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## **Innovative business cases in the South Africa table grape and wine industry's: developing the concept of empowerment entrepreneurship**

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**Abstract:** The purpose of this paper is to reflect on an innovative initiative taken spontaneously by producers in the supply chain of the table grapes and wine industry to empower employees. Empowerment is a fundamental force for change in doing business in South Africa and its societies, especially in the lives of previously disadvantaged people (PDI). The majority of the PDI employed in the agriculture industry have been marginalised with regards to business opportunities and proper education for decades by the political system of the country prior to 1994.

By examining the innovative business models used by the producer in the empowerment process we gain a broader comprehension of how sustainable empowerment of employees in a supply chain can successfully be integrated into the business strategy used by the producers. The business models have undergone several innovative changes over time to find the 'ultimate' business model for creating empowerment in South Africa.

**Keywords:** empowerment; entrepreneurship; BEE; South Africa; wine production; social sustainability; education; fair trade.

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## **1 Introduction**

South Africa has socio-economic needs that need to be addressed in its quest to actively participate in the global village of trade and business. Stakeholders around the world are concerned with responsible and sustainable development in business processes, especially in global supply chains that connect developed countries with developing countries. While the developed world is busy with environmentally sustainable practices, developing countries first need to address their own socio-economic and ethical problems that relate to sustainable development. Social upliftment is very important in these developing countries and this is done by means of the economic sector. It is believed that the combination of social and economic development would lead to empowerment. It is also believed that this can be achieved through gaining global market access. Yet, this form of social empowerment has hardly been effective.

Since the first South African democratic elections of April 1994 the issues of economic empowerment and growth have been placed high on the agenda of the South African government. This relates to a population with very low literacy levels, adding to social problems, such as high unemployment and high levels of crime. Gwanya (2010) states that the government has no option but to give its full attention to the fundamental task of job creation, and generating sustainable and equitable growth.

To address this, the ANC, when coming into power in 1994, initiated the Reconstruction and Development Plan (RDP) in 1994 that was replaced by the Growth, Employment and Redistribution programme GEAR in 1998 and followed by Accelerated and Shared Growth Initiative (ASGI) in 2008. All three programmes aimed to promote economic growth and the empowerment of historically disadvantaged persons. A theme that runs through all three government initiatives is the formation of small business, as it is perceived as a natural solution to the economic and social problems through increased entrepreneurship and land reform.

One vehicle driving this initiative is legislation in the form of the Small Business Act 1996. It describes small business as

“a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy, ‘small business organisation’ means any entity, whether or not incorporated or registered under any law, which consists mainly of persons carrying on small business concerns in any economic sector, or which has been established for the purpose of promoting the interests of or representing small business concerns, and includes any federation consisting wholly or partly of such association, and also any branch of such”. (President’s Office, 1996)

Adjacent to this is the Employment Equity Act 1995 (EEA), the principal objective of this act is to achieve equity in employment through promoting equal opportunities and fair employment practices for designated groups (du Plessis and Fouche, 2006). Employment equity in the South African context refers to affirmative action practices by promoting specific groups of citizens. In terms of the EEA designated groups includes black people, women and people with disabilities. Black people are defined as Africans, Coloureds and Indians. Affirmative action refers to policies that consider arbitrary criteria such as race, ethnicity, physical disabilities, etc.

The South African government added to these two acts also the Skills Development Act in 1999, resulting in the establishment of Sector Education and Training Authorities (SETA) (du Plessis and Fouche, 2006), with the objective to combine the functions of industry training boards, education and training quality assurers and those additional functions required to implement the skills development strategy needed within each sector. An initiative to address illiteracy and skills shortages was also implemented in the agriculture sector by the AgriSETA by making use of accredited service providers for formal training and the empowerment of people. The AgriSETA at this moment has a total of 120 accredited providers on its database. The question is, is this adequate to meet the objectives of empowerment through land reform?

To rectify the skewed distribution of wealth along racial lines the government introduced Broad Based Black Economic Empowerment (BBBEE) as an initiative running parallel with all the other initiatives. BBBEE means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas through diverse, but integrated socio-economic strategies. These include raising the number of black people that manage, own and control enterprises and productive assets. The Act further provides for the integration of persons into the economy by way of ownership, corporate advancement and involvement at small, medium and micro enterprises.

BBBEE can be achieved through three core elements of the principle, namely:

- direct empowerment through the control and ownership of assets and enterprises
- human resource development
- promoting employment equity (South Africa, 2003).

BBBEE is not perceived as a successful intervention. This can be deduced from comments from the Minister of Rural Development and Land Affairs Ggile Nkwinti on this issue:

“We have not talked about the revenue that the state has lost because farms totaling 5.9 million hectares, which were active and accruing revenue for the state, were handed over to people. And more than 90% of those farms are now not functional. They are not productive, and the state loses revenue. We cannot afford to go on like that”. (Boyle, 2010)

This failing empowerment calls for critical reviews, as the objectives of economic growth and sustainable empowerment are not reached at this stage. This implies that entrepreneurial activity is not very high. It is therefore important to determine what will indeed contribute to the success of empowerment schemes, specifically in the agricultural sector. However, government sits with a highly uneducated population that they want to empower, which should first be done via education. In this regard a more recent report of

Statistics SA35 revealed that, whilst there was a notable improvement in the overall educational profile of the population, it is still relatively poor when compared to the developed countries. Particularly relevant is that only 10% of persons have completed a tertiary education, with a further 25% who have completed secondary school education. The remainder of the population received a partial secondary qualification (35%) and/or a primary education (20%) whilst approximately 10% of the population has had no formal education (StatsSA General Household Survey, July 2005).

The above situation is seemingly further exacerbated by the lack of training provided to the potential workforce. In this regard information presented in the Labor Force Survey for September 2004 reflects that only 9% of the total labour force (13% of the economically active population) has received structured work related skills training. The impact and effect of the above is that the agricultural sector still has a large component of its workforce that is illiterate or semi-literate. This is a challenge, because a low level of education places a restriction on people to progress and advance through the ranks and their ability to take on higher-level functions and responsibilities

What the South African government created through its empowerment programmes was the creation of opportunities to foster economic development to the benefit of all the citizens and especially the groups designated to social upliftment. The key ingredient of empowerment is to increase the decision making discretion of people (Co et al., 2006). A question that arises is how to support and stimulate such empowerment and what can the role of businesses in the supply chain be achieving this goal. One solution is for producers to actively participate by incorporating empowerment plans in business strategy on a voluntary basis. The implicit assumption is that after the transfer of ownership the empowered people will be a good entrepreneur.

The question is how social empowerment best can be promoted by government. In the current practice this runs down to roughly a few types of strategies:

- compulsory/by law enforcement with severe penalties if business do not adhere to policies
- with economic incentives, supporting firms with high % of PDI's
- with coercion, using communicative tools, or disclosure and benchmarking, etc. (thus creating a consumer incentive)
- by training and support business ventures
- on a voluntary basis by business owners.

With respect to these strategies the question is what is actually known about the level of success of such approaches? Only few scientific publications are available on this.

Some early empowerment programmes have been initiated by individual white farmers, prior to government initiatives and interventions to empower employees. One of the initiatives by farm owners is to combine the two objectives of social and economic uplifting and to introduce an empowerment programme on their farms, focused on their own employees. It was envisaged to economically empower employees resulting in positive effect on the social lives of the empowered employees and communities. The idea was to create an awareness of entrepreneurship and self-responsibility through these initiatives. These initiatives reported on by farmers were later formalised by the South African government in 2005, which then developed into BBBEE.

We take these spontaneous initiatives as a source for learning about the key factors relevant for the success of empowering for entrepreneurship. This paper<sup>1</sup> addresses a main research question and a set of related questions:

What is the role of entrepreneurs in the empowerment process, and what determines their success?

Related sub questions to be addressed are:

- 1 What type of entrepreneurs are they and what type of approaches do they apply in enhancing empowerment?
- 2 What can we learn from their approaches?
- 3 How can these entrepreneurs be given a place in the South African empowerment policies?

The first part of the paper is based on a literature study reflecting the debate on various forms of socially responsible entrepreneurship in scientific journals, academic books, government documents and forms the base of the theory exploration. In the second part, of the paper we will analyse three cases of spontaneous empowerment at farm level.

## **2 Entrepreneurship and socially responsible approaches in literature**

In the empowerment process employees become employers, while this transformation takes place in a very short period of time. As an employee they have mainly been in the position of executing tasks and might have had some experiences in being responsible for some operations in limited areas. With the change to being an entrepreneur all the psychological traits and the inward and outward skills discussed in Table 1 are needed. In empowerment policies this transformation is implicitly assumed to be non-problematic. This change in the lives of these people needs to be managed in a considered way to achieve optimal results. To achieve this, entrepreneurship is required in the empowerment process and human capital formation and not just asset acquisition for the purpose of empowerment (Karaan, 2006). In the building of theory and understanding of the concept of entrepreneurship numerous authors have made contributions, as early as the 1700s. The first person to define the activities of the entrepreneur was Cantillon in the 1700s. He viewed the entrepreneur as a person that seized opportunities and assumed the inherent risks (Cantillon, 1755). Say added to Cantillon's view that entrepreneurship is associated with innovation and perceives entrepreneurs as crucial change agents (Say, 1803). Fitting to Say's view on change agents, is Schumpeter's (1936) view stating that "new combinations appear discontinuously".

Such 'new combinations' refer to:

- the introduction of a new good, or a new market
- the introduction of a new method of production
- the opening of a new market
- the conquest of a new source of supply of raw materials or components
- the reorganisation of an industry.

This also adds to early work of Schumpeter referring to ‘creative destruction’ (Schumpeter, 1934), in which “old orders and ways of doing business are destroyed new orders are created” (Fuller et al., 2008). In sum, “entrepreneurs create value through newness innovation and creativity” (Dees, 1998).

The quest to define entrepreneurship has led to many definitions in literature with various disciplines contributing to the understanding and the building of the concept (Nieman et al., 2007).

Despite variations in orientation and details, entrepreneurial theory in general departs from the assumption that possessing certain psychological traits, inward and outward oriented skills and process related capacities will lead to more success in achieving socio-economic outcomes in the bottom row of Table 1 (Ras and Vermeulen, 2009).

The concept of entrepreneurship can be defined as

“referring to someone who identifies a need in the market and develops products and services by making decisions about bringing resources together (raw materials, financial and human resources) to satisfy that need. The entrepreneur takes risks in doing this and is rewarded with the profits of the business.” (Co et al., 2006)

**Table 1** Elements of the concept of entrepreneurs, derived from literature

Psychological traits		
a	High need for achievement	
b	Autonomy and dominance; desire for independence	
c	Internal locus of control	
d	Tolerance for ambiguity and uncertainty (risk taking)	
e	High propensity for risk taking	
f	Adaptability and flexibility	
g	High self-esteem, self-confidence, self-assurance	
h	Creativity, innovativeness	
i	Opportunity recognition, responsiveness, alertness	
<i>Inward-oriented</i>		
<i>Outward-oriented</i>		
Skills	Management skills such as planning ahead, organising, control, experience and leadership	Good human relation skills, such as communication
	Operational skills such as administrative, finance, marketing, logistics, human resources	Adjust to sector’s value systems
	Technical skills	Planning for expansion and growth, addressing market risks
Process	Create a vision and direction	Planning for competing in the market
	Financing the enterprise	Creating networks; such as business, social and international networks
	Good organisers; gather resources such as finance, labour	Employment
Outcome	Wealth creation	Community welfare
	Business growth	

Source: Ras and Vermeulen (2009)

Other definitions from various authors can still be added however key concepts from literature were taken to identify some of the important aspects of entrepreneurship, as shown in Table 1 (Timmons and Spinelli, 2004; van Aardt et al., 2007; Nieman and Niewenhuizen, 2009).

In general, these aspects do not address sustainable development, neither social empowerment. Recently, Hall et al. (2010) identified this as a major research gap. In recent years the need for sustainable development have emerged in various forms of socially responsible business activity which add additional aspects to the concept of entrepreneurship such as:

- social entrepreneurship (Drayton, 2002)
- sustainable entrepreneurship (Cohen and Winn, 2007)
- ecopreneurship (Isaak, 2002)
- technopreneurs (Wickham, 1998)
- intrapreneurship (van Aardt et al., 2007).

### *2.1 Social entrepreneurship*

Social entrepreneur is viewed as “the catalysts in creating new orders of economic progress in societies that are stuck and provide new ways to get it unstuck” (Drayton, 2002). Drayton is thought to have coined the term ‘social entrepreneur’ several decades ago (Davies, 2002). He recognised that ‘social entrepreneurs’ have the same core temperament as their business creating entrepreneurs, but instead are using their talents to solve social issues, such as why are children not learning, why pollution is increasing, etc. (Drayton, 2002). Davies views that each type of entrepreneur has the same vision, with the envisioned result to tip the whole society onto this new path, and then persist and persist until the job is done (Davies, 2002). In sum, social entrepreneurship extends the definition of entrepreneurship by its emphasis on ethical integrity and maximising social value, rather than private value or profit (Drayton, 2002).

### *2.2 Sustainable entrepreneurship and ecopreneurship*

#### Sustainable entrepreneurship

“is a process of venture creation that links the activities of entrepreneurs to the emergence of a value-creating enterprise that contributes to the sustainable development of the social-ecological system. An enterprise resulting from this process can be referred to as a sustainable venture”. (Hockerts, 2003; O’Niel et al., 2009)

The aspects contributed by this definition in this context of entrepreneurship is to have a business venture that continuous, while ecological/environmental and social aspects are all part of an integrated process forming sustainable entrepreneurship. Inter linked to this form of entrepreneurship is sustainability entrepreneurship (Tilley and Young, 2009) and ecopreneurship (Isaak, 2002). Schaltegger (2002) distinguished various categories of ecopreneurs, ranging from ‘alternative approaches’ to main stream business.

### 2.3 *Technopreneurship*

Technopreneurship is defined as “a person that takes advantage of new scientific developments, especially in the areas of information technology, biotechnology and engineering science, and offering their benefits to the wider world” (Wickham, 1998) and are viewed as catalysts in the process of industrial formation and growth (Cardullo, 1999). The aspect contributed in this form of entrepreneurship is the management of new technologies that will enter the market place.

### 2.4 *Intrapreneurship*

Intrapreneurship is an activity by individuals who seize the opportunity to be innovative within an existing business venture and can be defined as “persons who create something new, but inside an existing company rather than through the route of founding a new venture” (Baron and Shane, 2005). What is important is that within organisations the individuals pursuing the opportunity, are supported and embraced by top management, both by their physical presence and by making sure that the personnel and the financial resources are available. Without management support, a successful intrapreneurial environment cannot be created (Hisrich et al., 2005). The important aspects for intrapreneurship to succeed within a given organisation are the support structures to lend support to the opportunity.

**Table 2** Aspects contributing to the concept of entrepreneurship

<i>Entrepreneurship</i>	<i>Social entrepreneurship</i>	<i>Sustainable entrepreneurship</i>	<i>Technopreneurs</i>	<i>Intrapreneurship</i>
Identifying an opportunity	Solve social issues	Social aspects and green business	New scientific developments	Create something new
Innovation and creativity		Ecological/ environmental		
Creating and growing a venture	Private value or profit not the main objective	Transforming the economic sector		Inside an existing company
Getting resources				
Taking risk				Management commitment
Being rewarded	Maximising social value			
Managing	Ethical integrity	Incorporate economic, environmental and social aspects into business strategy	Management of new technologies	Management support

In the scientific literature, there is no clear menu on how to promote the various forms of entrepreneurship, such as sustainable entrepreneurship, ecopreneurship, and or social entrepreneurship in combination. It only indicates the diverse aspects these entrepreneurs identify and want to solve. Such as combining social and environmental pillar and leaving out the economic pillar. To have a form of entrepreneurship that fits into a developing country context, and where profit is not the single main objective of the



entrepreneur, but rather empowerment, we need to look at contributing aspects in combination.

Taking these various contributions that Table 2 adds to the listed aspects of entrepreneurship in Table 1, we propose to define ‘empowerment entrepreneurship’ in a developing country context as follows:

“A person who identifies an opportunity in the market to solve social problems by transforming the economic sector in an innovative and systematic manner, where new developments are taking place, to create something new which will maximize value to all involved, be committed and provide the resources to pursue the opportunity in an environmental friendly manner and spontaneous way.”

This brings us to the main objective of this paper. With three exploratory case studies we intend to determine if producers who in practice have acted as empowerment entrepreneurs in the sense of our definition have succeeded and to harvest the main lessons learnt from these empowerment initiatives in the agriculture environment in South Africa and determine which factors are essential for the level of success achieved.

### **3 Research approach: case selection**

For the purpose of this paper, three empowerment cases in the agriculture sector of South Africa were selected, one in the table grape industry and two in the wine industry. The motivation for this selection was in the New Beginnings case the fact that they were the first registered empowerment case, the Thandi Wine was the first wine worldwide to receive the Fair-trade certification and label, and the Karsten Boerdery is the biggest table grape producer in the southern hemisphere. In all three the cases each one was a leader or is still a leader in providing direction in the empowerment policy of the South African government to deliver 24.6 million hectare of agricultural land by 2014 (30% of 82 million ha) (National Office of the Department of Land Affairs, 2007).

Therefore, the cases chosen each represent a unique case different from conventional practices, and can be seen, first as representative case, capturing the conditions in a common place situation, second as revelatory case enabling us to observe and analyse a new phenomenon, third as longitudinal case enabling us to analyse developments in different points in time (Yin, 2003).

Various authors have identified the case study approach in supply chain management as an option to identify and describe critical variables (Hilmola et al., 2005; Seuring, 2005). Case studies can be exemplars for theory development (Larson, 2000) as demonstrated in this case, especially when in depth interviews are being used (Verschuren and Doorewaard, 1999).

The case studies are based on field visits and in-depth interviews of two to three hours with the various key role players in each case. In the New Beginnings empowerment project Alan Nelson owner and Victor Titus facilitator were interviewed very times over a longer period. Detailed documentation was also used, providing a complete lay out of the process undertaken in this empowerment project. Two interviews were held with the General Manager of Thandi Wines, Sewis van der Host. The first one was the gathering of information and the second one to verify the information as interpreted. With the Karsten Boerdery Yoha the transformation manager was held also on two occasions. The interviews were semi structured and sections based on accepted

theory and science was used as a guideline. The advantage of field work lies with the insights and detail gained into the complete business process. This is also necessary to fully understand the business process followed the opportunities that fostered from it.

In the case studies, the general key questions posed were:

- Whose initiative was it initially and what was the motive to engage in an empowerment process?
- What was done exactly by all actors involved, and the timeline of the initiative?
- What is known about success/failure of the empowerment process?
- Main conditions creating success/failure?
- Main lesson learnt?

## **4 Case studies**

### *4.1 Case 1: New Beginnings wine*

The employer Alan Nelson initiated the empowerment project, as he felt it was the right thing to do and at the same time take the initiative in the agriculture sector by being the first registered empowerment initiative. The initiative was started without clear guidelines and huge uncertainty. On the morning of 21 May 1997, barely three years into the 'New South Africa', Alan Nelson announced to the senior employees that he will be providing them with an opportunity and a gift for the good work they have done over the past years in helping to develop the Nelson Creek vineyard in Windmeul, Paarl.

He offered them their own piece of land, 9.5 hectares, for free for the purpose of agriculture and preferably for viticulture, as this is what the employees knew best and had experience in. The employees were given the option that if they did not want the piece of land, the owner would buy it back from them at market price and distribute the money amongst them. All the equipment on the farm would be made available for a period of three years to get their new venture to grow and become independent. They did not need to search for a market, as all the produce produced would be bought at market related prices by the owner as an option. The hi-tech cellar would be available at no cost to make wine. A prerequisite was that the opportunity had to be pursued during their own time. The owner Alan Nelson provided guidance in the overall management of the business up to a point where the business would be tasting success.

The senior employees identified and accepted the opportunity and decided to have a meeting with the rest of the employees at Nelson Creek. The decision made at the meeting by the employees was that an oral agreement is not good enough and would only trust a written agreement. This was then drawn up. The initiative was adopted and registered as a land reform project with the name of Klein Begin (Small Beginnings). This meant support from government in the form of grants.

The facilitator of the project Victor Titus extended the information resource base by acquiring the expertise from Elsenberg Agriculture College to analyse the soil and recommend what the land was suitable for planting red cultivars.

The success that was born from this empowerment project is twofold. First, there are personal employee successes and secondly the farm developed with success. Employees

identified this as an opportunity to be owners and not employees on their own piece of land. Business decisions had to be made and decisions were made on building networks locally and internationally. Visits to consumer countries, such as the Netherlands, England, France and USA were undertaken by some of the new owners, together with the former owner. This new opportunity increased the worthiness and the disposable income of these new owners.

The farm successes included national television, which led to major retailers placing orders for the wine produced. International exposure on BBC, newspaper articles in Belgium and the Peace Garden Award for emerging farmers added to the initial success. This increased the demand for their wines locally and internationally. The Department of Agriculture investigated this initiative to determine its value and relevance and possible success, the result was that they then provided financial assistance to New Beginnings.

After all the initial successes problems started emanating, taking various forms. Various mistakes were made, like when they decided to plant onions as cash crops of which they had no knowledge, just to make some quick money. This led to the “onion episode”, this was seen as an eye opener for the entire business as they realised that you cannot be rewarded if there is no effort.

Another problem was infighting amongst the committee members, which destroyed the trust that existed, leading to the chairperson changing several times. Some of the new owners sat back and wanted to share in profits produced without contributing to the initial work that produced the profits and this became a major problem. Solutions to this were difficult to come by. Agreements were made orally and not in writing and as such creditors did not keep their word creating cash flow problems. Consultants approached this initiative, giving advice and recommendations and after they made their money moved out and were never heard or seen again, leaving the people in a disarray of uncertainty. Not all the new owners were interested in taking the responsibility that comes with owning a business. At the same time the change to ownership happened too fast. Retailers interested in buying the wine declined. At the time of writing this article the future was very unclear, the vineyards are not taken care of and a once thriving business is in tatters.

The owners of the New Beginnings initiative could not function on their own as a business unit even though success was experienced. Various reasons can be mentioned such as the lack of adequate business training programmes aimed at transformation and empowerment and the economic history of a country (Lingelbach et al., 2005). Another reason is that ‘communal farming’, with collective decision making is not an option, as taking responsibility and leadership can only be done by one person and not a community. People need to be educated in the general management of a wine farm and people should have a passion to farm and it must be more than just for the financial gain.

#### *4.2 Case 2: Thandi Wines*

Thandi is the world’s first black owned wine company that is entirely run and managed by a black collective. With the support of mentors in the wine industry Thandi managed to produce the first wine brand that received the fair-trade label in 2004.

A person by the name of Paul Clewer, the owner who is very influential in the grape and wine industry, decided he wanted to give something back to the community and so the Thandi winery was formed in Elgin in 1996. It started off as a joint venture with 147

participating families from two villages with an average income of R7 per day. The Thandi Community Investment Trust is represented by 233 community individuals and has a 65% share, while Lebanon Community Trust, which is responsible for the social and development needs of the community, has 20% share and De Rust, that represents the De Rust Estate, who is responsible as a strategic commercial partner with 15% share.

Thandi has from the start, as stated by its manager Sewes Horst, applied the philosophy of embracing seven in their eyes essential pillars of empowerment, namely ownership, management and control, skills development, procurement, enterprise development, employment equity and social responsibility. Thandi uses these seven empowerment pillars to create new ideas, start new initiatives, improve their systems and improve their overall performance. Their performance has been gradually and systematically improving profits and dividends are paid to the shareholders once a year.

In the first years, Thandi was set up as co-owning structure, where regular business decisions were debated in the farm committee with all families. Also, workers felt to be owners of equipment and vehicles, sometimes using these for private purposes and not talking responsibilities in case of damage. Farm committee decision making also hindered implementing innovative approaches in the vinery.

Another problem to seize was the resistance in the market, where South African and foreign retailer were afraid to buy 'black' wine, supposing consumers would not buy it.

Finally, as the manager reported us, double agendas amongst members of the committee resulted in conflicts hindering the creation of any shared vision. This was followed by uncertainty, with no clear structures, no clear game rules and polarisation.

As a result, later Thandi followed a transformation process where it had to leave behind the past. This was turned around by creating strong leadership. In the second period Thandi had one manager responsible for the whole and with clear managerial powers. Improved communication resulted in visionary leadership giving the interested parties a clear focus and a purpose. The initiator and mentor Paul Clewer still played an important mentor role in this transformation at Thandi.

One of the pillars at Thandi is the skills development for people and is perceived as a prerequisite for success and capacity building in the long term. The urge to excel and rise above competitors is a value embedded throughout all activities. Appropriate skills, knowledge and attitudes are necessary to be successful and grow a business and for the people that are employed. Following this, the new manager was selected from the open labour market.

The new manager, with tertiary level training in agricultural management, had a clear vision and strategy to take Thandi forward which is also communicated to the shareholders. They have learnt lessons from observing what goes on other farms and especially big farms, such as to carefully planning of purchasing capital goods, as this requires large sums of capital.

In his new approach, proper management was emphasised throughout the whole farm, and doing something right from the beginning is his motto/business ethic. This principle applies for every person that is involved at Thandi. A very strong pillar of Thandi is that its administration is flawless and thereby preventing any problems that can be encountered. They believe that if the administration is in chaos the business will also be in chaos.

These management changes enabled them to get the Fair Trade recognition and opened market for them in Europe. On the farm and the vinery they also run a shop and a small restaurant for tourists. Ever since their turnover has been growing and doing well

and Thandi is on the shelves of market leading retailers in The Netherlands, UK, Germany, Finland and others. They integrated their supply chain logistics with their European partners.

This case study illustrates that it is very difficult to have a successful international trade related business if it is a co-owning project. 200 people together owning one farm did not work. After the transformation the problems lack of leadership and insufficient managerial skills were overcome. One manager was responsible to make the decisions necessary to run the business.

In order to do make empowerment work the new managers need to take an entrepreneurial approach, and should possess the skills, knowledge and attitudes necessary for running a farm. This shows that in such cases international success is possible. It also shows that transferring ownership only in the form of trusteeship, in combination with a clear management structure and adequate managerial competences are prerequisite.

### *4.3 Case 3: Karstens Boerdery*

Karstens Boerdery in the Upington area was started by Piet Karstens in 1968. In 1993, Karstens Boerdery was registered as one of the first empowerment programmes. Their programme was based on altruism and was named Yarone Farming. This was a profit sharing scheme, where shares were issued to 32 people, beneficiaries mainly formed part of the managerial and administrative staff. The shares grew quite dramatically in value and in a six-year period the value of the shares increased from R800 to R18000. It was agreed that the only way a person could gain access to the cash value of their shares was either at death or resignation. At the time of maturity the employee shareholders started to resign, in order to gain access to the cash value of their shares. These financially empowered employees applied for their jobs again after a time with none of the empowered money left. To gain access to the shares by resigning or death was not the solution to empower people on a sustainable manner; a new solution was to be found.

Another empowerment scheme was created in 1997: this time by creating a trust. This empowerment scheme was negotiated with the Department of Land Affairs, which offered every family earning less than R15.000 per year an amount of R15.000 to buy land. After negotiations between Karstens Boerdery and the Department of Land Affairs to rather use the money to gain shares in the trust, 200 of the employees were identified and each received a R15.000 grant to buy shares in the trust (preference shares of five years) this seemed to be a successful solution.

This was also a huge improvement on the previous scheme, as this created continuity and the worker could benefit, no matter if he or she is permanent or temporary employed. After the initial success another 130 employees were identified at a later stage to be empowered. After a period of five years some of the employees sold their shares to gain access to the cash. As an alternative in this scheme, the employees could rather make a loan on their shares, instead of selling them and use the shares as security. This led to various logistical problems and all the trust members sold of their shares.

To solve this problem trustees were given an option, after a period of five years the shares could be changed from preference to ordinary shares or sell the shares back to the company. Everyone sold their shares back and the trust was dissolved.

The main lesson learnt is that if people can get access to money without repaying it, they take it immediately. It may be an important point that here the reality of cash versus

land is again shown. The importance of cash as means to build houses and provide education to children is here highlighted. The objective of Karstens Boerdery is not just to empower economically but also on a social level. Social empowerment is done by the building of a football field on every farm, as well as a crèche and medical clinic. Aids is not treated as medical problem but a moral problem. This is done by providing access to religious practices like churches.

Karstens Boerdery thus decided to try a new tactic of empowerment. The third initiative 'Raap en Skraap trust' again involves a trust. Individuals do not become members of the company, but members of the trust and the trust has an interest in the company, owning a part of Karstens Boerdery. Only permanent workers employed by the company can be beneficiaries of the trust. Here it combines trust ownership with responsible unit management. With this empowered black unit managers on the farm have an additional interest in improving the yield in their sector on the farm.

To establish this trust scheme the company borrowed money from international funders, being their main supply chain partners. This principle of warehousing requires that the debt must first be paid before profits will be shown and dividends can be declared. The problem emphasised here is that agriculture does not provide a constant income, so dividends and profits cannot be calculated on a month to month basis. For example conflicts arouse about the effects of changing exchange rates on the dividends, and the new trustees lost confidence in the 'Raap en Skraap trust'.

To overcome some of the negative implications of the scheme (such as the long term waiting and lack of inclusion for temporary workers) performance bonuses have been allocated on a yearly basis.

The experiences at Karstens Boerdery have shown that transfer of shares and money are not the most adequate empowerment tool, while development of the people themselves is far more relevant. Karstens addressed this by starting and supporting six training centres in rural areas to create jobs, not necessarily with his farm, but in general in Upington and the surrounding areas. Empowerment through training in working time takes place on a continuing basis. The training includes modules on profit sharing and shareholding. The anticipated outcome and solution is to get the trustees on the programme and train them well in financial management, this is however a slow process.

The Karsten Boerdery is moving away from the concept of empowerment to building independency of individuals, by means of training and education programmes.

Our interviewees at Karstens Boerdery also pose the question on what land reform is about and its orientation on ownership. Is it about 'sharing in profit', or is it about 'helping to get skills in the decision making processes for good business decisions on a farm', or is it rather about 'possession of land'? In their experiences, South African government does not see land reform as a business opportunity utilised for the original purpose of farming, but rather as possession of land: having a place to stay on. Our interviewees suggest that land should not be taken away from farmers, but rather create small settlements.

A long-term vision must be created amongst employees and they should understand the advantages of shares on the long term. Profit sharing works better than shareholding, as there are direct cash benefits for shareholders. However, as shown, huge effort should be on the education of how shareholding works, as labourers without experience, also do not understand how the fluctuation in the value of shares can be accounted for.

**Table 3** Comparing of the cases

	<i>Karsten Boerdery</i>	<i>New Beginnings</i>	<i>Thandi Wines</i>
1 Initiator: (who; motive; type of firm)	<p>Pieter Karsten</p> <p>Full time owner and business man.</p> <p>To comply with government empowerment policy in spontaneous manner, farm workers targeted.</p> <p>Very large farm.</p>	<p>Alan Nelson</p> <p>Lawyer and farm owner.</p> <p>Owner's initiative spontaneous before any policy was available, farm workers targeted.</p> <p>Small farm.</p> <p>8.5 hectare of land.</p> <p>Ownership was handed over to the permanent employees.</p>	<p>Paul Cluver</p> <p>Prominent business man and farm owner.</p> <p>Initiative to empower a whole community.</p> <p>Large farmer providing support.</p> <p>Shares to a community in a wine farm.</p>
2 Transition approach: (empowerment through shareholding; premise that shares equals committed workers)	<p><i>First effort</i> was an altruism approach, a profit sharing to 32 permanent employees. Only beneficiary of a trust and no decision maker.</p> <p><i>Second effort</i> the formation of a trust and having shares in the trust by farm workers. Once again only beneficiary of a trust and no decision maker.</p> <p><i>Third effort</i> employees become members of the trust and the trust has an interest in farming company. Farm workers can make decisions on outcomes in the business processes. Commitment increased.</p>		
3 Types of ownership transfer	Shares	Ownership	Shares
4 Management style: (trust; traditional versus innovative)	<p><i>First effort</i>: The trust was managed by Karsten Boerdery, all activities on the farm stayed the same.</p> <p><i>Second effort</i>: Formation of a trust and workers having shares in a trust.</p> <p><i>Third effort</i>: Workers own a trust that has business interest in the farm.</p>	<p>Mentorship by the Alan Nelson, in house training for the empowered employees.</p>	<p>Employment of a person with a tertiary qualification to manage and lead the wine farm.</p>

**Table 3** Comparing of the cases (continued)

	Karsten Boardery	New Beginnings	Thandi Wines
5	<p>Business decision making</p> <p><i>First effort:</i> Offered shares according to land act. No decision making power by employees</p> <p><i>Second effort:</i> Again offered shares in a more structured process. No decision making power by employees.</p> <p><i>Third effort:</i> More a participated process, with employees making decisions.</p> <p>Employees had no formal business training. The other efforts that followed was based on experience with training.</p>	<p>Too many people as decision makers. Responsibility not taken; leadership not real.</p> <p>Initial training</p>	<p>First: collective</p> <p>Later: one manager</p> <p>Manager formal qualification</p>
6	<p>Skills training</p>	<p>Workers now are owners of a very valuable piece of land.</p> <p>Sales of the wine produced started in small quantities and found its way to South African and European supermarkets.</p>	<p>Successful in a great part because of good management practices and control. A manager was appointed with experience and relevant qualifications to manage the people and practices on the farms.</p> <p>Workers get added income from time to time. Sales are growing each year and were also the first wine to have a fair-trade label.</p>
7	<p>Success: (business; worker)</p> <p>The success lies in the fact that they kept searching for alternative ways of empowering workers until they found a model that seems to succeed. Productivity is encouraged, outputs are higher and workers feels appreciated.</p>	<p>The vineyard is not producing the grapes needed to sustain the farm in the long term. Mistrust exists between all parties. External consultants and government intervention proved to be fatal to the empowerment project and its success.</p> <p>Previous owner Alan Nelson had to extricate him from the project at one point as his own businesses was in danger to close down.</p>	<p>Great amount of resources to prevent failure in the beginning phase.</p>
8	<p>Failures</p> <p>The first and second effort was not successful. The business lost experienced employees in the beginning when they resigned to gain access to their money. The ownership model presented different challenges and lead to failure. The third effort is still in process, but seems to achieve the desired results in the long term.</p>		



## 5 Comparing the cases

The question that arises is what do we see when we look at these three initiatives and compare them? In the one case, we have the biggest table grape producer in the southern hemisphere Pieter Karstens. In the case of New Beginnings we have a lawyer/wine maker who is a medium size producer and in the case of Thandi Wines we have Paul Cluver, a very prominent and influential business man in the wine industry, assisting a local community to buy a medium size winery to start with the growing of vines and to produce wine. In Table 3, we have summarised the main features of the cases.

Schumpeter's innovative theories of newness can be seen as the foundation in the New Beginnings case study, as new innovative ways had to be found to transfer land to employees that, in turn, made them into landowners. No guidelines from government's side have been available to take such an initiative step by step through such a process of learning by doing. Previously disadvantaged people were now going to be landowners and going to produce wine for the market, as new activities to an existing market. The owner of the farm Nelsons Creek, advocate Alan Nelson, identified the opportunity in the new policies announced by government, to empower his employees by changing their status from employees to part-time self-employed. Employees retained their employment status at Nelsons Creek, while testing the viability of self-employment on their own part of the farm. It was their first step into self-employment and a secondary income could be generated. Time and self-effort commitment was needed as personal investment by the employees; the opportunity costs of their free time is not considered or calculated. No immediate risk of their money as they had no financial obligation towards this opportunity. The exact value of the rewards to be obtained was not known in advance, the outcome or result was uncertain when looking towards the future. Employees had everything to gain economically; social time had to be surrendered. They had to learn to deal with uncertainty, especially at the start of the project. It offered them the option to grow into a knowledgeable business person and to make money themselves.

The key ingredient of empowerment is to increase the decision-making discretion of people. This was now happening at Klein Begin, the original name. These new business owners realised that they had to live with the consequences of their decisions and at times it was difficult to get sanity to prevail.

Is it the right practice to empower people only on a basis where they can work on their opportunity after working hours and in free time? The answer can be yes and no. Yes, as they do not have the initial pressure of a business to perform to ensure survival, as they still received their monthly salaries and yes, this can be a process of growing up to maturity in the establishment of a business. Input costs are low and the only resource with a demand is that of labour. The answer is no, as people only have a certain capacity to be productive on a day. How can anyone expect a person to be productive and successful after a day's work and then immediately start with working on your business. In practice this was achieved in the first few years, when the new owners were motivated by expecting success. The whole initiative at New Beginnings grew too fast and the people were not properly educated and trained in how to successfully run and manage their business.

In the case of Thandi Wines, strong leadership and good management skills are ensuring the success that has been achieved up to date with mentorship from a successful wine farmer. Innovative ideas led Thandi Wines to be the first Fair Trade and black

empowered wine in the world. A creative and well trained manager with strong leadership skills managed the farm and was able to keep the shareholders happy.

In the case of Karsten Boerdery, the focus has been on transferred ownership via shareholding and two different trust forms, each time trying to find a solution on a creative and innovative manner. The second focus was on linking trusteeship to responsibility for unit management on the farm.

In all three cases two key issues have been identified: education is very important as are entrepreneurial abilities. The cases show that empowerment just by handing over ownership and with collective community decision-making in farming is not the best route to follow.

## **6 Conclusions and recommendations**

In our introduction we raised the question on the role of entrepreneurs in the empowerment process. We detailed these into three sub questions:

- What type of entrepreneurs are they and what qualities do they have?
- What can we learn from their approaches?
- How can these entrepreneurs be given a place in the South African empowerment policies?

In Section 2, we proposed the concept of a 'empowerment entrepreneur'. The cases show we have to answer these questions for two sorts of actors involved: the empowering entrepreneur and the newly empowered entrepreneurs.

In Table 4, the concept of *empowerment entrepreneurship*, as discussed according to the same aspects indicative of entrepreneurship as shown in Table 1. We further elaborate the concept of *empowerment entrepreneurship* for both sorts of actors. As can be seen empowerment entrepreneurship complies with all requirements identified for entrepreneurship.

**Table 4** Empowerment entrepreneurship: identified necessary characteristics of the two key actors

<i>Entrepreneurship: who and what?</i>	<i>Empowering entrepreneurs</i>	<i>Newly empowered employee – entrepreneurs</i>
Identifying an opportunity	The producers identified an initiative that may become compulsory and acted before they were forced in a certain direction, which left them with a big degree of control and innovativeness.	The employees identified this as an opportunity to increase their income.
Innovation and creativity	The producers had to start something where no example or policy guidelines were available.	No clear guidelines or education programmes on how to handle and manage their new status have been available. This is seen as a problem.
Creating and growing a venture	The producers foresaw that this will be an investment and a motivation factor for employees and thus productivity increase.	These employees did not have to work for getting the opportunity: it was merely given to them.

**Table 4** Empowerment entrepreneurship: identified necessary characteristics of the two key actors (continued)

<i>Entrepreneurship: who and what?</i>	<i>Empowering entrepreneurs</i>	<i>Newly empowered employee – entrepreneurs</i>
Getting resources	Government support in grants were added to own funds	Government funds were used to buy shares, but proper financial management was lacking
Taking risk	Initiator's own capital were at risk. Making the shift towards seeing workers as partners, this also meant a paradigm shift that workers had to make. This could be a high risk factor, if responsibility were not taken for the new projects' decision making, which was left to workers who did not have previous experience in management practices.	No experience with taking financial risks. Now managing their new status, was a risk they had not anticipated.
Being rewarded	If the empowerment schemes were to be a success, profit would be increased; workers would be more motivated and personal satisfaction for farmer-owners	Employees received financial gains, but only in the Thandi case is it a more durable reward system.
Managing the business	Owner and worker-management.	Worker owner management.

Introducing and exploring the concept of 'empowerment entrepreneurship', as we suggested in Section 2 our cases illustrate that apart from the initiators, the newly empowered employee-entrepreneurs need special attention. The key question here is how candidates for this new role can be best prepared and how individuals with the appropriate talents can be identified and selected. The South African Government has set a target of 30% of commercial agricultural land to being owned by blacks 2014, as is regulated by in National Land Reform Policy. From an agriculture perspective it thus is essential that empowerment projects are going to be more successful. For such projects to succeed certain ingredients is essential. The fundamental ingredient is commitment from both the employer and the employees taking part in the project. Every empowerment project should be managed on a step by step basis, so that the empowered employees can get used to the change occurring in their lives especially the financial implication. This article identifies the following weaknesses of the current practices, which need to be addressed:

- There is often no proper plan and the solution is to have a business plan at place. No successful business operates without a detailed business plan that takes into account specific internal and external factors of the business; so why should it be different with farmers in this area.
- Also, collective business approaches are not the answer, confirming observations made by others (Jordaan and Jooste, 2003).

- No strategic guidance was provided from government's side. To solve this, all actors (producers, NGO's, government and farm worker committees) should be involved in drawing up strategic plans.
- Exemplary business models to provide guidance and that can adapt to circumstances are not available.
- Any form of a 'needs analysis', identifying the various categories of needs of farm workers, required in the process of empowerment, was not conducted by government beforehand. This needs to be addressed by additional research.
- Farm workers are not prepared for the change and training along with educational programmes are to be put in place. Training is crucial, but must include positive market exposure to enhance an understanding and orientation towards markets. The above issues indicate a need for integrating black farmers into markets, as part of their empowerment process (Karaan, 2006).
- Support from government is not adequate, as there are not enough agriculture trainers to handle the training and education demand.
- Government expects positive change overnight, without having proper structures in place. Good educational systems will not solve all of the problems, but they are a prerequisite for sustained agricultural production and economic development (Lindley et al., 2003).
- Extension officers should act as facilitators to coordinate support actions to emerging commercial farmers. Support services should include all aspects needed for sustainable production. Extension support, mechanisation, availability of production credit and linkages with sustainable markets are some of the major elements needed in such a support programme (Jordaan and Jooste, 2003).
- Trust amongst all actors involved in the empowerment process is essential.

One often wonders why people involved in development neglect the basics of proper enterprise management. The first main conclusion drawn from our case studies is that managers with solid entrepreneurial talents should be selected to manage empowered farms. The second main conclusion is that there is a strong need for these empowered employees to follow education programmes to learn the necessary skills for managing a business, as the employees mostly had technical knowledge about production methods and not managerial competencies.

The BBBEE policies provide mainly the objective of what should be achieved. It apparently is the default assumption in the policy that anyone can be an entrepreneur, while only a selection process can identify the right entrepreneurial qualities to ensure more success farming. The policy does not provide for such processes of finding and supporting such talents.

Further economic and social development of the South African people, securing improved living conditions, nutrition and health are needed. No country has become developed without a well-educated population and a strong agricultural base providing food security for all (Jordaan and Jooste, 2003). Strong agriculture only flowers with passionate entrepreneurs possessing the crucial psychological traits and personal skills.

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## Notes

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