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The plausibility of developing a digitised township economy:

A study of townships in Cape Town

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A research article presented in partial fulfilment for the degree of Master of Business Administration to the Faculty of Commerce, Law, and Management, University of the Witwatersrand

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DECLARATION

I Sisanda Tsolekile declare that this research report entitled “The plausibility of developing a digitised Township economy: A study of townships in Cape Town” is my own unaided work. I have acknowledged, attributed, and referenced all ideas sourced elsewhere. I am hereby submitting it in partial fulfilment of the requirements of the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. I have not submitted this report before for any other degree or examination to any other institution.

Sisanda Tsolekile

Signed at Johannesburg on 30th

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ABSTRACT

South Africa has a 91% penetration of smartphones in its adult population, making a plausible case for doing business on digital platforms including mobile apps. In the digital economy, business growth is hinged on the core capabilities of its owners or its human capital, while the customer remains at the centre of how business is conducted. The Covid-19 lockdowns have forced an accelerated adoption of the digital economy by any business that intends to survive. If township businesses participate in the digital economy that places a demand on the businesses to make a shift in their format of customer relationship management. In the case where the business had walk-in customers with face-to-face human interaction, businesses then need to transition their customer engagement efforts into social media networks, and this demands that they upskill and learn new interaction skills to make them effective digital citizens. The study goes on to build a case that reveals how increased internet connectivity in businesses present both growth opportunities as well as novice challenges such as cybersecurity threats. These businesses therefore need to invest in cybersecurity to protect their trade secrets and personal customer data. In the same vein, the government has a role to play to ensure that the economic environment is conducive for conducting business activities. The study also finds that while the government is doing its part in empowering the township population by developing the internet connectivity infrastructure, the same community members who are meant to be beneficiaries of the infrastructure were responsible for destroying it. The study concludes by making recommendations for what a typical township business needs to do to participate in the digital economy. Finally, if the township digital economy were to be plausible, the researcher recommends that all township small businesses should structure themselves as learning businesses incorporating the above-mentioned factors while constantly refreshing their technology and entrepreneurial skills.

Keywords – township digital economy, eGovernment, entrepreneurship, township SMEs, customer relationship management

1 INTRODUCTION TO THE RESEARCH

1.1 Introduction

Around the world today, there is no nation untouched by globalisation and the digital economy. In the past ten years, the world has experienced a rapid and accelerating speed of technological development. Kayembe and Nel (2019) refer to this as the fourth industrial revolution. In view of this, large South African companies have adapted their business strategies to take advantage of new business opportunities arising from increased use of technology.

1.2 Purpose of Study

The purpose of this study is to investigate the plausibility of developing a digitised township economy in Cape Town townships.

1.3 Background and context

The South African history of small businesses in townships began in the apartheid era, at a time which Blacks were banned from having businesses and confronted with legal actions for engaging in any business (Mtshali, Mtapuri, & Shamase, 2017). Townships were segregated from predominantly white urban areas and isolated from city centre business; in reality, housing, schooling, health, and libraries were among the services that were separated (Ramchander, 2007). The name township has no official meaning, but often understood as undeveloped area where black population reside (Pernegger & Godehart, 2007). Black urban residential areas were located outside city limits, while on the contrary the White population, lived in the suburbs or city or town.

First and foremost, in South Africa, it is important to distinguish between townships and cities. The importance of understanding the difference between townships and cities is necessary to give direction on the growth and development of Small Business Entrepreneurs (Bvuma & Marnewick, 2020). For this reason, it is important to study the historical background of Small, Medium and Micro Enterprises (SMME's) in South Africa to understand their rare challenges. South African business enterprises have

witnessed a slow-paced evolution and transformation from the past, despite the history of apartheid legacy; according to Thyra (1993) black businesses played a vital role in generating household income and employment creation in the pre and post-apartheid eras.

This was mainly fuelled by many obstacles faced by entrepreneurs such as apartheid regulations, lack of access to funding, lack of exposure to good education, skills development, and formal employment (Thyra, 1993). According to Thyra (1993), black enterprises have continuously experienced steep barriers of entry into most markets and as a result, this made it difficult for SMME businesses to thrive or survive. Subsequently, the post-apartheid government established policies that were meant to benefit a majority of the previously disadvantaged SMME's, however research shows that only 27.4% of the SMME's could benefit from such policies (BNO, 2017).

Introducing Digitised Economies

Digitised societies and economies have become a reality in the world and are expected to continue developing in the face of rapid advancements in information and communication technology (ICT) (Sidorenko & Khisamova, 2019). As a result, people around the world have become more reliant on using ICT and internet connectivity to conduct daily activities (CoLab, 2019).

The term "digital economy" refers to digital products and services that have been sold through an online platform using digital technology (Bukht & Heeks, 2017). It has been proposed that in the last 10 years, digital goods and services have had a positive impact in driving economic growth (Barefoot, Curtis, Jolliff, Nicholson, & Omohundro, 2018), and this economic growth is driven by innovation, competitiveness and growth (Hamid & Khalid, 2016). Countries all over the world have recognized the importance of digital technologies and the transformative role they play in the global economy, especially in shaping entrepreneurs (Youssef, Boubaker, Dedaj, & Carabregu-Vokshi, 2021). Likewise, technology continues to allow human beings to evolve in their workplace when executing daily tasks while

communicating effectively (Barefoot, Curtis, Jolliff, Nicholson, & Omohundro, 2018).

According to Finn, Maher, and Forster (2006), as at the year 2000 the knowledge of ICT led to a vital change in preparing SMME businesses to adopt technology. However, when we look at literature from the year 2014, we find that even though some businesses had adopted technology, they were still ineffective in using it (Marnewick, 2014). Marnewick (2014) then points out that for businesses to evolve and successfully adopt ICT, education and training are needed to do it in a sustainable way. Similarly, Kamanga and Alexander (2017) are aligned with Marnewick's (2014) suggestion that education and training are essential for successful ICT adoption, thus validating their need should any SME wish to adopt technology successfully. Further to this, this technological change will also impact "social, mobile, cloud, big data" and drive high demand of information accessed every-time and everywhere in the world (Ernst & Young, 2015, p. 4). In line with the author's research intention, this enormous information available will enable businesses to enter new markets, change their products, and introduce new business models (Ernst & Young, 2015).

1.3.1 History of township small businesses in South Africa

Township SMME's in South Africa, have a potential to play a vital role in adding value towards economic growth and creating employment opportunities, yet they are still confronted by various challenges. According to GEM (2018) SMME's contribute an amount of 36 percent to GDP and thus their role and contribution to economic growth cannot be overlooked. However, if SMME's are to stand a chance to make a significant and sustained contribution to the economy, there is a need for policymakers and stakeholders to address the challenges they face.

The role played by township SMME's in reducing unemployment is significant. The National Development Plan (NDP) aims to generate 11 million jobs thus reducing rate of unemployment to 6 per cent in the year

2030 (National Development Plan, 2012). The South African government recognises the contribution of SMMEs in influencing economic growth and creation of employment in the country (Chimucheka, 2013). The responsibility then rests with SMME's to maximise the opportunities created to deliver on the above-mentioned expectations.

Despite the numerous challenges encountered, SMME's by far move the labour workforce needle positively in South Africa. Overall, 8.3 million people were employed in jobs provided by SMME's in the first quarter of 2019 (SEDA S. E., 2019). It is therefore necessary for the South African government to participate in the backing of township SMME's to address many of their challenges faced.

Conclusion

All around the world, SMME's are recognised for their meaningful contribution towards employment creation and improvements on economic growth. Mxunyelwa and Vallabh (2017) argue that despite this confession across the world SMME's are faced with challenges, and in South Africa 90% of all new small businesses fail in the first year of operation.

Nevertheless, Yawson (2020) states that the Covid-19 pandemic disrupted the world economies and industries in an unexpected manner that forced businesses to be proactive in how they do business. The author further states that disruptions are inevitable and can happen at any time. Therefore, in the post Covid-19 pandemic era: Is South Africa ready to accelerate their readiness for the recent game-changer that brought about change in the digital economy?

It is important to have a thorough understanding of the factors that influence township SMMEs' appetite for technology adoption in order for them to participate in the digital economy and expand their markets. Failure to comprehend this reality may lead to an increase in job losses in the country, and SMMEs in the townships may be unable to compete in the new digital economy.

1.4 Problem statement

This section will provide the reader with a concise description of the problems identified that need to be addressed. While studies by researchers and academics have been conducted to lead the way of digital economy research, little focus has been given to township businesses in relation to their use of digital platforms.

Black owned small businesses, particularly those operating in townships, have not embraced the advancements in technology and as a result they remain small, uncompetitive, and only functioning in survivalist mode.

1.4.1 Main Problem

Establish how a typical township business needs to be positioned for functioning optimally in a digital economy.

1.4.2 Sub Problems

1. What are the components that enable a township business to function in a digital economy?
2. What internal competencies does a township business need to operate optimally in a digitized economy?

1.5 The research purpose (aim and objectives)

Based on the main research question, the purpose of the study is to investigate the factors necessary for SMEs in South Africa to adopt technology at an accelerated rate.

- Firstly, a review of literature is conducted to understand the components that make up the digital economy.
- Secondly, there is a definition of internal competencies that businesses need to function optimally in the digital economy.
- The researcher then conducts interviews with a group of respondents that will show the link between the literature reviewed and the happenings on the ground.
- There is then a proposal of a research strategy, a research design, research procedure and methods appropriated to evaluate correlation

on the digital economic and small township businesses in Western Cape townships.

- Lastly, the collected data is analysed to determine if the research outcomes will change how business can be done using digitised platforms in order to increase economic growth in the broader sense.

1.6 Delimitations and assumptions of the research study

This paper will explore the plausibility of developing a township digital economy in Western Cape region, and not any other township businesses in other South African provinces. The study will concentrate on the factors that influence SMME digital adoption in the Western Cape region, regardless of the industry or brand they represent.

The researcher assumes that the respondents will have internet access allowing them to make a video call for the interview where they would respond to the research instrument questions.

1.7 Limitations of Study

- This study will gather only from the Western Cape townships and exclude all other provinces.
- Due to the limited time available to conduct the study, there was a limit on the amount of data that the researcher collected limiting the possibility of a comprehensive analysis.

1.8 Significance of the research study

This study investigates factors and the extent of their impact in enabling township businesses to participate in digital economies by using cell phone/computer technology. It explores what the necessary factors are for SMMEs to adopt technology platforms at an accelerated rate. Lastly, it answers how small businesses can rapidly adapt in the world of a digitised township economy to promote its economic development while making the most of available resources at its disposal.

2 LITERATURE REVIEW

Understanding the research issue, identifying the knowledge gap, and developing a method for interpreting the research findings are the three broad objectives of this chapter. It begins with a search to learn about the critical success factors in developing countries that influence SMEs' ability to effectively implement technology in order to participate in the digital economy. There is then a review of literature on the South African SMEs, the challenges and factors that affect their adoption of technology leading to the establishment of some of the problems this paper seeks to address.

2.1 Introduction

Firstly, we review literature to understand the impact that the digitisation of the economies has on small and medium businesses, particularly those in the South African townships.

The Small Business Sector in South Africa:

According to The South African National Small Business Enabling Act (Act 102 of 1996) a small business is defined as: "*a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy and which can be classified as a micro, a small or a medium enterprise"* (Republic of South Africa, 2019, p. 110)

Their definition differs from country to country, and according to the Department of National Small Enterprise Act, 1996 (Act No. 102 of 1996) there are small businesses that function independently of any government institution, resulting in their categorisation into the following categories;

Table 1 Average breakdown of SME's according to size classes

Size	Employees	Annual Turnover
Medium	Less than 250	<210 million
Small	Less than 50	<80 million
Micro	Less than 10	<10 million

Source: (Republic of South Africa, 2019)

Micro, small, and medium-sized enterprises are generally considered to be part of a "informal" economy and South African townships often have a mix of all of these types of business , with some being more appropriate than others. Countries around the world use different names to refer to an informal economy, with names such as black, shadow, hidden, underground or irregular economy (Losby, et al., 2002). In China, the informal economy refers to small-scale entities that operate as illegal institution, while in comparative countries such as India, Bangladesh, Philippines and Thailand an informal economy is made up of businesses which hire 10 or less people (Becker, 2004). Therefore, tackling this hidden economy culture would be of a great value to legitimise businesses and promote economic growth in such populations (Williams & Nadin, 2010).

According to the Small Entreprise Development Agency's quarterly report of 2018, 27 percent of SME's operate in the formal sector while the informal sector consists of the rest of the 70 percent, with employment ranging from 11.9 percent to 56 percent. Pillay, Rogan, and von Broembsen (2018) agree with this assertion, stating that the majority of township small businesses are found in the latter segment of the informal economy due to the structure of their businesses. The informal sector is generally made up of businesses with low profits, that employ less than five employees who earn salaries that are not income tax deductable, and whose employers are also not registered for income tax or value added tax (Pillay, Rogan, & von Broembsen, 2018). An interesting view from experts in the field of sociology states that the informal economy's purpose is one that fulfills the household production strategy that encourages households in communities to barter amongst themselves (Losby, et al., 2002).

Kongolo (2010) agrees that SME's represent an enormous share of businesses in South Africa, and depicts their important role in the direction of labour force and income generation. Further to that, Moos and Sambo (2018) states that although SME's have a positive contribution of about 36 percent towards the country's GDP, small businesses are still faced with a high failure rate ranging between 70 to 80 percent across all segments of the economy. The main challenges that contribute the most to the failure rate of SME's is the lack of access to funding coupled with poor management skills (Moos & Sambo, 2018). Kongolo (2010) then states that SME's in South Africa do not receive much support from their government, banking and financial institutions which discourages them from competing in national and international markets. Despite the above stated challenges faced by South African SMEs, technology development and accessibility presents new opportunities for these SMEs to participate in local, national and international markets. This is made possibilty by the advent of the digital economy where space and distance are no longer barriers for business growth. Bougaardt and Kyobe (2011) suggest that while technology adoption presents new opportunities, they also come with new and novice challenges such as cybersecurity risk which open up businesses to new vulnerabilities.

Despite previous research theories used by Martin and Matlay (2001) with complex linear model of ICT adoption by small businesses, Del Aguila-Obra and Padilla-Meléndez (2006) states that technology adoption is an innovative adoption approach method that focuses on sequential stages of maturity, available technology resource, business structure and managerial skills. Martin and Matlay (2001) state that developed countries have had various initiatives taken by their governments to develop a digital economy that builds internet for everyone. For businesses in the UK, their government executed these initiatives to promote businesses to become wired up to global markets and compete in the marketplace (Martin & Matlay, 2001). However, Lee (2004) states that ICT adoption leads to challenges for small business entrepreneurs compared to large businesses with sufficient resources. Lee (2004) further suggests that their behaviours on technology adoption are

different and Del Aguila-Obra and Padilla-Meléndez (2006) states that this difference depends on stages of maturity.

According to Nejadirani, Behravesh, and Rasouli (2011), there is growth of e-commerce in developed countries, even though experts foresee growth that the same quantum of growth will occur in developing countries in the third millenium. With the use of internet of things (IoT) and ICT, there is digital transformation on how businesses operate locally and globally (Nejadirani, Behravesh, & Rasouli, 2011). With the advancement of ICT, a move to knowledge based economies, and accessibility of information technology is becoming a significant tool for SME business to help the national economy to grow (Kapurubandara & Lawson, 2007).

In developing countries, technology adoption is critical for SMEs to play a significant role in contributing to economic development, job creation, and poverty reduction (Afolayan, Plant, White, Jones, & Beynon-Davies, 2015). It is a fact that SME's contirbution to the economy brings significant benefits, however, using ICT systems has the risk to reveal these businesses to online cybesecurity risk, and therefore SME's need to grow cybersecurity capaabilities simultaneously with the realisation of ICT opportunities (Kabanda, Tanner, & Kent, 2018). SME businesses in developing countries can somewhat become experienced in ICT and that will give them an advantage to outperform their competitors and improve operational efficiencies (Afolayan, Plant, White, Jones, & Beynon-Davies, 2015).

Currently, the global and local economies in all spheres of life are going through information technology transformation (Berisha-Namani, 1-8). SME's have a critical role to play on international markets and to compete they will require an investment on technology infrastrure (Knight, 2001). According to Upadhyay and Dan (2009), SME businesses need to invest on the latest technology as operative costs and business complications influences undesirable results, so there is a need for them to innovate ways to change infrastructure. Jasra, Hunjra, Rehman, Azam, and Khan (2011) state that most of the SME's in developing countries are finding it diffucult to acquire

new technology capabilities because of the high cost involved. The scholars Jasra, Hunjra, Rehman, Azam, and Khan (2011) further state that technology adoption has a positive correlation with the business sucesses of an SME.

SME's play a vital role to economic growth in developed and developing countries. Warden and Motjolopane (2007) state that government involvement is regarded as one of the key players in developing countries to drive the cause for e-commerce adoption. Abor and Quartey (2010) states that in South Africa, approximately 91% of the formal business entities are SME's and offer 61% to employment.

Other limitation factors to adopting technology are found within the technology organisation environment (TOE) framework which includes decision to make when adopting electronic commerce (EC) for SME's (Ghobakhloo, Arias-Aranda, & Benitez-Amado, 2011).Within the frameworks developed, technology organisation environment (TOE) came up as valid and reliable by many scholars, and was used as a common model that influence technology adoption by SME's (Dwivedi, Papazafeiropoulo, Ramdani, Kawalek, & Lorenzo, 2009).

2.2 The Digital Economy

The digital economy was born as a result of the expanded capacity for people to use computers, and businesses to use computers (Gault, 2019). All products and service offerings in the digital economy are in a digital format, or soon will be, and can be traded by software or machines run by software, which is one of its distinguishing features (Gault, 2019). More importantly, the Digital Economy is about ensuring that families and community members have access to adequate primary healthcare and education services (Coulson, 1999), where good communication is more than just posting on social media but is about enabling citizens to in the field of entrepreneurship by tracking human development. Developing countries have acknowledged that technology adoption contributes to the SME business growth (Kapurubandara & Lawson, 2007), making a case worth exploring in which one gathers understanding of the factors that enable a typical SME to be

better positioned for participating in this digital economy. This entails products and services having a means of digital identifier, such as a bar code or QR code, and can be transported or delivered to user devices (Gault, 2019).

2.3 The Digital Economy Components

2.3.1 The Role of Government

SMEs in most developing countries account for 90% of those countries' GDP activities (Muriithi S. , 2017) and it is appropriate for governments around the world to play their important role in promoting and funding of their SMEs. In developing countries specifically, the government's job is to create an environment where businesses can thrive, provide regulatory guidance and long-term funding that could help small businesses thrive (Shamsuddoha, Ali, & Ndubisi, 2009). Two key success factors for financial inclusion are the banks' and mobile service providers' ability to innovate, coupled with the government's determination to achieve financial inclusion through the support of central banks and regulators (Matambo & Schaefer, 2013). As compared to other developing countries, the Malaysian government is encouraging SMEs to use the internet as a standard for doing and producing new businesses (Hashim J. , 2007).

It is the government that makes an environment conducive or toxic for business growth, and a good, caring government should pay attention to SMEs segment for them to survive (Muriithi S. M., 2017). This literature points to the need for flexible and simple regulation that can aid in the creation of a favourable environment for innovators and private investors (Matambo & Schaefer, 2013). It is important to point out that flexible regulation does not mean that regulations should be relaxed; rather, regulators should work with market evolution agents like banks and mobile service providers in the development of a less cash-dependent economy (Matambo & Schaefer, 2013). To achieve this goal, the Malaysian government makes funding available for the acquisition of computer systems

and training needs, narrowing the knowledge gap that could hinder the adoption of modern technology (Hashim J. , 2007).

2.3.2 Data and Connectivity

Most national governments around the world have shared visions and plans to bring broadband connectivity to their disconnected citizens as part of their economic growth imperatives (Friederici, Ojanperä, & Graham, 2017). The digital economy depends on connectivity, which consists of infrastructure, regulation, hardware and software, including hosting and cloud services (Youngs, 2013). With mobile phone penetration within the South African adult population, this presents new potential or prospective customers that SME's can target as part of their participation and transition into the digital economy (Silver, et al., 2019). South Africa's smartphone penetration reached 91.2 percent, according to the Independent Communications Authority of SA's (ICASA) 2020 State of the ICT Sector report (ICASA, 2020). When one zooms into the Western Cape numbers, they find that there are over 3.8 million LTE connected devices (ICASA, 2020), and this translates to new opportunities for SMEs that never existed before; that means that companies have access to a previously untapped online markets that can now be targeted. The question that now remains becomes whether existing businesses can be brought online.

Available statistics also segment mobile users between those who can access mobile internet browser (63 percent) and those who use basic mobile phones (26 percent) that cannot connect to internet browser (Silver, et al., 2019). Regardless of the rapid adoption of internet-capable mobile devices, internet usage and data access are restricted in South Africa due to prohibitive costs and uneven network coverage which limits internet penetration (Phokeer, Densmore, Johnson, & Feamster, 2016). Nonetheless, Phokeer, Densmore, Johnson, and Feamster (2016) find mobile data use is on the rise (more than Wi-Fi usage) in the South African townships despite the expensive communication cost.

Depending on how one views the digital economy, this poses both opportunities and challenges. Small businesses can consider the

opportunities it provides, as well as what would draw consumers and investors to their online services. Parallel to this, network service providers face the possibility that broadband usage will rise faster than they can cater for the increased demand in the future as more people gain access to online services (GSMA, 2015). The question then becomes “are they prepared to increase broadband capacity to match the demand, or this will have a negative impact on broadband service in the economy and society as a whole?” (GSMA, 2015). While internet has had a positive impact on politics in South Africa, most people do not believe the internet's position has had a positive effect on morality of the general population at large, with just 47% in a survey stating that they believed it did (Hussain, 2018). Global trade is becoming heavily reliant on digital networks (Mbise, Taal, Roberts, & Lammersen, 2018) but this rapid growth in connectivity has arguably resulted in one of the potential problems that deter organisations from adopting technology to conduct business (Silver & Johnson, 2018).

Silver and Johnson (2018) argue that these problems mainly emanate from the ease and frequency of scamming, the proliferation of fake news, instances of political targeting and manipulation, as well as financial scams, among others. For the first time, small and medium businesses may be concerned about cybercriminal activities, while tactical skills required to mitigate these security threats are scarce and in short supply (Twisdale, 2018). The disadvantage of increased networking for small companies is that their industry secrets, which could be stored on computers or smartphones, become exposed and vulnerable to hacking (Vaidya, Ambad, & Bhosle, 2018).

The growth of township businesses is sluggish and does not extend to people outside of their immediate region, and there is a need to be online in order to engage in global trade that is far larger than their current sphere of influence (Banga & Balchin, 2019). With the outbreak of the COVID-19 pandemic, it goes without saying that broadband is a critical component of connectivity for companies, families, and individuals alike (Reddick, Enriquez, Harris, & Sharma, 2020). The absence and lack of acceptance of digital

technology in SMEs explains why most SMEs remained closed during the during the lockdown that occurred due to the COVID-19 outbreak (Akpan, Udoh, & Adebisi, 2020).

Because of the impact of COVID-19, we need to restructure our companies in an accelerated manner to accommodate an online presence for those businesses which paves way for their participation in a typical digital economy. Consequently, any company that wants to survive the lockdowns such as we had in South Africa since March 2020, they needed to plan ahead and position themselves for transacting with digital products and services. The author notes that geographic inequalities, price discriminations, cost of supporting infrastructure, and other socio-economic factors affect the adoption and installation of broadband by businesses in general (Reddick, Enriquez, Harris, & Sharma, 2020). Monyetsane (2018) states that these inequalities will occur within cities, and in this case the author assumes that the same is true for the city of Cape Town, where the wealthy will have access while those in low-income households will have difficulty accessing the same services due to the high of access.

The claim of high cost of access to broadband services in South Africa is proved by the statistic that ranks South Africa as 97th out of 196 countries, when rated on the cost of internet connections (ADSL) in the world (de Villiers, 2018). For example, the cheapest ownership of fibre for a 12-month period in South Africa is at least R5998 (Vermeulen, 2019), whereas the average cost of a one gigabyte of data in South Africa is R88 (Bottomley, 2020). Mobile broadband, in contrast to fixed broadband, has greater coverage and lower costs, and has emerged as the most dynamic medium for bringing ICT benefits to entrepreneurship (Alderete, 2017).

2.3.3 Smartphone Penetration and Mobile Payments

While the digital economy is defined as the trade in digital products and services, it follows that the exchange of these transactions must be paid for with appropriate payment systems. An example of such a move is seen when the government of India embarked on its own digitised economy effort

through a programme called “Digital India” (Sumathy & KP, 2017). The government identified the following cashless digital ecosystem as consisting of bank cards, Unstructured Supplementary Service Data (USSD) payment systems, Payment Interface (UPI), mobile wallets and mobile payment solutions, and micro-ATMs (Sumathy & KP, 2017). The authors further put the form of the digital economy into perspective, as being a “Faceless, Paperless, Cashless” ecosystem (Sumathy & KP, 2017, p. 1118).

When we bring the learnings back home to Africa, it may be impossible to fully eliminate the use of cash completely, but its use may be significantly reduced, resulting in a society that is less reliant on it (Matambo & Schaefer, 2013). One finds that individuals have derived a high utility value from using cash, and so most African communities have indoctrinated the value put on money in its physical form (Matambo & Schaefer, 2013). The use of virtual currency and exchanging without the exchange of ‘money' in its physical form was initially frowned upon, and its validity as a means of transacting has been questioned as well (Matambo & Schaefer, 2013).

The high penetration of smartphones in South Africa makes a plausible case for advancing mobile payment solutions, whose adoption are accelerated by convenience and compatibility, while on the other hand the same solutions’ adoptions are deterred by cost and insecurity (Humbani & Wiese, 2018). A study conducted in the South African township of Soshanguve shows that mobile payments are not widely adopted in townships and that hinders the plausibility of their use in trading of good and services (Mhlongo, Mtsweni, & Modiba, 2017). Mhlongo, Mtsweni, and Modiba (2017) further expand on the critical elements of mobile payment solutions that hinder the adoptions of these solutions, listing them as

- the lack of opportunities for small businesses to trial these services at no cost,
- lack of support and compatibility of these mobile payment solutions with the exising user devices.

A comparative study conducted in New Delhi, India found that the level of the user's education had a significant bearing on whether they would adopt a digital payment method (Singh & Rana, 2018).

2.3.4 Customer Engagement

In this digital era, customers' loyalty to the supplier is eroded by the abundance and diversity of outlets enabled by technology that provide customers with products options at the convenience of wherever they are shopping from (Ghaziana, Hossaini, & Farsijani, 2016). Social networks are an important component of social capital, and they have a big influence on entrepreneurship. Social networks assist in the transmission of information be it by advertising or content marketing, offering a platform for entrepreneurship learning (Yin, Gong, Guo, & Wu, 2019).

Businesses are therefore challenged to concentrate on developing strategies for dealing with internet-enabled consumers and while learning how to apply the modern digital economy's technologies (Kehal & Singh, 2005). It therefore follows that for businesses to succeed in this competitive landscape and maintain profitability, companies must connect and communicate efficiently with their customers (Ghaziana, Hossaini, & Farsijani, 2016). To achieve such efficiencies, businesses must integrate their backend operations, the product/service delivery channels and how they manage the relationships with their customers, with the customer being the central focus of why and how they do business (Peppard, 2000).

2.3.5 Entrepreneurship and ICT Skills

The emergence of novel digital platforms has transformed entrepreneurship beyond just the opening on new opportunities and has broader implications on how value is created and captured (Nambisan, Wright, & Feldman, 2019).

Entrepreneurship not only stimulates economic growth but also helps developed countries solve their unemployment problems (Yin, Gong, Guo, & Wu, 2019). How business owners view digitalisation is determined by their ability to understand its advantages, know how to handle them, and bring

them into effect (Gašová, Mišík, & Štofková, 2018). To compete in the digital world, small businesses must first be internet-ready and consider having basic set of skills in using a computer, such as the ability to switch off the screen, open a folder, and save a file (Laar, Deursen, Dijk, & Haan, 2017). Unfortunately, the field of digital skills (e-skills) is very challenging for both business owners and consumers likewise (Claassen, 2016). Claassen (2016) states that both groups need to improve their skills through training, and this creates need for organizations to offer interested parties some digital skills training (Claassen, 2016).

To be innovative and competitive, businesses must structure themselves for the fast-changing knowledge economy (Laar, Deursen, Dijk, & Haan, 2017), and technology-skilled individuals are essential because companies would fail to reach their full potential without them (Tolstykh, Shkarupeta, Purgaeva, & Fedorenko, 2019). Subsequently, Laar, Deursen, Dijk, and Haan (2017) establish the following seven key skills for businesses to learn in order to be competitive:

- technical,
- information processing,
- communication,
- teamwork,
- creativity,
- critical thinking, and
- problem solving.

On the other hand, certain skills are required of the general public in order to use digital products in everyday life, and companies must produce digital products and services for customers to understand how to obtain such digital goods and services (Gault, 2019). Businesses can position themselves to participate in the digital economy, but consumers with functional illiteracy (such as older citizens, low-educated people from low-income families, and rural dwellers) are the most vulnerable groups. (Baskakova & Soboleva, 2019).

3 RESEARCH STRATEGY, DESIGN, PROCEDURE AND METHODS

This chapter describes the methodology employed to answer the research question, beginning with the management theory applied. The research methodology and design are then discussed followed by the population sampling, a description of the process followed to collect data guided by the research instrument and finally a discussion of how the data was analysed.

The researcher summarizes the research's main findings using content analysis, and these findings are explored in relation to the research questions. In this segment, direct quotes from the interviewees are used to illustrate some of the most significant points they made.

Demographic profile of respondents

All of the interviewees were from the Western Cape province of South Africa, and they owned small to medium enterprises. These respondents were eligible to respond to questions about their organizations' operational strategies.

3.1 Research strategy

This paper utilizes a qualitative research approach to gather primary data and uses semi-structured interview questions to provide conceptual responses to the research questions. The qualitative method was chosen because it retains the dynamics of human behaviour by taking into account the whole picture. (Al-Busaidi, 2008) and explores, describes and explains phenomena which are being studied (Ploeg, 1999). There are certain cases that are outside the reach of quantitative approaches and would benefit from a qualitative research approach. (Black 1994) observing the individual in as normal an environment as possible. (Ploeg, 1999). Qualitative research explores life from the point of view of those who live it, and it is thought to aid in a deeper understanding of social realities that are often closed to those who are not a part of them. (Flick, Kardorff et al. 2004). Flick, Kardorff and Steinke (2004) further argue that qualitative research, in contrast to other types of research, is more involved and thus more objective, resulting in the researcher's decision to use it. The method assisted the researcher in comprehending the existence, interactions

between variables, and strengths of these interactions in the field of data protection in the context of South Africa.

3.2 Research design

This is an exploratory study, and the design chosen allows interviewees to answer freely and provide their own perspectives on the study subject. This also allows for the emergence of insights that may not have surfaced during the literature review, especially regarding the study's South African background. Such observations can be valuable evidence for content analysis and interpretation of findings. Another benefit of this design is that it takes into account adjustments over time so it may touch on future relevant data. This study will be performed with the help of an interview guide and semi-structured interview questions as recommended by Bryman (2012). The interview guide will discuss subject at hand while giving the interviewee the right to express themselves however they want (Bryman, 2012).

The downside of this method is that it requires accurate recording of the interviewees' varying answers to the same questions as a result of giving them the right to express themselves in whatever way they choose. The second drawback is the need for correct data interpretation in order to accurately reflect the recorded interview and avoid losing key insights during translation. Third, regardless of whether the interviewee is allowed to respond freely or not, the interviewer must ensure that all questions are satisfactorily answered.

3.3 Population and sample

3.3.1 Population

The study's participants were owners of small to medium-sized businesses in South Africa. The assumption behind selecting this group of respondents was that they would be custodians of their organizations' digitalisation strategies, if any exist. Second, these are decision-makers who are active in the day-to-day activities of the company and will provide this paper with the requisite insights into what is going on in the field of digital economy in Cape Town township small businesses.

3.3.2 Sample and Sampling Method

A purposive strategy was used to identify respondents as the purposive sampling approach is a subjective nonprobability technique that can be criticized for not being a good representation of the population, but it is appropriate in this paper because true randomization is not feasible. (Etikan, Musa, & Alkassim, 2016). Furthermore, when it comes to studying a domain with experienced experts, such as the digital economy, the purposive sampling technique is the most successful approach (Tongco, 2007).

A total of 15 small business owners were chosen from a population of business incubation hubs whom the researcher scheduled interviews with, and Mason (2010)'s guiding theory of saturation was used to determine the sample size. The prospective interviewees were sent an introductory email with the research instrument as the subject line. The email content was written in such a way that it piqued the respondents' interest in having a discussion about the report, and this is how the researcher was able to get them to participate. The data collection took place over the course of eight weeks.

3.4 The research instruments.

During the interview process, an interview guide with open-ended questions was used to facilitate the discussion. The composition of this research instrument can be seen as per attachment in Appendix A and it consists of the following:

- The researcher introduces herself and states her motivation for approaching the potential interviewee right away. She goes on to explain why the study is important and how it could help the interviewee.
- The interviewer then assures the confidentiality of the information gathered during the interview and tells the interviewee that they have the right to withdraw from the interview at any time.
- Following that is a list of questions that will serve as an interview guide and these questions are purposefully communicated prior to the interview so that the meaning of the encounter is defined by the time the researcher meets with the respondent.

Finally, the researcher explains the next steps that will take place after the interview.

3.5 Procedure for data collection

The interviews were voice recorded with the consent of each respondent. Semi-structured in-depth interview questions were used to collect data. Each interviewee was first contacted via email, informing them that they would be interviewed as part of the researcher's MBA research report. After that, all interviews were conducted virtually, using both voice and video media. If the interview was granted, each respondent was told that the details of the interview would be kept confidential. The interview was then scheduled, and the analysis instrument was used as a reference for the interview. The interviews were performed only once for each respondent and lasted anywhere from 30 minutes to an hour. The questions were designed to determine the SMME owners' understanding of what participating in the digital economy meant from a strategic standpoint, as well as the main digitisation factors and activities they needed to pay attention to optimally position their organizations. The first interview question was a general open-ended question, which was followed up by more specific questions about the topic under consideration. The interviewer attempted to quickly develop familiarity with the interviewee in order to establish a trusting atmosphere in which the interviewee felt comfortable sharing their experiences in order to gain desired insights into the topic under investigation (Fox, Edwards et al. 2006).

In order to formulate successful interview questions that elicited knowledge as the researcher learned more about the topic during the early stages of the data collection process, an iterative approach to refining the interview questions was used (DiCicco-Bloom and Benjamin 2006). When the interviewee took the discussion to areas of their interest and expertise, the interviewer had to be ready to deviate from the intended itinerary, as recommended by DiCicco-Bloom and Benjamin (2006).

3.6 Data analysis and interpretation

Following the completion of each interview, the researcher transcribed the recordings and performed content analysis as directed by literature, in which

the interview content is systematically examined with the aim of objectively defining features that stood out from the content (Cole, 1988). The researcher was able to detect holes in the data and correct them early in the data collection process by modifying the research instrument as a result of the immediate transcription of the interviews.

3.7 Limitations of the study

- This paper is limited to the study of factors that influence the adoption of digital platforms by SMEs in Cape Town townships and excludes all other regions in South Africa. These excluded regions are a scope for future research.

- Sample size limitation: the sample will only comprise of SMEs based in the Western Cape and may not be relevant to other provinces in South Africa. The sample size is important and must be large enough to make, generalization a true reflection of the population (Simon& Goes, 2013).

- This study is neither industry nor brand focused but rather focuses on all types of SMEs in the Western Cape.

- As the researcher has chosen to use the quantitative methodology, this narrows their perspective and deprives the benefit or strengths of other research methodologies (Carr, 1994).

- Since the research was conducted within a limited time, respondents with time constraints may not have had a chance to respond by the time the researcher had to analyse the results (Simon& Goes, 2013).

3.8 Validity and reliability

Validity measures the extent to there is integrity and accuracy in the conclusions generated from research (Heale & Twycross, 2015; Bryman, 2016). Valid research is trustworthy, credible, and defensible (Tashakkori & Teddlie, 2010). Reliability measures the accuracy of the research instrument used and assures repeatability of the research results if another researcher where to repeat the tests under the same circumstances (Heale & Twycross,

2015; Bryman, 2016). When compared to the qualitative research methodology, quantitative research is more reliable, but the opposite is true in the case of validity (Carr, 1994).

3.8.1 Transferability

External validity has to do with the possibility of applying the research findings to larger populations (Connelly, 2013). In qualitative analysis, the word "transferability" is used instead of "external validity" (Shenton, 2004). This refers to presenting results that a reader can generalize and extend to a particular situation. The researcher tried to use a sample population made up of people from various walks of life and with varying levels of industry experience. The results were fairly balanced and comparable to every other setting as a result of the varied sampling.

3.8.2 Credibility

Internal validity addresses the rigorousness of the study's experiments in testing the variables as defined by the hypotheses (Connelly, 2013). In qualitative research, credibility replaces internal validity, which is used in quantitative research. Peer reviews, member checking, thick definition, triangulation, and external audits are common techniques used by qualitative researchers to assess the reliability of their study.
The same set of questions were posed to all interviewees as a means of triangulation in the data collection and analysis activities (Denzin, 1970). The collected responses were supposed to share certain characteristics; otherwise, this method would act as a check to recognize any outlier responses. The researcher will also present the results to the people who were interviewed, which will act as respondent confirmation as prescribed by Bruman (2012).

3.8.3 Dependability

In qualitative analysis, the term dependability is used instead of reliability (Shenton, 2004). This is a metric that indicates how well the findings of a qualitative study can be replicated if the same group is tested again using the same methodology (Golafshani 2003). In other words the instrument must be

stable, which means that the scoring of test subjects must remain consistent even though they are retested at a different time, and there must be a correlation between measurements at the given time period.

3.8.4 Confirmability

In qualitative analysis, the word "confirmability" is used as an alternative to "objectivity" (Shenton, 2004). The researcher assures that the conclusions reported are based on the evidence and are not simply a reflection of their own views or prejudices. As they compiled this paper, the researcher declares and acknowledges their biases and predispositions to facilitate confirmability.

3.9 Ethical considerations and unintended consequences of the research

Ethical consideration is taken into account by the researcher from the inception and presence the below ethical consideration and unintended consequences of the study.

1. The respondents' participation was a discretionary activity, and no direct monetary benefits were offered to attain or penalise participation.
2. The researcher informed the participants upfront that the data collected was purely for academic purposes and the study was helping the SME businesses to evaluate factors to consider in adopting technology rapidly and prepare for the future.
3. Even though the respondents had assurance for wilful discretion in the data collection process, there was a potential risk that the outcome may include information that reveals the individual or the business behind the presented observation. The researcher promises to maintain confidentiality and keep the participants anonymous when presenting and discussing the results to uphold the promise.

4 PRESENTATION OF RESEARCH RESULTS

Introduction

This chapter summarizes the research's main findings using content analysis, and these findings are explored in relation to the research questions. In this segment, direct quotes from the interviewees are used to illustrate some of the most significant points they made.

Demographics

The respondents to this research paper were business owners of SME businesses from the Cape Town townships of Khayelitsha, Langa and Gugulethu. These business owners were representing multiple sectors including Arts and Crafts, Digital Marketing Agencies and Call Centre Service Providers.

4.1 Research Question

Establish how a typical township business needs to be positioned for functioning optimally in a digital economy.

4.1.1 What are the components that enable a township business to function in a digital economy?

The Role of Government

As we established in the literature review section, the government plays a regulatory role and ensures that the environment is conducive for conducting business activities (Matambo & Schaefer, 2013). As the researcher collected data, they found interesting insights which are condensed or summarised by the following quotes,

> *"Government assisted the community by rolling out fibre cables in the Khayelitsha township however people steal them, and we end up connecting via router. As a result, government will be rolling out Wi-Fi in our community, so this might put our internet business at risk."*

> “Yes, the township is ready for doing business digitally, however, the infrastructure has never been for people to thrive, it has just been to accommodate people.”

To expand on the above quotes, the researcher synthesised the following as insights gained from their responses,

- While the government is doing its part in empowering the township population by developing the internet connectivity infrastructure, the same community members who were meant to be beneficiaries of the infrastructure were responsible for destroying it.
- There is no appreciation by some township community members of how internet connectivity can improve their lives better than criminal activities do. Secondly, some township community members have no regard for law and fellow community members that were meant to benefit from the same infrastructure they destroyed.
- The government remains with the burden to service its communities and to counter the criminal activities in those empowerment initiatives, they are forced to compromise the quality of the connectivity solutions they deploy in communities to safeguard the safety of its infrastructure.

Data and Connectivity

The growth of township businesses is sluggish and does not extend to people outside of their immediate region, and there is a need to be online in order to engage in global trade that is far larger than their current sphere of influence (Banga & Balchin, 2019). Testament to the above reference from literature, the researcher found consistent responses from respondents where they understood how digital connectivity expanded their market reach as shown in one of the respondents’ quotes below

> “*I mentioned to you earlier that doing business online is the bomb, it works wonders because another person is probably overseas, you see or somewhere here in the country but in another province. A person is able to reach me via online via WhatsApp via Facebook or send me a*

message on Facebook or DM me on Instagram and then that's how new business comes in. So, an online business is nice in that someone just searches for your product and then it pops up and distance is not a limitation anymore because we courier them via PEP Stores, Aramex. So, we can reach everybody anywhere in this world and even anywhere in my country, nationwide."

With the outbreak of the COVID-19 pandemic, it goes without saying that broadband is a critical component of connectivity for companies, families, and individuals alike (Reddick, Enriquez, Harris, & Sharma, 2020). Almost all the respondents interviewed by the researcher understood the importance of having connectivity and that is reflected in the few quotes below,

"I do not have a shop at the moment, but I have Wi-Fi because I use my phone a lot. So, I need lots of data because that is how my customers contact me via WhatsApp."

"Yes, we do use data for now however we busy searching for something that will be compatible with our business. At the moment we have a home-based office, so data is working very well at the moment and we happy with that."

"Yes, I do have internet connection, there is nothing that you can do without it these days because we live in a dispensation of technology."

As revealed in the literature, increased internet connectivity of businesses present novel challenges for these small companies is that their trade secrets, which could be stored on computers or smartphones, become exposed and vulnerable to hacking (Vaidya, Ambad, & Bhosle, 2018). Small and medium businesses are indeed concerned about cybercriminal activities, while tactical skills required to mitigate these security threats are scarce and in short supply (Twisdale, 2018). One respondent captured this vividly in the quote below

“one of our customers identities was stolen, as a result her identity was used to open new credit accounts and the customer claimed they never access their financial or bank accounts anywhere else except in our shop”.

Smartphone Penetration and Mobile Payments

During the literature review, the researcher learnt that it may be impossible to fully eliminate the use of cash completely, but its use may be significantly reduced, resulting in a society that is less reliant on it (Matambo & Schaefer, 2013).

One finds that individuals have derived a high utility value from using cash, and so most African communities have indoctrinated the value put on money in its physical form (Matambo & Schaefer, 2013). The use of virtual currency and exchanging without the exchange of ‘money' in its physical form was initially frowned upon, and its validity as a means of transacting has been questioned as well (Matambo & Schaefer, 2013).

The high penetration of smartphones in South Africa makes a plausible case for advancing mobile payment solutions, whose adoption are accelerated by convenience and compatibility, while on the other hand the same solutions’ adoptions are deterred by cost and insecurity (Humbani & Wiese, 2018). During the data collection process, the researcher found that most small businesses owners had a high reliance on their smartphones for conducting their business. However, they did not give much consideration to smarter ways of payment collection but rather relied on the exchange of hard cash and electronic funds transfer (EFT). Below are some of the business owners quoted to this effect,

“A phone to me is like an office because it does everything, my orders, contact my suppliers, and my entire communication is done via my mobile phone.”

“We leverage our WhatsApp community for ease of access and convenience”.

“I have to constantly advertise to my phone contacts, post on my pages on Facebook.”

A study conducted in the South African township of Soshanguve showed that mobile payments were not widely adopted in townships and that hindered the plausibility of their use in trading of good and services, and the researcher can confirm this assertion from the data collected (Mhlongo, Mtsweni, & Modiba, 2017).

As pointed in an earlier section of this paper, Mhlongo, Mtsweni, and Modiba (2017) pointed out that there were critical elements of mobile payment solutions that hindered the adoptions of these solutions, listing them as

- the lack of opportunities for small businesses to trial these services at no cost,
- lack of support and compatibility of these mobile payment solutions with the exising user devices.

4.1.2 What internal competencies does a township business need to operate optimally in a digitized economy?

Customer Engagement

In this section researcher discusses the importance of customer engagement in this digital era, referring to literature that was quoted in the Literature Review section of this paper that alluded to the fact that customers' loyalty to the suppliers has been eroded by the abundance of product options enabled by technology (Ghaziana, Hossaini, & Farsijani, 2016). The researcher found that some businesses did not recognise that the type of customer engagement required to remain as top-of-mind brands in the customers had changed. The below quote is taken from an interview with a business owner that used Facebook as an online channel for selling their products and services, but did not recognise that using the channel itself was not enough

engagement and they needed to do more to put their business in the customers faces:

> *“Currently there is no advertising …. So, for now its face to face and posting on social media but not advertising per se although we have an active account.*
>
> *…I have not posted since last year and I have decided to pause it as COVID19 affected the business in so many ways”.*

It therefore follows that for businesses to succeed in this competitive landscape and maintain profitability, companies must connect and communicate efficiently with their customers (Ghaziana, Hossaini, & Farsijani, 2016). In line with this insight from literature review, one responded understood the need to have online presence in the form of a website, synonymous with an online home and the researcher quoted them saying,

> *"I currently do not own a website as yet and I should get one because it’s good for business. I can then be able to display my prices there then everything becomes easier for everyone. This will make my life easier because people would just go to my website to purchase online, so I still need to tap on that.”*

On an affirmative note, the researcher found it refreshing to come across small business owners that understood the need to constantly engage in these social media platforms to remain at the top of their customers’ minds. This was found to be consistent with what the researcher gathered in the literature review section where Yin, Gong, Guo and Wu (2019) found that social networks make up an important component of a business’ social capital, and they have a big influence on entrepreneurship. As stated by Yin, Gong, Guo and Wu (2019), that social networks assist in the transmission of information be it by advertising or content marketing, the researcher quotes the business owners that understood and believed in the same insight, saying:

> *“Having a website is a hygiene factor because it gives us presence online”.*

“I think doing business online is effective, offers people a wider reach and network, also promotes efficiency”.

“I update my statuses every day and it’s an effort having to do that, and it might get boring, but the minute you stop updating customers are quick to forget about you.”

“For now, we are using WhatsApp for business, Facebook and also LinkedIn (mostly my personal account and only now added our business profile however we do not use this account to advertise). We are more active on Facebook and WhatsApp.”

The researcher therefore confirming what they found in the literature where is stated that businesses are challenged to concentrate on developing strategies for dealing with internet-enabled consumers while learning how to apply the modern digital economy's technologies (Kehal & Singh, 2005).

Lastly, the researcher concludes this section by stating that while data and connectivity in the digital economy expands the marketplace and potential of servicing a wider network of customers, it takes away human interactions that form an important part of most African cultures, that is, “Ubuntu”. One of our respondents brought the same to the researcher’s attention as they were quoted saying,

“Our company culture was impacted by Covid. We are a community that is based on Ubuntu and we believe in assisting others in need. So not seeing our customers has had a negative impact on us.”

Entrepreneurship and ICT Skills

How business owners view digitalisation is determined by their ability to understand its advantages, know how to handle them, and bring them into effect (Gašová, Mišík, & Štofková, 2018). In line with this assertion, Silver and Johnson (2018) also argued that small businesses faced problems that mainly emanate from the ease and frequency of scamming, the proliferation of fake news, as well as financial scams, among others. It was quite insightful

to learn from the data collection that there existed small businesses that are involved in solving some cybersecurity and general community safety problems faced by businesses in the digital ecosystem,

> *"in March 2021 we won a Hackathon of safety and security in small businesses where we had an idea of installing cameras like on the high up points in township as a result of crime, exhaustions, intimidations, and they tend to spread in other townships, so we won that Hackathon on pitch, presentation itself and innovation, that was amazing."*

As stated earlier in this paper earlier, the field of digital skills (e-skills) is very challenging for both business owners and consumers likewise (Claassen, 2016). Claassen (2016) states that both groups need to improve their skills through training, and this creates need for organizations to offer interested parties some digital skills training (Claassen, 2016). Technology-skilled individuals are essential because companies would fail to reach their full potential without them (Tolstykh, Shkarupeta, Purgaeva, & Fedorenko, 2019), and we found that this rang true with most of the respondents. We particularly quote one respondent below that recognised the need to rely on subject matter experts to transition their business into the digital ecosystem,

> *"My business partner is like an IT Guru who has worked in call centre companies before and me having to run my own business ideas in terms of integrating technology with that."*

To be innovative and competitive, businesses must structure themselves for the fast-changing knowledge economy (Laar, Deursen, Dijk, & Haan, 2017), and this means that businesses are empowered and driven by the entrepreneurship skills of their owners. During the data collection period, the researcher came across interesting entrepreneurial thinking in some of the business owners interviewed, and two such cases where the business owners were quoted saying,

> *"We currently don't have customers, but we are in a process of getting our first client - Burial Society, where we will give/offer customer care*

which include outbound/inbound calls, help them out on their social media so they can be more visible (i.e., Facebook, Instagram, Twitter, WhatsApp)".

"The team was great but we just lack some few things in terms of costing - how do we cost for our market now that is based in townships cause we have found out that some cannot afford our ..If you know anyone that can assist with the costing please refer us to them. Right now, we are working on an excel where we jot down our expenses but then how do we say this is how much our expenses are and this is how much we are going to charge - what do we actually need to look at OR what template could be useful for our business?"

What makes the above responses interesting is the fact that business growth is hinged on the core capabilities of its owners or human resource capital. However, in this case, we see a business that offers services meant to acquire more sales for other businesses, yet those same capabilities have not yet yielded a similar result for the business itself. It is the researcher's view that one cannot be successful in selling a service or skill that has not yet worked for themself internally.

On the contrary, the researcher also came across businesses that had a handle on what they needed to do to drive sales growth for their businesses. One such case what a Digital Advertising Agency that was clear in its strategic direction, and the owner is quoted below saying:

"We service our customers based on what their needs are. With our in-depth insights, research and understanding of the landscape, we are able to strategize and formulate effective solutions, be it digital executions or physical engagements in order to realise the most effective solution or outcome for our clients".

An interesting insight that the researcher came across while doing data collection was the prevalence of a significant number of business owners that lacked some important base skills required to run a business successfully.

For someone to be running a business they should have already done market segmentation and would have put together a Go-To-Market strategy. The digital economy calls for agility in running a business as the environment is already competitive and the rate of change is high.

An example of such a business owner who did not seem to have though through their value proposition is quoted below:

“The struggle for customers has been for quite some time now. I would go on the streets and only make a few sales then I would go to the events and sometimes don’t even make sales. I remember speaking to Khayelitsha hospital and they promise me this and that never happened. So, I do not really know why that was the case but I did have a few customers. On the mask after/during the Corona, you know it was not a matter of customers dumping me, but it was a matter of affordability. My mask costed R30 each because I would buy full fabric and there came in companies that produced masks in bulk and then were only selling masks from R10 - R20.”

5 CONCLUSION AND RECOMMENDATION

This chapter concludes the study with a summary of the research findings that were discussed in attempting to answer the research question. Thereafter, recommendations are presented together with proposed action plans, followed by suggestions for further research.

5.1 Research Question

Establish how a typical township business needs to be positioned for functioning optimally in a digital economy.

5.2 Conclusion of the Study

Government Support

As we established in the literature review section and in the presentation of the research findings, the government indeed has a role to play and ensure that the economic environment is conducive for conducting business activities. While the government is doing its part in empowering the township population by developing the internet connectivity infrastructure, the same community members who were meant to be beneficiaries of the infrastructure were responsible for destroying it. There is no appreciation by some township community members of how internet connectivity can improve their lives better than criminal activities do. Secondly, some township community members have no regard for law and fellow community members that were meant to benefit from the same infrastructure they destroyed. That being said, the government still remains with the burden to service its communities and counter any criminal activities that are counter-progressive in its empowerment initiatives.

Data and Connectivity

As revealed both in the literature review section of this paper and in the research findings, it is indeed the case that increased internet connectivity in businesses present both growth opportunities and novice challenges. These businesses that participate in the digital economy then need to invest in cybersecurity to protect their trade secrets.

Smartphone Penetration and Mobile Payments

The high penetration of smartphones in South Africa indeed makes a plausible case for advancing mobile payment solutions, whose adoption are accelerated by convenience and compatibility. The researcher indeed found that most small businesses owners had a high reliance on their smartphones for conducting their business. However, they did not give much consideration to smarter ways of payment collection but rather relied on the exchange of hard cash and electronic funds transfer (EFT). The researcher also highlights that it may be impossible to fully eliminate the use of cash completely, but its use might reduce in the long term, but definitely not in the short term.

Customer Engagement

The participation by township businesses in the digital economy calls for businesses to make a shift in the format of customer relationship management. For example, when the business has walk-in customers there is face-to-face human interaction, and as we found in the research data collection process, the community culture of ubuntu is embraced by the mode of interaction but once businesses transition into digital offerings the nature and format of relationships must change. Businesses therefore need to drive customer engagement with their customers using social media networks, and this demands that they upskill and learn new interaction skills to make them effective digital citizens that maintain the profitability of their businesses.

Entrepreneurship Development

To be innovative and competitive, businesses must structure themselves for the fast-changing knowledge economy, with both employees and business owners constantly upgrading their skills to remain relevant to the customers they serve. The digital economy is predominantly driven by customers who have a variety of suppliers accessible at their fingertips, and with just a simple search on their mobile devices they find service providers that are already positioned for doing business with smartphone users.

Business growth is hinged on the core capabilities of its owners or its human resource capabilities and businesses cannot be successful in selling a service or skill if they are not aligned with the customer driven product/service demands.

5.3 Recommendations

In this section the researcher makes recommendations that a typical township business can adopt and embrace, to be positioned for functioning in the digital economy effectively.

- **Data and Connectivity**
  Businesses need to put in place reliable internet connectivity to enable customers to reach them all the time. This means that a business might need to have a main internet service provider and a second backup internet service provider to minimise down time should the primary service provider is unavailable.
- **Online Presence and Customer Engagement**
  Doing business online may mean that customers are in the driving seat when it comes to controlling when they consume a business' products and services. Therefore, any business should make provisions for customers to contact them with different channels of communication of their choice, this could be,
    - WhatsApp for Business
    - Website
    - Mobile App Platforms
    - Facebook
    - Instagram
    - LinkedIn, or any other possible digital platform where the business owner thinks their target market is found.
- **Entrepreneurship Skills**
  Doing business online comes with rapid technological changes and that demands continuous learning for businesses. That implies that all businesses should structure themselves as learning businesses with constant refresher courses for both its owners who inform the business' strategic direction and employees that execute that strategy.

5.4 Suggestions for further study

This research paper focused on a few SME businesses from the Cape Town townships and the qualitative research findings thereof may not be remain true for other townships outside of Cape Town or the Western Cape for that matter.

Thus, the author suggests that further research be conducted to include:

- A quantitative study of this topic to establish if the findings established in this research can be tested using statistical methods given that a quantitative study will have an increased sample size.
- Explore how local entrepreneurship hubs can be established in close proximity to the South African townships to support and boost the digital transition of entrepreneurs in those locations to operate in a digital economy.

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APPENDICES

APPENDIX A

Dear Sir/Madam,

Re: Request for a research interview

My name is Sisanda Tsolekile, and I am studying for a Master's in Administration (MBA) qualification with the Witwatersrand Business School at the University of the Witwatersrand. I am conducting research on factors to consider for effective adoption of technology by SMEs in Cape Town townships to assist small businesses to adapt to the post COVID-19 pandemic effects on our economy, in an accelerated manner.

I would like to request your assistance in the form of a 30-minutes to 1-hour interview to gather data to this effect.

Would you be keen to answer the below interview questions sharing your experiences around the use to technology in your organisation? This will help me gather more insights on the subject and perhaps together we will learn what your organisation needs to put in place to gain competitive advantage using technology.

Interview Guide Questions

1. Can you describe your business as well as products and services offer?
2. How do you service your customers?
3. Do you have internet connection at your shop?
4. Do you conduct your business using website or WhatsApp?
5. What is your opinion of doing business online?
6. How do you reach or advertise to customers?

Confidentiality

Your responses in our discussion will remain confidential and I will only document insights gained from the reflective process after the interview. Please note that you have the right to withdraw from the process at any in time in our engagement. Individual privacy will be maintained in all published and written data resulting from the study. All research data will be destroyed, and not preserved anonymously for reuse by other researchers.

Please note that you will not be paid for this study.

Please let me know if you require any further information or clarification. I look forward to your response as soon as is convenient.

Yours sincerely,
Sisanda Tsolekile
1765026@students.wits.ac.za