Factors that contribute towards informal micro-enterprises going out of business in Delft South, 2010-2015: a qualitative investigation

Andrew Hartnack and Rory Liedeman

Abstract

Little in-depth research has been conducted on the reasons why informal micro-enterprises in a township context in South Africa fail. Moreover, existing literature tends to focus solely on enterprise factors and deficiencies in business skill of enterprise owners. What has often been ignored, however, is a more holistic examination of how both enterprise-level challenges and deficiencies, and factors related to the household and broader socio-economic contexts of enterprise owners intersect to contribute to enterprise failure. Arising out of a wider longitudinal study of micro-enterprise in Delft South between 2010 and 2015, this paper provides a qualitative investigation of the reasons why some enterprises first identified in 2010 were subsequently closed by 2015. The paper presents evidence that among micro-enterprises which were operational for several years, a combination of broader socio-economic constraints (e.g. new forms of competition; increasing state regulation; crime and neighbourhood conflict) and unexpected household "shocks" (e.g. family sickness; death; imprisonment, retrenchment) play a crucial role in enterprise closure, in addition to deficiencies in business models or inadequate management skill. The paper also calls into question a simplistic and decontextualized understanding of enterprise "failure" since, for enterprises such as those included in case studies, despite their eventual demise there have been important benefits in household upward mobility, skills and educational acquisition, infrastructure and asset improvement over the life of the enterprise. Furthermore, their owners are often looking for fresh opportunities to start new enterprises where they can apply the skills and lessons they acquired in their previous businesses.

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1. Introduction

Although participation in the informal sector is becoming an ever more important livelihood choice in impoverished urban communities, there is still a paucity of research on informal township micro-enterprises in South Africa (Neves and du Toit 2012: 130) and on their viability, sustainability and/or failure in particular. Studies on township enterprise viability which have been conducted (e.g. Hutchinson and de Beer 2013; Ligthelm 2010; Maas and Herrington 2006; Rolfe et al 2010) have tended to focus on business-related factors (internal and external to the enterprise) contributing to enterprise success or failure, such as the owner's levels of education, entrepreneurial acumen and managerial skill; access to capital and networks; and ability to adapt to business competition. Such literature, which is often from the perspective of the business and management sciences, tends to foreground "impersonal market logic" and valorise a narrow entrepreneurial economic rationality "predicated on rational, self-interested, utility-maximising individuals" (Neves and Du Toit 2012: 132). Within such analyses, enterprise failure is often seen as a result of a deficit (often framed in cultural terms) of the above attributes.

Such a focus often comes at the expense of an analysis of complex and highly context-specific social/communal and household factors which both inform the nature of participation in informal economic activity in the first place, and contribute greatly to enterprise success or failure over time. Moreover, a narrow focus on individual competence and business-related factors alone excludes a focus on the many stated and unstated rules which are "a function of the economic, regulatory, social and cultural context within which informal business must operate" in township settings (Morris 2006: 32). Such "rules of the game" (ibid.), which include local expectations around acceptable business practice, and regulations on overt profiteering, have a profound impact, often limiting, on micro-enterprises operating in a township context (see also Charman et al 2012: 51). While all businesses face economic/social constraints and regulations, small, family-run, survivalist informal-enterprises embedded in a township context are particularly vulnerable to such locally-grounded extra-business constraints and challenges.

This article seeks to provide a qualitative examination of factors contributing to informal micro-enterprise closure/failure, focussing not only on micro and macro-economic and business-related factors, but also on the often neglected but crucial factors embedded in the

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social and household contexts of township entrepreneurs, and the ways in which these actors interpret such factors. This approach is informed by the important argument made by Neves and du Toit (2012: 132) that it is crucial to examine dynamics of both household and enterprise, and the link between the two, to fully understand informal township enterprises and their success or failure. The findings presented below are based on fieldwork conducted in Delft South / Eindhoven, one of the first mixed-race townships on the Cape Flats, between June and August 2015. This research was a component of a re-survey of the site, which was comprehensively surveyed by the Sustainable Livelihoods Foundation (SLF) in 2010/11 (see (Charman, Petersen and Piper 2012; Charman and Piper 2012; Charman and Petersen forthcoming).

In 2010/11, SLF commenced the Formalising Informal Micro-enterprises (FIME) research project. The aim of the project was to understand the spatial distribution and contextual dynamics of informal township micro-enterprises. Delft South was the first of five Cape Town sites included in the survey. SLF pioneered a new methodological approach for researching the informal township economy, an approach which they took to two further sites in Gauteng, one in Durban and one in the Free State over the next five years (see Charman et al 2015).

The 2010/2011 FIME research involved a survey of informal micro-enterprises in Delft South, resulting in the identification of almost 900 micro-enterprises, of which the spatial position of each was recorded and most were photographed. In-depth interviews were undertaken with 287 businesses owners in the sectors of spaza shop retail, educare and liquor trading. The researchers learnt, from the in-depth interviews and other qualitative methods, of pressures confronting small businesses in Delft. Some of these pressures affected particular sectors, but not all enterprises. In the spaza sector, direct competition between firms situated within close proximity, where price reduction was used as the main strategy of competition, was substantially affecting smaller shops (Charman et al 2012; Charman and Piper 2012). A subsequent investigation of this inter-firm competition in the spaza shop sector, using qualitative methods in a sub-section of the Delft research site, found that many of the smaller, South African run, shops had closed down (Liedeman 2013). Liedeman's research found that, whereas in May 2011 there were 17 South African shops within the sub-area of the bigger study site, a year later only five remained in business. The main reason for these businesses to stop trading, according to Liedeman, was their inability to compete against more price competitive, better networked, spaza businesses within the same geographic market space, particularly those run by traders of foreign origin (see also Liedeman et al 2014).

In the liquor sector a different story emerged (Charman et al 2013). The main pressure on businesses was the regulatory requirements for obtaining a liquor licence, with the licencing conditions framed to specifically exclude informal traders operating in a residential context (as opposed to along the high street). Unlicensed businesses faced on-going police raids with the consequence that the business owner could be arrested and prosecuted and have their stock confiscated. Despite the significant risks confronting unlicensed liquor traders, a large number of enterprises remained functional. The researchers found that established liquor trading businesses had adopted various strategies to avoid these risks, including downscaling their operations, whilst new informal and unregistered businesses were opening up despite the unfavourable environment (Charman et al 2013).

Despite the significance of these internal and external business-related factors in enterprise closure, the researchers found that many informants' explanations of business closure did not relate only to pressures on the business itself, but also/rather to more direct factors affecting the household. In both the spaza and the liquor sector cases in Delft South that were studied there was evidence to indicate that business demise was partially influenced by events at the household level which can be conceptualised as "shocks", a concept originally advanced by Binswanger and McIntire (1987). This paper seeks to contribute to an understanding of the reasons why informal micro-enterprises in a township context go out of business, through an investigation of these non-firm influences, especially shocks on the business (such as crime) or household (such as death, indebtedness etc.), as well as firm-level dynamics (such as competition, regulation or deficits in business management skills). Shocks can be exogenous and covariate, affecting the community at a generalised level such as sudden changes in prices of goods or natural disasters (flood, fire), or idiosyncratic in that the shock affects individual households (ibid.). The latter shocks impact on the family/household and are often caused by death, disability, disease or indebtedness. A central issue, therefore, relates to the resilience of the household to withstand idiosyncratic shocks, and a significant knowledge gap in the literature relates to whether informal enterprises which fail, do so because they are unable – for various reasons – to respond successfully to such shocks.

2. Methodology

2.1 Research questions

The topic of household coping abilities and strategies among "family"-reliant informal micro-enterprises has not been thoroughly researched. Moreover, there is little insight in the literature on whether shocks to the household/business result in a refocusing of efforts to get back into the informal sector or indeed the formal labour market. Besides investigating the reasons for business closure, this paper thus seeks to provide insight into the ways in which households cope after the closure of an informal business on which they were reliant.

The research set out to examine the following five questions:

- What business related factors had a direct impact on the decision to close the business and stop trading? Factors explored included changes in operating costs (including labour costs, electricity, asset replacement and business rental); business competition (informal local businesses and large businesses); labour disputes and conflict; changing market conditions (where products / services become obsolete); regulatory barriers (access to licences); law enforcement (by-law compliance, regulatory compliance, bribery); business debts and exit opportunities.
- What household related factors either influenced this decision or prevented the business owner from reviving the business? Furthermore, is household vulnerability a determining influence on business resilience? The following sub-questions were important: household indebtedness; social and cultural obligations (funeral costs; memorial costs; weddings; accommodating relatives); fines, police harassment or imprisonment of household

members; loss of non-enterprise household income streams through changes to family structure (separation; siblings moving out); loss of access to welfare transfers; and household consumption of business assets/stock.

- What other factors (social/community/jealousy, for example) impacted on either business or household resilience? The following sub-questions were explored: impact of crime and or violence on the business or household; competing investment decisions within the household (for example, school fees verses restocking); and conflict with business competitors or neighbours.
- What was the relative weighting of these influences and are there any trends across different business sectors?
- What coping strategies has the household / business owner pursued to compensate for the loss of income?

2.2 Research approach

This investigation formed part of a larger research project on the informal economy of Delft South carried out between June and August 2015 by a team of researchers (including Hartnack and Liedeman) from SLF. In the wider study, all identified enterprises operating in the site were geospatially recorded and structured interviews were conducted with all available owners/operators, or employees (see Charman and Petersen forthcoming). The study on enterprise closure formed a sub-component of this broader research and was designed as a qualitative in-depth exploration of the reasons why informal enterprises in the study site fail. A small number of up to 20 case studies was therefore envisaged for full interviews. The potential case studies for this qualitative investigation were identified during the FIME Delft South re-survey and the in-depth interviews were conducted (by Hartnack and Liedeman) in September 2015, after the FIME Delft South re-survey had been completed.

To gain a broader perspective on business closure in Delft South and add context to the data that would emerge from this qualitative study, the FIME research team (which both authors were leading) endeavoured to map all enterprises from the 2010/11 data found to be closed and investigate the reason for such closures. Using geospatial data from the 2010/11 FIME research, the researchers in 2015 therefore recorded which enterprises had subsequently closed in the preceding four years. Physical maps showing enterprises from 2010/11 were carried in the field, and where an enterprise was found to be absent in 2015, this was noted on the map for later collation.

This physical mapping process was successful in documenting closed enterprises across a range of sectors, but for some sectors – notably liquor retail and grocery retail – this method was found to have limitations. For example, in certain streets where it was known that a shebeen had existed in 2011, residents would be unable or unwilling to reveal if this enterprise still existed, making it difficult to judge if it was in fact closed or not. In the grocery retail sector, constant changes of location and ownership also made confirming whether or not a specific enterprise still existed challenging. In other cases, enterprises had been so small, ephemeral or mobile that local residents had no recollection of them. Ultimately, 187 micro-enterprises that had been identified in 2010/11 were found to be closed in 2015.

During the course of the FIME fieldwork it became apparent that while closed enterprises could be identified and mapped to some degree of certainty, actually speaking to their former owners was often impossible because they had subsequently moved away or died, and neighbours were often unable or unwilling to provide information on their whereabouts.[2] This in itself is an important finding, pointing to the fluidity of informal sector activity and residential location over time. Nevertheless, aside from mapping closed informal enterprises of all kinds during the FIME 2015 resurvey, basic information relating to the reasons behind the closure was obtained for as many as possible, either from the former owner or (most often) from neighbours.

Having mapped as many closed enterprises as possible during this FIME re-survey phase, Hartnack and Liedeman then selected 20 for in-depth interviews across a variety of sectors. However, even locating the owners of these enterprises proved difficult, for the reason that people had moved away or died in the preceding four years. Ultimately, in-depth interviews with the owners of 19 closed informal enterprises (13 individuals) were possible within the time-frames of the research (some individuals had operated more than one enterprise). Thus, 10 per cent of the 187 businesses found to be closed during the re-survey were included in in-depth case-study interviews. Although the researchers tried to include a slightly higher number of in-depth case studies, this proved difficult as many former enterprise owners proved evasive, or were unable to give interviews due to ill health, death, time constraints, work commitments outside Delft or their current residential location away from the site. These challenges aside, in-depth case studies were, as far as possible, purposively chosen to represent an array of enterprise types in which the FIME 2015 re-survey had identified high numbers of closures. However, enterprises from the grocery retail sector (spazas/tuck shops/house shops) ended up making up almost half of the case studies, not only because there was a high number of closures among such enterprises, but because the owners of such enterprises tended to be more readily available and willing to participate than others (see Table 1).[3]

Table 1: Sectors and numbers of interviews

Business	Number included in full interviews
Grocery Retail (spaza/house shop/tuck shop)	9
Liquor retail (shebeens)	3
Take-aways	2
Educares	2
Green grocers	1
Transport	1
Games shops	1

[2] From the outset, only former business owners still living in Delft South were targeted for interviews due to cost and logistical constraints.
[3] A concerted effort was made, for example, to include the former owners of auto-mechanical enterprises and phone shops, but it proved impossible to identify and trace the whereabouts of the owners of these former enterprises.

The methodological challenges described above also meant that those eventually included tended to be a particular kind of entrepreneur. In other words, because survivalists who had only been in business for a short while or at a very small scale were untraceable, the final group of case studies mostly included slightly larger and more visible (i.e. obvious business infrastructure and signage) former informal enterprises which had been running for longer and whose owners were still living in the same place in 2015. This group of case studies is therefore not representative of the whole story of enterprise closures – excluding especially very small, short-lifespan, survivalist enterprises whose main reason for closing down was probably deficiencies in capital and skill. Instead, as is apparent below, the case studies include mostly more sustainable enterprises, run by experienced entrepreneurs, which then went out of business due to a complex combination of profound business challenges, household-related shocks and social/community factors. This bias towards longer-surviving, larger enterprises, while not allowing an analysis of why smaller survivalist enterprises closed, does allow for an in-depth understanding of why larger informal enterprises in Delft South, which were more visible and more successful, closed down in the years between 2010 and 2015.

Interviews were conducted by the researchers with each case-study informant. These interviews were generally between 50 and 80 minutes long. The interview process utilised a comprehensive semi-structured questionnaire, designed to cover issues relating to all of the above research questions. Most questions were of an open-ended nature to obtain as much in-depth insight into both the specific question and other issues brought up in the course of the interview. Comprehensive notes were made by the researchers during each interview. In addition, most interviews were also digitally recorded, with the permission of informants, and relevant sections were transcribed for inclusion in the paper.

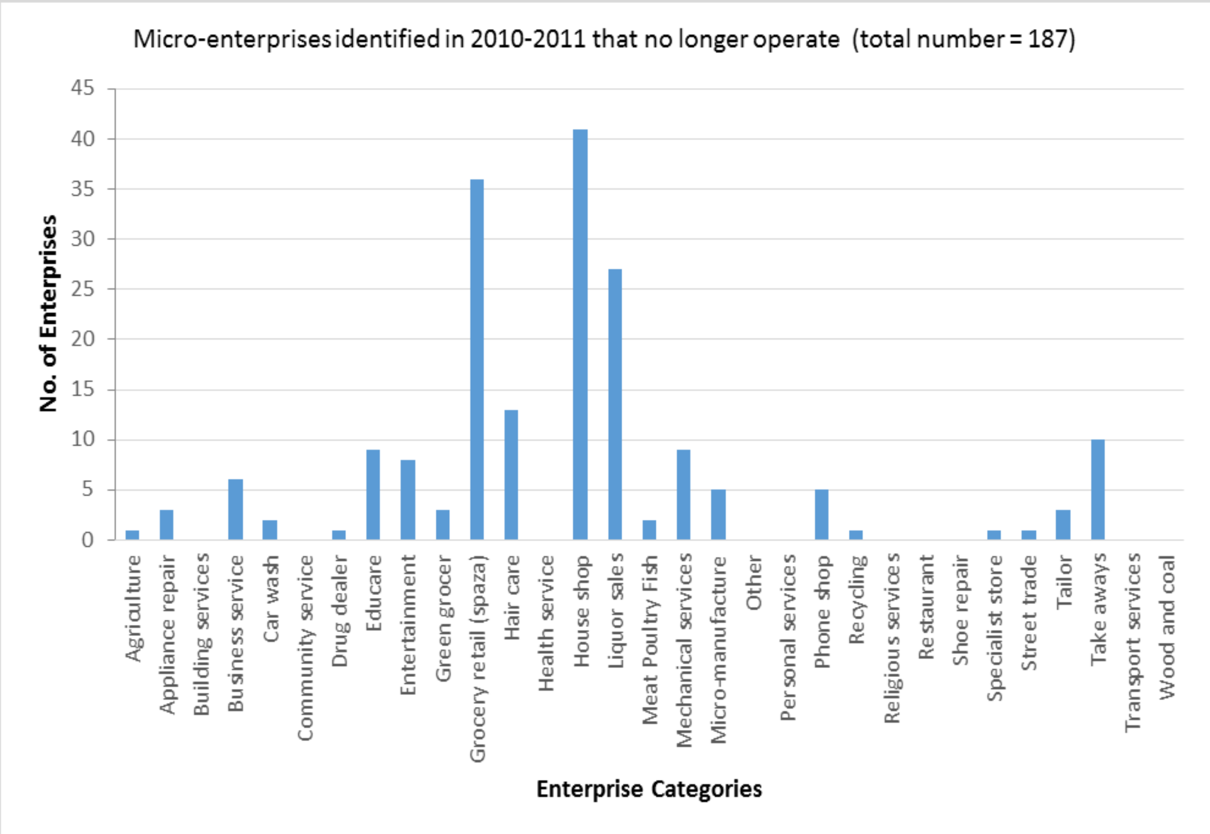
After the interview process both demographic and qualitative data from the questionnaires and recordings was captured to an Excel spreadsheet and analysed. This allowed for the case studies to be compared in terms of factors such as age, gender, language, location, business type, education and so on. In-depth case studies were also developed and issues emerging from each were analysed comparatively. In addition to the analysis of in-depth interview data, the spatial data of all enterprises found to be closed in the 2015 FIME re-survey were also collated and analysed. This allowed for the pattern of enterprise closures by sector and location to be analysed. The results of these analyses are presented below.

3. Enterprise entry and exit in Delft South 2010-2015: The bigger picture

Of the 879 enterprises identified in Delft South in 2010/11, a total of 187 were identified as having definitely closed by the time of the 2015 resurvey. These closed enterprises equate to 21.2 percent of the total number of enterprises identified in 2010/11. As indicated above, the method of working off physical maps and asking local residents to confirm if previously recorded enterprises were still operating had some limitations. Only those enterprises which were physically no longer there, or categorically confirmed as closed, were recorded as such on the map. The figure provided above is therefore likely to be an under-estimate, especially in the grocery retail and liquor retail sectors, where identification of enterprises is most difficult (for example for house shops) and there is a high change of physical location and ownership. Nevertheless, the analysis allows for a broad overview of patterns of enterprise closure by sector between 2011 and 2015.

As Figure 1 shows, the highest number of closures were recorded in the grocery retail sector. Thirty-six spaza shops and 41 house shops identified in 2010/11 were found to be closed in 2015; together making up 41 percent of the total number of closed enterprises. Liquor sales were found to have the third highest number of closures, at 27, while hair salons (13 closures), takeaways (10 closures) and mechanical services (9 closures) also experienced a relatively high number of closures.

Figure 1: Absolute number of micro-enterprise closures 2011-2015

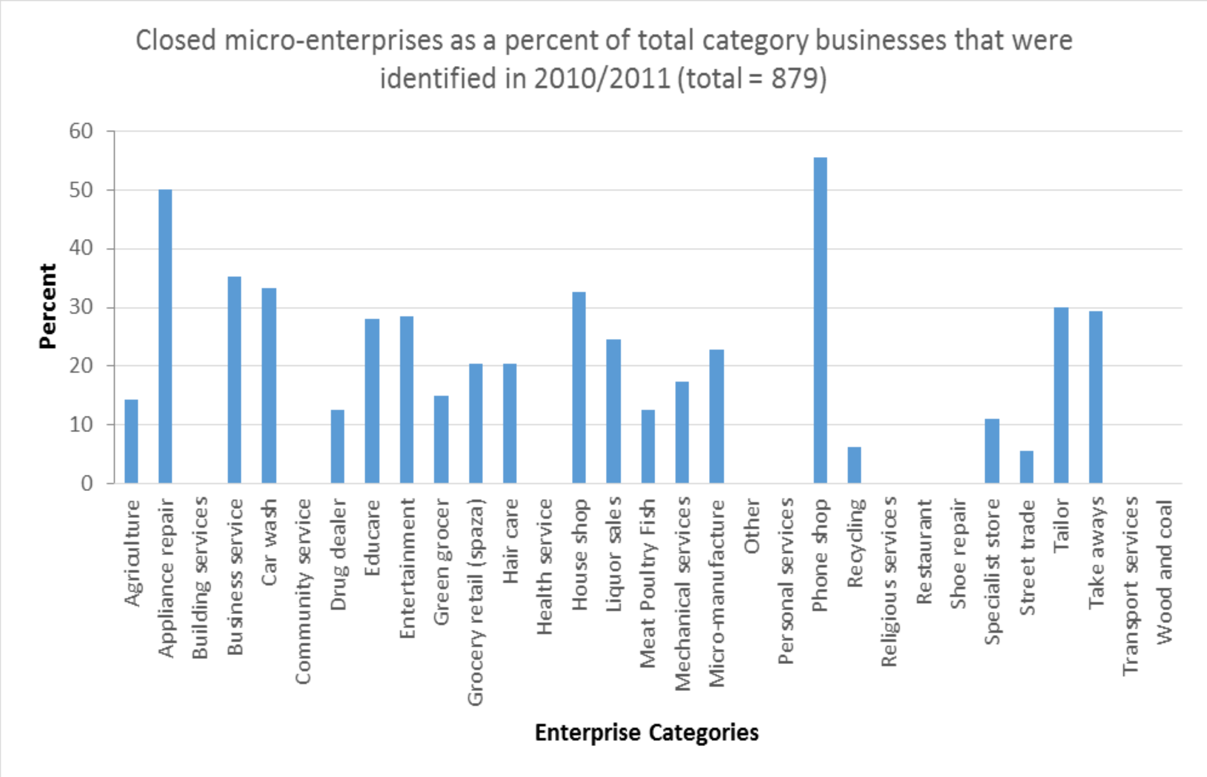


The significance of such closures only becomes apparent when they are considered as a percentage of the total number of enterprises found in each category in 2010/11, and relative to the overall closure percentage of 21 percent (even if this is probably an underestimate). Spaza shops, house shops and liquor sales no longer stand out, as can be observed in Figure 2. Instead, it becomes apparent that phone shops, appliance repair services, business services and car washes are the sectors in which the highest proportion of closures occurred. The five phone shops found to be closed in the 2015 re-survey represent a 56 percent reduction in the number of phone shops identified in 2010/11.[4] Likewise, appliance repair experienced only a small number of closures, but these represent a large proportion of those initially identified

[4] In fact, business closure in this sector is almost certainly much higher than this based on the fact that, while fieldworkers could not categorically confirm if the remaining four phone shops were still open in the site or not, no such businesses (old or new) were recorded during the 2015 re-survey.

(50 percent). Other sectors which saw a high proportion of closures relative to the numbers identified in 2010/11 were business services (such as copy shops), car washes, house shops, food take-aways, tailors, educares and persons providing entertainment, all of which experienced closures of around a third of the original businesses.

Figure 2: Closed micro-enterprises as a percentage of the total in business categories



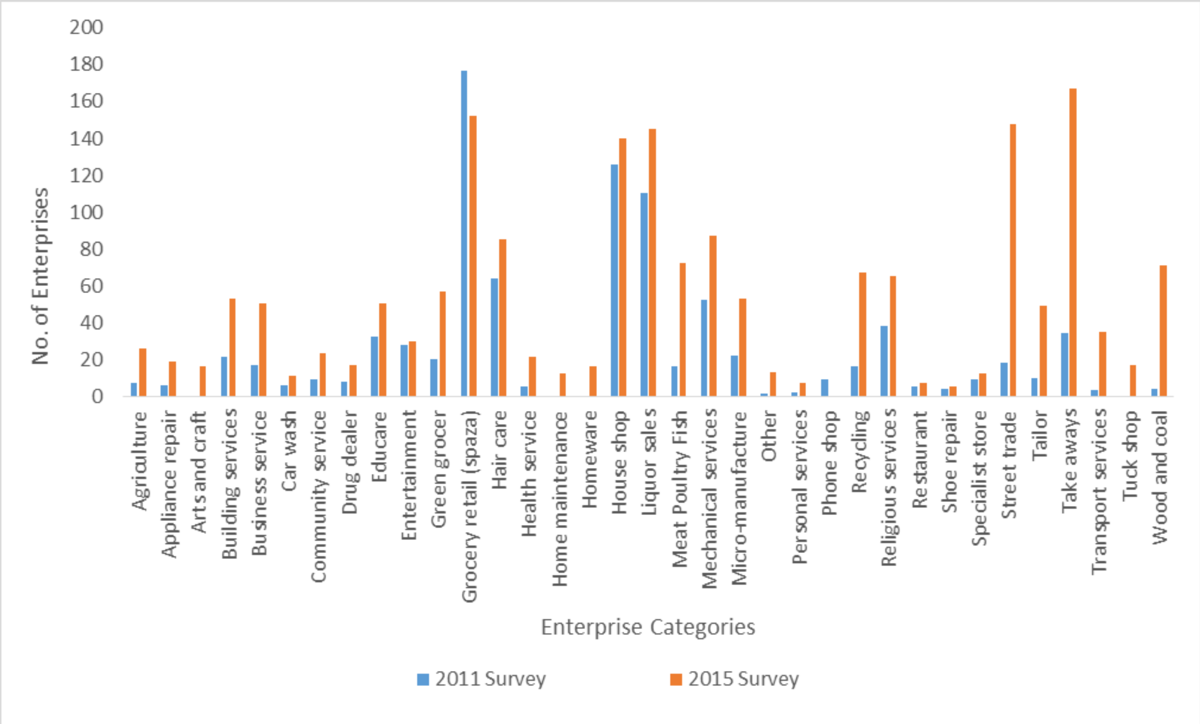
However, contrary to the approach taken by Ligthelm (2010), it is important in longitudinal micro-enterprise studies not to conflate a high proportion of closures among the initial research cohort with sector decline. The above figures do not necessarily point to an overall decline in certain micro-enterprises between 2010 and 2015, but rather to the levels of flux, ownership change and fluidity which is evident in the township informal sector. More specifically, assessing a sector is about both exit *and* entry. In other words, just because a certain micro-enterprise sector experiences a high degree of enterprise closure over time, this does not necessarily mean that other enterprises in that sector have not subsequently been established. In Ligthelm's 2010 article, enterprise closure over time in a specific locality close to a new retail mall was tracked, but new micro-enterprises which may have opened in that area during the same period were not tracked. His analysis thus points to a decline in informal sector activity, or even a "displacement" of such activity by the mall. However, without tracking what new micro-enterprises had opened in that locality, it is not clear if what was being observed was a true decline across the board, or simply the turnover of local informal businesses in a highly fluid context. Table 2 and Figure 3 illustrate these dynamics of enterprise entry and exit in Delft South between 2011 and 2015.

Table 2: Enterprise entry and exit 2011-2015

Enterprise type	2015 Survey (number)	Percent of enterprises	2011 Survey (number)	Percent of enterprises	Change 2011-15 (number)	Change 2011-15 (percent)
Agriculture	26	1.4%	7	.8%	19	271
Appliance repair	19	1.1%	6	.7%	13	217
Arts and craft	16	.9%	0		16	
Building services	53	2.9%	21	2.4%	32	152
Business service	50	2.8%	17	1.9%	33	194
Car wash	11	.6%	6	.7%	5	83
Community service	23	1.3%	9	1.0%	14	156
Drug dealer	17	.9%	8	.9%	9	113
Educare	50	2.8%	32	3.6%	18	56
Entertainment	30	1.7%	28	3.2%	2	7
Green grocer	57	3.2%	20	2.3%	37	185
Grocery retail (spaza)	152	8.5%	177	20.1%	-25	-14
Hair care	85	4.7%	64	7.3%	21	33
Health service	21	1.2%	5	.6%	16	320
Home maintenance	12	.7%	0	.0%	12	0
Homeware	16	.9%	0	.0%	16	0
House shop	140	7.8%	126	14.3%	14	11
Liquor sales	145	8.1%	110	12.5%	35	32
Meat Poultry Fish	72	4.0%	16	1.8%	56	350
Mechanical services	87	4.8%	52	5.9%	35	67
Micro-manufacture	53	2.9%	22	2.5%	31	141
Other	13	.7%	1	.1%	12	1200
Personal services	7	.4%	2	.2%	5	250
Phone shop			9	1.0%	-9	-100
Recycling	67	3.7%	16	1.8%	51	319
Religious services	65	3.6%	38	4.3%	27	71
Restaurant	7	.4%	5	.6%	2	40
Shoe repair	5	.3%	4	.5%	1	25
Specialist store	12	.7%	9	1.0%	3	33
Street trade	148	8.2%	18	2.0%	130	722
Tailor	49	2.7%	10	1.1%	39	390
Take aways	167	9.3%	34	3.9%	133	391
Transport services	35	1.9%	3	.3%	32	1067
Tuck shop	17	.9%	0	.0%	17	0
Wood and coal	71	3.9%	4	.5%	67	1675
Total	1798	100.0%	879	100.0%	919	104.55%

The Delft South 2015 resurvey found that the total number of micro-enterprises in Delft South doubled from 879 in 2010/11 to 1798 in 2015 (Charman and Petersen, forthcoming). Enterprise exit in the site must be considered in this broader context. What can be observed is that although certain micro-enterprise sectors experienced high numbers of closures, in most cases, more enterprises were found in each of these sectors in the 2015 re-survey. Figure 3 shows that only in two cases – spaza shops and phone shops – had the overall number of enterprises dropped between 2011 and 2015. It is clear that the advent of easily available and cheap mobile handsets and prepaid cellular telephone deals in the last five years has pushed the landline-based phone shop into terminal decline. Not only were a large proportion confirmed as closed during the mapping process, but in the 2015 survey researchers did not find one such phone shop operating in the site. In the case of spaza shops, the high rate of closure among South African spaza enterprises in the site since 2011 has been documented in detail by Liedeman (2013). Although new (mainly foreign owned) enterprises have arisen since then to replace these closed enterprises, the rate of replacement has not quite kept up with the rate of exit (see Charman and Petersen forthcoming, for more analysis). The dynamics of these South African spaza closures will be explored further in the following section.

Figure 3: Micro-enterprise numbers by sector in 2010/11 and 2015



Source: Charman and Petersen (forthcoming)

In other sectors, however, the growth in numbers of micro-enterprises has far outstripped the rate of closure since 2011. While a third (41) of all house shops found in 2010/11 (126) had closed, for example, in 2015 there were found to be 140 house shops operating, 14 more than had been found previously. This effectively means that 55 new house shops had opened in Delft South since the conclusion of the last survey in 2011. In contrast to house shops found in 2010/11, however, many of the new house shops were only selling one or two small items to neighbours such as frozen chicken, toffee apples, bompies (homemade ice lollys), papa bites (homemade chips), paraffin or detergents. A similar pattern of closure, replacement and sector growth is observable among educares in the site. Almost 30 per cent (9) of educares found in 2010/11 (32) were found to have closed in 2015. The re-survey, however, identified 50 educares in Delft South, meaning not only that the sector has actually enjoyed a 56 percent growth overall, but that number of new educares established in the last five years stands at 27. Appliance repair, take-aways and liquor sales had all experienced a very similar pattern of flux and business turnover (entry and exit) in which the overall result was a growth in these sectors.

In the next section, through an analysis of qualitative case study material, we turn to a discussion of the various dynamics faced by such micro-enterprises in Delft South in the period since 2010 and what factors caused them to close down. We then proceed to explore what strategies the former owners of these enterprises have adopted to ameliorate the loss of income for themselves and their families.

4. Enterprise closures in Delft South 2010-2015: A qualitative analysis

We commence this section with a brief description of the broad characteristics of the enterprise owners who took part in these case studies, before moving on to describe historical aspects of the enterprises. Although this paper is primarily about business closure/exit, it is important to understand such closures with the history/dynamics of both the enterprise owner and the enterprise in mind. This is important because a longitudinal and in-depth perspective is necessary to gain a good understanding of business, household and broader dynamics which affect enterprises over time in settings such as Delft South, and which may – in combination – contribute to eventual enterprise demise. We therefore present some background information on the studied micro-enterprises and their owners to illustrate that the biographies of enterprise owners, and their family dynamics, have a profound influence on the nature and life cycle of their enterprises, and indeed, their eventual decision to close these enterprises.

In depth interviews with the former owners of 19 micro-enterprises (13 individuals) were conducted. Selected by enterprise category and influenced by practical factors such as who could be tracked-down and was willing to participate, these case studies were not chosen to be representative of the demographic or gender profile of Delft South or even that of the owners of closed enterprises in general. Nine participants (69 percent) were female while four were male. The average age of these individuals was 47, with the youngest being 32 and the oldest being 65 years of age. Ten (77 percent) were Afrikaans-speaking, while the remaining three were isiXhosa-speakers. Of these individuals, the majority (62 percent) had left school after completing three or four years of high school; two had primary education only; three had completed matric; while only four had participated in or completed post-school courses (sometimes) related to their business (e.g. Early Childhood Development).

Only three had never had formal employment prior to commencing their enterprise, while the overwhelming majority (77 percent) had worked for a varying number of years in jobs such as machine operating in textiles, shoe and furniture factories; clerks, cashiers or salespeople in the retail sector; or in nursing, hair dressing and catering. As will be elaborated on below, most of those who had worked had left due to companies closing down or working opportunities decreasing, and their entry into the informal sector was a response to the loss of these formal working opportunities. In a few cases, small enterprises had already been established while the owner was still working in an effort to supplement inadequate household income.

These participants also indicated that skills they had acquired in the formal sector had assisted them with various aspects of their own enterprises, such as their knowledge of commerce in general, their work ethic, and management of resources such as time and money. Furthermore, five (38 percent) of the participants said that they had obtained their business knowledge and prior experience from family members who were running small enterprises while they were young. They typically described themselves as having "grown up in the business" and acquired their entrepreneurial skills from this experience. One former educare owner stated, for example: "*I grew up in a family of entrepreneurs. My father had his own building business. I am also a business owner and I was born like a business person. I never wanted to work for others*."

It must be noted, however, that despite this business knowledge acquired through family or working experience, most of the enterprises (with some exceptions) were "survivalist" in nature, having been established to make up for a lost formal-sector income. For, as Charman et al (2012: 52) point out, "Unlike classical opportunity-driven entrepreneurship, the strategy of the survivalist micro-entrepreneur is to derive an income as a means of employment, often until such time as a better paying job becomes available…" As will become clear below, most of these enterprises survived their vulnerable early years, and some did quite well at providing an alternative livelihood to their operators and their families. But while some were seemingly beginning to move beyond a survivalist mode of operation to a more entrepreneurial, "growth" phase, most could not compete when new, more entrepreneurial business models emerged, especially in the spaza sector, around a decade ago (see ibid.).

4.1 Micro-enterprise histories and dynamics

Previous formal work experience, in addition allowing the acquisition of some business skills, also offered a crucial way in which to raise the initial capital required to start the micro-enterprise. Seven of the 13 former enterprise owners obtained their start-up capital from money they had saved while working, or through pension, retirement or disability fund payouts from their employers or, in one case, a loan from an employer. Several more had raised the money through their spouse's on-going formal income while only two had borrowed small amounts of money, from relatives, to start their businesses. While some then used money from their established micro-enterprises to establish further ventures, none borrowed money through formal (commercial) channels. Moreover, none of those in these case studies raised money in partnership with other entrepreneurs or business associates. In the cases examined here, enterprise owners generally started off small and built up the business over several months, if not years. Those who borrowed money started extremely small – often with a mere R100, which was then multiplied through the sale of fast-moving items such as fruit and vegetables. Most others took R2000-R3000 out of their savings to buy the initial stock to start tuck/spaza shops (cf. Liedeman 2013).[5] These enterprises therefore commenced in ways consistent most family-run survivalist micro-enterprises in South African townships.

A few examples illustrate these dynamics. Noma and her husband started a spaza and, later, a shebeen in the early 2000s: "*We saved R1000 from my husband's part-time work and went to Cash and Carry to buy stock. Later, we then took R3000 out of the spaza shop profits to start the shebeen*."[6] Megan and Joey similarly saved up:

> *I was working in the stainless steel and aluminium industry, and I saved up the money. Then my husband was retrenched from his fishing job and he decided to start a shop. So I had saved up R15 000 by that time which we kept under the carpet. We bought a second-hand freezer and put in a window for the shop and started small with chips and biscuits.*

Mavis, meanwhile, accumulated the capital from many years of employment as a chef's assistant: "*I was working for various hotels for many years and had some provident funds I had accumulated from working. I collected all the money from these funds when I left my last job. When I came here, I had money like dust! I started by investing R1000 for chicken, and another R1000 for Coca-Cola, paraffin and other items*." Another informant named Ali turned an accident at work to his advantage in the informal sector:

> *I was working at an engineering firm but had an accident at work and injured my wrist. I was then boarded and given a severance package, as well as the metal industrial grant for disability, which I will get until I am 65 (R3600 per month). While still working I used my salary to start the shop; starting small with chips and sweets. I then made it bigger with my bonus and holiday pay. When I was laid off I used the pension payout to invest further in the shop.*

What is notable in many of the cases examined in this study is that links – either directly or through a spouse – to a formal sector salary or pension, enabled these individuals to start enterprises using moderate amounts of start-up capital. Once established, these enterprises were able to raise enough profit to sustain themselves and grow moderately, and in some cases, to raise more capital to start additional enterprises.

An analysis of the time these enterprises operated for shows that in most cases, these were not fly-by-night, unsustainable enterprises, but rather were able to sustain themselves over an

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[5] This form of enterprise entry and development – slowly growing the enterprise over time using small amounts of saved family money – differs significantly from the model used by many immigrant spaza operators, who often use their networks to borrow much larger amounts of start-up capital, establishing sizeable enterprises from the outset or buying going-concerns (often existing South African-run spaza shops) in partnership with fellow immigrants (see Charman et al 2012; Liedeman 2013; Liedeman et al 2014).

[6] All names and business names used in this paper are pseudonyms to protect the identity of the research participants. For similar reasons, the exact locations of these businesses have not been revealed.

impressive timespan. Hutchinson and de Beer (2013: 237), drawing on various studies, point to the fact that 90 per cent of micro-enterprises in the informal sector do not survive beyond their first five years.[7] Furthermore, other studies they cite found that the possibility of such enterprises surviving for more than 42 months was less likely in South Africa than in any of the other countries sampled by the Global Entrepreneurship Monitor (Von Broembsen et al 2005). In this broader context, the lifespan of the micro-enterprises among these case studies far exceeds the average in South Africa. This study is therefore not about the average micro-enterprise in South Africa, which typically does not survive its early challenges, but rather about factors leading the closure of experienced enterprises.

Overall, the average lifespan of all 19 enterprises was 5.5 years, with eight enterprises surviving for five or more years and three surviving for over a decade. Average lifespans among the case studies also varied by sector, with spaza shops enjoying the longest lifespan (7.7 years) and shebeens, despite the difficult policy and policing environment, operating for an average of 5.3 years. Educares normally enjoy a longer lifespan than other informal businesses, but the two in this study had operated for only three and seven years respectively. Among other business categories in which more than one enterprise was included, tuck shops and take-aways displayed the least longevity, typically closing within three years. While the lifespans of the enterprises in this study do not necessarily indicate much about longevity among informal township enterprises generally, they do show that a relatively high firm age, and survival over several years, is no guarantee against enterprise closure.

It was not possible to obtain an accurate idea of the turnover of most of the case studies during the years they were active due to the fact that their records had often been lost subsequent to the business closing. Most of their former owners, however, did indicate that they had kept some business records at the time, and were able to provide anecdotal evidence of the value of their businesses when they were operating at maximum capability. Shebeen owner Quincy, for example, revealed that at its height, his business sold 40 cases of Black Label beer and 20 cases of Castle Lager during weekdays, and double this amount on the weekends, amounting to sales of around 180 cases per week. He was able to pay four employees and make a profit but the cost of paying police fines and fees for unsuccessful licence applications (some R28 000 on the applications alone) proved the downfall of the enterprise. Table 3 shows some more examples of estimated turnover and profit.

[7] Estimates vary. Ligthelm (2005) estimates that 60 per cent of small informal businesses do not survive beyond five years, while Strydom (2005) found that only 20 per cent had survived. The general prognosis is that informal enterprises do not enjoy long lifespans. Even among formal sector start-ups in the West, survival beyond the first year is highly unlikely (see Patel, N. 16 January 2015. "90% of startups fail: here's what you need to know about the 10%". Found at http://www.forbes.com/sites/neilpatel/2015/01/16/90-of-startups-will-fail-heres-what-you-need-to-know-about-the-10/#5a7d6c4e55e1 (accessed 25 September 2016).

Table 3: Examples of estimated business costs and income

Business	Estimated turnover	Estimated profit
Ali's Spaza	R30 000 per month spent on stock	R2 000 per month saved after family's daily expenses and others deducted
Karnita's Spaza and Green Grocer	R12 000 spend on goods for spaza per month and R12 000 spent on F&V per month	R3 000 saved per month after family use and travel expenses deducted
Sophie's Green Grocer	R8 000 spent on stock and transporting stock per month	Income varied – on good days she might sell R400 worth of product.
Wendy's take away	Spent R500 per week on ingredients	R2 000 income per week from sales (before deductions for other expenses such as electricity and oil).
Noma's shebeen	Spent R12 000 per month on stock (beer)	Made a return of R28 000 per month from beer sales (before deductions for salaries, transport, fines and family usage).
William's spaza	Spent R15 000 per month on stock.	Saved R2 000 per month and spent other income on household expenses and debts.

It can be observed from the cases presented in Table 3 that these micro-enterprises spent considerable amounts every month on stock, and at their peak, enjoyed reasonable returns. The income earned reportedly allowed not only for the sustainability of the enterprise, but for some enterprise growth, family needs to be met (education, housing improvements, motorcar purchases), and in some cases, savings to be made and further enterprises to be established.

Thus, some of these enterprises were successful and sustainable concerns run by entrepreneurs with obvious business skill, going beyond the normal definition of a "survivalist" enterprise (i.e. simply making up for a lost formal income until a better offer materialised, with little prospect of enterprise growth and development). Megan and Joey, for example, who established their spaza shop around the year 2000, were able to grow their business and add takeaways, airtime sales, a games shop and meatsales to their repertoire. They even sold wine covertly at times. During the 2000s, business was very good:

> *We made a lot of money, and it was just Joey and I employed in the business, which is why we did so well. Employees steal from you: even when we had family members helping out they pilfered from the shop! But our customers were so loyal, and we would give them presents at Christmas and allow them to buy on credit. Because of these businesses we were able to build our house up from asbestos to the bricks you see today, and we bought two cars, including our BMW at that stage.*

Xolani, who opened a spaza and shebeen reported similar success:

> *I had other businesses like my taxis and my shebeen, so I could buy in bulk and subsidise my shop, and offer discounts to my customers… but there are too many Somali shops around, and mine was doing very well, so I was a threat. Because it was successful, foreign businesspeople constantly offered me money for my shop, but I always refused.*

In addition to the reported income from these enterprises, a total of 34 individuals were employed in the various businesses (including the 13 owners) during their lifespans. While profit margins from the educares appear to have been the lowest (given that there were significant overheads), the two included in this study employed nine individuals full-time, the most among all the enterprises which generally employed only one or two family members other than the owner. These micro-enterprises, during their lifespans, thus provided an economic benefit not only to their owners, but to a range of family members and other individuals. They also clearly provided less measurable benefits such as increasing the skills and experience of their owners in running an enterprise. The concept of enterprise "failure" must therefore be seen in the context of the many direct and indirect benefits the enterprises offered at household level during the time they were operational. A narrow focus on enterprise exit misses this important dimension.

4.2 Reasons for enterprise closure

How, then, did enterprises which often survived for impressive lengths of time and in their heyday seem to have thrived, albeit to varying degrees, come to be closed by 2015? The reasons are complex, often sector-specific, and in all the cases in this study go beyond questions of management failure, incompetence and lack of entrepreneurial acumen, even if these were very important contributors to enterprise closure (see Hutchinson and de Beer 2013; Ligthelm 2010). Table 4 provides a broad overview of factors which each of the 13 former enterprise owners reported had negatively affected or led to the closure of their enterprise. Factors contributing to enterprise closure are ranked in order of importance, with light pink squares (numbered 3) representing challenges which were experienced but did not cause the enterprise to close; darker squares (numbered 2) being more significant challenges which may have had an impact on enterprise closure; and red squares (numbered 1) representing severe challenges which played, in most cases, an important (but not necessarily the only) role in enterprise closure.

What can be observed in Table 4 is that in each case, a number of small and great challenges – connected to the business, household and wider social environment – combined over time to contribute to enterprise closure. Some of these factors were more significant than others, depending on the type of enterprise. Of business related factors, it can be seen that business competition was a difficulty experienced by every enterprise included in the case studies. In seven cases (over half) – all in the grocery retail or green grocer trade – business competition was the primary challenge contributing to enterprise closure. Although not as significant a challenge, the rising cost of labour, rents, stock or assets was also a challenge faced by over a third of the cases. In the liquor retail sector, as other authors have found (see Charman et al 2013), the tough regulatory environment, coupled with heavy enforcement of liquor trading laws, was the most significant challenge contributing to enterprise closure. Although management deficiencies were (understandably) not cited by research participants as a major factor contributing to enterprise closure, it is likely that they played a more significant role – since failure to respond adequately to stiffening competition, or to the difficult regulatory environment, do suggest some deficiencies in entrepreneurial acumen and managerial capacity.

Table 4: Reported business challenges and significance for closure

	Xolani	Wendy	William	Ali	Priscilla	Megan	Noma	Mavis	Barbara	Sophie	Sheila	Karnita	Quincy
Sector/s	Spaza/ liquor / taxi	Tuck shop/ take away	Spaza	Spaza	Educare	Spaza/ Take away/ games	Spaza / liquor	Spaza	Tuck shop	Green grocer	Educare	Spaza/ Green Grocer / Take Away	Liquor
Business factors													
Rising labour costs/assets/rents/stock					3			2		2	3	2	
Business competition	3	1	1	1	3	3	3	1	1	1	3	1	3
Labour disputes/conflict					3								
Changing market conditions													
Management challenges/deficiencies										3			
Regulatory barriers	1				2		1						1
Law enforcement (arrest, bribes, fines)	2						1						1
Business debts					3								3
Customers defaulting on payment					1								
Exit opportunities	2											2	
Household factors													
HH indebtedness													
Social obligations (funerals etc)									3			2	2
Competing HH investments		2				1							
Loss of income stream of HH member		2					1						
Loss of welfare income													
HH consumption of stock										3			
Illness of owner or family			3			1							
Death of owner													
Residential insecurity/displacement											1		
Other/Communal factors													
Crime and violence	1		3			3		3					
Conflict with neighbours	1	3		2			3		1	3		3	2
Fines, police harr, HH member in jail		1											

However, some household factors combined in many cases with these business factors to contribute to enterprise closure. Family obligations, such as funerals and birthday parties played an important role in the decline of three enterprises, while in a small number of cases, competing household investment priorities and the loss of an important household income stream played more important roles. Although household factors and household-level “shocks” (death, illness, fire, redundancy, displacement) were not found to play as major a role in enterprise closure as was initially envisaged by the researchers, they did serve in five cases to augment the other challenges faced by these individuals, and ensure that the business challenges faced could not be overcome.

A more widely-faced set of challenges, if not always as significant, had to do with the broader social and communal context in which the enterprises operated. Eight individuals said that conflict with their neighbours had provided a challenge, in some cases contributing to the closure of their enterprise. Such conflict often took the form of disputes over the right to trade in the specific localities where these enterprises were trading. South African family-run survivalist enterprises have tended not to compete on price (a key “rule of the game” (Morris 2006) in the township informal retail environment), but rather on location (see Charman at al 2012: 48). But in the context of greater unemployment, currency devaluations and the rising cost of living since the turn of the decade, more and more people are turning to the informal economy for a livelihood (see Charman and Petersen forthcoming). In the context of this doubling of informal sector activity since 2011 (ibid.), more conflict over trading locality appears to be occurring as many new enterprises seek to enter trading localities which were once occupied by far fewer outlets. Crime and violence, while surprisingly not noted a major challenge by all but one of the participants, did also contribute to some extent.

As can be seen on Table 4, all of these enterprises faced a number of challenges, across these three kinds of factors, which together contributed to eventual business closure. Below, we elaborate on these factors.

4.2.1 Business-related challenges

4.2.1.1 Business competition

Of the business-related challenges faced, competition – or failure to deal adequately with competition – was cited as the most significant, and in many cases, a major factor behind business closure (see Table 4). However, normal everyday business competition – of the sort faced by these enterprises over all their years in operation – while seen as an on-going challenge which required skilful management, was not viewed as the issue. Rather, former enterprise owners felt that at some point, new unusually tough and unfair forms of competition had emerged, with which they could not cope. In other words, those for whom this was a problem felt strongly that the normally observed, often unwritten, “rules of the game” (Morris 2006: 32) had been breached by their competitors, allowing them to gain an unfair advantage. Six of the seven enterprises which had closed largely due to these emerging forms of competition were in the grocery retail sector (spazas or house shops), while one was a green grocer’s stall.

The change most of these enterprise owners were describing when they talked of “new”, “tough” and “unfair” competition, with which their enterprises could not cope, is a shift that has occurred in the township spaza market over the last few years. This is a story, as Charman et al (2012: 49) describe, "of the relatively rapid capture of the spaza retail market by larger-scale, collective businesses run by Somalis [who] employ entrepreneurial business practices, especially price competition, to outcompete and in many cases, take over, South African shops typically run on more individual and 'survivalist' lines." In the township context, survivalist South African spaza operators have historically considered price competition "unfair and unethical" (ibid.: 51), competing instead "through non-price mechanisms, including their spatial location, product presentation, customer engagement, the bonds of clan and kinship, and by seeking supernatural support" (ibid.). These authors argue that foreign entrepreneurs, by contrast, "are known to use price competition and bulk procurement strategies to aggressively compete with local spaza shops through undercutting their price" (ibid.: 52).

As Liedeman (2013: 2) shows, "[An] important factor in [their] success lies in the differential social networks that South African and Somali spaza owners can access to support their business practices", with foreign entrepreneurs drawing on well-connected and well-resourced migrant networks (for capital, labour, bulk procurement and distribution), while South African informal grocery retailers have continued to operate as individual family units. Charman et al (2012: 61) go on to provide a price analysis which shows that of six common consumer items (milk, bread, sugar, eggs, cool drinks, cigarettes), Somali-run shops were able to charge cheaper prices in all but one due to the advantages of their business model.[8] It is clear that for the enterprises in this study, most of which were at the upper range of the survivalist category, this new price-competitive entrepreneurial business model was the key factor in their decision to close their shops.

It is interesting to note that only Sophie, the green grocer, admitted that an inability to manage the enterprise adequately, and adapt well enough, might have contributed to her failure to out-compete a larger, more entrepreneurial and more aggressive green grocer in her local area. All of the others – spaza and house shop owners – felt that they were able to manage their enterprises very well until they experienced what they saw as unreasonable forms of local competition which, despite their efforts to adapt, forced them out of business. Of course, it can be argued that the fact these enterprises closed in the face of competition from a more entrepreneurial model is a sign (despite the narratives of the owners) of a deficiency of skill, entrepreneurial acumen and ability to adapt. Indeed, despite these enterprises surviving for longer than average and doing more than simply "[hanging] on for seemingly indefinite lengths of time in spite of untenable business models" (Morris 2006: 33-4), their largely survivalist approach to business could not compete with this sudden takeover of the grocery retail sector by the entrepreneurial model.

The story of Mavis's spaza shop, in particular, illustrates the struggle of survivalist South African spaza shops as the immigrant entrepreneurial takeover of the sector occurred. Having opened her shop in 1999, Mavis enjoyed a decade of success: "*My business grew and did well since I was the first shop to open in the area. I sold lots of products including bread, milk, cigarettes,*

[8] See also Gastrow and Amit (2015) on the dynamics of Somali-run spaza businesses in Cape Town.

washing powder and drinks. I ran my shop very well until I was disturbed around 2010." According to Mavis, the "disturbance" came in the form of new competition from foreign shopkeepers in the area:

> *I did not have a problem with South African shops. I even helped South African people to start shops, by linking them up to my Coca-Cola deliveries, but the Somalians, we could not stand up to them. After 2010 my business was already going down. There were now two Somali shops in the area. Something told me to go to their shops and buy coffee. I did this and saw that they were selling it for R4.50, but my own cost price was R4.80, and I charged R5 to make a profit! I saw that this was also happening with milk, cigarettes, bread and Omo as well. So I felt they were undercutting our prices so that we could close shop, and then they would be able to raise their prices once they had captured the market. I tried to play their game for a while. For example, I saw who was delivering their milk and arranged to get the same deliveries, but they suddenly stopped delivering after two or three occasions.*

Mavis also tried to club together with her South African spaza friends, but when one of these neighbours left the area, her enterprise became unviable, and she was forced to close. "*We had to keep putting up our prices,"* she explained, *"but our competitors could keep selling for the same price for years."* Together with two other grocery retailers included in these case studies, Mavis felt that the cost of stock and other inputs was gradually increasing, but that it was very difficult to put up prices accordingly in the face of price undercutting.

William's spaza was another which suffered due to the growth of similar businesses run by foreign traders. Opened in 2007 after William and his wife Tatum were retrenched from long-term jobs in footwear and clothing factories respectively, the spaza enjoyed good returns until 2011. "*[Mine] was still the only spaza in the area in 2010*", explains William. "*We did quite well and managed to build this house up through the business. But then other shops opened up in the area: people started renting out their garages to Somalians. The one around the corner was particularly bad for my business*". For William, the most significant factor was price undercutting: "*The most important thing was the price cuts. I could still run my shop but I would have to also cut my price. Having lots of cheaper shops in your neighbourhood makes a difference as a customer just has to walk across the road and pays R2 less for a product you are only just making a marginal profit on!*"[9] Being close to retirement age, William and Tatum closed the shop, although Tatum still sells frozen chicken pieces on credit to neighbours to augment their monthly pension income.

For others, however, it was not the influx of foreign-run businesses alone which increased local competition, but rather the entry of South African neighbours into the sector which had the most significant negative impact on the enterprise. When Ali opened his spaza shop in 2004, it was the only one in the neighbourhood. As he explains:

[9] For an in-depth discussion of how the immigrant entrepreneurial spaza model has been able to undercut the prices offered by South African spaza shops, see Liedeman et al (2013).

It went well for many years, but then four other shops opened up in around 2011 in the area. Two were South African neighbours and the others were Somalians. Our friends came here and saw how our business was looping [running] and went away and started their own. But they decided to undercut our prices, which was very tough for us.

Karnita had a similar experience of a sudden increase of local competition from neighbours:

When I started my shop another woman next door opened at the same time. But we used to sell different things; like I sold chips and she sold cigarettes. But then she also began selling chips! The same thing happened with my take away: other South African businesses opened to compete! When I opened, not many shops were in the area. But then five new shops opened: they were popping up like mushrooms!

Another woman, Barbara, experienced similar problems with neighbours competing with her, in violation of what she regarded as fair practice. When the woman who ran the original tuck shop on Barbara's street closed her enterprise, she offered Barbara and Barbara's next-door neighbour the chance to open a shop. Being a pastor, this woman told Barbara that she was giving her this opportunity as a "blessing" (in Barbara's words). The neighbour declined the offer, so Barbara was given the go-ahead to run her shop. According to Barbara, after several years of successful business, the neighbour had a change of heart and, without consulting anyone, opened a shop which directly competed with hers. Barbara was forced out of business as a result. She subsequently sold small items to children, such as papa bites and bompies, but even this, she explains, is made unviable by too much local competition: "*When people see your business is running well, they join in!*"

Another spaza owner, Noma, shared a very similar story: *"There was no shop around here when I opened; I was the first. Business was OK in the beginning, but then four or five other shops opened. They were all operated by South African neighbours. Our prices were the same but there were many shops sharing the market, so our shop did not go that well."*[10]

Such narratives of increased local competition, not only by foreign well-networked traders, but also by neighbours were common. Also in the educare sector it was found that in the last several years, what informants called "mushroom crèches", which charge very low prices and operate to very low standards have proliferated, making business difficult for those who choose to offer proper educational services in line with government policy. These stories of increased competition for local customers among South African micro-enterprise owners is not surprising given the fact that the 2015 FIME research (Charman and Petersen forthcoming) shows a doubling of enterprises in Delft South since 2010. In some cases, long established businesses could not respond well enough to this increase in informal economic activity, especially because it was often of a "copycat" nature, which created an overcrowded market (Morris 2006: 28; Rolfe et al 2010: 3). Those enterprises for which competition from

[10] Note the confirmation that South African grocery retailers did not compete on price, but rather competed on location, with shops becoming unviable when too many new entrants emerged in one locality.

new fellow local survivalists was a major problem certainly do raise questions about the adaptability and business skill of their owners. However, as we will detail below, other business owners were able to adapt and compete quite well, until other factors related more to the household or the social environment undermined their ability to stay ahead of their competitors.

4.2.1.2 Regulatory barriers and law enforcement

While competition with many local traders was acknowledged as a challenge in the liquor retailing sector, it was certainly not a major factor which led to enterprise failure in that sector. Instead, a tough regulatory environment, and increasingly heavy enforcement of liquor trading laws by the police, was a major reason for the three shebeens included in this study for going out of business. The experiences of these traders illustrate the dynamics they faced.

Quincy originally ran a fruit and vegetable stall, but this suffered when his brother died and he had to use money from the enterprise for the funeral: *"It was then that I decided to go into liquor to support myself. That was around 2003. I sold beer and ciders and I was hoping to sell "hot stuff" [spirits] as well: it was a koop and loop [take-away],"* explained Quincy. He tried very hard to formalize his business, but faced a major challenge with obtaining a license:

> *I added to my building and made it look like a proper liquor store. I used to sell 40 cases of Black Label and 20 cases of Castle during week days, and on weekends I would sell more than double that amount. I tried to get a license, but it was too much. The bar was too high. I tried three separate times to apply, and I paid around R28 000 in all for the applications and for hiring a consultant to assist me. The process was so bad and there were lots of excuses from the liquor board, so I gave up.*

As a result of being unlicensed, Quincy's shebeen was constantly raided by the police:

> *I got harassed and arrested lots, and I had to pay lots of fines! They always came to arrest me so they could raise money for themselves. I never had to bribe them, but I had to part with a lot of money in fines. The police would arrest me two or three times a week, and I had to pay R1500 each time to be released. I was doing good business, but it was breaking me completely. So it was better to quit.*

Noma and her husband, Mpho, faced a very similar situation, but Noma admitted that they were so focussed on weekly earnings that they did not act strategically enough with regards to becoming licenced: *"We were snoozing! We just sold beers and did not try properly for a license, unlike the tavern around the corner. He was so clever, but we were so stupid: we were just selling and selling."* Without a license, police raids became a problem. *"One or other of us was arrested two or three times per week. They confiscated our stock and fined us regularly. We used to pay the R1500 fine per arrest and carry on as we knew we could make it back on the weekend."* This strategy worked for a while, but tragically, Mpho died suddenly in late 2007. While the funeral was covered by his policies, Mpho's absence had a severe impact on the enterprise:

> *When I was raided, they used to take me away and lock me up overnight. Although I knew I could make the money back, there was now nobody to look after my children while I was away. My sister even got arrested once in my place, but this could not go on as my kids were young. So I closed the shebeen.*

It is interesting to note that as a couple who could use this strategy for arrests, Noma and Mpho were able to compete and overcome the lost income incurred due to fines. However, after Mpho died, Noma was unable to continue with this coping mechanism and, like the single Quincy, was forced out of business by the heavy regulatory environment. Xolani, another shebeener, also closed down his business in 2012 due to the fines and harassment, which he felt increased at that time, despite owning several other enterprises which he could use to cushion his losses. As the owner of another shebeen in Khayelitsha, he observed that the police crackdown on shebeens in Delft South was much worse at that time than he had ever experienced in Khayelitsha.

The police raids also had the impact of sowing mistrust between neighbours and competing liquor enterprises. Both Noma and Quincy felt that other shebeeners might have reported them to the police so as to benefit from the disruption to their enterprise. As Quincy explained: *"They pimp [report] you at the police station and tell lies about you. Then they smile while making money for themselves"*. Thus, as discussed below, household "shocks", such as the death of Mpho, and community jealousies and mistrust combined with the harsh regulatory/law enforcement environment to make these enterprises unviable.

4.2.1.3 Other business-related factors

Two further business-related factors bear illustrating. The first, fees defaulting, is a particular problem faced by those who run educares. Nearly all operational educares interviewed during the Delft re-survey process (see Charman and Petersen forthcoming) raised fees defaulting by parents as a significant problem. In the case of Priscilla, so great was the problem that by August 2015, she closed her enterprise, which had operated successfully for eight years, employing six staff and offering more than simply daycare to 36 children.

Trained in early childhood development (ECD), Priscilla endeavored to run a *"proper ECD [centre]"* (i.e. one offering child-focused educational input, not only care). Little Friends Educare was registered and received ongoing advice and non-monetary support from the Department of Social Welfare. The centre was, however, not able to register as a non-profit organization due to the onerous bureaucratic and legal process required.[11] This would have qualified the centre for government subsidies for many of the children. In the absence of such support, Little Friends relied on fees to meet its costs. These should have brought in R15 000 per month, but getting parents to pay was a continual problem, according to Priscilla:

[11] Registering a non-profit organisation requires a number of rigorous processes and much official paperwork to be completed. Many of these requirements are difficult for well-resourced higher-income persons to meet, but completely out of the reach of under-resourced township dwellers trying to run a small enterprise. For example, apart from needing to provide banking details and other paperwork, a Board of Directors, containing no less than seven individuals, must be formed, with each member submitting copies of their identity documents to the DSD. In Priscilla's case, finding seven citizens prepared to sit on the Board and submit their identity documents proved too difficult.

> *Every year we had to have three or four fundraising events to make up the shortfall. We sold chicken platters on Fridays and held dances, but parents did not even come to those! Many are not involved with their children's lives and see an educare as a dumping ground for their children. And many were 'creche hoppers', who owe you money but withdraw their child when you ask them to pay. It's not like they were even really poor – they were nurses and teachers and one dad was even a famous boxer. But they do not want to pay! I am still owed R40 000 for the outstanding fees by parents who failed to pay over the years. You know, I tried to provide everything and I was too soft for them, so they took advantage.*

It is important to note that a combination of tough regulatory/legal requirements in registering for the government grant and fees defaulting by parents led to the closure of a good, licensed, educare centre run by a very passionate educator. While it might be unfair to suggest, given her commitment to and passion for ECD, that the demise of Priscilla's educare was influenced by weak business practice or management deficiencies, her admission to being too "soft" on fees defaulters does point to a flaw in her management style which would have enhanced the broader socio-economic problem around fees defaulting she was facing. Struggling with depression as a result of these pressures, Priscilla decided to close her educare and look for a job as a Grade R teacher.

The second business-related factor is exactly this choice, made by Priscilla, to close one enterprise in favour of another (better) income-earning option. In the case of Karnita, she closed her spaza shop in favour of becoming a prepaid electricity wholesaler. On her first Friday evening of selling Flash vouchers, she sold R75 000-worth of electricity, for which she was paid a small commission. She then opened a take-away which sold grilled chicken to the employees of the nearby Flash call-centre. Both of these options, however, fell away after the Flash call centre moved away. With her children having completed tertiary studies, Karnita decided to take a break from informal retailing, but she plans to open another business at some point in the future.

4.2.2. Household-related challenges

As discussed previously, there is no strong trend among household factors contributing to business closure. However, even within the above examples, where business-related factors such as tough competition or regulatory barriers were the major factor behind enterprise closure, household factors often also played a contributory role. In the case of Karnita, for example, her success as a businessperson meant that members of her extended family had regular expectations that she should bear the major burden of paying for family functions such as 21st birthday parties and matric balls. As she explained: "*We had two twenty-firsts in one year and my family looked to me to supply everything! I had to hire cars and catering and all those things, so it had a big impact on the business. I lost both money and the time that I could have been in the shop as there was nobody else to keep it open!*" She vowed that if she did start another enterprise, this time she would tell her family to look elsewhere for support. .

In the case of Wendy, who ran a tuck shop and take-away, an even more severe family problem arose. According to Wendy her husband was "*framed*" (her words) for murder and sentenced to 28 years in prison. Although she feels that competition from foreign spaza shop owners was the main reason her tuck shop did not survive, the time and money it took for Wendy and her husband to fight his court case clearly had a negative impact. For example, they had to raise R45 000 to pay an advocate and, although she argues that she had the money saved already, the time of being away in court alone probably had a negative impact on the enterprise, given that the other spaza shops in the area were open every day for long hours.

A further case demonstrates that household "shocks" can be *the* major deciding factor in enterprise closure. Megan and Joey ran a successful spaza shop, games shop, butchery and take-away for over a decade. While they did face competition from both fellow South Africans and the increasing number of foreign-owned shops, their enterprise variety allowed them to prosper – their business model being much more entrepreneurial than most of the survivalists in this study. But then, in 2012, tragedy struck when Joey became ill. According to Megan, "*Joey needed an urgent major heart operation, so he was in Tygerburg Hospital for several months. I tried to keep the business going, especially my takeaways. But it was too much, I had to close. Joey returned home but subsequently had several minor strokes which incapacitated him. Look at him now, he is in a wheelchair and requires constant care, which I am providing.*" The time and financial burden of this full-time role meant that Megan was forced to close all of the businesses within a year of the operation. In William's case, his wife's ongoing kidney disease was also a background factor, but by itself it did not contribute to enterprise closure.

In one final case, a different kind of household "shock" led to the closure of an educare. Sheila had run the business successfully for a few years from a house she was renting. The owner promised that she could buy the house after a few years, but when he suddenly died, his family did not honour this verbal agreement and Sheila was forced to move away from Delft South. She could not reopen in her new location as her rented accommodation (a backyard shack) is not suitable for an educare. Thus, residential insecurity and lack of tenure can also play the major role in forcing viable informal enterprise to close.

4.2.3 Communal and socio-cultural challenges

Communal or socio-cultural challenges embedded within the township context could also play an important role in enterprise closure, even in cases where the main challenges relating to closure were business-related (e.g. failure to adapt to competition; weak business skills). Wendy, for example, opened a take-away (after her husband was imprisoned) which did well for a while before this enterprise "*slacked*" in 2014 for reasons Wendy cannot understand. While the burden of running a competitive enterprise in the absence of her incarcerated husband must have been a factor, she also suspects that competing businesses might have used traditional medicine against her take-away as she found a small suspicious parcel in her yard which she took to be "*muthi*". Thus, Wendy's case illustrates the entanglement of hard business factors (inability to cope with increased competition), household factors, and socio-cultural factors in enterprise failure.

Conflicts with neighbours over business issues were present in many of the cases. Most, however, were minor and did not have a direct bearing on enterprise closure. In four cases, neighbourhood conflict was a more important factor in enterprise closure (Xolani, Barbara, Ali, Quincy), and was tied to rising business competition which threatened the viability of the enterprise. We have discussed some of these cases already under the section on business competition and the regulatory environment.

Surprisingly, given the prevalence of violent crime in Delft South, crime and violence did not feature significantly as a factor cited as contributing to enterprise closure. Most informants said that while crime and gangsterism were present in the area, criminals had seldom, if ever, targeted them. Some even claimed that the criminals were afraid of them due to their standing in the community. William's spaza shop had once been broken into, but the value of the goods taken did not significantly set his shop back.

The case of Xolani, however, demonstrates that sometimes even a successful entrepreneur, with multiple enterprises run on ambitious entrepreneurial lines, could be forced to withdraw from the spaza sector for complex reasons relating to crime, violence and conflict embedded in the socio-economic context. In his own words:

> *The story of my spaza shop is very sad. I was shot there by my shop in 2014. One evening, around 9pm I was sitting in my car waiting to park in my garage when two guys came towards me out of the darkness. They did not ask questions or ask me for money or my keys: they did not say anything, but they just came and shot me! They fired nine shots into my car, but fortunately only one grazed me, and I was discharged from hospital the next day. This was not a robbery because they did not take anything from me or my shop! I have a feeling I was being threatened by my competitors because I was too successful.*

While other enterprise owners downplayed the role of crime Xolani, by contrast, suffered an attempted murder that he feels (rightly or wrongly) was arranged by foreign spaza operators against whom he was competing in the local area and to whom he had refused to sell his shop. If his suspicions are correct, this is but one example of a "violent entrepreneurship" which is common within the informal sector in many countries (see Volkov 2002), South Africa included.[12] This incident immediately made Xolani close his shop for good and move into an occupation which did not present a threat to him or his family.

These cases, while not being representative of the whole gambit of experiences and factors relating to enterprise closure in Delft South, demonstrate that business-related factors, while important (if not often the most important factor) in enterprise closure, were by no means the only factors present. For each enterprise included in the study, a range of factors – of varying significance to each case – combined to bring about the demise of the enterprise. While the business-related factors discussed in the literature were indeed key, household "shocks" and socio-cultural factors also played an important part in many cases. The two enterprises which could best be described as truly entrepreneurial (rather than survivalist) succumbed only after

[12] See Charman et al (2012) and Charman and Piper (2012) on "violent entrepreneurship" in the South African township context. As noted by these authors, foreign entrepreneurs have borne the brunt of violence towards shopkeepers in Cape Town and elsewhere.

experiencing a profound household shock (Megan and Joey), or a socio-cultural shock (Xolani). In the final section, we address another of the aims of the paper, which is to investigate what the former owners of the studied enterprises were doing for a living after closing their enterprises.

4.3 Alternative livelihood strategies

The former enterprise owners included in this study have adopted a range of alternative livelihood strategies since the closure of their businesses, as Table 5 illustrates.

Table 5: Current livelihood strategies of former business owners

Business owner	Coping Strategy
Xolani	Converted shop to rental accommodation Cattle farming
Wendy	Selling underwear and second-hand clothes
William	State pension Wife sells chicken pieces
Ali	Mechanical repairs Alcohol selling (shebeening)
Priscilla	Husband's income (building contractor) Applying for state teaching positions
Megan	Renting former shop to foreign spaza operators State carer grant (for looking after Joey) Seeking private nursing work
Noma	Domestic worker
Mavis	Beading HIV pins for an NGO
Barbara	Sells take-away food from home (muffins etc) Husband's income (logistics industry)
Sophie	Late husband's pension Piece-work income from children
Sheila	Formal job at a butchery Husband's income (building industry)
Karnita	Husband's income (airport shuttle driver)
Quincy	Income from shrinking green grocer and spaza businesses Catering business

Apart from the cases of Karnita, Sophie and William, the latter two of whom are of retirement age, all the other former enterprise owners are actively engaged in, or seeking, alternative economic opportunities, in either the formal or informal sectors. Only Noma (domestic work), Mavis (beading commissions for an NGO) and Sheila (butchery job) are employed full or part-time in the formal sector, while Priscilla is currently looking for a formal teaching position and Megan for work as a private nurse. The remainder are still engaged in informal-sector livelihood activities, or use the enterprise infrastructure to enable a new income stream. In four cases they are supported further by spouses who work in the formal sector.

Xolani and his family moved to Blue Downs and he opted for a "*much easier and less stressful to manage*" livelihood. He thus converted his house and old spaza in Delft into a double story ten-unit rental apartment, earning over R10 000 monthly. He rents mostly to foreign nationals prepared to pay more than they would to rent a back-yard shack. Xolani also keeps a herd of cattle on the Delft commonage, occasionally selling a beast when necessary. Megan and Joey also used their enterprise infrastructure for a new opportunity, renting out the shop and freezers to a succession of foreign business owners. This has brought its own stresses and challenges, particularly with tenants defaulting on payments or breaking the terms of their rental agreement, but it brings in some income.

By contrast, Noma sold most of the business assets, such as her two bakkies, and went back to work as a domestic helper, which she still does to this day. However, she confides, *"The income does not compare at all. We are missing over R10 000 per month. If it weren't for the license I would go back to selling alcohol tomorrow."* Although she has managed to secure work making beaded HIV pins, Mavis also feels that her livelihood now is far inferior to what it was when her shop was operating: *"What I am earning now is nothing compared to what it was,"* she says. *"I would open my shop one time, if I could: I would be the queen! But the reality is I have to do these beads because I am still too young for a pension, but too old to work."* Thus, even those who had operated survivalist enterprises felt that the income these previously afforded them was superior to their current livelihood options.

Interesting to note is that, like Mavis, most informants were very motivated to re-establish former or new informal sector enterprises under the right circumstances. There was a sense that some of them, like Karnita, Wendy, Sheila and several others, were biding their time until the trading environment and their personal circumstances were suitable for a re-entry into informal business. Most expressed dissatisfaction with their earnings since their enterprises collapsed, and saw potential in the informal sector as a lucrative area for earning money. As Karnita put it: "*My current household income is enough, but it does not allow you to live in luxury. I want to sell luxury items around here and I am looking for something very special that nobody sells. The little ones in this area always have money to buy something. I know this side is a gold mine if I find the right thing*."

Ali and his wife have recently taken up illicit liquor trading and have seemingly already discovered their gold mine. Buying in bulk and storing the liquor at friends' houses, they sell up to four pallets of beer a week. In 2015, this activity was allowing them lucrative earnings, but it seemed only a matter of time before their business attracted the attention of the authorities and they experienced similar problems to those experienced by other liquor retailers in Delft South.

5. Conclusion

The cases examined in this paper, admittedly not a large or representative group, nevertheless add qualitative insight, socio-cultural context and nuance to mainstream perspectives of informal enterprise "failure", which often focus almost exclusively on business challenges and inadequacies. The paper has sought to show that enterprise closure in township contexts such as Delft South over the last five years has, for many fairly sustainable enterprises, been brought about by a *combination* of business factors (including "survivalist" business models which became untenable in the face of a new entrepreneurial model), household "shocks" and broader factors linked to the socio-cultural or regulatory environment.

There are undoubtedly many survivalist enterprises which operate for short time periods in a hand-to-mouth manner, their undercapitalised and under-skilled owners merely awaiting better opportunities elsewhere. Most so-called “failed” enterprises in Delft South fall into this category. The enterprises in this study, for reasons outlined above, tended to come rather from another cohort consisting of more durable and profitable enterprises which closed for a number of inter-connected reasons going beyond (but not excluding) mere lack of skills, ability or entrepreneurial nous. These were, in terms described by Morris (2006: 29), mostly “lifestyle firms”: “mom and pop” businesses providing a reasonably stable lifestyle to their operators over a number of years. The crunch for such enterprises came when they came up against the new more aggressively entrepreneurial models of grocery retail which used price competition and collective procurement to undercut their prices.

Only a few – such as those operated by Xolani, Karnita, Megan and Quincy – may be described as true entrepreneurial “managed growth” firms: “successful businesses which seek steady but relatively conservative growth through addition of new products, expansion of facilities and establishment of new locations” (ibid.). This paper illustrates that even these stable enterprises, and others such as the two successful educares, can fall victim to a number of business-related and, crucially, unpredictable household and social factors which lead to enterprise failure.

Yet even the concept of enterprise “failure” in this context must be challenged. While these enterprises did indeed eventually fold, the cases in this paper illustrate that many of their owners gained significantly from the enterprise over the course of its life in terms of household and individual benefits such as skills and training, children’s education, asset accumulation, residential upgrading and experiences of running a business and being an enterprise operator. The way in which enterprise “failure” is often framed supposes a progression from a small and informal survivalist enterprise to a large, entrepreneurial and eventually formal enterprise for “success” to be considered. But for many of those in this study, notwithstanding the fact that they were largely survivalist “lifestyle firms” in nature, these were successful businesses which allowed significant gains in household upward mobility (allowing children to gain tertiary education), asset accumulation and improvement, and enhanced family status during their life-cycle.

Even more significantly, many of these potential entrepreneurs have not been lost to the country. Under the right circumstances and with the right support, many are willing to resume their informal sector activities and they continue to see potential in this sector, having learnt important lessons from the life and death of their former enterprises. While only around a quarter of the 19 enterprises included in the case studies (including the liquor retailers) could be said to have adopted a truly entrepreneurial business model, even the survivalist businesses generated important financial and other benefits for the families of their operators over a number of years. From a livelihoods perspective, if not an economic one, the survival of such enterprises is crucial.

If the government wishes the informal sector to continue to play this crucial livelihoods role, and become a major driver of economic success and employment, it must exploit such potential, and notably, business experience, more purposefully by offering targeted and appropriate support to such township entrepreneurs. Writing closed businesses off as "unsuccessful" would miss the fact that many people living within townships contexts such as Delft have the potential to enter the informal economy (again) and make a decent living under the right circumstances. Since most are not able to compete against aggressive entrepreneurial business models (such as those employed by immigrant spaza owners), government policy should look at regulating the spaza sector in ways that limit practices which force family-run survivalist businesses to close. At the same time, government policy should revisit its regulatory framework for township liquor traders, which make it all but impossible for even well run and successful shebeeners to obtain a licence, operate legally, and bring their enterprises into the formal sector.

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