The role of craft-hubs and post-school education in textile and clothing SME development: A focus on S. A. mohair, value added through design.

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Evaluate the South African textile and clothing value chain from a perspective of SME case studies that use mohair as a basis for value-added design.

This presentation evaluates two components:

- **Evaluate** whether post-school learning produces graduates that are consistent with the needs of the industry. Be it self-employment SME, freelance work or formal employment. Particularly focusing on whether graduates deliberately set out to take up entrepreneurship or land up as ‘accidental entrepreneurs’ (Wedgwood, 2005).

- **Assess the role of intermediaries**, such as craft-hubs, play in supporting both the retrenched/self taught cohort and graduate cohort in running successful SMEs because the opportunity to create economic wealth will be missed if they cannot attain their potential (Fielden et al, 2000).
Literature

• GVC literature as an influential instrument for policy direction, telling us that profitability lies in value-added manufacturing and that value-adding requires innovation which is hinged on design capabilities.

• Patterns of upgrading do not arise by chance but result from a flow of a countries culture and institutions (Owen & Jones, 2003: 55). Institutions play a central role in the production of knowledge which is critical in an economy which is increasingly knowledge based. E.g. entrepreneurial universities forming industry partners and making research commercially available – aiding SMEs often lacking capital to commission research.
Background

• S.A. is a middle income, high growth and highly diverse country that has particularly turbulent social and economic conditions. It is facing a challenge in negotiating tensions between efficiency, and equality through the creation of opportunities for the previously disadvantaged black population” (Porter & Ketels, 2009: 7).

• T&C while relatively less important as generators of high wages, they are significant employment creating sectors (Truett & Truett, 2010), they are among largest manufacturing sectors accounting for about 14.7% of total manufacturing employment (10.05 was in clothing).

Under the apartheid regime:

• Racial segregation the cornerstone of apartheid displacing a majority of the labour force. Directly impacting quality of education, wages, skills, access to resources and employment opportunities.

• Sanctions by the international community resulting in an insulated economy. This protectionism enabled the T&C to be profitable (SASTAC, 2014).

• Discrimination within the labour practice led to the decentralization of cut-make-trim (CMT) – the bottom-end of the market – from metropolitan cities to the outskirts of the cities where labour was considerably cheaper (Nattrass & Seekings, 2012). CPT, JHB and KZN (metros; white women, women of colour and blacks in the outskirts)
Transition in the 1990s to democracy:

• Lifting of sanctions and re-integration into the global economy. Liberalized in the pursuit of export led growth.

Trade liberalization has been met with two contrasting views;

i. Opening the market led to local manufacturers failing to compete with low prices and extensive product ranges offered by international competitors and that this acted as motivation for retailers to source internationally (SASTAC, 2014).

ii. In contrast, a SWOT analyses on S.A. clothing industry in 2000 showed S.A. as internationally competitive in CMT at the basic item labour-intensive end of the industry because of faster response times from local firms compared to firms in East Asia (Nattrass & Seekings, 2012)

• The spread of clothing SME in S.A. resulted from the wage drive that imposed significant wage increases on large CMTs in the rural outskirts.
S.A.s developmental trajectory

S.A. currently has no comprehensive industry strategy which all stakeholders buy into and drive (SASTAC, 2014:1).

Resulting in misalignments in sectors making up the industry: mohair growers (confined to agriculture); processors of the mohair (textile); intermediate to final value-added products (clothing manufacturing); marketing and distribution (retailing). Compartmentalized and thereby creating a quasi-hierarchy (Humphrey & Schmitz, 2002). Little mention on the roles of post school and government intermediaries is made in current research.

Scholars discussing S.A.s T&C industry focus in the main on three key areas:

• The impact of inflexible labour market conditions in South Africa in relation to employment, wages and poverty (see; Nattrass & Seekings, 2012; 2013; Morris et al, 2011);

• The adoption of trade liberalization policies –WTO agreement to reduce/eradicate trade barriers in a domestic industry that thrived under a high level of protectionism (see; Roberts & Thoburn, 2004; Morris, 2006; Truett & Truett, 2010; Edoun & Netshiozwi, 2015);

• Agglomeration as an upgrading strategy (see; Bhorat, 1999; Porter & Ketels, 2009; Kunene, 2008; Gereffi, Humphrey, Kaplinsky & Sturgeon, 2001).
Entrepreneurship and SMEs

• S.A. has the **lowest entrepreneurial activity rate of all developing countries** (GEM, 2005b:7) and that **South Africans are not socialized to become entrepreneurs, instead they enter labour markets as employees** (Van Aart, Van Aart & Bezuidenhout, 2000:127).

• Graduates resorting to entrepreneurship ‘**accidental entrepreneurs**’ – insufficient employment opportunities, competing with an increasing retrenched cohort – market favors experience over qualifications. (Wedgwood, 2005). **Initially influenced by romantic notions of the world of work** (Chinyowa, 2016).

• Difference in intent between SMEs and entrepreneurship: **SME support owners** and thereby have **limited growth ambitions** (Hisrich & Peters, 2002: 13, Gundry & Welsch, 2001: 453). In contrast, **entrepreneurs are more opportunity driven**, innovative, change oriented, dynamic, formal, professional and strategic; they usually **aim for high potential ventures** (Mueller & Thomas, 2001: 57; Morril et al, 1996: 61; Rwigemere & Venter, 2004: 6).
Entrepreneurship and SMEs

- This is why S.A. although having a **low 3.6% of entrepreneurial activity** (1.4% of Africans compared to the 7.5% of whites), has a **high rate of start-up SME** exhibiting a **failure rate of between 70% and 80%** (Van Eeden, Viviers & Venter, 2003: 13).
Preliminary case study findings

Post-school education - university programmes [MaXhosa by Laduma]

• Never employed before, learned by observing his mother in informal trading.
• Not innovative through technology but through his creativity to repackage culture using local raw mat. Identified a gap in the, designed products and inserted them in an existing market (Goodwin marketing strategies).
• Not learned entrepreneurial abilities in post-school programme but through observation and trial and error. Contrasts between St Martins, London and NMMU, S.A.
• Controls his market by – operating as a branded manufacturer – taking up retail duties. Outsources production to CMTs, controls and provides design and oriented to fast fashion.

Government intermediaries, Craft-hubs

• Design Indaba, award price money of 10k pounds, provided him a platform to learn through trial and error as well as international exposure
• Learned ‘the hard way’ product development, market access and enterprise development.
conclusions

• Given S.A. challenges characterizing the T&C business environment - industry shaped by foreign ownership, market instability, skills shortages, low productivity, the inflexibility of the highly unionized labour market, tremendous buyer power, global cut-throat competition and unprecedented imports – there is a need for a comprehensive development strategy.

• A strategy cognizant of the fact that these challenges affect competitiveness differently at varying levels of the market. All stakeholders need to buy into this strategy especially post-school education and intermediary institutions in order to enable better transition from graduation to work, improve the flow of knowledge and knowledge sharing.

• In other words, the is a need to eradicate the current mismatch between post-school education and industry. Learners need to be taught skills that are consistent with the needs of the industry.

• Intermediaries must work closely with institutions of higher learning to ensure visibility thereby creating a social environment conducive to entrepreneurship.