establishment of the Bantu press by Bertram Paver. This was followed by the involvement of the missionaries with black people, culminating into the production of the first Black Newspaper called Umshumayeli Wendaba from 1837 to 1841. It is during this phase that the South African

media industry also saw a great proliferation of the English press with the establishment of the Independent Newspapers group in 1889 and particularly during the British rule from 1910 to 1948. The Afrikaans press then developed as a reaction to the dominance of the English press to champion the cause of the Afrikaner nationalism and to resist the largely liberal English press. The Afrikaans press developed into the official voice of the apartheid ideology after the National Party took power in 1948. The growth phase was therefore characterised by the emergence of these three press groups to serve the interest of particular subsections of the South African society as competing entities. With regards to electronic media industry in South Africa, there is a lot of competition due to technological developments at the moment. Different companies as well as new entrants are competing for the market share rather than the price of the product. During maturity phase, the rate of industry sales growth slows down and profits are likely to decrease, therefore the industry emphasizes on retaining the market share. In this phase, consolidation such as mergers and acquisitions are more likely to take place (Louw & Venter, 2010). This is the phase at which the South African Media industry currently is. The dawn of democracy in 1994 saw the development of a multi-national press. Of particular importance has been the role of black economic empowerment (BEE) which has seen the unbundling of media interests to black empowerment groups such as national empowerment consortium (NEC). This phase of maturity has seen the adoption of a commercial business orientation with departure from the socio-political influence of apartheid. This phase has also been highlighted by a lot of convergence of media ownership characteristic of a mature phase industry. Ultimately, this development could lead in the decline phase of the media industry. The decline would be a result of a reduction in capital investment by media conglomerates as well as shrinkage of the customer base due to the limited diversity of news items as media house interests will be limited. In the decline phase, sales in the industry fall. This may be either because everyone has bought the product already or substitute products which are more attractive have taken over. In this case demand is in decline and the organisation will not want to invest more in new products. However, it is possible for declining industries to be quite profitable as long as there are not a lot of companies competing for a shrinking customer base. Louw & Venter (2010) further emphasise that for an industry to achieve a competitive advantage it is necessary to identify and deal with threats in the industry.

### **IMPLICATIONS OF THE ANALYSIS**

The analysis of the print and publishing industry which has been done above seems to suggest that the architectural strategy and the intellectual property strategy could be both costly and difficult for the ordinary entrepreneur. However, it appears that either the disruptive strategy or the value chain strategy are appropriate strategies for entry into this industry. The findings have noted that monopolies engage in activities to maintain their position and prevent the entry of entry of new players in the industry. It appears that if the entrepreneur adopts suitable disruptive technologies. It may be possible to enter the industry. Within the context of the Fourth Industrial revolution, strategic innovation by potential entrepreneurs could be an appropriate strategy for entry into the industry. The concept of strategic innovation encompass finding a fundamentally different way of competing in an industry, this can be in the form of new business models or other new ways of doing business that kick competitors off balance. Value innovation, disruptive innovation and innovation at the bottom of the pyramid are all critical strategies that can be adopted by entrepreneurs.

## RECOMMENDATIONS AND CONCLUSION

The analysis conducted in this study has pointed that entrepreneurs who wish to enter monopolized sectors and industries such as the Print and Publishing Media of South Africa should adopt the disruptive or value chain strategy. The disruptive strategy in particular appears more important and relevant. Therefore entrepreneurs are recommended to find opportunities that rely on technology to disrupt the monopolies. Within the context of the Fourth Industrial revolution, entrepreneurs should foster to acquire technological knowledge and seek innovation based on technology in order to disrupt monopolies and establish themselves.

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