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INSTITUTIONALIZATION OF COMMUNITY-BASED SMALL BUSINESS INCUBATION IN THE CAPE METROPOLITAN PERIPHERY

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ABSTRACT

The relevance of small businesses in many global economies has led to the rise of research in and increased small business incubation practices. Small business incubation is also considered important due to the high mortality of many entrepreneurial ventures in their start-up stages. Of the many models for business incubation that are available, this study considers the community-based incubation model for small business incubation within the urban peripheries in Cape Town. The urban periphery is often home to many small businesses as it is largely inhabited by individuals with financial challenges and in many cases suffer from social problems including crime and ineffective provision of public services. The aim of this study was to: determine perspectives for institutionalized community-based small business incubation at a selected periphery township in Cape Town. This objective was underpinned by need to develop strong small business enterprises that are nurtured and supported by local communities given their capacity to help community growth. The study was conducted following the focus group data collection methodology. A thematic analysis of the data led to the findings that while community based small business incubation systems were important in harnessing community resources it may be abused and there was need to ensure its effective governance by strong institutions that are well supported by those of the central government. The overall finding was that community-based incubation systems were essential but they required effective governance system to ensure their continued viability.

Keywords: Incubation, community, entrepreneurship, small business, business.

INTRODUCTION

Evidence, globally, indicate that small business are a critical component of the economic development matrix of a nation as they are the foundations of big businesses, they reduce unemployment and represent the basic economic activity of a greater part of the population (Bosma, Hill, Ionescu-Somers, Kelly, Levi & Tarnawa, 2020; Bowmaker-Falconer & Herrington, 2020). In the present knowledge economy aided by the Fourth Industrial Revolution (4IR), information sharing has increased. Business development ideas are also widely created and shared and there is greater benefits that can arise from having significant information sensors and intelligent scanners. Given the criticality of small businesses and how small business incubation has become valuable in increasing the survival and sustainability of small business start-ups, the essence of information is a crucial inquiry. Adesemowo, Von Solms and Botha (2016) observed

that information has become a key driver of competitive advantage and organizations that lag behind may face collapse.

LITERATURE REVIEW

As provided in Lustrati, Sommacal (2012), business development denotes various services of a non-financial nature that are offered by the private and public enterprises which can be local and international and which are aimed at improving business performance in the market. As provided in Van Schaikwyk and Dubihlela (2014), small business incubation represents a special component of business development theory that focuses on handling the various challenges faced by small businesses which include lack of managerial skills, poor financial base, poor access to markets, weak technological orientation, low productivity and general poor business acumen.

Schaikwyk and Dubihlela (2014) reveal the concept of business incubation emerged in the United States of America in 1959 and spread out to many countries. In South Africa the concept was pioneered by the Small Business Development Corporation (SBDC). At present small business incubation in South Africa is considered to be evolving. The incubation function is broad is in many forms with industry, government and educational institutions being involved. With global acceptance that small enterprises are central to economic development as they support a significant proportion of the population in most countries, the concept of incubating them has attracted widespread attention. This is against the background that their mortality rate in the first few years of establishment is very high (Xenia, Eri & Raimund, 2015). In Masutha's (2014) study, it is acknowledged that business incubation is a concept that arose to conceptualise activities aimed to ensure the provision of technical, material and other kinds of support aimed to promote the sustainability and viability of small enterprises. The traditional incubation model means the creation of institutions and enterprises that are meant to provide incubation services to small enterprises.

Community based business incubation can be considered to refer to harnessing the potential of communities in which businesses serve to result in the development of start-up enterprises (Habaradas, Aure, De La Salle, 2019). Community based small business incubation approaches are based on the acceptance that traditional linearly formulated models are expiring and giving way to network based approaches (Xenia, et al., 2015). The implication of this argument is that open collaboration within global networks has become essential in the present information age. Essentially, in Third World countries such as in South Africa, where governments are faced with the challenge of ensuring the provision of services for the communities, small enterprises tend to be critical as they are considered a source of some of the basics for community life (Habaradas, *et al.*, 2019). As such, it can be expected that communities have a significant role in promoting and incubating small business start-ups. In this regard, and when urban peripheries are considered, Vuba (2019) argued that the countries such as South Africa are missing the opportunities for community development that lies with strengthening small enterprises. Vuba (2019) also adds that it is essential for communities to institutionalize the creation of an enabling environment for the development and growth of start-ups for their own benefit. Habaradas et al. (2019) also asserts

that the creation of an enabling community for small business incubation implies the development of a community with strong networks of both private and public as well as non-governmental institutions that nurture small business development. Additionally, this is taken to mean social oriented, crime free communities that peaceful and based on development. Given the above, the objective of the study was: To determine perspectives for a institutionalized community-based small business incubation at a selected periphery township in Cape Town.

METHODOLOGY

The study was conducted using the focus group approach to collection of data. The central purpose was to explore business development perspectives for small business incubation using the community-based approach. In the study of Guest, Namey, Taylor, Eley and McKenna (2017) it was found that in focus group discussion there is a greater chance for the discussion of sensitive and detailed information as compared to interviews. Another major advantage of focus group is that allows group dynamics and interaction to generative information that is required and considered relevant to a study. Two focus group discussions were held with a group of ten (10) participants who were purposively sampled out from the community participated in the focus group discussions. The purposive sampling technique was used to select individuals who were involved in business matters within the community and who were deemed knowledgeable of entrepreneurship and small business incubation matters within the community. Table 1 provides the demographical information of the participants (their ages, gender and the type of business of organization from which they were attached). The step selecting participants was the identification of community based organizations and entrepreneurs who can make meaningful contribution to the study. They were then approached and those who agreed become members of an online group which was used to facilitate the date and venue for the focus group discussions. The online group was also used to create the structure of the group in terms of Group leader, Event organizer and Secretary. The online group was functional for a period of three months thereby allowing the members to know each other and to have some appreciation of the role that they all play in community welfare. As a result, the meetings were considered important in team building and in generating meaning data to foster the development of the urban periphery township. The focus group discussion was then planned and the community Hall was considered appropriate for the focus group discussion.

Table 1: Demographical details of the focus group participants

Focus group participant	Age	Gender	Type of business/organisation
1. Entrepreneur	36	Female	Food and groceries
2. Entrepreneur	41	Male	Hardware and electricals
3. Entrepreneur	34	Female	Clothing and arment making
4. Entrepreneur	43	Male	Cellphone sells and repairs
5. Entrepreneur	30	Male	Transporter, car sells, taxi operator
6. Community officer for	28	Female	Non-governmental organisation
7. Small business development officer	35	Male	Small Enterprises Development (SEDA)
8. Community Leader	48	Male	Community development Association
9. Business Management Graduate	26	Male	University of Cape Town
10. Entrepreneurship lecturer	43	Male	University of the Western Cape

FINDINGS AND DISCUSSION

In order to explore the perspectives for institutionalized community-based small business incubation three dimensions of the concept were discussed and these were: (1) The respondents' perspectives of an open community-based small business incubation, (2) Strengthening community-based information sharing behavior and capacities of communities and (3) the nature of community institutions for community based small business institutions. The focus group moderator made summaries during the one hour discussion and the secretary recommended the summaries which were then thematically analysed to determine perspectives for an institutionalized community-based small business incubation at a selected periphery township in Cape Town. Table 2 provides the responses provided on community-based incubation

Table 2: Perspectives of open community-based small business incubation

	Extracts of responses on the question: What are the critical dimensions of community-based small business incubation?	Moderator' summaries
R1	Community-based incubation to me is based on the acceptance of self-development. Our entrepreneurs make our lives better so we are the best to develop them. They need our own input for how to grow. Look our ideas may not be what they learn in Universities but is relevant for our own unique circumstances	Responses demonstrate that there is greater acceptance that community-based small business incubation may be a good initiative if done properly. There should be protective institutions that set the parameters and evaluates the general conduct of the system.
R2	In my view the community-based small business incubation harnessing cultural and community intelligences for the best of the entrepreneur. Everyone, especially now days is intelligent owing to access to information everywhere in the computer age. So why not tape that knowledge for the good of local entrepreneurs.	
R3	Community-based incubation seems, in my view, to oppose globalization. It does not easily appreciate the businesses that are formed somewhere and this narrows the quality of goods and services	
R4	While strengthening our own local enterprises is a great idea, the small business may abuse their community links to overcharge or offer substandard goods, liberalising the business space is essential and community-based incubation should be considered with caution	
R5	We have the intelligence and ability to incubate our own small business if this is done. I worked in industry for a long time and I see a lot of mistakes in small business around and we cannot engage them easily because there are no proper platforms for that	
R6	Technology is rapidly in use across our communities and this should be taken for the benefit community incubation	
R7	I agree with respondent 5 but there is a need to ensure proper organization and implementation of such an idea	
R8	I agree that community-based incubation should be implemented with caution	
R9	It is a good thing but it may not last because of possible abuse	
R10	The local community represents the first market for the small business entrepreneur. Community –based incubation increases product acceptance and therefore market competitiveness	

Table 2 presents extracts of responses on how community-based small business incubation can be strengthened

Table 2: Extracts of responses on strengthening community-based small business incubation

	Extracts of responses on the question: How can community-based small business incubation be strengthened?	Moderator' summaries
R1	Community based information sharing centers can be created which are free of charge and a closer to the entrepreneurs to ensure free and open exchange of business ideas.	The acquisition and institutionalization of information sharing is important. Community base information sharing, educational centres, community forums and the central government institutions are considered important. A community funds programme should also be initiated.
R2	There should be technologies for key community institutions to link and share information with entrepreneurs at will and at any time.	
R3	Education of members of the community about small business entrepreneurship should be strengthened to ensure that the community has appreciable knowledge of small business operations.	
R4	There should be community and entrepreneur generated funds for technology acquisition to enable constant links. Communities and entrepreneurs may agree to some contributions to be used for expanding community-based business incubation of	
R5	To adequately institutionalize community based small business incubation in our area, it is essential to create policy documents that govern the operations of the initiative. Governance in an important component to realize success of the programme. Some form of management structure is important	
R6	Support from national institution need to be sought and strengthened. Issues like peace and security as well as funding from central government are important for the realization of this initiative	
R7	There is greater need to exploit the technologies associated with the Fourth Industrial revolution. Elders should be able to unpack how the culture of this community fits with small businesses operating here	
R8	A community forum to promote constant evaluation of the initiative should be created. Central government should also find a way of fitting this into the national laws	
R9	The involvement of other key stakeholders is important for ensuring the success of this initiative	
R10	Community engagement programmes involving small business entrepreneurs and the community at large will be essential as well as acts of social responsibility where entrepreneurs promote community development in tangible and open ways	

As provided in Christensen, Johnson and Turner (2015), the qualitative data analysis process involves a series of data reduction processes aimed to reduce the large volume of such data to the few components that matters most. In this study, a thematic data reduction process following Braun and Clarke's (2006) work on thematic analysis was conducted with the assistance Atlas Atlas T.i software for qualitative data analysis). The first step was a them coding process based on quotations from responses provided by respondents. Related quotations and codes were linked to create a network diagram as provided in Figure 1. The colours were used to show the density of the themes and this was taken to be an indicator of the importance of each theme to the study.

advantage of technology for broader business intelligence. It was mentioned that the community can be treated as a valuable source of business intelligence material and financial resources that can be considered important for small business start-ups. These results seem to echo Kerr, Kerr and Xu's (2017) study which explains that there are certain personality traits of entrepreneurs which can be nurtured by communities and learning institutions for success full entrepreneurship. This study provided notable agreement that the community-based small business incubation is essential in providing entrepreneurial traits, qualities and capabilities found within the community they serve.

Theme 2: Development of unfavourable entrepreneurial behaviours

There were also indications from respondents that community-based small business incubation may be abused by entrepreneurs and there is need for effective governance of such initiatives. Some respondents actually revealed that community-based small business incubation can create extreme entrepreneurial behaviours that may not be beneficial from the community such as overpricing or prevention of external entrepreneurs from operating within a community. This makes it difficult for communities to benefit from competition as well as globalization. These were quite unique revelations provided by respondents.

Theme 3: Establishment of strong institutional governance systems

There were strong indications from the respondents that while community-based small business incubation is an important way of developing and promoting entrepreneurship, it may be counteractive and there is strong need for effective governance. Respondents indicated a need for institutional systems from the local community as well as from central government to ensure security policies or rules set are adhered to. Institutions for financing such a system were deemed important and it was illustrated that community members and the entrepreneurs may set up a fund for acquiring important requirements such as technologies to promote information sharing. The problem of financial support has been significant over the years (Mallory & Sippel, 2011) and community-based financial initiatives may be important. These findings correlate Mapundu and Musara's (2019) explanation that technological advancements in the context of the 4IR have made information sharing much easier and quicker. There was also wide indications in this study that the use of relevant technologies for information sharing and small business incubation is important. It was also provided for the programme to be successful enhancing institutions such as technology access points were important as well as physical and online information access and sharing platforms.

CONCLUSION

The study was set to determine perspectives on community-based institutionalized business incubation systems within an urban periphery environment in the city of Cape Town. The findings provide evidence that community-based incubation can be an essential and innovative form of small business incubation that can be practiced in South Africa. Despite the recognition that community-based small business incubation is important, there were indications that there is need for strong and properly governed institutions for the benefits to be realized. Respondents felt that

an effective structure of both local community institutions and those from central government are required. The findings of this study tend to be consistent with the literature. An important and quite novel finding from this study was the perception that community-based small business incubation can lead to counter-production due to abuse as in overcharging and anti-competition behaviours among entrepreneurs. Some respondents also felt that community-based incubation relies more on the support of locals and can be treated at antiglobalisation. In the final analysis it can be argued that community-based small business incubation is essential and should be adopted with strong reliance on a well governed institutional and governance framework that is also well supported by the central government.

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