

# Market and entrepreneurial vision: The case of two family businesses in South Africa

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## ***Abstract***

The question of “why do some family enterprises survive into successive generations, while other succumb to contextual constraints?” elicited different responses. Explanations vary from that it might be inherent to the industry, or the structure of the firm, or simply market opportunism. In seeking a deeper insight on the impact of industry or structural constraints in the general area of family businesses, this article considers the local South African shoe industry. The article reflects on the history of footwear manufacture in South Africa; how it started and grew from cottage industries to a more main stream, modern manufacturing industry. The article attempts to place this industry and its development in a broader current context by considering the impact of exogenous factors, namely globalisation and cheap shoe imports from the East on the South African footwear industry. To investigate the impact of the afore mentioned constraints, the article discusses the birth and growth of two footwear manufacturing family businesses – one operating in Stellenbosch in the Western Cape Province, the other one in Kwazulu-Natal Province – and considers the divergent development trajectories, different styles of management and subsequently, the completely different outcomes of these footwear manufacturing family enterprises.

**Keywords:** History; Shoe Industry; Family business; Strategy; Protectionism; Entrepreneurial typologies; Entrepreneurial foresight.

## **Introduction**

The South African shoe industry emerged relatively late into the manufacturing sector as South African industrialisation only became a dedicated state policy during the 1920s. In the context of globalisation, small manufacturing industries had to contend with complex competitive conditions. Local manufacturing, in this case the shoe industry, experienced global competition, especially from low-cost Asian manufacturers, such as China. Different entrepreneurs in the footwear industry developed different coping strategies. This article will contextualise entrepreneurial coping strategies by first exploring the development of the shoe industry in South Africa, globalisation and the influence of China on this industry. The focus

then shifts to two South African shoe manufacturers as case studies of entrepreneurial agency in small industries facing global competition.

### **The establishment of the shoe industry in South Africa**

South Africa has a long history of shoe manufacturing, but a relatively short history of industrial protection. The demand for shoes developed soon after the establishment of the Dutch East Indian Company settlement at the Cape in the seventeenth century. The vast geographical distance from the metropolitan industry stimulated local production. Production occurred in cottage industries – small tradesmen practicing their skills as micro entrepreneurs. Some Cape Malay slaves were shoemakers by trade and made shoes for the slave holders.<sup>1</sup> A more localised approach developed in the towns and remote “platteland”, where farmers and villagers manufactured crude shoes for their own consumption. If a customer needed a more refined shoe, small numbers of shoes were imported by draper shops in Cape Town. After slave emancipation in 1834 and the slaves’ forced “apprenticeship” for the former slave owners was served in 1838, the new autonomy but dire situation of the freed slaves led to the first real attempt to establish a shoe industry in the Cape Colony. The Rhenish Missionary Society started several industries to support the establishment of small enterprises. One such industry was the well-known shoe-making factory at the Wupperthal mission station.<sup>2</sup> This was a very elementary beginning to the industry and concentrated on making “veldskoene” (basic leather shoes for daily life – still manufactured today). This could be considered an “upliftment project”, not actual industrialisation. By the 1870s the British colonial authorities raised customs tariffs, which raised the price of imported shoes. The unintended consequence of higher customs tariffs was the construction of a protective environment for shoe manufacture in the Colony. Expensive imported shoes induced an awareness of high quality, but affordable local footwear. By the end of the decade, the town of Wellington had emerged as one of the centres of shoe production with

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1 R Percival, *An account of the Cape of Good Hope; containing an historical view of its original settlement by the Dutch, its capture by the British in 1795, and the different policy pursued there by the Dutch and British governments. Also a sketch of its geography, productions, the manners and customs of the inhabitants, &c., &c., with a view of the political and commercial advantages which might be derived from its possession by Great Britain* (London, C and R Baldwin, 1804), p. 247, Digitised copy available at <https://repository.up.ac.za/handle/2263/12759> as accessed on 3 October 2017.

2 This shoe-making venture was already established in 1828. SR Van Eeden, “Almal kom na Lubbes” Die skoenmakerverhaal van AP Lubbe en Seun (Edms., Bpk.), (MA-dissertation, University of Stellenbosch, 2007).

the establishment of the Panther Footwear Company.<sup>3</sup> Wellington's rise to significance was because the town had an excellent tannery, "Western Tannery", able to supply sufficient leather of adequate quality for shoe manufacturing at Panther. One of the most significant challenges to the establishment of a local shoe manufacturing industry, was finding suitable, high quality leather, since local hide was tanned for saddles and household use, and not suitable for the new shoe industries.<sup>4</sup> This scarcity was exacerbated by the import duties, negatively impacting on the price of imported hides. These were superior quality hides primarily imported from Australia. To stimulate a local shoe industry, the first step was to develop local tanneries and improve the quality of locally sourced and tanned hides.

Outside of Cape Town and Boland, another location in the Colony distinguished itself as having the capacity to host a shoe industry: Great Brak River. In 1859 in the small hamlet of Great Brak River in the Southern Cape, Charles Searle, toll master of the Montague Pass across the Outeniqua Mountains, started a small-scale operation manufacturing traditional leather shoes. These he marketed as, country shoes (literarily translated by the British immigrant from the Afrikaans word "veldskoek") and sold them to the pioneering travellers along the Southern Cape coast.<sup>5</sup> The high import tariffs supported the growth of this business. This business prospered and by 1887, the sons of Charles Searle established a new shoe and boot factory, as well as a tannery in the town. This small factory was called the Good Hope Boot & Shoe Manufactory and later become known as Watsons Shoes.<sup>6</sup>

Despite the high ideals for the establishment of a local footwear industry and limited success, manufacturing of shoes consistently lagged behind other industrial enterprise, because of a lack of raw materials and skills. Exacerbating the situation, importers bypassed the high import tax by using the rebate of 3% on the 10% *ad volarem* tax on goods of British origin, to import from Britain.<sup>7</sup> Nevertheless, the shoe manufacturing industry continued to develop into a significant industry, with the total value of locally manufactured shoes

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3 Jordan Footwear Company, "Heritage" (available at <http://www.jordan.co.za/heritage/> as accessed on 10 October 2017), p. 1.

4 H Schauder, "An economic history of the boot and shoe industry in South Africa", *South African Journal of Economics*, 03(04), 1935, pp. 502-547.

5 ME Franklin, *The story of Great Brak River* (Struik, Cape Town, 1975), pp. 15-20.

6 ME Franklin, *The story of Great Brak River*, pp. I-II.

7 H Schauder, "An economic history of the boot and shoe industry in South Africa", *South African Journal of Economics*, 03(04), 1935, pp. 502-547.

reaching £19,253 in 1891/1892.<sup>8</sup>

This slow development trajectory did not change significantly by the time of the First World War when the disruption of war interrupted imports from Britain and Europe. Inflationary pressures during and after the war had a seriously adverse effect on the importation of shoes. By 1918 South African manufacturers controlled the market for the production of medium quality shoes. About 2 300 workers were involved in the industry and manufacturing stood at about 1,5 million pairs of shoes and boots.<sup>9</sup> Interestingly it was Port Elizabeth, the largest city to the east of the newly-formed Union, closely associated to the wool industry of the country that played a significant role during this period. Because of the city's importance in the wool trade and wool washeries and tanneries developed close to the Baakens River area during the middle to late 19<sup>th</sup> century. After the wool industry took a downturn by the early 20<sup>th</sup> century, the availability of hides and the influx of an impoverished work force from surrounding areas triggered the development of a shoe industry. According to contemporary statistics, during the 1916/1917 period, boot and shoe manufacturers were the largest industrial employers in the city, with 19 tanneries and "leatherware factories" giving employment to over a thousand people.<sup>10</sup> The same brochure that proclaimed the shoe industry as greatest employer in the city, also made a claim that as Port Elizabeth was responsible for more than half of the Union's national production, and as the pre-eminent manufacturing hub, the city should be dubbed the "Northampton of South Africa".<sup>11</sup>

This period of strong growth came to an abrupt end in 1920, mostly due to the volume of imports of fashionable shoes from Britain and the USA, exacerbated by the stagnation in the South African economy between June 1920 and March 1922. Faced with ruin, the shoe manufacturing industry and the government realised that structural changes were imminent. The options were either to restructure the industry, which would result in the closing of many small to medium factories, or the introduction of protectionist strategies. Since 1924 the Pact government introduced protective industrial

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8 H Schauder, "An economic history of the boot and shoe industry...", *South African Journal of Economics*, 03(04), 1935, pp. 502-547.

9 S Scheepers, "Aspects of South Africa's shoe industry from 60 years ago", *South African Shoemaker & Leather Review*, 2, 1977, pp. 21-33.

10 G Baines, "New Brighton, Port Elizabeth c.1903-1953: A history of an urban African community" (PhD Thesis, University of Cape Town, 1994), pp. 16-17.

11 G Baines, "New Brighton, Port Elizabeth...", pp. 16-17; PA Gibbs, "A social history of white working class women in industrializing Port Elizabeth" (1917-1936, MA dissertation, Rhodes University, 1998), p. 17.

policies to promote industrial growth and to safeguard newly established local industries.<sup>12</sup> The revised Customs Tariff Act of 1925 underpinned this policy: it granted additional protection to domestic industries, and expanded the list of industries eligible for protection. The policy sought to avoid higher customs duties on capital goods or on materials required for farming and mining, but at the same time attempted to exempt imported raw materials and semi-manufactured goods for the manufacturing of other products, for example leather and soles for the shoe industry, from duties.<sup>13</sup> These measures protected the industry, encouraging resilience in the face of the economic downturn of the Great Depression. Production did not increase dramatically, but it did also not collapse altogether.<sup>14</sup> Additional pressure created by the gold standard crisis between 1931 to 1932 impeded development of South African industry.<sup>15</sup> This was offset in December 1932 by the accompanying devaluation of the South African pound, which caused renewed industrial prosperity until the outbreak of the Second World War in 1939.<sup>16</sup>

By the time of the Second World War the industry displayed stable growth and war production stimulated overall levels of production. Although it was frustrating that South African leather was called up to shod Allied troops in Europe and North Africa, while local producers had to make do with what they thought of as second rate imported leather (specifically from Argentina) it was a productive time for the local industry.<sup>17</sup> Producers engaged in war production – 12 million pairs of boots exited these manufacturing plants between 1940 and 1945 – and supplied the local market. In 1939 the industry produced 8 million pairs of shoes and employed 10 555 workers.<sup>18</sup> The industry reached sufficient stability between 1920 and 1944 to enable the establishment of the Footwear Manufacturers Federation (FMF), a national organisation, registered at the national manufacturing council for the leather industry of South Africa.<sup>19</sup>

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12 CH Feinstein, *An economic history of South Africa* (UK, Cambridge University Press, 2005), p. 118.

13 SR van Eeden, “Almal kom na Lubbes’ ...”, pp. 31-33.

14 S Scheepers, “Aspects of South Africa’s...”, *South African Shoemaker & Leather Review*, 2, 1977, pp. 21-33.

15 In 1931 as the effects of the Great Depression set in, many countries and most importantly for the Union of South Africa, Great Britain, decided to abandon the gold standard (meaning a monetary system where a country’s currency is valued directly linked to the value of gold) in order to devalue their currencies. The Union of South Africa, tried to maintain its gold standard but this decision proved ruinous when the resulting spike in the cost of South African goods devastated exports, especially minerals and wool. South Africa officially abandoned the gold standard on 27 December 1932. A Lumby, “Industrial development prior to the Second World War”, FL Coleman, *Economic History of South Africa* (Pretoria, 1983) pp.204 -220.

16 A Lumby, “Industrial development prior...”, FL Coleman, *Economic History of South Africa...*, pp. 204 -220.

17 SR van Eeden, “Almal kom na Lubbes’...”, pp. 30-37.

18 Footwear Manufacturers Federation, *FMF Annual Report*, 1993-1994.

19 Footwear Manufacturers Federation, *FMF Annual Report*, 1993-1994.

Although growth stabilised during the war, after 1945 overproduction caused a price slump. This resulted in suggestions of price fixing in 1946, which caused dissatisfaction among manufacturers. Protective policies succeeded in stabilising the footwear industry. In fact, the only light industry that raised its market share (from 10% to 15%) between 1924/25 and 1948/49 was textiles, clothing, leather and footwear.<sup>20</sup>

During the global post-war boom of the late 1950s and 1960s it seemed that the only thorn in the side of local shoe manufacturers, was the rising import of foreign footwear. Shoes were imported from other African countries such as Rhodesia (modern Zimbabwe) since the government was less than keen to raise import tax on shoes imported from Africa.<sup>21</sup> By 1956 the Industrial Conciliation Act introduced a colour bar, which introduced a system of employment reservation, placing restrictions on the rights of black workers in the shoe industry.<sup>22</sup> White and coloured labourers could form unions and had the right to strike, black workers were refused permission to form trade unions and could not engage in strike action. This did not detract black workers from entering the shoe industry: by 1954 there were 174 black workers for every 100 white workers in the industry, a disparity that continued to grow.<sup>23</sup>

As the state responded to growing international pressure against domestic policies of separate development, the Republic of South Africa was forced to leave the British Commonwealth in 1961. At the same time the state wanted to strengthen international trade to foster the new Republic, as a strong industrial nation on the continent. As part of the protection of local industries, the government encouraged shoe companies, to list on the local stock exchange, the Johannesburg Stock Exchange (JSE). Shoe manufacturers were grossly under-represented on the JSE and yet met with a lukewarm response. Manufacturers such as “Jordans” from Elsie’s River and “Searle’s Holdings” from Groot-Brak had already listed during the 1940’s and 1950’s but other companies were loath to react.<sup>24</sup> The largest South African shoe conglomerate at the time, Eddels, pointedly decided against listing, only listing on the JSE in 1985.

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20 CH Feinstein, *An economic history...*, p. 125.

21 N Meyer, “Meyer predicts boom for industry”, *South African Shoemaker and Leather Review*, 10, 1975, pp. 6-8.

22 CH Feinstein, *An economic history...*, p. 119; C H Feinstein *An economic history...*, p. 119; SR van Eeden, “Almal kom na Lubbes...’ (MA, US, 2007), p. 36.

23 DG Franzen and HJJ Reinders, *Die Ekonomiese Lewe van Suid-Afrika*, (JL van Schaik Bpk: Pretoria, 1960), p.70.

24 ME Franklin, *The story of Great Brak River...*, pp. 18-29.

Shoe companies soon had to contend with the South African decision to introduce the metric system in 1961. This decision echoed the South African desire to display its independence from Britain. For shoe manufacturers, this meant that shoe sizes subsequently differed from the former British sizes. South African shoe sizes changed to “Mondopoint” (a shoe measurement guide based on the mean foot length and width for which the shoe is suitable, measured in millimetres).<sup>25</sup> Many shoe manufacturers had to replace their entire collection of shoe lasts, and some of the machinery at their own cost. Even worse, the imperial and metric systems were incompatible, and for a while the South African consumer experienced confusion about shoe sizes – to the great frustration of the manufacturers.

By the beginning of the 1970s the shoe industry was under severe union pressure for higher wages. Those wage demands were not aligned with increases in clothing and shoe prices between 1964 and 1975.<sup>26</sup> Shoe manufacturers sought further protection via the FME, but failed. The Board of Trade and Industries refrained from additional import control, although with limited effect. Imports (especially those from the East) and rising leather and soles prices placed the industry under pressure.<sup>27</sup> Despite the complexity of the context, the industry remained stable. Between 1950 and 1974 the production of shoes rose by 170%.<sup>28</sup>

The 1980s commenced with relative stable growth, a record number of 62 000 000 pairs of shoes were manufactured in 1981 (this was an increase of 9,3% on 1980). This performance soon changed as state policies responded to international pressure. The industry was subjected to adverse conditions during the latter part of the 1980s.<sup>29</sup> The local shoe manufacturers faced a growing stream of cheap shoe imports from the East – especially from Taiwan. This trend was exacerbated by state policies to offset international pressures by reducing import tax to 5%. This forced manufacturers to lower the price of shoes, and raise productivity.<sup>30</sup> Spiralling inflation of the early 1980s also increased the cost of processing imported materials, such as leather and shoe soles. The introduction of general sales tax further pushed up production costs, while profit margins

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25 J Westoby, “Scrap Modopoint bid as Ted Jordan’s plea gains support”, *South African Shoemaker and Leather Review*, 1,1977, pp. 7-8.

26 SR van Eeden, “Almal kom na Lubbes...” (MA, US, 2007), pp. 30-37; pp. 62-63.

27 Footwear Manufacturers Federation, *FME Annual Report*, 1993-1994.

28 N Meyer, Meyer predicts boom..., *South African Shoemaker...*, 10, 1975, pp. 6-8.

29 Leather Research Institute, Annual Report, 1983.

30 “Skoenbedryf kry teenspoed”, *Die Burger*, 30 June 1983.

remained under pressure.<sup>31</sup>

By 1985 31% of shoes sales in South Africa were imported. This trend contracted the market for local shoes by 1987, especially ladies shoes were significantly affected.<sup>32</sup> Growing international pressures (sanctions) complicated state policies to pay attention to the plight of shoe manufacturers. In 1988 the FMF expressed a lack of confidence in the state's ability to protect the shoe industry from the economic precipice. Although a record production of 65,4 million pairs of shoes were manufactured in 1989, the FMF anticipated negative growth by 1990. The FMF was vindicated. Lower production levels were attributed to industrial action and unresolved labour matters.<sup>33</sup>

Imported shoes competed with the local industry since the 1920s, but this could not prepare local manufacturers to the new onslaught of imports during the 1990s. When South Africa re-entered global markets after 1990, the new ANC-led government took a pro-Chinese policy stance. South Africa subsequently pursued an active policy to establish trade relations with mainland China. As signatory to the Uruguay Round of the trade negotiations in 1993, tariff protection for South African industries were phased out systematically. Local industries either had to improve competitiveness through new technology and higher productivity, or face outperformance by international competitors.<sup>34</sup>

The contribution of the domestic shoe industry to GDP contracted substantially between 1970 and 2015. The contribution of footwear manufacture to GDP fell from an all-time high in 1980 to a low point in 2010. However, throughout the period 1970 to 2015, footwear importation rose and exports from local production contracted.<sup>35</sup>

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31 B Heilbuth, "Slow-down", *South African Shoemaker and Leather Review*, 10, 1981, pp. 1-2.

32 Footwear Manufacturers Federation, *FMF Annual Report*, 1988-1989.

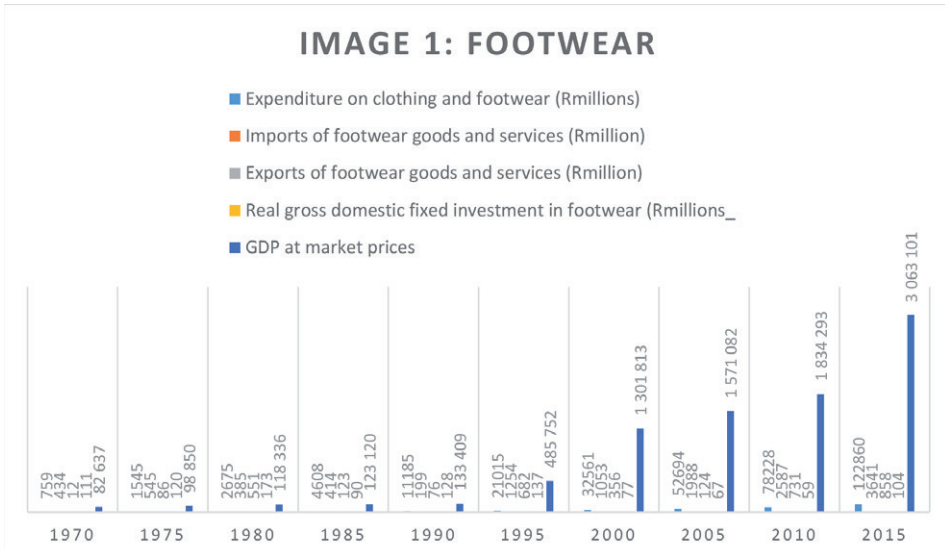
33 R Waters, "Industry numbers and predictions", *South African Shoemaker & Leather Review*, 6, 1990, pp. 2-4.

34 G Jonsson & A Subramanian, "Dynamic gains from trade: Evidence from South Africa", *IMF Staff Papers*, 48(1), 2001, pp. 197-224.

35 FP&M, "A profile of the clothing, textiles, footwear and leather sub-sectors December 2014" (available from [http://www.fpmseta.org.za/downloads/FPM\\_sub-sector\\_clothing\\_textiles\\_footwear\\_leather\\_final.pdf](http://www.fpmseta.org.za/downloads/FPM_sub-sector_clothing_textiles_footwear_leather_final.pdf), as accessed on 15 October 2017); L Edwards and R Jenkins, The impact of Chinese import penetration on the South African Manufacturing Sector, *The Journal of Development Studies*, 4(51), 2005, pp. 447-463.



Image 1: Overview of the South African footwear production in numbers



Source: Available at StatsSA: [http://www.statssa.gov.za/?page\\_id=1859](http://www.statssa.gov.za/?page_id=1859) and DTI-Eran: <http://www.thedti.gov.za/ERPC/ERAN.jsp>, as accessed on 1 November 2017.

## Chinese imports

Since the late 1980s Chinese inroads into world trade and development, caused different market and popular responses. During the past 15 years Chinese presence in African trade and development projects rose systematically, making China Africa’s largest trading partner. Between 2001 and 2011, the total value of Chinese exports to Sub-Saharan Africa rose from \$4.1 billion to \$53.3 billion.<sup>36</sup> Chinese foreign direct investment in African oil and other natural resources boomed, leading to rising investment in agriculture, manufacturing and service industries.<sup>37</sup> As the traditional donors to Africa withdrew gradually, China stepped into this growing gap as the alternative source of foreign aid to African governments.<sup>38</sup>

South Africa’s ideological predisposition towards China stimulated trade with South Africa, but also caused market disruption. Chinese trade either

36 International Monetary Fund, *Direction of Trade Statistics* (Washington DC: International Monetary Fund, 2012).

37 HG Broadman, *Africa’s Silk Road: China and India’s New Economic Frontier* (Washington, DC, World Bank, 2007); R Kaplinsky, and M Morris, “Do the Asian drivers undermine export-oriented industrialization in SSA”, *World Development*, 36(2), 2008, pp. 254-273.

38 L Edwards, and R Jenkins, “The competitive effects of China on the South African manufacturing sector”, *DPRU Policy Brief for the World Bank Group*, PB 14/40, December 2014.

has competitive or complementary effects.<sup>39</sup> The South African industry experience Chinese trade as competing local products out of the market. This impacted negatively on domestic manufacturing output and employment. Several industries, primarily textile and clothing manufacturing, experienced market contraction. The same occurred in the rubber, paper and metal industries.<sup>40</sup> By 2010, Chinese exports to South Africa accounted for more than 50% of imports of knitted and crocheted fabrics, clothing, footwear and general household appliances.<sup>41</sup> In 2013 the Cape Clothing Association confirmed that China's share of South African clothing imports stood at 67% by value and 81% by volume. The next largest source of imported clothing, was Mauritius, with only 9% by value.<sup>42</sup>

1995	2000	2005	2010
35,5%	40,6%	73,4%	76,8%

Source: L Edwards, and R Jenkins, "The competitive effects of China on the South African manufacturing sector", DPRU Policy Brief for the World Bank Group, PB 14/40, December 2014.

Chinese exports crowded out South African manufacturing, especially the textile, clothing and shoe manufacturing industries. Since China joined the World Trade Organisation in 2001, and more especially since December 2004 when the Multi-Fibre Agreement (which regulated the textile and clothing trade) ended, Chinese textile products dominated international markets.<sup>43</sup> China is able to export tonnes of cheap clothing across borders – 28700 tonnes exported from the People's Republic in 2006.<sup>44</sup> This placed serious constraints on local manufacturing. Chinese textile manufacturing competitiveness is contained in low labour cost, high productivity and low South African tariffs on imported fabric. The South African industry failed to keep abreast of technological innovation and labour productivity, causing

39 R Kaplinsky, and M Morris, "Do the Asian drivers undermine...", *World Development*, 36(2), 2008, pp. 254-273; L Edwards and R Jenkins, "The impact of Chinese import penetration on the South African manufacturing sector", *The Journal of Development Studies*, 4(51), 2005, pp. 447-463.

40 L Edwards, and R Jenkins, "The competitive effects of China on the South African manufacturing sector", *DPRU Policy Brief for the World Bank Group*, PB 14/40, December 2014.

41 L Edwards and R Jenkins, "The impact of Chinese import ...", *The Journal of Development Studies*, 4(51), 2005, pp. 447-463.

42 Cape Clothing Cluster, "Newsletter" (available at <http://capeclothingcluster.org.za/newsletters/>, as accessed on 10 October 2017).

43 M Morris and G Einhorn, "Globalisation, welfare and competitiveness: The impacts of Chinese imports on the South African clothing and textile industry", *Competition and Change*, 12(04), 2008, pp. 355-376.

44 Province of KZN, "Freight Databank" (available at [http://www.kzntransport.gov.za/public\\_trans/freight\\_databank/kzn/industries/shoesleather\\_textiles\\_and\\_clothing/index\\_xml.html](http://www.kzntransport.gov.za/public_trans/freight_databank/kzn/industries/shoesleather_textiles_and_clothing/index_xml.html), as accessed on 3 October 2017).

overall inefficiency.<sup>45</sup>

The South African government seemed loath to respond to local textile and shoe manufacturers' outcry about cheap imports. In 2005/6 the United States and European Union invoked safeguards against specific Chinese imports. Under pressure from its tripartite trade union partners (the ANC, COSATO and the South African Communist Party), the state finally signed a two-year restraint agreement with China, imposing quotas on exports of specific clothing and textile products from 1 January 2007.<sup>46</sup> This was purportedly to offer local manufacturers an opportunity to catch up technologically and enhance competitiveness to stem the loss of employment opportunities. This was "too little, too late" action. Restricting Chinese imports did not improve productivity or deliver technological innovation. However, the South African clothing and shoe manufacturing industry managed some recovery. According to the SAFLIA (Southern African Footwear & Leather Industries Association) footwear manufacture increased from 25 million pairs in 1999 to 60 million pairs in 2014 - levels that had last been achieved in 1986.<sup>47</sup>

The ability to 'bounce back' is a function of the entrepreneurial capabilities of management. Some entrepreneurs perceive market developments as opportunities, whereas others see disaster. This speaks to the personality traits of entrepreneurs, as outlined by Mason and Harvey and the leadership and motivation to manage risk, as described by Leibenstein.<sup>48</sup> Furthermore, product focus and finding a niche market, link directly to profitability and a perseverance to remain competitive in an increasingly hostile environment.<sup>49</sup>

## **Entrepreneurial typologies – framework of analysis**

A nuanced contextualised understanding of the nature of entrepreneurship,

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45 Hong Kong Trade and Development Corporation, "South Africa: A clothing industry at a crucial crossroads", 6 January 2015.

46 L Edwards and R Jenkins, The impact of Chinese import penetration on the South African manufacturing sector, *The Journal of Development Studies*, 4(51), 2005, pp. 447-463.

47 Southern African Footwear & Leather Industries Association: Safflia Chairman Report 2014 (available at <http://safflia.co.za/directors-report/?preview=true>, as accessed on 3 October 2017).

48 C Mason and C Harvey, Entrepreneurship: Contexts, opportunities and processes, *Business History*, 55(1), 2013, pp. 1-8; H Liebenstein, Entrepreneurship and development, *American Economic Review*, 58, 1968, pp. 72-83.

49 ME Porter, *Competitive Strategy* (The Free Press, New York, 1998); E Parrish and N Cassill and W Oxenham, Niche market strategy in the textile and apparel industry, *Journal of Fashion Marketing and Management*, 10(4), 2006, pp. 420-432; E Parrish and N Cassill and W Oxenham, Niche market strategy for a mature marketplace, *Marketing Intelligence & Planning*, 24(7), 2006, pp. 694-707; SC Parker, *The Economics of Entrepreneurship*. (Cambridge, Cambridge University Press, 2009).

the person and the institution emerged from theory and empirical studies.<sup>50</sup> Cantillon saw an entrepreneur as an *arbitrageur* or speculator, conducting exchanges and bearing all the risk of buying at certain prices and selling at uncertain prices.<sup>51</sup> The Cantillon entrepreneur was not an innovator, but an intelligent, perceptive person willing to take risks<sup>52</sup> and described by Say<sup>53</sup> as the controller of the factors of production.<sup>54</sup> Say sees the entrepreneur as the middleman, the co-ordinator of factors of production. Such a person has personal characteristics such as judgement, perseverance and experience, all of which are combined in one person to be a resourceful, knowledgeable person equipped with experience to overcome the ‘unexpected’ and exploit (use) existing knowledge.<sup>55</sup>

These early interpretations emerged from the context of agricultural production. Later Frank Knight distinguished between risk and uncertainty: risk is insurable, but uncertainty is not.<sup>56</sup> The entrepreneur receives profit as reward for bearing the uninsurable risk. The entrepreneur is self-confident, venturesome and has foresight, which are non-tradeable characteristics complementary to other productive assets. The entrepreneur prefers to own rather than lease the latter and therefore establishes his/her own firm. The Austrian school expanded on the idea of the entrepreneur as *arbitrageur* by describing the entrepreneur as a middleman, a person ‘discovering’ price in a market economy for themselves (by buying at low prices and selling at high prices, thus making profit) by being alert to profitable opportunities. The “alert” entrepreneur exercises judgement in decision-making, applying judgement about expected/anticipated future prices.<sup>57</sup> Entrepreneurship operating between markets and factors of production, is positioned, according to Casson et al. at the “low-level” of the phenomenon.<sup>58</sup>

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50 F Amatori, Entrepreneurship, *Imprese e Storia*, 34, 2006, pp. 233-267; F Amatori, Entrepreneurial Typologies in the History of Industrial Italy: Reconsiderations, *The Business History Review*, 85(1), 2011, pp. 151-180; M Casson, *The entrepreneur: An economic theory* (Oxford, Martin Robertson, 1982); C Mason and C Harvey, Entrepreneurship: Contexts, opportunities and processes, *Business History*, 55(1), 2013, pp. 1-8; SC Parker, *The economics of entrepreneurship* (Cambridge, Cambridge University Press, 2009).

51 R Cantillon, *Essay on the nature of commerce in general* (Piscataway, NJ, Transaction Publishers, 2009). Original French edition, 1755.

52 M Casson, B Yeung, A Basu and N Wadason, *The Oxford handbook of entrepreneurship* (Oxford, Oxford University Press, 2008); SC Parker, *The Economics of Entrepreneurship* (Cambridge, Cambridge University Press, 2009).

53 J Say, *A treatise on political economy* (New York, Cosmo Classics, 2003). Original French Edition 1803.

54 C Mason and C Harvey, Entrepreneurship... , *Business History*, 55(1), 2013, pp. 1-8.

55 SC Parker, *The economics of entrepreneurship*, p. 33.

56 FH Knight, *Risk, uncertainty and profit* (New York, Harper and Row, 1921).

57 MC Casson, *The entrepreneur: An economic theory* (Cheltenham, Edgar Allen, 1982, Reprint, 1991).

58 MC Casson et al., *The Oxford handbook of entrepreneurship*.

The personality or nature of the entrepreneur is core to the understanding of the phenomenon. Traits such as ambitious drive for achievement, control, propensity to take risk, courage, leadership and sometimes “deviant” or socially marginalised, which then motivates the entrepreneur to set up his/her own firm.<sup>59</sup> The debates about entrepreneurship moved from the emphasis on personality to the application of more cognitive models of human behaviour emphasising the perception of self-efficacy (the belief that the entrepreneur has the capability to organise, execute and manage the task), thus a belief in the entrepreneur’s ability to succeed, and the intention to perform the task. Knight thus saw the entrepreneur not as “born”, but as an opportunist who can succeed when risk-adjusted returns are favourable.<sup>60</sup> This underlines the leadership role and motivation as a personal trait of an entrepreneur. An entrepreneur must have the ability to bring about gradual change to existing products and processes, through a combination of leadership motivation, the ability to resolve crises and risk-taking.<sup>61</sup> The entrepreneur thus applies his/her personal traits or characteristics to the context to manage risk. This development led to the focus on the environment in which an entrepreneur might succeed. The emphasis on the institutional environment of operations point towards the inherited qualities of entrepreneurs, but later emphasis on entrepreneurial “opportunities” allowed for the so-called “self-made” entrepreneur. This is a person who, through education creates and improves the environment or given context, and through ambition and self-belief, succeeds.<sup>62</sup>

The last broad category of entrepreneurship is that of innovation and creative destruction, as put forward by Schumpeter.<sup>63</sup> The context of Schumpeter’s conceptualisation of an entrepreneur is an innovator who does not operate within conventional technological constraints, but develops new technology or processes, which brings about structural changes in the economy. Schumpeter’s view of entrepreneurship was on the ‘high level’ of the concept, thus considering the entrepreneur as the hero, the innovator, the person who acts to shift the paradigm altogether.<sup>64</sup> The changed technology, organisation or process then becomes the new norm, which is the subject

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59 C Mason and C Harvey, Entrepreneurship..., *Business History*, 55(1), 2013, pp.1-8.

60 SC Parker, *The economics of...* (Cambridge, Cambridge University Press, 2009), p. 33.

61 H Liebenstein, Entrepreneurship and development, *American Economic Review*, 58, 1968, pp. 72-83.

62 M Casson et.al., *The Oxford Handbook of Entrepreneurship* (Oxford, Oxford University Press, 2003), p. 5.

63 JA Schumpeter, *The theory of economic development* (Translation Redvers Opie), (Cambridge MA, Harvard University Press, 1934); JA Schumpeter, *Business Cycles* (New York, McGraw Hill, 1939), JA Schumpeter, The creative response in Economic history, *The Journal of Economic History*, 7, 1974, pp. 149-159.

64 M Casson et.al. *The Oxford Handbook of Entrepreneurship* (Oxford, Oxford University Press, 2003), p. 3.

of subsequent innovation, leading to “creative destruction” or yet further innovation. Schumpeter identified innovation in five main types of “new combinations”: new products, new processes of production, the development of new export markets, the discovery of new sources of raw material supply, and the creation of new forms of institution, such as cartels, monopolies or the breaking up of monopolies. The entrepreneur is therefore not primarily the risk taker, but the single capitalist – be that the manager, the team or even a political entity.<sup>65</sup> Amatori explains the entrepreneur in the organisation as manager, as potentially the ‘entrepreneurial paradox’. This means that the bureaucratic structure and routines of an organisation might be perceived as inhibiting entrepreneurial innovation,<sup>66</sup> but Galambos et al pointed to middle management (a business unit strategy) as innovators of knowledge, where innovation is applied to new conditions on a day-to-day basis.<sup>67</sup> Alfred D Chandler Jr’s emphasis on management did not ignore the entrepreneur, but pointed to the “entrepreneurial decisions” in the corporation. In *Strategy and Structure* Chandler explained the role of the entrepreneur as that of creating a wide managerial hierarchy, which is a prerequisite for the competitiveness of the corporation and the latter is again imperative for optimal economic growth.<sup>68</sup> Management investment in technological innovation will ultimately secure economies of scale and scope. Amatori explains: “Therefore there is an explicit connection between the entrepreneurial act that gives birth to vast organisations in the branches in which it is possible to exploit economies of scale and scope and the wealth of nations”.<sup>69</sup>

Galambos captured the broad concept of “entrepreneurial culture” by referring to the specific efforts of a person to combine land, labour, capital and knowledge in the creation of profitable, growth-inducing economic activity that has some aspect of novelty.<sup>70</sup> This encapsulation of the broader context of entrepreneurial operation, is suitable to the case studies discussed below. Entrepreneurial activity is supported by a “culture” of nurturing such enterprise. It is not only the big, creatively destroying innovation that characterises entrepreneurship, but also action in the “humble sites” across a

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65 JA Schumpeter, *Business Cycles* (New York, McGraw Hill, 1939); F Amatori, Entrepreneurship, *Imprese e Storia*, 34, 2006, pp. 233-267.

66 F Amatori, “Entrepreneurship”, *Imprese e Storia*, 34, 2006, pp. 240-241.

67 L Galambos, C McKenna and J Sturchi, “Managers: The dynamics of middle management” (Paper, The International Colloquium Entrepreneurs and managers, Milan, 2002), pp. 1-43.

68 AD Chandler, *Strategy and structure: Chapters in the history of the industrial enterprise* (Cambridge, M.I.T. Press, 1962).

69 F Amatori, Entrepreneurship, *Imprese e Storia*, 34, 2006, p. 244.

70 L Galambos, The entrepreneurial culture and the mysteries of economic development, *Essays in Economic and Business History*, 36(1), pp. 1-30.

broader range of economic activity. Without denying the fundamental role of accommodating public sector, Galambos emphasises the centrality of a vigorous locally-oriented commercial sector and a broad-based entrepreneurial search process and sustaining culture.

Finally, entrepreneurial opportunity is an important aspect of the entrepreneurial environment. Entrepreneurial opportunities are either created by the Schumpeterian disruption following technological innovation or other contextual changes, or on account of poor market participation, according to Kirzner. The attention to opportunities addresses questions such as why some people see/spot such opportunities and other not. This alludes to the characteristics of entrepreneurs, such as knowledge, alertness, networks, business experience, or the calculation of benefits exceeding cost, etc. Why do some individuals exploit opportunities and others not? What is the influence of context on the identification and successful response to opportunities? This refers to knowledge conditions, industry life cycles, the structure of industry or the institutional environment.<sup>71</sup>

**AP Lubbe en Seun (Edms) Bpk.**  
***AP Lubbe & Son, (Pty) Ltd.***

AP Lubbe en Seun (Edms) Bpk was a family business, spanning three generations of shoe manufacturing during the early years of industrial development of South Africa. In 1918, as local industrialisation received a sympathetic ear from the state, Andries Petrus Lubbe started a bridle and shoe repair business on Bird Street in Stellenbosch. He was born with a clubfoot and taught himself to make his own shoes from primitive lasts on the farm where he grew up. Andries Lubbe qualified as a bridle maker, but never lost his keen interest in the shaping of shoes. When motor cars became a more familiar sight and fewer horse-drawn carts were seen on the roads around the early 1920s, Lubbe realised that he needed to apply his skills to a different line on leather work. He decided to specialise in shoe repairs and established “Lubbe se Skoenhospitaal” (*Shoe hospital*) on a new premises in Plein Street, Stellenbosch. This proved to be a very successful entrepreneurial strategy. Inspired by the success and the fact that it was becoming increasingly difficult to buy ladies shoes during the war, Lubbe embarked on shoe manufacturing since 1940. Since he had little experience in shoe design, the shoes were ordinary and simple leather shoes, hand-tooled

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71 C Mason and C Harvey, *Entrepreneurship...*, *Business History*, 55(1), 2013, pp.1-8.

sandals for ladies – apparently the female students were rather partial to a pair of Lubbe’s “Sondale” – supplemented by quintessential “velskoene”. Lubbe’s reputation as a master of his craft ensured sustained business flows after the war.<sup>72</sup> The state awarded him a contract to supply shoes to prisoners.<sup>73</sup> During the inauguration of the Voortrekker Monument in 1949 a renewed demand for “velskoene” kept Lubbe firmly in business.<sup>74</sup> The trade and the business caught the imagination of Lubbe’s son, Willem, who joined the business after the war. The next generation Lubbe had inherited the “entrepreneurial spirit”, fostering in him an ambition to take the family enterprise to a next level. In 1948 after Willem had completed his training in shoe technology in Britain, Lubbe registered the enterprise officially. The company later produced more sophisticated shoes, which included gentlemen’s dress shoes and everyday brogues, soon to make up the bulk of production.<sup>75</sup>

The business operations remained in the original premises in Stellenbosch – still a small and primitive workshop, but Willem Lubbe aspired to build the concern into a much larger enterprise. In 1956 Lubbe opened a shoe factory in an industrialised area of Stellenbosch. This move ushered in an era of mass production and mechanisation of shoe manufacturing. Andries Lubbe was a strong single-minded owner-manager of the company. His business was successful in diversifying production and benefitted from the economic boom of the post-war era, persisting throughout the 1960 and 1970s. He passed away in 1970. Willem Lubbe, the second generation Lubbe, succeeded his father as the sole owner of the family business.<sup>76</sup>

By 1976 André Lubbe, Willem’s only son, joined the business as the third generation Lubbe. Family dynamics were therefore positive in securing sibling succession. The volatility in the local political and economic environment towards the late 1970s and 1980s, complicated the business environment for

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72 The University of Stellenbosch is one of South Africa’s premium tertiary institutions, a university town located in the historical Boland district of the Western Cape. Starting out with four faculties (Science, Education, Arts and Social Sciences, and AgriSciences), 503 students and 40 lecturing staff on 2 April 1918, Stellenbosch University today is home to 10 faculties, a vibrant and cosmopolitan community of more than 30 000 students and 3000 staff members, spread over five campuses.

73 SR van Eeden, “Almal kom na Lubbes’...”, pp. 17-18.

74 The Voortrekker Monument was built to commemorate the so-called Groot Trek (“Great Trek”) undertaken during the 1830’s by pioneering Boer families who fled British rule in the Cape colony and settled in the North of the country. For the celebration of the centenary of the Great Trek in the 1930’s the corner stone of the enormous building was laid and with it initiated a renewed interest and pride in Afrikaans culture. During the inauguration of the monument thousands of people dressed like Voortrekkers (including wearing veltie shoes) attended the celebrations.

75 SR van Eeden, “Almal kom na Lubbes’...”, pp. 24, 29-30.

76 SR van Eeden, “Almal kom na Lubbes’...”, p.48.



a local footwear manufacturer. Sales declined consistently for a period of 5 years. André Lubbe had acquired a sound background in the shoe industry and the business of shoe manufacturing from growing up in the factory, studying BCom at Stellenbosch University and completing the qualification of “Associate of the British Boot and Shoe Institute”.<sup>77</sup> He decided to focus the business on a particular niche market, namely the manufacturing of hiking boots, sold under the trademark of “Trailbuster”. Initially the new product under the new trademark seemed successful. The 1980s was a time when outdoor activities and hiking became fashionable. Protective tariffs shielded local manufacturers from imported specialised hiking shoes from Europe or the USA. By the early 1990’s after the signing of the Uruguay trade agreement, the company started floundering. While seeking to develop a niche market, Lubbe’s was confronted by the technological development in the hiking boot market. This technological innovation included that use of new durable light-weight and water resistant materials to enhance agility in outdoor movement and experience. Lubbe’s heavier leather boots did not have the same appeal as some of the Eastern-manufactured boots, such as the brand name Hi-Tec. Lubbe’s also failed to compete in pricing. An article in the local outdoors magazine, *Getaway*, noted that a pair of Lubbe “Trailbuster” hiking boots cost R580.00 compared to R399.00 for the more fashion-conscious Hi-Tec boots.<sup>78</sup>

By 1994 André Lubbe turned his attention to foreign markets by establishing Lubbe International. This company exported hiking boots to Europe, targeting countries with a hiking culture such as Germany, Austria, Switzerland and the Netherlands. There was wisdom in a strategy to target European buyers with a stronger currency and higher living standards, but the exercise met with a lukewarm response. Lubbe lost sight of the fact that European buyers were more sophisticated than South African consumers and could choose from a wide selection of different hiking boots supplied by specialised European manufacturers (especially from Germany). By 1999 Lubbe’s experienced serious liquidity constraints. The hiking boots of Lubbe International failed to capture a significant international market. Internally, crippling fraud by an employee undermined a sustainable future. The company sold different brand names to other shoe manufacturers – amongst others, KZN footwear manufacturer Corrida shoes. In 2001, the doors of AP Lubbe and Son (Pty)

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77 SR van Eeden, “Almal kom na Lubbes’...”, p. 55.

78 Editorial, “Put your foot in it”, *Getaway Magazine*, February 1997, pp. 106-113.

Ltd closed.<sup>79</sup>

Lubbe's was unsuccessful in establishing a niche market for its boots. The strategy to operate within the parameters of a niche market, was not well conceptualised from the start. Kotler noted that a successful niche market strategy depended on the following:<sup>80</sup>

- That the niche customers have a distinct set of needs;
- That the customer is willing to pay a higher/ premium price to satisfy their needs;
- That the specific niche is not likely to attract competitors or has been satisfied;
- That the manufacturer achieves economies of scale through specialisation;
- That the niche market has scope for profit and further growth.

Lubbe's did not comply with these market conditions. The product choice implied massive capital outlay, which the company could not afford. The necessary market research into international consumer taste, which the company failed to do. This left the company with a mismatch between specialisation and capital requirements. There was a distinct element of misfortune for Lubbe. The timing of the internationalisation strategy was inopportune: Chinese manufacturers had already commenced dumping cheap substitute footwear on the market.<sup>81</sup>

### **Corrida shoes: Tsonga**

Peter Maree was at a loose end after finishing a BEcon degree at Stellenbosch University in 1970. He was offered a two-year management trainee programme at the Panther Shoe Company and, after visiting the factory, was excited by the idea of making shoes. After completing the trainee programme he went to the UK to gain international experience in shoe manufacturing.<sup>82</sup> He gained valuable experience, worked in shoe factories as general dogsbody and had the opportunity to acquire design and development experience. His understanding gained from observing the developments in international shoe manufacturing. To supply the market with good quality shoes, he acquainted himself with markets outside South Africa. On returning to South Africa he entered the employment of various shoe manufacturing companies, gaining

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79 Suzanne van Eeden collection, Interview, Andre Lubbe (last CEO of AP Lubbe and Son (Pty) Ltd, Strand), 19 April 2006.

80 P Kotler, *Marketing Management* (Prentice-Hall, Upper Saddle River, NJ, 2003), p. 234.

81 The failure of a company is more than just a trite coincidence and the authors acknowledge that although Lubbe's failure is in most part due to a lack of timeous adapting to radically altered market conditions (although this was the explanation offered by both Willem and Andre Lubbe).

82 G Kriel, "A shoe business with a different beat", *Finweek*, 23 February 2017, pp. 37-38.

experience in product development, marketing and brand management.<sup>83</sup>

Maree spent thirteen years in different capacities in the local shoe industry before deciding to venture into his own enterprise. In 1983 he opened Corrida Shoes in Pietermaritzburg.<sup>84</sup> The name was taken from a Quincy Jones 1980s song “Ai No Corrida” (Corrida means “bullring” in Spanish). Start-up capital was sourced from personal savings, goodwill from suppliers, and bank finance. Production started on ladies’ shoes, but later diversified into the new brands Newport and Alfa. These were men’s shoes and sandals. Later Corrida also manufactured Omega shoes, a high-quality range, of which the trademark was bought from Lubbe. The initial staff compliment was six employees, who manufactured 100 pairs of shoes per day. This production level rose to 2 000 pairs per day employing 250 people. The company distributed its shoes through 17 retail stores selling Corrida products.<sup>85</sup>

Peter Maree, the entrepreneur, anticipated the adverse effects to the local shoe manufacturing industry, of mass-produced cheap shoe imports from China and India. The entrepreneurial strategy to circumvent the risk of being pushed out by low quality mass production, was to create a niche African brand to market around the world. He realised the opportunity of offering international markets a unique African product. The strategy was to manufacture beautiful soft, flexible hand-stitched shoes with leather linings: distinctive and niche-orientated. Corrida Shoes, Peter Maree and his work team investigated potential export markets (of which Peter had first-hand knowledge owing to his earlier European exposure). They identified a niche market.<sup>86</sup> The final choice fell on a comfortable, fashionable African shoe, called the Tsonga shoe range.<sup>87</sup> The name was inspired by the African legend that the Tsonga people were the first indigenous people of the country to make shoes to improve their hunting skills. This name presented Maree with a distinct African name, which he intended to register internationally to give effect to his diversification strategy.<sup>88</sup>

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83 G Kriel, “A shoe business with a different beat”, *Finweek*, 23 February 2017, pp. 37-38.

84 B Schneider-Levy, “Corrida Shoes’ Soul Support”, *FootWear News*, November 28, 2012, available at <http://footwearnews.com/2012/business/news/corrida-shoes-soul-support-141697/>, as accessed on 15 July 2017, p. 1.

85 These are stores in South Africa, plus one factory outlet and two international stores in Australia and France. Stores as advertised on Tsonga’s website, as of April 2018 (available at <https://www.tsonga.com/>, as accessed on 23 April 2018).

86 K Magubane, “SA Shoes with Soul”, Media Club South Africa, July 9 2008, available at <http://www.mediaclub.co.za/economy/560-african-shoes-with-soul>, as accessed on 15 July 2017.

87 G Kriel, “A shoe business...”, *Finweek*, 23 February 2017, pp. 37-38.

88 Female Entrepreneur SA, “Tsonga Footwear, sans date”, available at <https://femaleentrepreneurs.co.za/fashion/tsonga-footwear/>, as accessed on 20 July 2017.

The Tsonga shoe project was intended for mass production, but also as an empowerment initiative, the Thread of Hope: the Tsonga factory is located in Lidgetton, KZN. The basic shoe patterns are cut by heavy machines in the factory but assembled by local Zulu women from the village who hand-stitch the soles to the leather uppers.<sup>89</sup> Riddled with unemployment, Lidgetton was situated where many farm workers settled following mechanisation of commercial farming operations in the area, which left them unemployed. In a bid to uplift the women of the community, Corrida opened its hand-lacing plant within walking distance from the village. The hand shoe-stitching operation commenced with a group of 20 women working from a renovated old farm school building – now, 170 women work at the centre.<sup>90</sup> As part of the initiative, the women were also taught to run their own businesses and other local projects, such as the feeding scheme, supported by their own local vegetable cultivation. A synergy of mutual support developed, as working women’s children attended the local crèche. At the crèche children received healthy meals, benefitting from the vegetable supplies from the local vegetable garden. Corrida shoes therefore emerged as a community empowerment project, a source of employment and community development through skills development.

From the very beginning – its launch at the Global Destination of Shoes and Accessories (GDS) in Düsseldorf, Germany during September 1999 – the Tsonga shoe range received a positive reception, international popularity and demand, which sustained domestic and international production.<sup>91</sup>

The “Tsonga story” was fundamental to the product success. The marketing strategy revolved around the shoes “with faces” and shoes “with people” behind them. The marketing focussed strongly on the human dimension of the production process and the community engagement with the ‘Tsonga story’ from South Africa. The “hand-made” element, of people who personally hand-stitched each shoe, rang well in overseas markets. Many of their overseas distributors had been to South Africa before and were positively inclined towards the country. An added dimension was “The Thread of Hope project”. Consumers bought into the wider social engagement dimension of the project, since they were informed that a portion of the money they spend

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89 K Magubane, “SA Shoes with soul”, Media Club South Africa, 9 July 2008, available at <http://www.mediaclub.co.za/economy/560-african-shoes-with-soul>, as accessed on 15 July 2017.

90 G Kriel, “A shoe business...”, *Finweek*, 23 February 2017, pp. 37-38.

91 Entrepreneur Magazine Staff, “Is your business ready to export?”, *Entrepreneur Magazine*, 25 October 2009, available at <https://www.entrepreneurmag.co.za/advice/import-export/starting-an-export-business/is-your-business-ready-to-export/> as accessed on 23 April 2018.

on the shoes, benefitted local communities in South Africa.<sup>92</sup>

By 2008 Maree's son, Adrian joined the company. The brand continued to enjoy international growth, especially in Europe, Canada, America, New Zealand and Australia. A significant distribution channel was through Nordstrom, one of the largest shoe retailers in the United States of America. The 'Tsonga' shoes were also marketed through the internet by Zappos.com, a platform for the marketing of all the leading shoe designer brands.<sup>93</sup>

Although the brand was developed with the overseas market in mind, the brand established firm market penetration in South Africa. However, the unit cost of the Tsonga brand meant that the Maree's Tsonga shoe market remained driven primarily by overseas demand. South African consumers displayed a clear price-sensitivity in footwear consumption, making the average pair of Tsongas (between R379 for their Tslops to R2 000 for boots), "very expensive" by South African standards.<sup>94</sup> The company nevertheless, remained committed to bringing South Africans the Tsonga brand, and therefore expanded distribution to grow the domestic market. Tsonga also launched an accessories line of designer bags and purses, also distributed through their concept stores.

The success of Corrida/Tsonga stands in stark contrast to the Lubbe shoe enterprise. When comparing the two companies' responses to adverse socio-economic conditions in South Africa during the 1990's, two easily identified entrepreneurial strategies emerge. Lubbe's responded or reacted to adverse conditions by withdrawal from the market. Corrida, on the other side, proactively responded to an entrepreneurial opportunity. Corrida "created" Tsonga to challenge the influx of cheap imports. Tsonga succeeded by understanding Kotler's criteria for the creation of a successful niche market, while Lubbe's did not. Tsonga used the sensitivities in overseas markets towards the plight of poor people in developing countries, to attract consumer attention in those distant markets. A distinct successful appeal was through demonstrating the turnaround strategy of human agency from poverty to sustainable enterprise. Lubbe's failed to develop a "niche", or a unique market position, proactively, able to address social consciousness to mobilise consumer demand.

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92 G Kriel, "A shoe business...", *Finweek*, 23 February 2017, pp. 37-38.

93 K Magubane, "SA shoes with soul", Media Club South Africa, July 9 2008, available at <http://www.mediaclub.co.za/economy/560-african-shoes-with-soul>, as accessed on 15 July 2017.

94 K Magubane, "Shoes with Soul"; Prices adjusted as advertised on Tsonga's website, as of April 2018, available at: <https://www.tsonga.com/>, as accessed on 23 April 2018.

Having identified a specific quality conscious target market abroad, Tsonga strengthened that brand as opposed to cheap mass-market imported footwear. The Tsonga brand first focussed their product on the shoes' unique appearance for the female shoe market – one of the most lucrative and buying orientated market segments.<sup>95</sup> Corrida then used “heart-warming” advertising (on every box a picture of the ladies involved in stitching up the shoes) to capture the buyer's sense of “feeling good” about their purchase, or contribution to address poverty and unemployment in a developing country. Furthermore, Tsonga was in the privileged position that online purchasing via the internet had already made inroads by the advent of their heyday. Corrida took note of the development of online business by facilitating the distribution of Tsonga shoes on the internet. South African made Tsonga shoes went to buyers in Vienna, Austria, as well as buyers in George, South Africa.

## Conclusion

The development of the South African shoe industry reflects the trajectory of local industries. Infant industries established under tariff protection, developed in a protected market, but failed to develop economies of scale or technological competitiveness to withstand open market competition. Entrepreneurial ingenuity in spotting a competitive advantage through product diversification and consumer conscious marketing, earned Maree's venture success in international competition. After the 1993 Uruguay Round of international trade agreements, South Africa systematically and gradually scrapped protective tariffs. The great expectations around the re-admission of South Africa into the international economic arena after 1990, opened the door to the new political allies of the newly elected 1994 government to take advantage of the ill-preparedness of local industries for global competition. The South African government encouraged unrestricted trade with China. This was directly detrimental to the local footwear industry. Cheap Chinese mass produced shoes challenged local manufacturers. A weakly developed entrepreneurial culture, as described by Galambos, also mitigated against successful responses to globalisation.<sup>96</sup> The options were either to exit the industry, or to devise an alternative competitive strategy. Corrida opted for the latter entrepreneurial choice.

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95 MJ Silverstein and K Saire, “The female economy”, *The Harvard Business Review*, September 2009, available at <https://hbr.org/2009/09/the-female-economy>, as accessed on 27 October 2017.

96 L Galambos, “Entrepreneurial culture and the mysteries of economic development”, *Essays in Economic and Business History*, 36(1), pp. 1-30.

The entrepreneurial strategy was to seek a niche market through innovation and market segmentation. Ghemawat underlined that the problems encountering enterprises, were not necessarily “inappropriate strategic analysis”, but rather “organisational deficiencies”.<sup>97</sup> Lubbe and Son (Pty) Ltd failed to devise strategies for sustainability or adapt the organisation to international competition. The company acted after the fact: reactive business strategies responded to the contraction of the local market for their shoes. Less-than-stellar ideas and an ill-suited European market did not deliver the demand required to establish Lubbe’s in the global market. An enterprise that survived three generations, failed in the wake of globalisation.

Entrepreneurial foresight rendered Corrida a future. Corrida anticipated the potential impact of Chinese imports. The survival strategy entailed a different type of business. The strategy did not imply organisational restructuring into international subsidiaries, but an international marketing strategy relying on the strengths of local resources – labour, community involvement and innovative design for a niche market. With product differentiation and market segmentation Corrida turned its focus on the international markets rather than survive only in the domestic market. Corrida was innovative and adaptable – utilising some of the key elements of family business success to their advantage.

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<sup>97</sup> P Ghemawat, “Reconceptualizing international strategy and organization”, *Strategic Organization*, 6(2), p. 196.