

# **Wholesale & Retail**

## **LEADERSHIP CHAIR**

*Collaboration opens the window to a world of opportunities*



Cooperative relationships:  
a channel for sustainable female-  
owned informal retail businesses  
in Khayelitsha (Cape Town)

A SUMMARY

*Worryingly, the probability of small businesses like these not making it past the first year of operation is as high as 70%-80%.*



## INTRODUCTION

Despite the fact that the number of female-owned businesses is increasing rapidly, there is a tendency, in less sophisticated markets, for them to be restricted to the informal sector and to involve themselves in mostly survivalist business. Worryingly, the probability of small businesses like these not making it past the first year of operation is as high as 70%-80%.

Among entrepreneurial populations, the number of female-owned businesses is increasing faster than male, as more and more women open businesses. The fact remains, however, that overall there are still far fewer female owned businesses than their male-owned counterparts.

### The nature of the business

Among women, market trading, street vending and the provision of services are the most common business activities. In favour of such endeavours are flexibility and low start-up requirements. On the down side is relatively meagre revenue generation. Nevertheless, such activities play a vital role in supporting the family care burden as it provides a regular income stream.

According to research, actions carried out by individuals within cooperative relationships (CRs) assist in the achievement of community goals to a greater extent than when individuals work alone. And in sometimes chaotic markets, where not everybody has access to the same market information and resources, CRs become more vital than ever.

### Social capital

In studying the CR phenomenon, the concept of social capital (SC) is of great significance and is defined as 'the ability to secure benefits through membership in networks and other social structures'.

## RESEARCH OBJECTIVE

In a world where 70% of the world's poor are women, and in which women are far more likely to use their income to support a family, factors that improve the sustainability of their businesses are of critical importance.

Referencing the CR and SC definitions, this study therefore set out to explore the use of CRs among female-owned, informal retail businesses in Khayelitsha (Cape Town).

## METHODOLOGY

A convenience sample of 186 female-owned informal business was selected, which delivered 173 usable questionnaires. The objectives of the study were made clear to all participants, as well as the fact that participation was completely voluntary.

In anticipation of low levels of education among participants, the researcher was responsible for asking the questions and completing the questionnaire. Data was collected at the participants' premises. Before commencing the study, ethical clearance was granted by the Cape Peninsula University of Technology Research Ethics Committee.





### Variables selected

Data on the following variables was collected: Cooperative Relationships (CR), Entrepreneurial Orientation (EO), business sustainability (years in business), business growth, business outlook, and Interpersonal Trust (IT) mostly using standardised 5 point Likert scaled instruments validated in the literature.






Respondents were also asked what type of resources they were supplied with by their various supporting networks, whether made up of family, friends or other informal businesses. Lastly, demographic information relating to age, education, and marital status was gathered.

## FINDINGS

The total number of usable questionnaires in the study was 173. The graphic below illustrates the key characteristics of the respondents.

<b>Age</b> 	<b>18 – 29</b> <b>10.4%</b>	<b>30 – 49</b> <b>53.2%</b>	<b>50+</b> <b>36.4%</b>	
<b>Education</b> 	<b>No matric</b> <b>45.7%</b>	<b>Matric</b> <b>35.5%</b>	<b>NDip/Degree/ post grad</b> <b>20.8%</b>	
<b>Marital status</b> 	<b>Single</b> <b>39.9%</b>	<b>Married</b> <b>50.9%</b>	<b>Widowed</b> <b>6.9%</b>	<b>Other</b> <b>2.3%</b>
<b>Years in business</b> 	<b>Less than 1 year</b> <b>6.9%</b>	<b>2 – 3 years</b> <b>19.7%</b>	<b>4 – 5 years</b> <b>21.4%</b>	<b>Longer than 5 years</b> <b>52%</b>

## Business and owner characteristics

<b>Business sustainability</b> 	<b>Number of years in business</b>	<b>Less than 5 years</b>	<b>48%</b>
		<b>Longer than 5 years</b>	<b>52%</b>
<b>Business Growth</b> 	<b>Selling more than 12 months ago</b>	<b>20% agreed 50.9% disagreed (mean = 2.7)</b>	
<b>Outlook for next 12 months</b> 	<b>Expect business to be operating in 12 months time</b>	<b>92.5% agreed (mean = 4.5)</b>	
<b>Entrepreneurial orientation</b> 	<b>Strong on new products, innovation, competitive, risk, fearless actions, R &amp; D</b>	<b>Just above average on scale of 1 to 5 (mean = 3.25)</b>	
<b>Interpersonal trust</b> 	<b>Whether most people are helpful and can be trusted or try to take advantage of you</b>	<b>Way above average on scale of 1 to 5 (mean = 3.81)</b>	

### Business sustainability:

Over half (52%) had been operating for over 5 years at the time of the study

### Business Growth:

"On a scale of 1 (False) to 5 (True), are you selling more now than you did twelve months ago?"  
Only 20.3% agreed while 50.9% disagreed.

### Outlook for next 12 months:

"On a scale of 1 (Very unlikely) to 5 (Very likely), how likely is it that you will still be running this business in the next 12 months?"  
92.5% felt they were likely to be running the business in the next 12 months.

### Entrepreneurial Orientation:

Determined to be slightly above average – not unexpected since many are entrepreneurs out of necessity.







### Interpersonal trust:

Recorded as being way above average - not surprising considering the social role of networks of family and friends.

## The nature of cooperative relationships amongst women

Civic organisation membership			People assisting in business		
		%	No.	% of respondents	
				Family members	Other traders
	Church groups	55.5			
	Stokvels	79.8	0	16.2	4.6
	Sports groups	4.0	1	13.3	4.0
	NAFCOC	3.5	2	23.1	15.6
	Other groups	52.6	3	27.7	24.3
	Don't belong to any	9.2	4	4.6	6.4
			5+	15.0	45.1

The most popular social networks that the respondents participated in were stokvels and church affiliated groups. The majority of the respondents reported receiving assistance from family members, mostly finance and labour, and finance and supplies from other traders.

Type of resources		From family members		From other traders	
		% Received	% Sought	% Received	% Sought
	Finance	48.6	11.6	60.7	14.5
	Tools & machinery	5.8	14.5	15.6	13.3
	Supplies (stock)	7.5	15.6	46.8	5.8
	Free labour	48.0	6.9	16.2	19.7
	Premises	2.9	19.1	6.4	28.3
	Other	52.0	63.6	64.7	53.2

*The study's findings point to the fact that most of the informal businesses were in fact sustainable. Furthermore, it was surmised that with appropriate support, their sustainability could be increased.*

## **In summary**

To understand how the various factors affect the sustainability of these informal businesses, the relationship between sustainability (measured by years in business) and the other factors (Entrepreneurial Orientation, interpersonal trust, business growth, and business outlook) was explored. Using Pearson's correlation the relationship between these factors was assessed. In summary, the sole factor exhibiting a statistically significant, positive relationship with Sustainability was Outlook. Business growth was also positively associated with outlook and entrepreneurial orientation at significant levels. Interestingly, trust was not found to be significant.

## **DISCUSSION**

The vast majority of the respondents were above the age of 29, with 57% of them being married or widowed. This suggests that the respondents were likely to have family responsibilities, and along with generally low levels of education, this probably necessitated their involvement in informal, survivalist businesses.

The study's findings point to the fact that most of the informal businesses were in fact sustainable. Furthermore, it was surmised that with appropriate support, their sustainability could be increased.

### **A sense of optimism**

A sense of optimism or 'positive outlook' was observed despite the respondents insisting that they were not selling more now than they did 12 months ago. A possible explanation for this contradiction is that the traders had no option but to remain positive and continue operating their businesses in order to support themselves and their families.

### **Distribution of critical resources**

Another key finding was that cooperative relationships, especially in the form of stokvels and church groups, are crucial for the success of small businesses as they are a source of social capital. This is due to the crucial role they play in the distribution to their members of information and other resources, such as financial, material, and emotional support.

Most non-business relationships, which focus on the financial, social, and spiritual wellbeing of the members, reflect weaker ties. They deal with contacts outside the family and close friends. This suggests an understanding amongst the respondents that to obtain some resources, they have to transcend family and friend networks.

In addition, because traders in the informal sector are generally not well resourced, it is also argued that success and sustainability can be made more likely through cooperative relationships.

## Recommendations



The highly prevalent form of CRs involving family and friends do not lend themselves to being formalised. However, the researchers suggest that the provision of formal, institutionalised CRs to support traders could be of assistance to build capacity amongst the traders and improve not only business sustainability, but profitability as well.



The importance of this suggestion becomes more apparent when the low levels of education and EO are taken into account. Therefore, business skills development appropriate to their lower levels of education would be empowering and important for business sustainability and growth.



Further, despite their self-reported positive outlook, most respondents indicated that their businesses were generating less sales compared to 12 months ago. This could be a sign of businesses in distress and in need of assistance. Developmental activities should target improving their outlook (i.e. how positive they are about the future of their business) as this was most strongly related to sustainability. In addition, other factors will clearly also contribute by providing access to the resources required for business sustainability and growth (e.g. information, finance, premises, and supplies).



A gap clearly exists for formalised, business-focused cooperative relationships to play a role in providing access to a more diverse resource pool. And, given the respondents' familiarity with existing cooperative relationships, their introduction is unlikely to meet with resistance.

## THE W&R SECTOR

W&R is the fourth largest contributor to GDP and the 30 000 tax-registered retail enterprises employ about 20% of the total economically active workforce according to Stats SA.

About 86% of registered enterprises in this sector are small and micro enterprises, 9.5% medium size and 4.5% large companies. Only 66% of operational retail traders are formally registered and contributing to the fiscus, suggesting there are over 100 000 informal (unregistered) traders in the sector accounting for 10% of national retail turnover.

The main employment increase has been in the informal /SMME sub-sector. This project is the twentieth research study conducted by the WRLC.

## **Wholesale&Retail** **LEADERSHIP CHAIR**

Cape Peninsula University of Technology Cape Town

### THE WRLC

The Wholesale and Retail Leadership Chair (WRLC) at the Cape Peninsula University of Technology (CPUT) was established in 2013, based on an initiative by the Wholesale & Retail Sector Education and Training Authority (W&RSETA) to contribute towards sector research and professional qualifications development at Higher Education levels.

A national survey report entitled Priority Research Needs of the South African Wholesale and Retail Sector marked the first step taken by the WRLC towards the creation of a basis for relevant research in this dynamic business sector.



Professor Mlenga Jere



Albertina Jere



Professor Roger Mason

The lead researcher is Professor Mlenga Jere, Academic Director of the Graduate School of Business at the University of Cape Town and Contract Researcher to the Wholesale & Retail Leadership Chair. His research team included Ms Albertina Jere of the Department of Retail Business Management, CPUT and Professor Roger Mason, Wholesale & Retail Leadership Chair, CPUT.

The full report is available at <http://wrlc.org.za/research-2-2/completed-research/>

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**Retail Business Management Department | Business and Management Sciences Faculty  
Room 2.2 Commerce Building, Cape Town Campus**

**Tel 021 464 7260 | Fax 086 680 9632 | Email [info@wrlc.org.za](mailto:info@wrlc.org.za)**