

# FACTORS FOR THE SUSTAINABILITY OF IMMIGRANT-OWNED SMALL CRAFT BUSINESSES IN CAPE TOWN: A GROUNDED THEORY STUDY

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## ABSTRACT

*Sustainability is a concept that has recently gained significant interest in a wide spectrum of fields including management and business sciences. Despite this situation, few of these studies have been focused on the sustainability and growth of small immigrant owned craft enterprises in Cape Town, South Africa. In addition, national policy on entrepreneurship has not considered the sustainability of immigrant entrepreneurs adequately. This problem has been compounded by the existence of limited theoretical models and frameworks to inform policy on immigrant entrepreneurship. In this paper, the concept was explored against the high failure rate of small business in South Africa. This study focused on immigrant owned small craft enterprises in Cape Town given that Cape Town is a key tourist attraction area where crafts contribute immensely to the city's growth. The aim of the paper was to explore the factors that can be considered for the growth of the small craft enterprises owned by immigrants in Cape Town. The grounded theory methodology anchored on interviews was adopted. The study found that there are personal traits, social drivers, institutional drivers, technology adoption factors and shock resilience drivers that promote the sustainability and growth of the immigrant owned small craft enterprises.*

**Keywords:** Sustainability, Small Businesses, Craft Entrepreneurship, Immigrant Enterprises.

## INTRODUCTION

Sustainability, an ethical construct that encapsulates inclusive existence (Gomis et al., 2011) is receiving considerable interest in a range of disciplines that included business management (Masocha & Fatoki, 2018). The importance of sustainable practices has been well documented in many academic and professional fields (Iwu et al., 2015). In the study of small businesses, elements of sustainability have been found to include the conduciveness of the economic environment (Bruwer & van Den Berg, 2017), coercive isomorphism (Masocha & Fatoki, 2018) and other non-financial dimensions (Lose & Tengeh, 2015). Despite these findings, the failure rate of small businesses remain high with an estimated seventy five percent (75%) of them collapsing in the first forty two (42) months of establishment.

### Background to the Study

As in many countries, immigrants in South Africa often establish their own small businesses after failing to find employment. Most immigrant-owned enterprises in South Africa

are survivalist and micro and these enterprises seldom grow from this status to formal small and medium enterprises (Hay, 2008; Khosa & Kalitanyi, 2014). Few studies have considered the case for the sustainability of immigrant owned small enterprises in the South African context with particular reference in Cape Town. South Africa occasionally suffers from xenophobia and calls to reveal the equity laws so as to favour businesses owned by South African citizens as opposed to those of immigrants. The growth and sustainability of immigrant-owned craft enterprises is a complex phenomenon. There are many factors within an economy that tend to stunt the growth of immigrant-owned enterprises. It is believed that the entrepreneurial orientation (culture, family and role models, education, work experience, and personal orientation), supportive environment (Infrastructure, business development services such as business advice, counselling, mentoring, finance, training, incubators), and cooperative environment (Universities and other educational institution, large firms and non-governmental institution) affect entrepreneurial development (Nieman & Nieuwenhuizen, 2009). Such factors need to be meticulously explored and understood, so that a framework for the growth of immigrant-owned craft enterprises can be constructed.

### **Objectives of the Study**

Given the above, the present study was formulated to explore the factors for the sustainability of immigrant – owned small craft businesses in Cape Town using a grounded theory methodology. Essentially, the study was formulated to achieve the following objectives: (1) describe the growth and sustainability of selected immigrant owned craft enterprises in Cape town (2) explore the factors that can be considered for the growth of the small craft enterprises owned by immigrants in Cape Town.

## **METHODOLOGY**

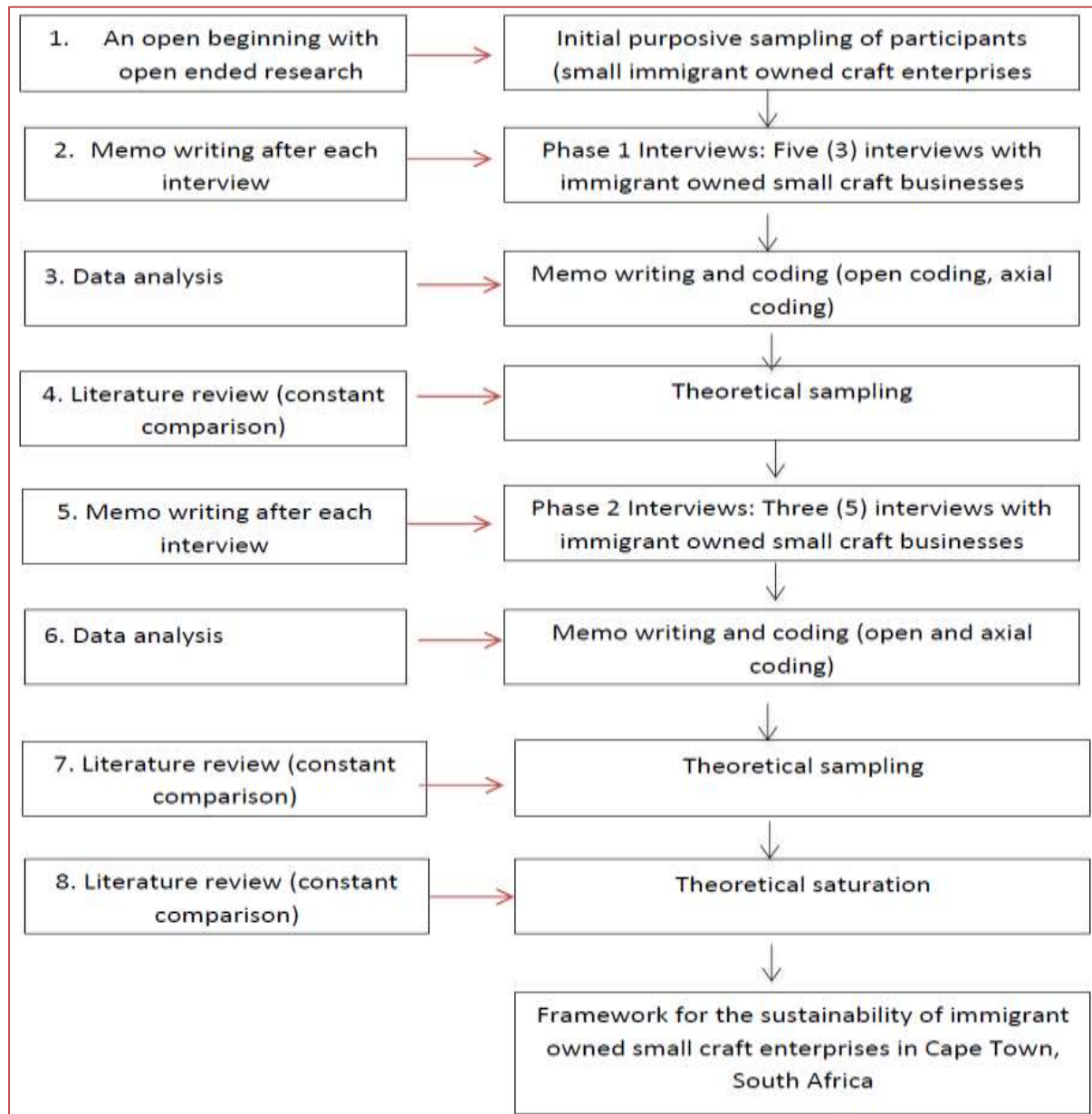
The research design that was followed to achieve the objectives stated above is explained in the paragraphs below

### **Research Design**

Given the limited scholarship available in relation to the growth and sustainability of immigrant owned craft enterprises in Cape Town, a pragmatic research design was deemed suitable. Pragmatism is a flexible approach to research that allows the researcher to explore emerging trends and follow multiple options (Bryant, 2017). The study adopted Glaser and Strauss's (1967) grounded theory research design to which is follows pragmatism through the constant comparison of emerging data and literature. Grounded theory methodology denounces the use of hypotheses and detailed research questions as the starting points for research (Bryant, 2017). It is based on the careful analysis and study of data and basing any knowledge based on the data. Consequently, Grounded theorist follow a pragmatic approach that emphasis an open mind (Bryant, 2017). The traditional way of classifying research designs involves classifying them as quantitative, qualitative or mixed. The grounded research design which was followed in the research was qualitative in nature as it sort concepts and categories as factors for the growth and sustainability of immigrant owned craft enterprises in the cape town area.

### **Designing the Grounded Theory Study**

The design of this study followed the approach and phases shown in Figure 1 and which are explained in the sections that follow



Source: author's construction

**FIGURE 1**  
**THE PHASES FOLLOWED IN THE STUDY**

### Sampling Participants

The selection of participants in grounded theory methodology often starts with purposive and convenience sampling and is then followed by theoretical sampling (Bryant, 2017:32). The purposive sampling strategy denotes the selection of participants based on their fit for the purpose of the study. Researchers often start by considering the sampling frame from which respondents and participants can be selected. In this particular study, the actual size of the sampling frame was unknown given that the craft market is highly fragmented and dominated by small players. The study sought the sustainability of immigrant owned small craft businesses in the Cape Town area. As such owners of immigrant owned small craft enterprises from major craft markets were approached to participate in the study. The four major markets from which many immigrants operate are: Green market square, Stellenbosch craft market, Hout Bay craft market and Franschoek Craft Market. Participants who were selected from these markets were approached to seek their convenience and their capability to provide the required information. At the end, eight participants participated in the study. As described by Glaser and Strauss (1967), theoretical sampling involves collecting, coding, analysing the data and deciding data that is to be collected next. Theoretical sampling involves three main activities, namely: open sampling, relational and variational sampling and discriminate sampling (Strauss & Corbin cited in Su, Jenkins and Liu, 2011).

	<b>Age</b>	<b>Years as owner of the business</b>	<b>Country of origin</b>
<b>Participant 1</b>	45 years	20 years	Zimbabwe
<b>Participant 2</b>	Not provided	More than 15 years	Cameroon
<b>Participant 3</b>	Not provided	15 years	Not provided
<b>Participant 4</b>	Not provided	13 years	Cameroon
<b>Participant 5</b>	36 years	More than 5 years	Nigeria
<b>Participant 6</b>	40 years	19 years	Namibia
<b>Participant 7</b>	30 years	5 years	Zambia
<b>Participant 8</b>	43 years	20 years	Malawi

## **Interviews**

According to Glaser and Strauss (1967), the grounded theory process involves simultaneous data collection and analysis which is also performed iteratively. The main data collection strategy adopted for the study relied on interviews. Carmichael and Cunningham (2017) stated that grounded theory based interviews often start with a small purposively selected sample from which data is collected, analysed, compared with the literature and coded.

The interview instrument that was used in the study followed guidelines from Carmichael and Cunningham (2017) who stated that interview guides in grounded methodologies are purposive. The objectives of the study formed the basis for designing the research instrument. As suggested by grounded methodology theorists, the interview guide was open ended with a items formulated from the study objectives. To validate the interview guide, it was discussed by a panel of researchers from a reputable institution of higher learning in Cape Town. The panel of academics suggested certain changes which were made before its final approval. From this stage, the instrument was piloted by interviewing three immigrant owners of craft enterprises in another city. The participants of the pilot study did not participate in the main study. The pilot interviews result in further development of the interview guide before it was deemed suitable for the study.

The results of the initial interviews then guide the next stage of interviews. Data collected from the second round of interviews is also analysed and compared with the literature and become the basis for the next stage. This process continues until the stage of theoretical saturation is achieved. The theoretical saturation stage is one in which no new data is emerging and a clear and consistent pattern has been observed. The first interviews collected for purposes of this study involved participants (P1), participant 2 (P2) and participant 3 (P3) from Table 1. The interviews were in-depth and three open questions were asked. Respondents were allowed to provide as much information as they wanted on the three questions. Related issues to each of the questions were explored. The three questions asked were: (1) What are the factors affecting the growth or sustainability of your business? (2) What can be done improve the sustainability and growth of your business? and (3) what kind of assistance would you want to ensure growth and sustainability of your business?

## DATA ANALYSIS

Glaser and Strauss (1967) explained that data analysis within the grounded theory methodology involved a system of coding, memoing, theoretical comparison and comparative analysis. The sections below outline the coding process, memo writing and theoretical sampling activities that were followed during the data analysis process.

### Initial coding

Lambert cited in Bryant (2017) opined that Codes capture patterns and themes and cluster them under an evocative title. In other words, codes allow the movement from large descriptions of phenomena to certain brief clusters. A coding chart was prepared to analysis the responses from the interview. An excerpt of the coding chart is shown below Table 2.

<b>Table 2</b>	
<b>Excerpts from the coding chart</b>	
<b>Question 1: What are the factors affecting the growth or sustainability of your business?</b>	
P1	<p>“...There are numerous artist and craft shops in Cape Town that makes it difficult to succeed in this business...”</p> <p>“..Yes, many artist copy and paste my product and it affect my sales...”</p> <p>“...You grow craft enterprises by embarking on effective planning, organising the business, motivating employees and monitoring the stocks often. Also, following the trends in the markets and producing high quality quality...”</p>
P2	<p>“...One of the challenges is permit issues by the municipality official, and Home affairs official, it takes long to process and renew and lack of support from government...”</p> <p>“...Lack of enough spots in prime and strategic market place. For example, lack of training facilities, lack of financial assistance to immigrant whereas the South African government through SEDA assist native born South African...”</p>
P3	<p>“...The first thing opening an account is difficult you can't open an account with a passport the bank requires you to have lot of money to have a business permit so its a challenge...”</p>

	“...getting permits is also a big challenge to immigrants...”
Question 2: What can be done to improve the sustainability and growth of your business?	
P1	“...keeping my secrets and producing high quality work..”  “...Yes, for example the winelands we have visitors who come for wine testing I paint wine related artwork...”  “...I do the best for them make sure when they buy I give them business cards to keep in touch with them informing them of new work.
P2	“...I grow my craft by getting the best products by the artist, managing the relation with suppliers, employees, and the banks. I have a strict policy on cash follow, and mating low inventory level in my shop at all time...”  “...I am a very strict manager very organised and result oriented. I utilised autocratic managerial styles, all the decision come from me. This style of leadership is the best leadership in this business...”
P3	“...Yes, I have custom made products which I monopolize on. I always make sure I sell unique product in Stellenbosch. I always advise my suppliers to keep on improving the design and quality of their products...”
Question 3: What kind of assistance would you want to ensure growth and sustainability of your business?	
P1	“... Yes, I need an accountant who assist me with my books. I also need a book keeper who does my books every six month, they will help me a lot...”  “...Yes, for example, last time when I bought skin products and when I wanted to apply for my second shop I had to seek the services of a professional advisor to assist with my tax documents
P2	“... there is need for recognition from the government and the society that as immigrants we also play a key role for the growth and development of the society and to national economic development...”
P3	“...we need protection from the police, we need to be united as immigrant owned craft businesses and also we need to be effective business managers...”

## Memo Writing

After the first interviews, memo writing was considered as part of the analysis process. The memos were used to increase understanding of the findings deduced from the interviews. The memo was also written with constant comparison with sustainability literature and other scholarship which was found to be relevant for the purpose of the study. The initial codes created were then considered for further analysis during the next phase of the interviews

## Second Phase Interviews and Theoretical Sampling

Second phase interviews were conducted with five owners of small immigrant owned craft businesses. These interviews were based on the three questions from the previous interviews but with more emphasise on the expansion and clarification of the codes that were generated from the previous interviews. During this phase, it was observed that the point of theoretical saturation has been reached since most of the data being collected started resembling and reflecting each

other after the sixth interview was conducted. In other words, it was observed that no new codes were emerging (Table 3).

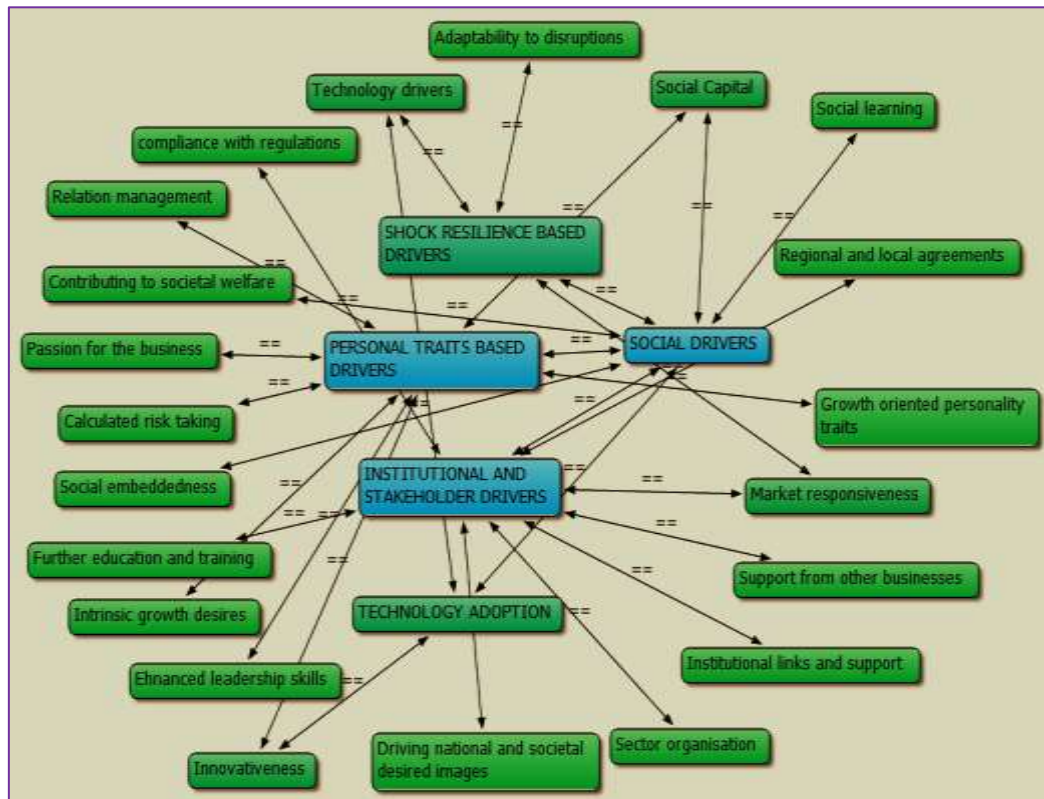
<b>Codes and categories from the data collected</b>	
1. Calculated risk taking	Personal traits based drivers
2. Enhanced leadership skills	
3. Passion for the business	
4. Innovativeness	
5. Intrinsic growth desires	
6. Growth oriented personality traits	
7. Ambition	
8. Social embeddedness	Social drivers
9. Social capital	
10. Relationship management	
11. Driving national and societal desired images	
12. Social learning	
13. Contributing to societal welfare	
14. Cultural fit	
15. Government assistance	Institutional and stakeholder drivers
16. Institutional links and support	
17. Sector organisation	
18. Compliance with regulations	
19. Further education and training	
20. Regional and local agreements	
21. Support from other businesses	
22. Technology adoption	Technology drivers
23. Market responsiveness	Shock-resilience based drivers
24. Adaptability to disruptions	

## DISCUSSION OF FINDINGS

An analysis of the memos, the codes created and the constant comparison of the codes with the literature established some categories and axial codes for the study. These are then presented in the code network diagram shown in Figure 2.

Objectives of the study were to: (1) describe the growth and sustainability of selected immigrant owned craft enterprises in Cape town (2) explore the factors that can be considered for the growth of the small craft enterprises owned by immigrants in Cape Town. The codes that are found in figure shows the factors that are important for the sustainability and growth of immigrant owned craft enterprises in Cape Town. As shown above, personal traits based drivers, social drivers, institutional and stakeholder drivers as well as shock resilience and technology adoption based rivers were found to be important factors in ensuring the sustainability and growth of immigrant owned craft small business. The recognition that personal characteristics of the entrepreneur play a big role in determining growth and sustainability in business is widely identifiable in the literature. Personal characteristics should be seen both from a hereditary perspective and a nurture perspective. It was also found that personal traits tend to affect the ability to successfully take advantage of the other drivers. There are some attributes which some entrepreneurs are simply endowed with which tend to favour successful business management. These can be acquired or in – born. In addition, a number of themes emerged which had a social

orientation and how such positively influence the growth and sustainability of the craft immigrant owned business. These included the role of friends, family, relatives and simple social interactions and networks that ended up playing a role in driving the success of the craft immigrant owned business. All the information provided by respondents which had a social perspective were coded in this category. Institutions and structures of government both local and external were noted to have an impact on the growth of micro immigrant owned enterprises. It was realised that the micro businesses required support. The need of support was widely observed both in the literature review and in empirical section. It should be observed that, the nature of the interactions between the drivers of growth and sustainability that have been established is holistic rather than linear. As such the key finding of this study is that immigrant owned small craft enterprises should view their situation and growth within a holistic and systems view. The components of this systems model need to be manipulated holistically in order to ensure the required sustainability of the enterprises.



Source: Author's construction

**FIGURE 2**  
**CODE NETWORK DIAGRAM FOR FACTORS FOR THE SUSTAINABILITY OF**  
**IMMIGRANT OWNED SMALL CRAFT ENTERPRISES**

**CONCLUSION**



This study into factor for the growth and sustainability of immigrant owned small craft enterprises has provided important factors that include the development of effective strong social skills, the establishment of institutional support, adoption of technology, resilience and the development of various personal traits that are necessary for growing and sustaining their businesses. These findings have implications for practice, policy and theory of entrepreneurship, small business development, business incubation and immigrant craft enterprises. The study has provided factors for immigrant craft business practice as well as widened the theory available for immigrant craft businesses. The findings have called upon the policy makes to attend to certain variables to foster the growth of immigrant craft business for economic development. The study was based primarily on qualitative data within the grounded theory technique for theory development. Future studies should broaden the study spatially and also employ different study designs among different participants to foster a holistic interpretation of the issues that face the immigrant small craft entrepreneurs.

### FUTURE RESEARCH

Future researcher is expected to consider the sustainability and growth of immigrant owned craft enterprises on a larger scale such as in the Southern Africa region. The capability of immigrant owned craft enterprises in contributing to regional growth is also an area that could require further inquiry. Lastly, the involvement of female craft entrepreneurs could also be an important area for future research. Future studies can also employ a different research methodology such as an ethnographical technique to ensure full understanding of immigrant owned craft enterprises.

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