Luminance – An African woman’s journey of entrepreneurship

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Abstract

Dlamini was facing the dilemma of whether to restructure her luxury retail business or exit the retail sector. The decision to keep the company going was rooted in her social identity. She harboured a responsibility towards the upliftment of African women entrepreneurs because she could relate to the challenges they were facing with their business. Through her Luminance business, Dlamini who is a well-recognised figure in South Africa wanted to show other women that it was possible. The retail sector which Luminance played in was still unchanged, from a racial and gender standpoint.

The case gives a perspective of a woman entrepreneur living and operating her businesses in South Africa, who decided to invest in a luxury retail venture. The case details her entrepreneurial process and the challenges that she faced with the Luminance investment. The challenges lead to a move from a non-executive minority shareholder; to taking over full ownership. Dlamini is a woman who has become acclaimed as a leader in business. She is a qualified medical doctor and had also attained a PhD in business leadership as well as an MBA. Her entry into business was in 1987 when she established a private medical practice and later a bakery in the township of Umlazi. With the advent of democracy in 1994, Dlamini formed the Mbekani Group in 1996 to take up business opportunities that were previously not available to black women during apartheid. Mbekani’s first business was offering occupational health services. The group advanced and partook in Black Economic Empowerment business deals that grew the company into an investment vehicle which had interests in the health, facilities and property management, tourism, and luxury fashion retail sectors.
Declaration

This teaching case study represents the student's perceptions and has not been approved by the organisation for teaching or examining purposes.

I declare that this case study project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Mologadi Ntagile Kekana
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CHAPTER 1: INTRODUCTION

Entrepreneurial activity is vital in the development of the South African economy (Global Entrepreneurship Research Association (GERA), 2018) ("The National Development Plan", 2019). South Africa’s economic growth has been weak due to decreasing capital investments and an uncertain political environment. The slow growth has increased unemployment and income inequalities. The economy needs to be stimulated in order to create jobs and improve the lives of the people ("Economic Survey of South Africa 2017 - OECD", 2019).

1.1 PURPOSE STATEMENT

This teaching case study will contribute to the existing literature on female entrepreneurship. The documented journey of a successful South African female entrepreneur will give an African female perspective which is lacking in academia. Research on the subject of female entrepreneurship is mainly characterised by highlighting gender differences using quantitative based analyses. The reason for adopting this approach is because the interest in feminist epistemology is low, i.e. “how women see things”(Henry, Foss, & Ahl, 2015). There is a gender bias discourse in the study of entrepreneurship where women are allocated the disposition of being lacking, incomplete men (Ahl & Marlow, 2012). The existing knowledge about the female entrepreneur needs to be questioned and explored. This is crucial to moving the research on this topic beyond the pervasive metanarrative of the underperformance of females in entrepreneurship (Dean, Larsen, Ford, & Akram, 2017).

Although there has been a power shift since 1994, there is still a persisting stereotype of women as leaders which results in a glass ceiling effect that inhibits women from moving into executive positions in South African corporations. The status quo in business reflects the view that male characteristics are what is required to have a successful career as a business leader. Furthermore, studies have shown a preference of white males as holding the exact qualities of managing and leading businesses (Booysen & Nkomo, 2010). Through this teaching case study, the researcher is telling the story of Dr Judy Dlamini; in an approach that permitted the protagonist to self-define and self-identify. This approach is aligned with Feminism/African womanism which focuses on the unique experiences of African women to create their measures of dealing with their realities of discrimination and injustices within and outside their race group (Shamase, 2017).
1.2 THEORETICAL CONTEXT

EFFECTUATION VS CAUSATION

The teaching case study adopted the framework of emerging Entrepreneurial Theories of Effectuation and Causation (Fisher, 2012). The theories assisted in uncovering the approach that the protagonist adopted in setting up a luxury retail business. In the Causation process, the entrepreneur exploits opportunities in existing markets with low levels of uncertainty. The entrepreneur will systematically gather information and create a business plan. Whereas, the Effectuation process sees the entrepreneur identify an opportunity that does not exist, which poses higher levels of uncertainty. In effectuation, information is gathered through iterative learning and experimenting. (Fisher, 2012)(Saras D. Sarasvathy, 2001).

SOCIAL IDENTITY THEORY

Social Identity Theory (SIT) was applied to understand how the protagonist, growing up in apartheid South Africa formulated her identity. The paper also aimed to understand the role gender played in her journey as a businesswoman; whether it was an enabler or hindrance. According to SIT, individuals classify themselves into social categories which affect their interactions and actions. The theory is concerned with the psychological and sociological behaviour of the social group as well as intergroup discrimination(Tajfel & Turner, 1979). The case study considered the power shift that has occurred in post-apartheid South Africa, granting opportunities to African women through legislation that aimed to deracialise business ownership (Booysen, 2007).

1.3 ACADEMIC APPLICABILITY

This case study has been written for students of entrepreneurship, business strategy, contextual leadership, marketing /brand management and environment of business. The case will provide an understanding of the entrepreneurship theories of Effectuation and Causation, and how Social Identity influences the decisions made by business owners. From the theory of Effectuation and Causation, students will uncover common process elements which are followed by expert entrepreneurs in the creation of a new venture. From
the Social Identity Theory, students will understand how social categorisation can influence decisions.

1.4 STRUCTURE OF REPORT

The report presents four chapters; chapter one presents the problem and purpose of the report; chapter two presents the research methodology that was followed to compile the case study; chapter three presents the case study and chapter four the teaching note.
LIST OF REFERENCES


CHAPTER 2: RESEARCH METHODOLOGY

2.1 INTRODUCTION

The researcher adopted an interpretivism philosophy to ensure that the female perspective was afforded greater legitimacy to reframe and balance the existing understanding (Ahl & Marlow, 2012). The research was qualitative as will be seen in the methodology adopted.

2.2 RESEARCH METHOD & DESIGN

An exploratory research design was used through in-depth interviews to understand what a female entrepreneur did to achieve success in South Africa (Saunders, Mark and Lewis, 2017). This qualitative approach was essential in order to frame a view from which to challenge the accepted assumption that is embedded in the field of entrepreneurship (Ahl & Marlow, 2012). The case study research was an empirical enquiry into the business decisions that were taken by the protagonist; how these decisions were implemented and the outcome of the decisions (Yin, 2014). Case study research explores under-researched contexts and can provide a unique contribution to the field of entrepreneurship (Rauch, van Doorn, & Hulsink, 2014). The themes derived from a qualitative approached interview revealed the approach that the protagonist undertook in her business ventures (Saunders, Mark and Lewis, 2017). These themes further deepened an understanding of the existence of a relationship between social identity and entrepreneurial approaches which led to the success of the protagonist (Saunders, Lewis, & Thornhill, 2009). The research in order to compile the teaching case study was carried out in three phases:

2.2.1 PHASE ONE: REVIEW OF LITERATURE

The researcher sought to understand the existing view on female entrepreneurship by reviewing existing literature (Yin, 2014). The female underperformance narrative tended to judge women against hegemonic masculine business norms with the premise that these norms are what is required to be a successful entrepreneur. The focus on economic growth viewed this female non-performance as problematic leading to researchers seeking explanations of why women fall short of men instead of challenging existing norms (Dean et al., 2017). In order to take this field forward, researchers need to ground methodologies in feminist epistemology through case study research (Henry et al., 2015). The researcher
identified entrepreneurship theories of Effectuation/Causation and Social Identity Theory as suitable frameworks that would be applied to the exploration of the processes followed by female entrepreneurs in establishing a retail business in South Africa.

2.2.2 PHASE TWO: IN-DEPTH INTERVIEWS

Based on the exploratory nature of this study, the researcher held five in-depth interviews with four sample individuals in order to attain data that would be applied to theory.

2.2.2.1 POPULATION
The research focused on successful female entrepreneurs in South Africa in order to establish the process that they followed to establish their ventures. For this study; the researcher defined a successful female entrepreneur as one who had a business that had surpassed the persistence stage – three and a half years and older (Global Entrepreneurship Research Association (GERA), 2018). The researcher attempted to contextually understand the process that was followed when establishing a venture, along with the influence of social categorisation as interpreted by the successful female entrepreneur themselves (Marlow & McAdam, 2013).

2.2.2.2 SAMPLE
The researcher followed a non-probability sampling technique because the teaching case study will not have any statistical inference. As this is a feminist epistemological qualitative study, judgement was used to select the sample and to carry out a purposive sampling technique (Saunders, Mark and Lewis, 2017). Interviews were further conducted with the following sample:

- The protagonist – Dr Judy Dlamini
The protagonist was selected based on her social profile in South Africa, with the view that she will offer information-rich recollections of her journey in entrepreneurship. The protagonist was also selected by demographic homogeneity, in that she is a businesswoman who had an operating business for at least three and a half years. The protagonist was also selected by geographic homogeneity, as she resides in Johannesburg, making it convenient for the researcher to conduct interviews. Interviews were conducted to ensure that the voice of the protagonist is heard (Robinson, 2014). After the first interview
with the protagonist, the data was reviewed to assess its relevance and to determine whether a point of saturation has been reached (Malterud, Siersma, & Guassora, 2016). The determination of the point of saturation assisted in confirming the reliability and validity of the data from the sample. A total of two in-depth interviews were carried out with the protagonist

- **The protagonist’s husband – Sizwe Nxasana**
  The protagonist mentioned the importance of family in an interview with the researcher. Her husband was selected on the basis that he has been a great support and mentor. The researcher sat in on another interview with was being conducted by the faculty of GIBS. The researcher then considered data from this interview.

- **Expert in branding – Gordon Cook**
  The branding theme came through in an interview with the protagonist. For this reason, the researcher sought an external view on how to build a luxury brand in South Africa. Gordon Cook is the co-founder of the Vega School of Brand Leadership in Johannesburg. Mr Cook was selected because he is an expert in the field of branding.

- **Anonymous consumer**
  Another theme that came through in the interview with Dr Dlamini and Mr Cook was – Customer Experience. For this reason, a consumer of Luminance was interviewed to get views on the experience she had at the store. The consumer was an MBA candidate at GIBS who was selected by being a regular consumer of luxury goods, was familiar with luxury brands and had shopped at a Luminance store before.

2.2.2.3 **UNIT OF ANALYSIS**
Case studies describe a single event (Rauch et al., 2014). The unit of analysis is the entrepreneurship journey of Dr Judy Dlamini in establishing the Luminance luxury retail business. Dr Dlamini founded the Mbekani Group in 2016, a company with investments in different sectors of the economy (“Dr Judy Dlamini Profile - SA Entrepreneurs”, 2019). Since the protagonist has multiple business interests, focus on a single sector allowed the researcher to apply the selected theories in depth instead of trying to cover all her businesses (Yin, 2014). The researcher did not seek to compare genders instead aimed to
highlight the success of Dr Dlamini as a female entrepreneur without purporting the greatness of females over males.

2.2.2.4 MEASUREMENT
A Semi-structured interview questionnaire was the instrument used to collect data from the interviews with the protagonist. The interviews were conducted face-to-face and were recorded until a level of saturation was reached (Saunders, Mark and Lewis, 2017). The researcher adapted questions formulated by Fisher (2012), in the questionnaire design. The questions would interrogate the entrepreneurial process of the protagonist, in line with the selected theory.

SEMI-STRUCTURED INTERVIEW GUIDELINE

SOCIAL IDENTITY THEORY

History and background of the protagonist
Confirm details in the protagonist’s biography – “Equal but different” around influences in her history based on these discussion points:

- How does the protagonist identify/define herself?
- How has growing up in the township of Umlazi in Kwazulu-Natal influenced her?
- How has her education and career shaped her as a businesswoman?
- What influenced her decision to get married and have children?
- How does the protagonist balance her roles as Businesswoman, Mother and Wife? What sacrifices has she had to endure?
- What is her main driver?
- Who forms part of her social network/support network and why?

Gender & Race

- How have the South African politics of race and gender shaped her thinking and decisions?
- What challenges has she faced pre- and post-democracy?
- In her view, what is the state of female entrepreneurship in South Africa?
- Is there support for female entrepreneurs in South Africa?
ENTREPRENEURSHIP THEORIES

- How did the idea of the Luminance come about?
- How was, did the opportunity emerge?
- How was the first store created?
- Where did the first resources come from?
- How was the growth financed?
- How was the strategy to go to market formulated?
- Has the strategy changed over the years? If so, how?
- How was the Luminance brand initially marketed? Did this approach evolve? How?
- What was the recruitment strategy?
- How was the decision-making process in the early stages? Has this changed? How?
- What is the competitive advantage of Luminance?
- Where to from here?

2.2.2.5 DATA GATHERING PROCESS

Interview data was gathered using an audio recording device. Consent forms which detailed the research objectives were printed and signed by the participants. The interviews with the protagonist and her husband took place at their offices at the Sifiso Nxasana House in Illovo. The brand expert was interviewed at the Vega School of Brand Leadership, and the consumer was interviewed at the Gordon Institute of Business Science (GiBS). The interview data were then transcribed (Saunders, Mark and Lewis, 2017). The GiBS faculty members transcribed interview data for Mr Nxasana. All communication with the protagonist was recorded on email for transparency and record keeping.

2.2.2.6 DATA ANALYSIS

The other theoretical orientation was used to analyse the data that was acquired. Using a simple time-series analysis, the researcher was able to chronologically identify the decisions that led to the establishment of the Luminance business (Yin, 2014).
2.2.2.7 LIMITATIONS

The findings in this study present an opportunity to continue on the path of eliminating gender biases when seeking to understand the success of entrepreneurs by giving voice to a female entrepreneur. However, this study will have limitations in the following ways:

Sample size - This study is limited to the selected female entrepreneur who resides in the Johannesburg area. The data collected from this study cannot reflect the sentiments of an entire female entrepreneur population and their business endeavours in South Africa.

Lack of prior work – In the context of South Africa, few case studies have been produced by scholars, that have focused on successful black female entrepreneurs.

The scope of discussion – The researcher is a black female who may pose some biases towards the subject. The researcher is also inexperienced in the field of case study research and research as a whole. The researcher will also only focus mainly on the one business of the protagonist; the Luminance luxury retail store business. The protagonist was also not open to sharing financial details of any of her businesses.

2.2.3 PHASE THREE: SECONDARY DATA

Other sources of evidence were consulted to corroborate the data that was acquired through interviews with the protagonist. This was to ensure increased legitimacy and information triangulation(Yin, 2014). Multiple online sources were consulted to minimise the promotion of a single view (Rauch et al., 2014). Due to limited time and resources, the researcher used existing data to add to the primary data that was collected(Johnston, 2014).

2.2.3.1 POPULATION

The researcher used online search engines Google and Google Scholar to source information about the South African economy and the protagonist.
2.2.3.2 SAMPLE
Non-probability sampling was used, and the study will also not have any statistical inference. As this is a feminist epistemological qualitative study, judgement was used to select the sample and to carry out a purposive sampling technique (Saunders, Mark and Lewis, 2017).

2.2.3.3 UNIT OF ANALYSIS
The unit of analysis was online articles and videos about Dr Dlamini, in order to gather as much information as possible from other sources. The second was to attain raw data on the South African economy and retail sector from 2010 to 2016, in order to interpret and provide a view of the environment within which the protagonist was operating in (Irwin, 2013).

2.2.3.4 MEASUREMENT
The purpose of this research was to contribute to existing work on female entrepreneurship through the recollections of an African female's journey. The topic guided the selection of the theory. The topic and theory then became the measurement instrument that was used to ensure the correct data was collected. (Johnston, 2014).

2.2.3.5 DATA GATHERING PROCESS
The researcher found archived newspaper articles, general websites, online publications, social media platforms and YouTube videos to use as sources for additional data about entrepreneurship and female entrepreneurship in South Africa as well as data on the protagonist. Data about the South African economy and retail sector was sourced from the BMI Research website.

2.2.3.6 DATA ANALYSIS
The researcher made the following considerations when analysing the data: who collected the information in order to establish the context of the data; the dates of when the data was published was also considered, to ensure alignment with the story of the protagonist. The consistency of the information from other sources was also checked for validity (Johnston, 2014).
2.2.3.7 LIMITATIONS

The researcher could not verify the quality of the secondary data and how it was collected. With some of the data found, the researcher could not triangulate the information to ensure validity (Johnston, 2014).
LIST OF REFERENCES


Johnston, M. (2014). Secondary Data Analysis: A Method of which the Time Has Come Melissa (PhD). School of Library and Information Studies, University of Alabama, Tuscaloosa, AL, USA Abstract:


CHAPTER 3: TEACHING CASE STUDY

Luminance – An African woman’s journey of entrepreneurship

16 December 2015 - New York’s Fifth Avenue was like a winter wonderland. Dr Judy Dlamini passed the festively decorated window displays to walk through the antique-like glass doors into Bergdorf Goodman; the luxury department store on Fifth Avenue. The grandiosity and opulence of the department store was remarkable. She thought about her store back in Johannesburg, South Africa. The dilemma faced by Dlamini was that the costs of running the Luminance business were on the rise while profits were diminishing. She found herself at crossroads - whether to restructure the business in an attempt to reduce overheads or exit the luxury retail sector completely, by selling the business to the highest bidder.

Luminance had presented many challenges and demanded much of her time. Financially, the Luminance retail business had not provided returns similar to her other investments. Cultured in fashion herself, she did not envisage that running a luxury fashion retail could be this tough. The determination to keep going and turn the business around was strong. The success of the Luminance business was not just about her, but also other African women facing similar challenges in entrepreneurship. She identified with the struggles of these women. It is this consciousness that made her persist; with the hope that her actions would encourage the many marginalised African women entrepreneurs. Reports showed that twenty percent (20%) of women-owned businesses in South Africa failed and closed within two years of operation.¹

While walking through Bergdorf Goodman, she found a seat on a plush couch. She took a moment to admire the latest collection of dresses by Diane von Furstenberg (DvF). Settling into the couch, she noticed a glossy magazine on the coffee table nearby. The thick and luxurious pages transported her into a world of luxury fashion brands. Captured by its

contents, she knew instantly that a similar kind of magazine would be a great offering to the clientele of her own luxury fashion retail business. Paging through the magazine, she continued to contemplate options for the future of the business.

**Background: South African economy and the retail sector**

The South African economy was struggling to expand, and household income and spending were declining under this pressure (*see Exhibit 1a&b*). By Quarter three of 2015, household spending was forecasted to increase modestly between 2015 to 2019. In 2015 the country was faced with an energy crisis which was creating additional expenses for retailers. Retailers also faced a shortage of suitable skills which made it difficult to hire and keep staff. The primary threat was that the confidence levels of international investors and that of the local business community were low. Despite these low sentiments, foreign retailers were entering the local market, threatening to outcompete local retailers. This was due to the growing brand consciousness of South African consumers. The luxury retail sector was looking attractive to international brands with many making debuts into the local market through franchise models. It was a sign that the multinationals were preparing for a future spending boom. E-commerce penetration was below one percent (1%) while in developed economies, they had reached levels of up to twelve percent (12%). The strength of the economy remained with the growing black middle-class population which increased the potential for spending on non-food items. The population was also more urbanised which helped support income levels. Infrastructure in South Africa was regarded as well developed, and competent institutions supported the economy. For this reason, multinationals saw the country as the entry into the African continent.²

The South African National Development Plan (NDP), recognised the need to improve entrepreneurial activity in order to grow the economy. The plan indicated that legal frameworks aimed at redressing inequality such as Black Economic Empowerment (BEE) and Affirmative Action (AA) could be useful in expanding the economy. The plan highlighted that most jobs would come from the private sector through entrepreneurs who can seize

opportunities and can adapt to the macro-environment changes. The role of women entrepreneurs in growing the economy was also an essential consideration as their success or failure had a direct impact on the economy. When women entrepreneurs prospered, they improved their welfare but also the welfare of the economy and society. In 2015, the Female Entrepreneurship Index ranked South Africa 36th out of 77 countries.

**Early years of Dr Dlamini’s life**

Born in 1959 in Westville, KwaZulu Natal, a shy and obedient Dlamini grew up in an active Catholic home, at the height of apartheid in South Africa. The apartheid laws secured white interest by excluding the majority of the black African population from economic participation. From 1994, the democratically elected government implemented policy and legislation to redress these past injustices, through the introduction of Affirmative Action (AA) and Black Economic Empowerment (BEE).

After qualifying as a medical doctor, Dlamini established a private medical practice in Umlazi township in July 1987 and served the community as a general practitioner. Dlamini recalls her time as a doctor in Umlazi as purposeful and personally fulfilling. It was when she served as a doctor in the township that she felt she imparted the most value, and the results of her service were almost tangible. While running the practice, Dlamini and her husband identified an opportunity to open a bakery next to the medical practice. She ran the medical practice and bakery concurrently. One early evening as she was leaving, she was hijacked at gunpoint outside her practice. The traumatic occurrence of this incident shook her. Although the criminals came for the car, when the incident occurred, she had just collected her earnings for the week and had large sums of cash in the car. The criminals finding the cash would automatically make her a target in future. Dlamini made the tough decision to close down both businesses and relocated her medical practice into the city centre of Durban. However, Dlamini did not experience the same level of career satisfaction as she had experienced in the township of Umlazi.

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Dlamini met her husband Sizwe Nxasana in high-school. Their longstanding union was a result of a shared value system which included valuing the family unit, mutual respect, mutual growth and a hard work ethic. Nxasana was accomplished in his own right and had acted as a mentor and vital support to Dlamini and her business ventures. A qualified Chartered Accountant, he had held leadership roles in organisations such as Telkom\(^6\) and the First Rand Bank\(^7\). Equally an entrepreneur, Nxasana established the first black-owned audit firm in Kwazulu-Natal in 1989 and also co-founded Sizwe Ntsaluba Gobodo (SNG) which had become the fifth largest audit firm and the largest black-owned audit firm in Africa.\(^8\).

**Dlamini, the budding entrepreneur**

1994, South Africa held its first democratic election which saw the inauguration of the first black African President who was elected by the majority, Nelson Mandela. Casting her first vote made Judy feel that she had finally become a legitimate citizen of South Africa. Personal ambitions and experiences of racial exclusion had acted as a driver for Dlamini to want to strive for a better life for herself and her family. She was ready to take on the opportunities that lay ahead of the advent of democracy. Although it was not initially clear what business opportunities would be available, Dlamini purchased a shelf company in preparation.

In 1996 after closing her medical practice, she established the Mbekani Group with a colleague Dr Khanyile. The two women had studied medicine together at the University of Natal. At first, Mbekani Group provided occupational health services to local corporations such as Divpac, Rainbow Chicken and Portnet. The Mbekani Group later became part of a public-private partnership consortium (Impilo) for a BEE deal that required black representation.

The two founders dissolved their partnership, which resulted in Dlamini becoming the sole owner in 2005. Her vision for the Mbekani Group was beyond the health sector, and she wanted to diversify the business into other sectors. The Mbekani Group\(^9\) grew organically beyond BEE deals to include the following subsidiaries: **Mbekani Investment Holdings**,  

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\(^9\) [https://www.mbekani.co.za/](https://www.mbekani.co.za/) accessed 23 Jan 2019
which for over twenty years, had invested in health, hotels, tourism, telecommunications, and financial services. **Mbekani Health and Wellbeing** had been a provider of surgical instruments since 1996. **Mbekani Facilities Management**, provided building maintenance, cleaning, security and landscaping services for tenants. **Mbekani Properties** acquired prime commercial properties in Johannesburg. **Mkhiwa Trust** was a social investment trust which focused on education, rural development, health and skills development. **Luminance Ventures** became the luxury fashion multi-brand retailer vehicle. At this stage, Dlamini had stopped pursuing BEE deals and preferred investing in her capacity in businesses that she believed aligned with her value system.

**Luminance Venture**

Luminance was co-founded in 2012 by Dlamini in partnership with a prominent South African businesswoman Khanyi Dhlomo.  

Dhlomo conceptualised the business and approached Dlamini to partner in creating the brand Luminance. Dlamini describes the partnership with Dhlomo as a case of goodwill transcending generations. Dlamini had previously worked with Dhlomo’s father. Dhlomo had approached various funders including the National Empowerment Fund (NEF) without success. Accessing funding remained a challenge for many entrepreneurs in South Africa. Even though platforms like the NEF existed, the loan structure made it difficult for black entrepreneurs to access funds. More often, the collateral that the funders required was too high. Most black entrepreneurs were affected by this inevitability. South African entrepreneurs were 50% more likely to discontinue business because of funding.

Dlamini then acquired a fifteen percent (15%) stake in the business as a minority investor and shareholder. The initial agreement was that she would not be involved operationally.

The first store opened in 2013, in the premium shopping mall - Hyde Park Corner which was named after the esteemed London's Hyde Park area. The shopping centre had been operating since 1969, and it attracted the top echelon of South African society with its high-end shops and restaurants. The demographics of the patrons that frequented the mall were:

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aged thirty-five to forty-nine; generally female; married; SEM eight to ten (Socio-Economic Measures)\(^{13}\); and highly educated. Most of the patrons lived in the Hyde Park area, and seventy percent (70\%) frequented the mall weekly spending one and a half hours. Dlamini and Dhlomo launched the first Luminance store in Hydepark amidst controversy surrounding the thirty-four million-rand (R34,000,000)\(^{14}\) loan that the NEF eventually awarded the two women. The debate was whether the loan was justifiable to be awarded to one business when it could have been used to support multiple fashion businesses that also needed funding\(^ {15}\). The NEF maintained that Luminance did not benefit unfairly when the funds were acquired. The funding requirement also stipulated that Luminance would allocate 10\% of its shares to rural women and the founders had to guarantee that local crafters would get access to international markets. Skills transfer would be carried out in collaboration with international designers to transfer their skills to local designers.

A year after launching the first store, the business had not performed well. At this point Dlamini knew that her intervention was necessary and was faced with two choices: (1) dump the businesses investment and accept failure or (2) take over the business and try to make it work. Dlamini thought about all the noise which was induced by the media about the NEF funding two black women. In order to protect her brand which had risen in prominence and the image of black women entrepreneurs, she chose to take over the business and make it work. She was adamant to prove that she was indeed an ethical businesswoman. The NEF loan was repaid, and she took on the challenge to resuscitate the business. Dlamini did not want to risk her failure reflecting unfairly on other black women entrepreneurs. By the end of 2014, Dlamini had taken on the reins of ownership and the running of the Hyde Park store. The business took a decisive turn and sights were set on opening another store in Sandton City.


Through some desktop analysis, Dlamini discovered insights that further solidified this decision. Sandton City was renowned as the wealthiest square mile in Africa and had become the financial hub of South Africa. With the hotels in its surrounds, the area attracted tourists from other continents and even more increasingly from other parts of Africa. Affluent Africans regarded Sandton City as their favourite shopping destination in Africa. With the economies of Africa developing, there had been an increase in the number of dollar millionaires which implied that the demand for luxury goods would increase. Johannesburg was said to have the highest number of high net worth individuals followed by Cairo in Egypt and Lagos in Nigeria\(^{16}\). Within the mall of Sandton City was the Diamond Walk which opened in 2015. This section of the mall was dedicated to high-end fashion brands such as Gucci, Jimmy Choo, Dolce & Gabanna and Louis Vuitton to name a few. The Diamond Walk was developed to attract well-travelled consumers who wanted ease of access to these coveted brands. Dlamini decided to open a Jimmy Choo store in the Diamond Walk and a Luminance pop-up store in the Nelson Mandela Square of Sandton City. The Jimmy Choo brand which was initially sold in the Luminance store had performed very well within the multi-brand store. Jimmy Choo then granted Luminance a franchise license to set up a mono-brand store.

By November 2015, the second store was launched in Sandton City amidst a downward turn of the economy. The currency depreciated further, and inflation was rising. Retail margins became a concern. Interest rate hikes were expected to continue into 2016, which would hamper household spending as consumers would be price sensitive. South Africa was also facing a possible credit rating downgrade which resulted in an economic climate which was rather gloomy.\(^{17}\)

**Target market - Who is a Luminance customer?**

The Luminance target market had evolved from its genesis. An analysis of who was buying revealed a consumer who was a mature woman living in Johannesburg. This woman who was an entrepreneur or an executive in a corporation who enjoyed a particular lifestyle. The woman had significant disposable income, travelled overseas on business and had been

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exposed to premium international fashion brands. Luminance shoppers were mainly women who knew and loved luxury brands. The shop attendants serving customers within the store were well trained to assume the role of educating buyers by telling stories about the designers of the brands. Fashion lovers were emotional about their purchases and therefore needed to be connected with emotionally.

As the stores continued trading, male consumers were added to the target market, so that they too could live life beautifully. Later a decision was taken to tap into the aspiration of a younger professional who may not necessarily have a substantial disposable income but when they would get a bonus once a year, would reward themselves by purchasing an item at Luminance. In order to build the brand Luminance for the future, investing in the younger buyer was necessary. The evolution of the brand had also allowed the younger buyer to access the shop alone or with a parent who is already a supporter of Luminance. The staff at the store had started noticing an increase in mother and daughter pairs coming in to shop together.

**Brand Positioning**

Luminance stores were multi-brand stores offering international luxury brands that were not available locally. There was always a commitment to showcase and elevate African luxury brands. At the beginning of the business, the split was ninety percent (90%) international brands and ten percent (10%) African brands. The business would benefit from a higher representation of African designers, as this would protect the business to some extent from the fluctuations of foreign exchange. Working with local designers also provided greater flexibility when negotiating terms. Although there were other international retailers like Zara that offered affordable fashion; Luminance’s competitive advantage was that they offered a luxury experience to the consumer that loves luxury brands. The experience was a combination of well trained, and attentive salespeople and the excellent quality aesthetics of the stores which were of a high standard (*see Exhibit 2*). While managing Luminance, Dlamini learnt about marketing, a function which she admitted to having enjoyed. It is through this learning that she found that digital platforms in particular social media, were cost-effective and the best channel of reaching the brand’s target market. In the beginning, traditional advertising was carried out in magazines and billboards.
Investing in Education & Career achievements

Dlamini had acquired, a Master in Business Administration (MBA) from the University of Witwatersrand (Wits) in 2003. By 2016, she had graduated with a PhD in Business Leadership with the University of South Africa (UNISA). Her interest in business led her to expand her knowledge in commerce in order to understand the language of finance. During the early years of democracy, Dlamini encountered Women Investment Portfolio Holdings (WIPHOLD). The work that WIPHOLD was doing in the BEE space inspired her initial investments in Southern Sun Casinos and Pepsi as a BEE shareholder. Dlamini wanted to understand how the Johannesburg Stock Exchange (JSE) operated; how she could grow her investments through BEE deals. While attending MBA classes, she met a colleague who later played a role in opening the door for her to work in the corporate finance division at HSBC. At the age of forty, after graduating with an MBA in hand, she grabbed the opportunity to work at HSBC even though she had a history of successfully running her businesses. The work opportunity allowed her to learn about deal structuring and assessing businesses, a skill she later used in growing her investment portfolio. The post MBA work in a corporation became the learning experience that was necessary to launch Dlamini forward as a businesswoman, when she left the HSBC in May 2003.

Throughout her career as a businesswoman, Dlamini had encountered people who opened doors for her, who were catalysts in her career developments and success. It is these encounters that made her resolute to empower and open doors for others in return. To this end, she continued to collaborate with talented South African designers to grow their representation within Luminance stores. This collaboration afforded designers such as Thula Sindi the opportunity to exhibit their garments alongside renowned international brands within Luminance.

Dlamini had also served on the JSE listed Discovery Limited board as a non-executive director, the Northam Platinum board and the Aspen Pharmacare Holdings board. She had been recognised for her contribution to business in South Africa by being awarded the

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Managing a retail business had been a challenge but had provided valuable lessons beyond what she had learnt in formal educational institutions. Dlamini loved fashion as a consumer; she recalled that as a child she did not have many clothes. With the few outfits that she had, she would close the door of her bedroom and try out each of the outfits while looking at herself in the mirror. She may not be in love with the business of retail, but it is the love for fashion that leads her understanding of consumers’ needs. The education she had acquired in business school put her in good stead, but Dlamini quickly found that the theory was trumped by the learnings of the day to day running of the stores.

Business decisions needed to be adapted frequently to keep up with economic fluctuations. The weakening currency (ZAR – South African Rand) created volatility in foreign exchange, making hedging difficult for South African companies buying goods overseas to resell locally. Hedging which ensures business against possible adverse events was quite costly with most businesses not always getting it right. Purchasing stock from overseas was always delayed and took six months to arrive in South Africa. A deposit would be paid in advance to initiate the purchase, and the balance paid before delivery. For a retailer like Luminance dealing with overseas designers; it was essential to consider the sell-through rate of each brand at full price. The sell-through rate was an indicator of whether a brand was performing well in the market or not. When a clearance sale had to move the stock, then there would be a dilution of margin. Designers also had their terms on a minimum purchase before carrying out an order. The market dictated its terms by what customers were willing to pay. With economic downturns, this meant that the disposable income would decrease, thus reducing the purchases of luxury goods. Before a technical recession came to pass, retailers were the first to feel it. Trading space also came at a premium, with the challenge that an increase in trading space did not lead to an increase in trading density.

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Dlamini also learnt that she needed to get the right people to help her with the business. Employing and keeping the right candidates had not been easy. The South African labour laws with its stringent requirements made it difficult to manage staffing and employment issues at a quicker turnaround. Since the culture in an organisation determined its success, employing the wrong people had cost the business.

Dlamini needed to consider the brand personality and positioning of Luminance beyond the logo and social media marketing campaigns. Gordon Cook, the co-Founder of the Vega School of Business Leadership, said that brands build a business because people buy brands; they do not buy businesses. Luminance needed to identify as a brand with its own unique personality. The brand is the magnet that attracts consumption and thus revenue, without which business would not exist. According to Cook, a company struggling with revenue had to firstly look at its brand, which was the emotional identity which told consumers what the business was about and equally as important what the business was not about. Strong brands had to forgo things and had to be specific whereas; weak brands tried to be everything to everyone. Cook further reiterated that consumers and people, in general, are fundamentally emotional. So strong brands had to have emotional content, whether through colour, language, design and experience. The experience was essential because, towards the end of the 20th century, brands realised that the crucial part of a brand going forward is giving consumers a very emotional experience. Therefore, a brand is also the giver and creator of experience. As a follower of brands and an expert in branding, Cook could not quite place the personality of the Luminance brand. When asked how the Luminance brand can gain prominence? Cook answered that the brand needed to develop a “tribe” of like-minded people who had a taste for luxury and the money to spend. The segment of these people was small, and through tailored experiences, they could be engaged with to ensure that loyalty towards the Luminance brand is attained24.

Beyond profitability, the business had inspired many African women. A regular shopper for luxury brands said that what initially prompted her to shop at Luminance was the idea of supporting a black woman owned store which offered international luxury brands that she loved. She described the luxurious scent that welcomed her when she entered the store for the first time. She also found that some of the people that used to work at another luxury

brand store where she had shopped, had moved and were now working at Luminance. For her, the familiarity and the confidence that experienced salespeople were assisting her, made the shopping experience pleasant along with the variety that was offered by the store.25

At the end of November 2016 after enduring a difficult year, Dlamini was finding it more onerous to be operationally involved in her business. Her schedule became more demanding and new opportunities were knocking on her door. She had also finished writing and had launched her first book “Equal but Different – Women leaders’ life stories”.

The fourth edition of the Luminance magazine arrived in Dlamini’s office. She was pleased with the outcome of what was once a dream. She took a sip on the cup of rooibos tea and reflected on her journey in retail, from when she ran a single bakery in the township of Umlazi. The thick, luxurious pages of the Luminance magazine adorned by melanin-rich models portrayed a life lived beautifully. The magazine was given freely with purchases and was available for reading in the store coffee tables. Even though retail was not her comfort zone, she had achieved a lot and had grown the business to three luxury stores; two Luminance multi-brand stores and the mono-brand Jimmy Choo store. Although she had effected changes the business model was still not financially sustainable. While the business had served as an inspiration for many women in South Africa, this would not continue to be if the business was not achieving its financial objectives. She considered restructuring the business, by perhaps moving the stores into smaller spaces and growing the online store business. She further thought about the possibility of handing over the responsibility of managing the business to someone who had extensive experience and passion for luxury retail, in order to take brand Luminance forward.

Word count: 4647

Exhibit 1a: Economic indicators – Real GDP & Household Income\textsuperscript{26} (all data for the creation of graphs was sourced from BMI Research)

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{real_gdp_graph.png}
\caption{Real GDP}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{household_income_graph.png}
\caption{Household Income}
\end{figure}

\textsuperscript{26} BMI Research; Fitch Solutions Group; Shibboleth Authentication Request. (2019). Retrieved from https://bmo-bmi-research-com.uplib.idm.oclc.org/search/results Accessed 10 March 2019
Exhibit 1b: Economic indicators – Household spending in US$ (goods and textiles) & South Africa’s demographics of the urban population\textsuperscript{27} (all data for the creation of graphs was sourced from BMI Research)

\textbf{Household spending}

\textbf{Demographics}

Exhibit 2: In-store photos showing aesthetics of a Luminance store (permission was granted by the owners of the images used in this report: Contact Media & Communications – the publishers of the Afropolitan); Under brands offered at Luminance stores, SA = South African

Brands offered at Luminance stores
1. Alexander Wang
2. Balenciaga
3. BCBG Max Azria
4. Comme des Garçons
5. David Tlale (SA)
6. Diane
7. Diane von Furstenberg
8. Diptyque
9. Erre
10. Gianvito Rossi Milano
11. Giuseppe Zanotti
12. Givenchy
13. J. Ariete (SA)
14. Joseph Ribkoff
15. Kenzo
16. Lija
17. Maison Margiela
18. Manolo Blahnik
19. Marc Jacobs
20. MaXhosa by Laduma(SA)
21. McQ
22. Michael Kors
23. MM6 by Maison Margiela
24. Simply Vermeulen(SA)
25. Sober
26. Sonia Rykiel
27. Spanx
28. Thula Sindi (SA)
29. Vince
30. Tory Burch
31. Yswara (SA)

Figure 1: Interior image of a Luminance store (source: Contact Media, Afropolitan Magazine)

Figure 2: Interior image of the men’s section at Luminance (source: Contact Media, Afropolitan Magazine)
CHAPTER 4: TEACHING NOTE

LUMINANCE – AN AFRICAN WOMAN’S JOURNEY OF ENTREPRENEURSHIP

SYNOPSIS

Dlamini was facing the dilemma of whether to restructure her luxury retail business or exit the retail sector. The decision to keep the company going was rooted in her social identity. She harboured a responsibility towards the upliftment of African women entrepreneurs because she could relate to the challenges they were facing. Through her Luminance business, Dlamini who is a well-recognised figure in South Africa wanted to show other women that it was possible. The retail sector which Luminance played in was still unchanged, from a racial and gender standpoint.

The case gives a perspective of a woman entrepreneur living and operating her businesses in South Africa, who decides to invest in a luxury retail venture. The case details her entrepreneurial process and the challenges that she faced with the Luminance investment, which saw her move from a non-executive minority shareholder; to full ownership. Dlamini is a woman who has become acclaimed as a leader in business. She is a qualified medical doctor and had also attained an MBA and a PhD in business leadership. Dlamini entered the business world in 1987 when she established her private medical practice and later a bakery in the township of Umlazi. With the advent of democracy in 1994, Dlamini formed the Mbekani Group in 1996 to take up business opportunities that were previously not available to black women during apartheid. Mbekani’s first business was offering occupational health services. The group advanced and partook in Black Economic Empowerment (BEE) business deals that grew the company into an investment vehicle which had interests in the health, facilities and property management, tourism, and luxury fashion retail sectors.

TEACHING OBJECTIVES

This case study has been written for students of entrepreneurship, business strategy, contextual leadership, marketing and brand management. The case may be taught at a post-graduate level. The case study will benefit those with a background in business who want to understand the emerging entrepreneurship theories of Causality and Effectuation. The case study also addresses how Social Identity influences decisions made by business owners.
**Teaching objective 1:** Understand the non-linearity of entrepreneurship through the introduction of the theory of effectuation by Sarasvathy (2001). Students will also be able to identify and compare the principles and logic of effectual and causal reasoning.

**Teaching objective 2:** Students will be able to apply the model adapted from Fisher (2012) to identify entrepreneurial behaviour.

**Teaching objective 3:** Students will acquire a broad understanding of the theory by Tajfel & Turner (1979) of Social Identity and how it influences individual decision-making. Students will then be able to identify three social identities of entrepreneurs by Fauchart & Gruber (2011).

**Teaching objective 4:** Students will be able to understand the use of “The dynamic model of strategic decision making in venture process” by Reymen et al. (2015).

**KEYWORDS**
Female entrepreneurs, entrepreneurship, entrepreneurial identity, entrepreneurial process, effectuation, causation, retail, luxury retail, branding, female epistemology, South Africa, apartheid, Social Identity, strategic decision-making, dynamic decision-making

**ASSIGNMENT QUESTIONS**

**Question 1** - Outline the differences/similarities between an effectual approach and a causal approach by comparing how an entrepreneur would make decisions.

**Question 2** - Consider the decisions made by Dlamini in her journey in the luxury retail sector. Dlamini took over the running of the Luminance business, from her initial position as a fifteen percent (15%) shareholder to 100% ownership. Use the framework developed by Fisher (2012) to determine whether Dlamini’s processes have been Effectual or Causal?

**Question 3** - Which entrepreneurial identity does Dlamini represent?

**Question 4** – How does Dlamini move past the dilemma that she is facing? Which approach(effectual/causal) will help her navigate an uncertain future?
<table>
<thead>
<tr>
<th>Type of Material</th>
<th>Title of Material</th>
<th>Length</th>
<th>Description</th>
<th>URL</th>
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</thead>
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<tr>
<td>Video</td>
<td>The entrepreneur in us all</td>
<td>4:18</td>
<td>Prof Saras Sarasvathy explains the characteristics of successful entrepreneurs</td>
<td><a href="https://youtu.be/784b8ERvzoU">https://youtu.be/784b8ERvzoU</a></td>
</tr>
<tr>
<td>Video</td>
<td>Entrepreneurial Method</td>
<td>8:03</td>
<td>Prof Saras Sarasvathy explains the five principles of the theory of Effectuation</td>
<td><a href="https://youtu.be/Ruvb_kGAMYw">https://youtu.be/Ruvb_kGAMYw</a></td>
</tr>
<tr>
<td>Video</td>
<td>Khanyi Dhlomo</td>
<td>5:12</td>
<td>Initial founder's vision of Luminance &amp; the launch of the first store</td>
<td><a href="https://youtu.be/RKa3iugyBTE">https://youtu.be/RKa3iugyBTE</a></td>
</tr>
<tr>
<td>PDF</td>
<td>SOUTH AFRICA REPORT2016/2017 CAN SMALL BUSINESSES SURVIVE IN SOUTH AFRICA?</td>
<td></td>
<td>Global Entrepreneurship Monitor (students should only read the executive summary to get the state of entrepreneurship in South Africa)</td>
<td><a href="https://www.gemconsortium.org/country-profile/108">https://www.gemconsortium.org/country-profile/108</a></td>
</tr>
</tbody>
</table>
SUGGESTED CORE READINGS


Sarasvathy, S. (2004). What makes entrepreneurs entrepreneurial? (Associate Professor). The Darden Graduate School of Business Administration University of Virginia.


TEACHING PLAN AND TIMING

100 MINUTES

10 minutes: Introduction. The lecturer can open the teaching by playing the video of Professor Saras Sarasvathy titled: The Entrepreneur in us all (4:18). The lecturer can highlight the points from the video, in particular, that:

- entrepreneurs are varied and are driven by varied motives
- everybody can learn entrepreneurship/entrepreneurial reasoning
- how people deal with failure as a predictor for success; and that if a failure occurs, it is not the end

15 minutes: The lecturer should discuss the landscape of entrepreneurship in South Africa, to provide context. Reference can be made to the additional reading of the Executive Summary of the Global Entrepreneurship Monitor: SOUTH AFRICA REPORT2016/2017, CAN SMALL BUSINESSES SURVIVE IN SOUTH AFRICA? (Herrington & Kew, 2016)

15 minutes: The lecturer should then use the remaining time to introduce the case study by requesting students to chronologically recall the story of the protagonist Dr Dlamini and her entry into luxury retailing in South Africa (see TN Exhibit 1: Timeline)

60 minutes: Explore the theory of Effectuation vs Causation; and the influence of Social Identity in the decision-making process
TN Exhibit 1 – Timeline

Timeline
Dr Judy Dlamini

1959 - Born

Met husband Sizwe Nxasana
Started a family

1987 - Opened medical practise in Umlazi township

1994- Voted in South Africa’s 1st democratic election

1996- Established Mbekani Group in partnership with Dr Khanyile

2003- Graduated with MBA from Witwatersrand (Wits)

2005- 100% owner of Mbekani Group

2012- Co-founder of Luminance with Khanyi Dhlomo

2013- Launch of 1st Luminance store in Hydepark

2014-100% owner of Luminance

2015- Launch of 2nd Luminance store in Sandton and Jimmy Choo mono-brand store

2016- PhD in Business Leadership from University of South Africa. Received awards & accolades
Question 1: Outline the differences/similarities between an effectual approach and a causal approach by comparing how an entrepreneur would make decisions.

Students should briefly understand the genesis of the theory of effectuation:
Cognitive scientist Dr Saras Sarasvathy began a study in 1997 on 30 founders of successful companies in the US. She termed these entrepreneurs, expert entrepreneurs and the research resulted in the theory of effectuation. Sarasvathy’s aim of the research was to discover how the learnt and unspoken expertise of entrepreneurs were applied in the decision-making process of establishing a business venture. The research process uncovered common process elements which were inputs in the framework creation (Sarasvathy, 2004). Sarasvathy found the need for this research because business schools tend to follow existing basic approaches when teaching entrepreneurship that focuses on a set of decisions to be made based on history. (Sarasvathy, 2001).

Define the theory: Sarasvathy defines effectuation as a logic of thinking that uniquely serves entrepreneurs in starting businesses. Effectuation provides a way to control the inherently unpredictable future: Effectuation is a thinking framework, a set of heuristics to get a product and or service established. Effectuation is not a system that tells one what to do, an algorithm, planning, a way to launch a business ("Effectuation - SOCIETY FOR EFFECTUAL ACTION", 2019).

Business schools also tend also to teach a causal way of thinking. Causality reasoning starts with set goals, a set of means and the entrepreneur would seek to find the most efficient and cost-effective way to reach the set goals. Effectual reasoning does not begin with a specific goal but a set of means. The means lead to the way various possible outcomes (see TN Exhibit 2). The effectiveness of causality vs effectuality when starting a new business venture was measured to provide scientific evidence. A new venture may follow the causation approach, which identifies opportunities, sourcing resources and working according to a strategy to achieve a goal. Another is the effectuation approach which experiments, determines the affordable loss and is flexible in the attainment of results (Chandler, DeTienne, McKelvie & Mumford, 2011). Entrepreneurs will move between the two approaches; however, expert entrepreneurs prefer effectual reasoning in the early stages of a new venture (Sarasvathy, 2001).
TN Exhibit 2 – Causal vs Effectual reasoning (Sarasvathy, 2001)

Causal Thinking (Manager)
Distinguishing Characteristic
Pre-determined goal achieved by selecting available means

Effectual Thinking (Entrepreneur)
Distinguishing Characteristic
Imagining multiple outcomes with the means available

GIVEN MEANS: Capital investment

Achieve revenue of X amount

Single pre-determined goal

GIVEN MEANS: Who am I? What do I know? Whom do I know?

Multiple possible outcomes

Increase the number of stores

Launch a magazine

Increase S.A designers in Luminance stores

Figure 3: An Adapted model of Causal vs Effectuation reasoning by Saras Sarasvathy, Source: https://www.effectuation.org/?page_id=207

TN Exhibit 3 - Example of Effectual thinking vs Causal Thinking (Sarasvathy, 2001)

<table>
<thead>
<tr>
<th>Effectual thinking</th>
<th>Causal thinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>A chef is not given a menu &gt;&gt; Explores an unknown kitchen &gt;&gt; Finds ingredients and cooks a meal from what they find.</td>
<td>A chef is given a specific menu &gt;&gt; Picks from a list of recipes &gt;&gt; Shops for ingredients &gt;&gt; Prepare the meal in their own equipped kitchen.</td>
</tr>
</tbody>
</table>

Sarasvathy in her paper, *what makes entrepreneurs entrepreneurial*, provides an example highlighting the difference between Causal and Effectual thinking. She says that effectual reasoning is inherently creative and causal reasoning not so much but can be creative to generate new means. This was validated by a quantitative study conducted by (Chandler, DeTienne, McKelvie & Mumford, 2011) which aimed to contribute to the empirical research of how entrepreneurs make decisions in uncertainty. A business plan is an example of a causal approach which has been widely taught even though its effectiveness is mixed.
TN Exhibit 4 – Focus of effectuation and causation (Sarasvathy, 2001)

<table>
<thead>
<tr>
<th>No</th>
<th>Effectuation focus</th>
<th>Causation focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Focus on short-term experiments to identify business opportunities in an unpredictable future</td>
<td>Defining the final objective upfront in an attempt to predict an uncertain future</td>
</tr>
<tr>
<td>2</td>
<td>Focus on projects where the worst-case scenario loss is affordable</td>
<td>Maximising expected returns</td>
</tr>
<tr>
<td>3</td>
<td>Emphasise pre-commitment and alliances to control an unpredictable future</td>
<td>Planning and competitive analysis to predict an uncertain future</td>
</tr>
<tr>
<td>4</td>
<td>Exploiting environmental contingencies by being flexible</td>
<td>Exploiting pre-existing capabilities and resources</td>
</tr>
</tbody>
</table>

Figure 4: An Adapted model of Causation vs Effectuation Four principles (Gaylen N. Chandler a, Dawn R. DeTienne, Alexander McKelvie, Troy V. Mumford,)

The lecturer may close this section with this video: [https://youtu.be/G8gRkJ9cnzo](https://youtu.be/G8gRkJ9cnzo).

This is a 10:18 minutes video titled: The 10 Myths of Entrepreneurship. The video summarises the entrepreneurial methods or effectuation.
The lecturer should guide students to apply the theory of Effectuation/Causation to the case.

Decision making using the principles of Effectuation compared to Causation.

A. THE STARTING POINT

Causation

A causal approach starts with a single goal that was derived from historical data analysis (competitive analysis, calculating expected return) with the aim of controlling the future outcome (Fisher, 2012).

Effectuation

With effectuation, the starting point is to observe the means that are available to the entrepreneur. Who they are, what they know and whom they know? (Sarasvathy, 2001) From this, the entrepreneur envisions many possible outcomes.

Dlamini’s actions based on the case study

As an entrepreneur, Dlamini’s journey starts with the formation of Mbekani group which offered occupational health services and later partnering with big business in the health sector. As a qualified medical doctor, Dlamini’s actions meet the requirements of effectual action. From its initial stages, Mbekani group grew into other sectors including luxury retail through the establishment of Luminance. Students can argue that Dlamini’s approach included causal action because she was an investor in many of her business ventures including Luminance. As investors seek returns, her decisions may have been mainly profit-driven. When Luminance was not performing well, Dlamini moved from her initial decision as an investor to take over the entire business, also taking on operational responsibilities for different reasons. Given her prominence in the South African society, as well as the negative media that Luminance had attracted. Dlamini decided to keep the business going to protect her brand and also to encourage women entrepreneurs.
B. AFFORDABLE LOSS INSTEAD OF EXPECTED RETURN

Causation

Decision making is based on the effect that the business can achieve (the upside opportunity) by calculating the maximum return that can be reached. The entrepreneur would make this decision based on the primary means that are used (Sarasvathy, 2001).

Effectuation

The entrepreneur manages the downside of what the worst-case scenario would be based on the means available. An affordable loss is the most that the entrepreneur is willing to lose. This decision is dependent on the entrepreneur and their ability to imagine various possibilities for the business instead of merely returns in the present (Sarasvathy, 2001).

To further entrench the understanding of the Affordable Loss concept, the lecturer can show the video of Richard Branson: https://youtu.be/VsRAVj3878U

The video is 1.12min and highlights an affordable loss decision that Richard Branson made when he was starting Virgin Airways. He contacted Boeing to buy a second-hand aeroplane under an agreement that should the business not work out; they should be able to hand the aeroplane back to Boeing after 12 months.

Dlamini’s actions based on the case study

Although not explicit in the case, students can assume that the repayment of the NEF loan meant other sources of funding were necessary for the business to continue. Dlamini as an expert entrepreneur (based on previous business investments) self-funded the Luminance venture based on what she could afford to lose. After taking over the business, she further grew her footprint to two other stores: Luminance Sandton and Jimmy Choo Sandton. Again, Dlamini’s actions can be regarded as effectual as she funded the new stores with resources on hand.

C. STRATEGIC ALLIANCES INSTEAD OF COMPETITION ANALYSIS

Causation

Detailed analyses using various models. E.g. Porters forces model. Entrepreneur follows traditional methods in order to reduce risk.
Effectuation

Entrepreneur forms strategic alliances with stakeholders as a way of reducing uncertainty and erecting barriers to entry (Sarasvathy, 2001). This partnership is achieved by co-creating with customers, suppliers and prospective competitors (Read, 2004).

Dlamini’s actions based on the case study

Dlamini had collaborated with local designers; partly because she believes in the empowerment of others. The business would also be protected from currency fluctuation along with the delays experienced with ordering from overseas. Initially starting with 10% of South African designers, Luminance grew this number to 20%, through collaborative efforts.

Strategic partnerships dovetail with the affordable loss principle to bring ideas to market at low capital outlay (Sarasvathy, 2004).

As the case does not explicitly reveal how the alliances came about, students can suggest how Dlamini can form strategic alliances with either customers, suppliers and other organisations. This is perhaps an area that Dlamini has not exploited enough.

D. EXPLOITATION OF CONTINGENCIES INSTEAD OF EXPLOITING PRE-EXISTING KNOWLEDGE

Causation

Pre-existing knowledge forms the basis of competitive advantage

Effectuation

Embracing surprises that arise by being flexible instead of fixed on current goals. It is a case of "If you come across lemons, make lemonade!" ("Effectuation - SOCIETY FOR EFFECTUAL ACTION", 2019)

Dlamini’s actions based on the case study

The case depicts that Dlamini is a novice in the area of managing a luxury retail brand. Even though this was the case, Dlamini was able to turn the business around and embraced the opportunity of setting up a mono-brand store, with Jimmy Choo. Surprises, good or bad can
be used in the venture creation process. How entrepreneurs leverage the contingencies is at the core of effectual reasoning (Sarasvathy, 2004).

E. CONTROLLING AN UNPREDICTABLE FUTURE RATHER THAN PREDICTING A CERTAIN ONE

Causation

The logic of causality is: “To the extent that we can predict the future, we can control it.”

Effectuation

Effectuation logic: “To the extent that we can control the future, we do not need to predict it.”

Dlamini’s actions based on the case study

The case has shown that the retail sector is affected by economic up and downturns which are not easily predicted. The case shows that the target market of Luminance has evolved with time, initially targeting mature women, over time male and younger shoppers have been catered for. The younger market was included in an attempt to create a pipeline for the future. Students can argue that cases for both causality and effectuation are evident in the case.

Efforts which are anchored in available means, considering affordable loss, forming strategic alliances and embracing elements of surprise provide support under uncertainty. In highly uncertain environments, non-predictive control is an effective alternative to a predictive approach. Expert entrepreneurs and stakeholders continuously work on what they can control to expand the things that are controllable without the need to predict the future. Decision makers can able to address current business problems rather than predicted opportunities when they start with means and form strategic alliances with committed stakeholders (Wiltbank, Read, Dew & Sarasvathy, 2009).
Question 2 - Consider the decisions made by Dlamini in her journey in the luxury retail sector. Dlamini took over the running of the Luminance business, from her initial position as a fifteen percent (15%) shareholder to 100% ownership. Use the framework developed by Fisher (2012) to determine whether Dlamini’s processes have been Effectual or Causal?

When Luminance was established, it was funded by the NEF. For this reason, a causal approach had to be followed, because the NEF as a funder would require a list of items to carry out their due diligence before issuing funds ("National Empowerment Fund | Growing Black Economic Participation", 2019).

TN – Exhibit 5a – Causal Approach adapted from Fisher (2012)

- Analysed and Identified long-term opportunities
- Estimated returns of the various opportunities
- Developed business plan
- Created and implemented structures and control processes
- Analysed market information
- Analysed competitors and landscape
- Developed a vision
- Developed a project plan
- Developed marketing plan

Dlamini has somewhat adopted a more effectual approach than causal since taking over the business. See exhibit 5b

Point 2

Luminance initially focused on the mature female target market, however, evolved to include men and the younger female. Through the dilemma faced by Dlamini, the case suggest that she is considering options for enhancing the business. Luminance had one store when she took it over but grew it to three in total including the Jimmy Choo store. She also introduced a Luminance Magazine and Online store to the offering.
Effectual approach (Fisher, 2012)

1. Developed variations of the product or service
2. Experimented with different ways of selling the product/service
3. The product/service changed substantially as the business
4. Committed only limited amounts of resources to the venture at a time
5. Responded to unexpected opportunities
6. Adapted to actions to available resources
7. Established co-creation agreements with customers, suppliers, and other organisations

Point 4 & 6

The NEF initially funded the venture. Dlamini then repaid the loan and self-funded the business going forward. The case does not make suggestions that Dlamini sought funding elsewhere. The assumption can be made that Mbekani as an established group invested in growing Luminance from one store to three.

Point 5

The case mentions that Jimmy Choo granted a franchise license because of the brand performing well within the multi-brand store. Luminance took up this opportunity and opened a mono-brand store in Sandton.

Point 7

The case mentions that Luminance would like to increase its number of African designers from 10%. Dlamini is also consciously wanting to empower other entrepreneurs and for this reason, has given the likes of Thula Sindi the opportunity to display their designs within Luminance stores.
The lecturer should then summarise the Effectuation process by showing and explaining the process flow below.

The example used in the model is of an iterative process Dlamini may have followed to launch the Luminance Magazine.

**TN – Exhibit 6 – Effectuation in Action (Sarasvathy, 2001)**

Assuming that there are changes in the environment(internal) in terms of revised budgets thus reducing the means available to operate the business. Dlamini would have to begin the process again by assessing her means, goals to decide whether to keep or eliminate the goal. Instead of a non-digital magazine; Dlamini may make the final decision to produce a digital Luminance magazine instead, which may reduce the cost.
Question 3: Which entrepreneurial identity does Dlamini represent?

Lecturer can start by giving students a broad perspective of the Social Identity Theory

TN Exhibit 7 – Social Identity Theory model (Tajfel & Turner, 1979)

The Social Identity theory highlights that self-image is a consequent of a social category that an individual identifies with. These social categories create order and provide a system within which individuals use for self-reference, and the system provides a sense of belonging. The categories also become the basis of comparison of one group to the other. The theory states that: (i) Individuals seek a positive social identity; (ii) The positive social identity is based on comparisons between groups of people (e.g. Race, Gender, Class etc…); (iii) When individuals are unsatisfied with their social identity, they will strive to leave their social category to join one that is favourable. Therefore, there is always pressure to compare one’s group with another group that is perceived more positively (Tajfel & Turner, 1979). A social identity perspective forms the basis of understanding consumer behaviour. The purchase of a luxury good should represent value at an individual level as well as at a social level. Brand Managers and Marketers should be aware of this too in order to cater to the personally oriented consumption as well as the socially oriented consumption (Wiedmann, Hennigs & Siebels, 2009). South African society changed from 1994 after the first democratic
election. Before 1994, political, economic and social power was held mainly by white males, followed by white females. This social power was highly polarised along racial and gender lines. Post-1994, the national government had decreed legislation to redress and empower individuals that were previously disadvantaged by the apartheid system (Booysen, 2013). At a personal level, a female entrepreneur would develop their identity based on gender and race (Booysen & Nkomo, 2010).

Social identity had influenced the direction and entrepreneurial decisions that Dlamini has made; from when she started as a medical doctor and later becoming a beneficiary of BEE through various business dealings and board appointments. This also aligns with the first step of the theory of effectuations which beckons that when a founder starts a venture, they need to interrogate who they are, what they know and whom they know? Three types of social identities have been identified: Darwinian, Communitarian and Missionary; these are called founder identities (Fauchart & Gruber, 2011). In order to establish the action that Dlamini should take, identifying what type of identity she is will assist in determining what her next steps should be (causal/effectual):

**Darwinian identity**

This type of founder starts a firm with the primary motivation being to make profits and accumulate personal wealth. These people value a business school approach in managing the business, and their approach is generic throughout different sectors (Fauchart & Gruber, 2011). Darwinians would prefer a causal approach which would measure expected returns (Alsos, Clausen, Hytti & Solvoll, 2016).

Leading to the launch of Luminance, Dlamini can be regarded as a Darwinian. She intended to invest as a minority shareholder with a fifteen percent (15%) stake as an investor one would expect that she was concerned with making profits.

**Communitarian identity**

This type of founder is often engaged in the domain within which they start their business. They use their first-hand experience as knowledge to offer a product or service which they believe will add value to the community. They would usually start the business gradually
after others have shown interest in what they were doing. These people value their ability to contribute to society with their product or service (Fauchart & Gruber, 2011). Communitarians can be said to follow an effectual approach because they don't focus on the end goal but instead on what they can do in the present moment; even though they know what they want to create. They remain flexible, and ideas develop at a pace of available opportunities (Alsos, Clausen, Hytti & Solvoll, 2016)

**Missionary identity**

This type of founder believes that firms can play a role in changing society. They believe that their actions as a role model (who am I? what do I know? whom do I know?) affect the well-being of others and for this reason, they have a responsibility to act ethically. A missionary founder identifies more with a cause than profit (Fauchart & Gruber, 2011). Missionaries tend to combine both causal and effectual approaches, because they are goal orientated although not in the classical sense (Alsos, Clausen, Hytti & Solvoll, 2016).

Students should be able to debate and defend which identity they believe Dlamini best fits; by linking her entrepreneurial approach which was identified using the checklist by Fisher (2012), as well as the dilemma that she is now facing. The lecturer should highlight that an entrepreneur can assume different identities at different stages of their business (Alsos, Clausen, Hytti & Solvoll, 2016).

When Dlamini took over the ownership and running of Luminance, she was driven by the idea of being a role model to other women entrepreneurs that she identified with. The business was not performing well and therefore can assume that although profits were significant, the primary driver was beyond profits.
Question 4: How does Dlamini move past the dilemma that she is facing? Which approach (effectual/causal) will help her navigate an uncertain future?

**DYNAMIC MODEL OF STRATEGIC DECISION MAKING IN VENTURE CREATION PROCESS (Reymen et al., 2015)**

The Dynamic model of strategic decision making in venture creation by Reymen et al. (2015) leads to an understanding that decisions by an entrepreneur can follow mixed reasoning. Reasoning that infuses effectuation and causation. Strategic decisions provide direction for a business, the outcomes of a strategic decision the venture scope which then influences the logic of an entrepreneur (Reymen et al., 2015).

The lecturer can provide the model as a tool for the students to use in making suggestions for Dlamini’s way forward.

**TN – Exhibit 8 – A dynamic model of strategic decision making in the venture creation process. An adaptation of the model created by (Reymen et al., 2015)**

<table>
<thead>
<tr>
<th>CONDITIONS (Venture/External)</th>
<th>STRATEGIC DECISION MAKING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased environmental uncertainty</td>
<td>Venture Scoping</td>
</tr>
<tr>
<td>Decreased environmental uncertainty</td>
<td>Logics</td>
</tr>
<tr>
<td>Decreased venture resource position</td>
<td>Effectuation</td>
</tr>
<tr>
<td>Increased stakeholder pressure</td>
<td>Causation</td>
</tr>
<tr>
<td>Widening</td>
<td>Narrowing</td>
</tr>
</tbody>
</table>
**Venture Scoping** decisions drive Effectuation or Causation; that is whether to widen or narrow the scope of the business. The use of Effectuation or Causation may lead to changes in the conditions of the business or its external environment. These conditions will, in turn, impact the Venture Scoping decisions; thereby increasing the use if either effectuation or causation. Entrepreneurs may need to consider effectuation when choosing to widen the business scope and causation with a narrowing scope (Reymen et al., 2015).

**Example:**
A decision to widen the scope of business leads to an effectual decision through the leveraging of contingencies and experimenting (Reymen et al., 2015).

Firstly, Dlamini took over an underperforming business with an outstanding loan from the NEF. She decided to self-fund and continue with the business. She then launched the second store in Sandton and accepted the Jimmy Choo franchise license to widen the business footprint. This was done in a shrinking, underperforming economy as seen from the economic indicators. The brand also widened its focus to include men and a younger female consumer in order to create a pipeline for future consumers. Dlamini is still facing uncertainty with the business, and the economy is still not showing signs of recovering. Students should provide examples of how Dlamini can experiment with the business model.

In closing the lecturer can show the brand video of Luminance. This video 8:32 will give students a look and feel of the stores and the brands offered: [https://youtu.be/nZHMrM6vlhY](https://youtu.be/nZHMrM6vlhY).

**POSTSCRIPT**

By 2019, the Luminance store in Hyde Park had moved to a smaller retail space. The Jimmy Choo store remained in operation within the Diamond Walk section of Sandton City. The Luminance store in Sandton remained a pop-up store awaiting smaller space within the mall. Another pop-up store was launched at Menlyn Mall in Pretoria. Printing costs for the magazine became too high, and Dlamini only made the magazine available digitally.

Dlamini still resides in Johannesburg with her husband and family. She launched her second book: “The other story – A fireside chat with African achievers”; and also took up a position as the Chancellor at the University of Witwatersrand.
LIST OF REFERENCES


Sarasvathy, S. (2004). *What makes entrepreneurs entrepreneurial*? (Associate Professor). The Darden Graduate School of Business Administration University of Virginia.

