

**DRIVERS AND BARRIERS TO IMMIGRANT ENTREPRENEURSHIP  
IN SOUTH AFRICA**

**BY**

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**A DISSERTATION SUBMITTED IN FULFILMENT OF THE  
REQUIREMENTS FOR THE MASTER OF COMMERCE PROGRAM IN  
BUSINESS MANAGEMENT**



**DEPARTMENT OF BUSINESS MANAGEMENT**

**FACULTY OF MANAGEMENT**  
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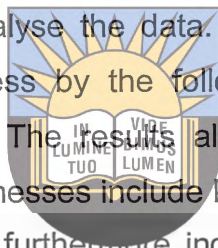
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**SUPERVISOR: DR O. FATOKI**

## ABSTRACT

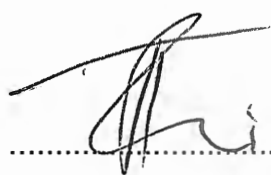
The presence of immigrants in South Africa is surrounded with a great aura of controversy. Despite of huge unemployment and other development issues, there is the perception by South Africans that foreigners are competing for jobs, and other social facilities thus leading to xenophobia. Most South African citizens are puzzled by the increasingly great numbers of immigrants flocking to South Africa annually. However, most immigrants find it difficult to get paid employment. The primary objective of this study was to investigate the drivers of immigrant entrepreneurship. In addition, the study investigated the barriers to the performance of immigrant entrepreneurs in South Africa. A self-administered questionnaire was employed in the collection of primary data from African-immigrant entrepreneurs operating in selected cities (Alice, East London, Fort Beaufort, Grahamstown, King Williams Town and Port Elizabeth) of the Eastern Cape Province, South Africa. The respondents were selected using simple random sampling method. Descriptive as well as inferential statistics were used to analyse the data. The results indicate that immigrant entrepreneurs are driven into business by the following drivers: employment, capital, intrinsic rewards and independence. The results also indicate that the barriers to the performance of immigrant-owned businesses include lack of finance, weak markets, lack of skills and lack of support. The study furthermore indicates that immigrant entrepreneurs contribute to employment in South Africa. The study recommends that government, commercial banks and non-governmental organisations that support small and medium enterprises should extend assistance to immigrant entrepreneurs.



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## DECLARATION

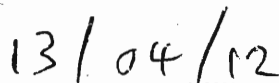
I, the undersigned Tilton Jamera Patswairi hereby declare that this dissertation is my own original work and that it has not been submitted, and will not be presented at any other University for a similar or any other degree award.



Signature



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Date

## **ACKNOWLEDGEMENTS**

My special thank you to God, for His daily protection and His guidance, I would not have gone this far without His help and wisdom. I would also like to thank my supervisor, Dr O. Fatoki, for his guidance, advice and untiring support throughout the study.

Many thanks to my family, and friends, for their support, patience and encouragement, not forgetting my colleagues in the Department of Business Management for their support and last but not least, my statistician for his patience and assistance with analysis of data.



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## DEDICATIONS

To God is the glory for He has always been my strength and guidance during my entire life and education.

This also goes out to my family and friends for their moral support and being there for me in my times of trials and need. Thank you so much and may God bless you.



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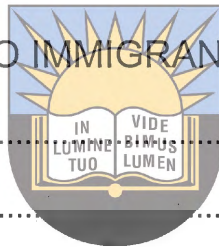
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## CHAPTER ONE

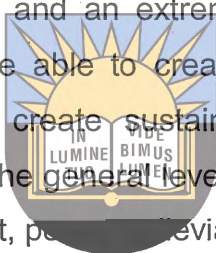
### INTRODUCTION TO THE RESEARCH

#### 1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

South Africa suffers from high rate of unemployment, poverty, crime, income inequality and weak economic growth, with an official estimate of 25 percent of its economically active population being unemployed (Statistics South Africa, Quarterly Labour Force Survey, 2011:12). The country also suffers from corporate restructuring leading to job losses in the private sector. Given the failure of the formal and public sector to absorb the growing number of job seekers in South Africa, increasing attention has focused on entrepreneurship and new firm creation and its potential for contributing to economic growth and job creation. Entrepreneurship and small business development are considered to be an important mechanism for economic development (Herrington & Kew, 2010:15). The terms entrepreneurship and small and medium enterprises (SME) are used interchangeably in many studies conducted in the field of entrepreneurship (Ayyagari, Beck & Demirguc-Kunt, 2005:13; Mutezo, 2005:25; Acs, 2006:18; Agupusi, 2007:33). Likewise, this study will use the terms entrepreneurship and SMEs interchangeably.

In South Africa, SMEs employ half of the working population and contribute 50 percent of the gross domestic product of South Africa (Gumede, 2002:379; Mutezo, 2005:35). According to New Partnership for Africa's Development (2008:13) SMEs and entrepreneurship offer significant prospect for increased employment, poverty alleviation, increased utilisation of Africa's productive and intellectual resources, improved tax base for government revenues and low-cost accessible investment opportunities for local populations. One of the best ways of addressing unemployment has been identified as leveraging the employment creation potential of small businesses and promoting small business development (FinMark Trust, 2006:12). SMEs are expected to be an important vehicle to address the challenges of job creation, sustainable economic growth, equitable distribution of income and the overall stimulation of economic development in South Africa (Maas & Herrington, 2006:17).

However, South Africa ranks 27th out of 59 countries in a primary measure of entrepreneurship used by GEM, with a Total Early-Stage Entrepreneurial Activity (TEA) below the average rate (11.9%) of all participating countries (Herrington & Kew, 2010:17). South Africa's TEA rate of 8.9 percent is significantly lower than the average 15.6 percent for all middle to low income countries and 11.7 percent for all efficiency driven economies. The general expectation TEA rate of a country of South Africa's stage of development would be 16 percent which is almost double its current 8.9 percent rating. In addition, Berry, Cassim, Kesper and Von Seventer (2002:18) point out that despite the significance of SMEs to the South African economy, the failure rate of SMEs in South Africa is very high tagged at 75 percent with 90 percent of new SMEs failing within the first two years of their operation. With such a low TEA rate and an extremely high failure rate, it is doubtful whether the SME sector alone will be able to create sustainable employment, reduce poverty and income inequality, and create sustainable economic growth. Immigrant entrepreneurship can help to improve the general level of entrepreneurship in South Africa and positively contribute to employment, productivity and economic growth (Kalitanyi & Visser, 2010:376).



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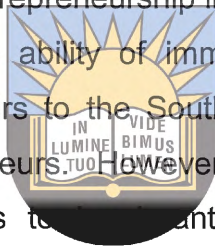
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According to Pendleton, Crush, Campbell, Green, Simelane, Tevera and De Vletter, (2006:12) South Africa is a rainbow nation composed of various racial groups from all facets of the earth. Following independence in 1994, an increasing number of mostly middle-aged blacks migrated to South Africa from neighbouring African countries. Vargas (2005:579) examines the upsurge in immigration and proposes factors such as globalization, wars, and political problems facing many countries to having contributed to many immigrants coming to South Africa. In addition, South Africa's massive socio-political transition, commencing in 1990 and culminating in 1994, transformed the country into a financially attractive destination which also invited the entry of skilled and educated workers. Since the early 1990s, groups of immigrants from Asia (Pakistan, China, Taiwan, India, Korea), Central and Southern Africa (especially Zimbabwe, Zambia, the Democratic Republic of Congo), and increasingly West Africa (Nigeria, Ghana, Senegal) have established a significant number of new businesses.

Immigrant entrepreneurs from Sub-Saharan Africa represent a new critical element in the informal economy of post-apartheid South Africa (Rogerson, 2004:765). Despite immigrants' education and experience, finding work for immigrants is very difficult and immigrants are often exploited by employers. Most immigrants are frustrated in the process of integrating into the host society, pushing many immigrants into necessity-based entrepreneurship. While immigrants are pushed into self-employment due to market discrimination, skill shortcomings and communication barriers, immigrants' strong orientation towards vision, entrepreneurship and risk-taking pulls immigrants towards self-employment (Dana & Morris, 2007:15). Consequently, immigrants create employment for themselves and sometimes for unemployed South Africans. A study conducted by Kalitanyi and Vissier (2010:387) in 2007 on job creation for South Africans by African immigrant entrepreneurs confirmed that 80 percent of African immigrant entrepreneurs interviewed employed South Africans in immigrant businesses. However, immigrants are perceived as taking jobs in an economy with an estimated unemployment rate of 25 percent and high rate of skills shortage (Rogerson for Development and Enterprise, 2007:137). African immigrants have been subjected to hostile operating environment by the locals especially in the townships. A significant number of these migrants have successfully applied their entrepreneurial skills in establishing small enterprises and employing workers, often to the envy of their local counterparts (Kalitanyi & Vissier, 2010:382).

A Meta analysis of empirical literature revealed that no study has investigated empirically the drivers and barriers to immigrant entrepreneurship in South Africa. Despite the fact that there are a lot of studies on SMEs in South Africa, immigrant entrepreneurship remains largely unexplored. One of the earliest studies on immigrant entrepreneurship in South Africa was by Rogerson (2000) titled, "Emerging from Apartheid's Shadow: South Africa's Informal Economy". The study acknowledged the presence of immigrants in the post-apartheid South Africa and the active contribution of immigrants to the South African SME sector. In addition, Rath and Kloosterman (2000) (in another old study) found that immigrant entrepreneurs contribute to the economy of South Africa by creating employment for both the locals and the immigrants. In addition, Rath, Kloosterman, Haberkellner, Mung, Wilpert, Razin, Magatti and Barrett (2002) observe that immigrant

entrepreneurship creates opportunities that have important implications for the South African economy. The opportunities created include; employment, development of social capital, scope for better integration into the society, an increase in the range of goods and services available, expanding consumer choices and growth of certain sectors. Kloosterman and Rath (2002), Mitchell (2004) and Peberdy and Dinat (2007) examine the characteristics of immigrant entrepreneurs in South Africa. The studies found that most immigrants have post-matric qualifications. Kalitanyi and Vissier (2010) in a study titled "African immigrants in South Africa: job takers or job creators?" found that most immigrant entrepreneurs employed South African nationals. This implies that immigrant entrepreneurship can help to reduce the high unemployment rate in South Africa. It is quite evident that research on immigrant entrepreneurship in South Africa is very modest. Earlier studies have focused mostly on the ability of immigrants to create employment, the contribution of immigrant entrepreneurs to the South African economy and the general characteristics of immigrant entrepreneurs. However, no empirical study has empirically investigated the drivers and barriers to immigrant entrepreneurship in South Africa. Understanding the drivers and barriers to immigrant entrepreneurship will lead to recommendations that can improve immigrant entrepreneurship. This will enhance the contribution of immigrant entrepreneurs to the social-economic development of South Africa.



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## **1.2 PRELIMINARY LITERATURE REVIEW**

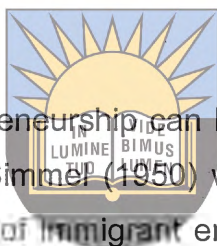
Van Aardt and Bezuidenhout (2002:4) define entrepreneurship as the act of initiating, creating, building and expanding an enterprise or organization, building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for long-term gain. The next section presents theories of entrepreneurship and immigrant entrepreneurship. This study was guided by the Austrian view, Neo-classical view and Subjectivist view of entrepreneurship.

Theories of entrepreneurship include Schumpeter (1934), Kirzner (1960) and Drucker (1985). According to Schumpeter (1934:47) in the Austrian view, entrepreneurship is a phenomenon which moves economy towards equilibrium. The entrepreneur does that by

inventing new combinations or new innovations. Kirzner (1960:47) writing in the Subjectivist view, points out that an entrepreneur is someone looking for market gaps in order to fulfil them and to bring the economy towards equilibrium by indulging in actions that pursue the exploitation of profitable opportunities in the market. In contrast, Drucker (1985:32) views entrepreneurship as an allocation and a distribution of existing resources.

The link between immigration and entrepreneurship is supported by a number of studies and the important influence of entrepreneurship on the economic and social integration of immigrants has been widely established (Rath & Kloosterman, 2002:658; Dana, 2007:18). Immigrant entrepreneurship is described as the process by which an immigrant establishes a business in a host country (or country of settlement) which is not the immigrant's country of origin (Dalhammar, 2004:14).

Research into immigrants and entrepreneurship can be traced back to classical works by Sombart (1914), Weber (1930) and Simmel (1950) which have tremendously influenced subsequent literature about the study of immigrant entrepreneurship. However, this study will adopt the Cultural, Disadvantage and Mixed embeddedness theories of immigrant entrepreneurship.



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According to the Cultural theory by Hoselitz (1964) cultural characteristics like religious beliefs, family ties, savings, thrift, work ethics, and compliance with social values serve as ethnic resources which partially explain the orientation of immigrants towards entrepreneurship (Volery, 2007:54). The Mixed embeddedness theory by Kloosterman, van der Leun and Rath (1999) agrees with the Cultural theory but adds other factors such as the socio-economic and political-institutional environment of the country of settlement and how these forces shape the opportunities of the entrepreneurs (Dana, 2007:18). According to Disadvantage theory by Ram and Smallbone (2001) immigrant entrepreneurship results from a context of disadvantage (Ram & Smallbone, 2003:72). A portion of immigrant workers are subject to labour market disadvantage due to their accents and non recognition of overseas credentials (Light & Gold, 2000:13). The Disadvantage theory concludes by pointing out that immigrant entrepreneurs are pushed into entrepreneurship rather than working in skilled employment.

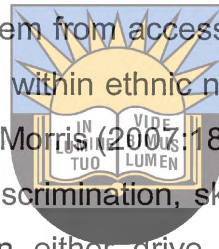
The Cultural, Disadvantage and Mixed embeddedness theories of immigrant entrepreneurship helped in explaining the various reasons as to why immigrants are driven into entrepreneurship and the various barriers faced by immigrants in pursuing their business. Drivers are defined as factors that prompt an immigrant entrepreneur to establish a business and barriers are those factors which impede an immigrant entrepreneur from pursuing his entrepreneurial intentions.

There are a number of individual factors that motivate a persons' decision to become an entrepreneur. Factors that motivate a persons' decision to become an entrepreneur can be categorized as (1) demographic variables or (2) attitudes, values or psychological factors (Ashley-Cotleur, King & Solomon, 2009:15). Mitchell (2004:168) identified social and economic factors such as; redundancy, blocked promotion, recession, unemployment, and the need to earn a reasonable living, as having a profound influence effect on shaping the attitudes of an entrepreneur. Social networks and background influence entrepreneurship, hence, Masurel, Nijkamp, Tastan, and Vindigni (2002:240) state that empirical studies have illustrated that entrepreneurs use informal network contacts such as family, friends, and business people more than formal network contacts like bankers, accountants, and lawyers as information sources. Several studies (Masurel *et al.*, 2002:240; Baum & Locke, 2004:587; Manev, Gyoshev & Manolova, 2005:298) highlight the desire for independence and control, family tradition, the desire to improve social status and the motivation to create new products as drivers to immigrant entrepreneurship. Immigrant entrepreneurs are driven into entrepreneurship by many factors, however, they are also barred by numerous factors from achieving their entrepreneurial goals in South Africa.

Volery (2007:55) highlights lack of resources, compliance costs, and the hard reality of setting up a business as the barriers to immigrant entrepreneurship. Robertson, Collins, Medeira and Slatter (2003:308) find that factors inhibiting entrepreneurship include; an expressed fear of debt, a fear of failure, difficulties in obtaining finance, regulation, and taxation. Maas and Herrington (2006:15) indicate that lack of financial support is the second major contributor to entrepreneurship failure in South Africa. Crime is another barrier to entrepreneurship in South Africa. Crime causes stress and additional costs for

security and this retards the development of emerging markets such as South Africa (United Nations Office on Drugs and Crime, 2007:5). Therefore, most immigrant entrepreneurs may be reluctant to invest in a host country where social factors like crime are high.

Lack of information about business start-ups, partners, funding, marketing skills, managerial or financial expertise, and savings or assets, were found to be the major inhibiting factors to forming a business (Robertson *et al.*, 2003:310). Immigrants cannot easily access funds from formal financial institutes and greatly depend on personal savings, family, friends and ethnic networks (Volery, 2007:54). Therefore, immigrant entrepreneurs are barred from investing in countries where partners and social networks are not available as this will deprive them from accessing funding, skills and other benefits enjoyed by other immigrants operating within ethnic networks. Another contextual factor is discrimination. According to Dana and Morris (2007:18) immigrant entrepreneurs are driven into self-employment due to market discrimination, skill shortcomings and communication barriers. Therefore discrimination can either drive immigrants to self-employment, by blocking alternative mobility paths in the labour market, or bar their way to certain self-employment opportunities.



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Concluding from the evidence gathered from the preliminary literature review, employment, autonomy, creativity, skills, opportunity, networking, discrimination and capital were identified as the most common drivers of immigrant entrepreneurship. On the other hand, lack of capital, skills, support, compliance costs, regulations, tax, discrimination, and crime were also identified as the most common barriers to the performance of immigrant entrepreneurs. However, no study has empirically investigated the drivers and barriers to immigrant entrepreneurship in South Africa. This is the focus of this study.

### **1.3 STATEMENT OF THE PROBLEM**

According to Rogerson (2004:765) immigrant entrepreneurs from Sub-Saharan Africa represent a new critical element in the informal economy of post-apartheid South Africa. However, immigrant entrepreneurships like all other small businesses in South Africa suffer

from a high failure rate (Mitchell, 2004:170). It is against this background that the following research problems were derived:

- What are the factors driving immigrants into entrepreneurship in South Africa?
- What are the barriers to the performance of immigrant entrepreneurs in South Africa?

## 1.4 RESEARCH OBJECTIVES

- To investigate empirically the drivers of immigrant entrepreneurship in South Africa.
- To investigate empirically the barriers to the performance of immigrant entrepreneurs in South Africa.

## 1.5 HYPOTHESES



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- Drivers
  - H<sub>0</sub> Employment and opportunity are not drivers of immigrant entrepreneurship.
  - H<sub>1</sub> Employment and opportunity are drivers of immigrant entrepreneurship.
  - H<sub>0</sub> Capital is not a driver of immigrant entrepreneurship.
  - H<sub>2</sub> Capital is a driver of immigrant entrepreneurship.
  - H<sub>0</sub> Intrinsic rewards are not drivers of immigrant entrepreneurship.
  - H<sub>3</sub> Intrinsic rewards are drivers of immigrant entrepreneurship.
  - H<sub>0</sub> Independence/autonomy is not a driver of immigrant entrepreneurship.
  - H<sub>4</sub> Independence/autonomy is a driver of immigrant entrepreneurship.
- Barriers
  - H<sub>0</sub> Lack of finance is not a barrier to the performance of immigrant entrepreneurs.

- H<sub>1</sub> Lack of finance is a barrier to the performance of immigrant entrepreneurs.
- H<sub>0</sub> Weak markets are not a barrier to the performance of immigrant entrepreneurs.
- H<sub>2</sub> Weak markets are a barrier to the performance of immigrant entrepreneurs.
- H<sub>0</sub> Lack of skills is not a barrier to the performance of immigrant entrepreneurs.
- H<sub>3</sub> Lack of skills is a barrier to the performance of immigrant entrepreneurs.
- H<sub>0</sub> Lack of support is not a barrier to the performance of immigrant entrepreneurs.
- H<sub>4</sub> Lack of support is a barrier to the performance of immigrant entrepreneurs.

## **1.6 PURPOSE AND SIGNIFICANCE OF THE RESEARCH**

Entrepreneurship and small business are very important to reducing the high unemployment and poverty rates in South Africa. This study focused on the examination of drivers and barriers to the performance of immigrant entrepreneurs. A study of this nature is important to the research database as very little research on immigrant entrepreneurship has been conducted to date. In addition, the research is significant in that the results could be useful to government officials, law makers and other small business policy makers in understanding the plight and significance of immigrant owned SMEs. Furthermore, the results can provide an empirical framework upon which future research on SMEs, particularly immigrant owned SMEs in South Africa can be based.

## **1.7 RESEARCH DESIGN AND METHODOLOGY**

### **1.7.1 Survey Area and Population**

The target population of this research was all African-immigrant entrepreneurs operating in selected towns and cities in Eastern Cape (i.e., Alice, Fort Beaufort, King Williams Town, East London and Port Elizabeth). A compilation of lists of affiliated members obtained from the various Ethnic Associations gave a sampling frame of 245 African-immigrant entrepreneurs operating in selected cities of the Eastern-Cape Province. This study focused mainly on Ghanaians, Senegalese, Nigerians and Somalis. A pilot study

conducted by the researcher on Ghanaians, Senegalese, Nigerians and Somalis operating in Alice, showed that most immigrant entrepreneurs had social and ethnic networks in these cities, and also, that other ethnic groups were not large enough for the researcher to attain accurate findings. A randomly selected representative sample of immigrant owned SMEs from different segments of SME enterprises operating in Alice, Fort Beaufort King Williams Town, East London and Port Elizabeth was used. Immigrant entrepreneurs used in the sample were selected based on the origin of the entrepreneur.

### **1.7.2 Research Method**

The data was gathered through the use of self-administered questionnaires which were administered by the researcher according to the names and addresses obtained from Ethnic Associations. Self-administered questionnaires were also distributed during the general meetings of the various ethnic groups. Various secondary data sources were reviewed which include newspaper articles on African-immigrant owned SMEs and annual reports of financing institutions, online journals and databases, scientific journals within the immigrant entrepreneurship and SME context. Reports from the Department of Trade and Industry (DTI) of South Africa were also assessed and deductively applied. Other relevant sources of information such as published data obtained from Statistics South Africa, African-Immigrant Associations, United Nations Department of Immigrations and Home Affairs Department were also assessed.

### **1.7.3 Sample Size**

The sample size was determined through the use of RAOSOFT sample size calculator. A sampling frame of 245 African-immigrant entrepreneurs operating in selected cities of the Eastern Cape Province was compiled from the lists of affiliated members obtained from the various Ethnic Associations. This resulted in RAOSOFT recommending a sample of 150 African-immigrant entrepreneurs which were interviewed in this study. RAOSOFT is statistical software used in the calculation of sample size. RAOSOFT takes into consideration four factors in determining sample size. These factors include the margin of error, the confidence level, the population and the response distribution. The RAOSOFT

sample size calculator gives a recommended minimum sample size for a particular target population.

#### **1.7.4 Sampling Technique**

Random sampling was the main sampling method used in the study. According to Fouche, Delpont and Strydom (2005:25) random sampling allows each sampling unit in the sampling frame to have a known, non-zero probability of being selected from the sample, respecting the principles of unbiased selection of the sampling unit and ensuring proper sample representation of the defined target population.

#### **1.7.5 Data Collection Instrument**

The research was survey based. Questionnaires were administered to African-immigrant entrepreneurs operating in selected cities of the Eastern Cape Province. The questionnaire predominantly made use of the Likert scale questions to determine drivers and barriers to African-immigrant entrepreneurship. Close-ended questions were used for demographic variables. The drivers variables were also measured using a five point Likert scale with 1 meaning strongly disagree and 5 strongly agree. The five point Likert scale was also used for the barrier variables with 1 indicating strongly disagree and 5 strongly agree. The instrument was developed taking into consideration other similar studies by Fatoki and Garwe (2010:733).



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#### **1.7.6 Questionnaire Administration**

The researcher obtained names and addresses of African-immigrant entrepreneurs from the various African-immigrant Association Offices interacting with immigrants in Eastern Cape specifically those operating in Alice, Fort Beaufort, King Williams Town, East London, and Port Elizabeth. African-immigrant Association Offices include; the Somalia's in King Williams Town, Ghanaians in Alice, Nigerians and Senegalese in East London. These offices assisted in obtaining the population frame and contacts of members which enabled the researcher to administer questionnaires. These offices also provided information regarding the location of other African-immigrant Association offices operating in other cities and also information on dates for Annual General Meetings where distribution of self-

administered questionnaires was conducted. This method of data collection was used in another study on Chinese Immigrant Entrepreneurs in New England Area by Zhou (2008:35).

### **1.7.7 Pre-Testing the Questionnaire**

The questionnaire was pre-tested in a pilot-study using 20 African-immigrant entrepreneurs in Alice. Pre-testing was done in an effort to detect the questionnaire's weaknesses before the empirical study was conducted.

### **1.7.8 Data Analysis**

The data analysis was done using the Statistical Package for Social Sciences (SPSS). Statistical analysis included descriptive statistics, principal component analysis, T-test, ANOVA and correlation. The principal component analysis identified four driver factors and four barrier factors. The driver factors are employment and opportunity, capital, intrinsic rewards and independence/autonomy. The barrier factors are lack of finance, weak markets, lack of skills and lack of support. The Cronbach's alpha was used to measure reliability. Validity was ensured through various consultations with a statistician and a panel of experts to evaluate the research instrument for conceptual clarity and by pre-testing the research instrument in a pilot study. The normality of the data was determined using the Koglomorov-Sminov test. The Pairwise deletion method was used to treat missing values.

### **1.7.9 Ethical Consideration**

According to Cant, Gerber-Nel and Kotze (2005:11) ethics within a society pertain to commonly accepted standards of right and wrong behaviour. This research observed ethical concerns. The participation of respondents was voluntary, meaning that respondents participated at will and respondents were allowed to withdraw from the survey at any time. Participants were treated in a way that protected their rights, dignity and their privacy. The researcher therefore ensured that no embarrassing and prying questions, which might result in the respondents feeling uncomfortable, were asked. All participants were informed about the aim, purpose, duration and objectives of the study and how the

outcome of the study will benefit the society. It was the duty of the researcher to keep personal information of the respondents under strict confidence.

## **1.8 LIMITATIONS OF THE STUDY**

This study covered only African-immigrant entrepreneurs operating in selected towns and cities in Eastern Cape (i.e., Alice, King Williams Town, East London, Fort Beaufort and Port Elizabeth). The research setting was selected because of their proximity to the researcher and based on an earlier pilot-study conducted by the researcher in Alice. Another limitation of the study was that the study focused mainly on Ghanaians, Senegalese, Nigerians and Somalis and not all African-immigrant entrepreneurs due to the fact that these nationals have large populations operating SMEs in the research areas.

### **1.8.1 Time frame**

The time frame of the study was between April 2010 and January 2012.

## **1.9 THESIS OUTLINE**

**Chapter 1-** The first chapter covered the introduction to the study; which included the objectives of the study, the formulation of the research hypothesis, the purpose and significance of the study as well as the limitation of the study.

**Chapter 2-** The second chapter undertook an overview of entrepreneurship and immigrant entrepreneurship. The chapter focused on the definition of SMEs, entrepreneur, immigrant, immigrant-entrepreneur and migration; the contribution of SMEs to the South African economy.

**Chapter 3-** Chapter three focused on the drivers and barriers to immigrant entrepreneurship.

**Chapter 4-** The fourth chapter discussed the research methodology by explaining and justifying the sampling and the data collection methods employed in the research.



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**Chapter 5-** The analysis and interpretation of data was presented in chapter five. The results obtained were compared with the findings of previous empirical studies and the theoretical framework on which the study was based.

**Chapter 6-** Chapter six provided the conclusions and recommendations.

## **1.10 SUMMARY**

Chapter one introduced the research problem, firstly by giving the background information pertaining to SMEs in South Africa. Secondly the chapter provided the basis for the formulation of the research problem, objectives and hypotheses. In addition, the chapter highlighted the drivers and barriers to African immigrants' entrepreneurship in the South African economy. Furthermore, chapter one elaborated on the literature review, research design and methodology and the scope and limitations of the study. Finally, a thesis outline was provided which displayed the skeletal framework of the entire research.



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## CHAPTER TWO

# AN OVERVIEW OF ENTREPRENEURSHIP AND IMMIGRANT ENTREPRENEURSHIP

### 2.1 INTRODUCTION

The process of entrepreneurship encompasses more than the mere creation of business. It involves the seeking of opportunities, taking risks beyond security, and having the tenacity to push an idea through a reality combine into a perspective that permeates entrepreneurs (Kuratiko & Hodgetts, 2004:3). Globalisation has resulted in immigrant entrepreneurs from Sub-Saharan Africa representing a new critical element in the economy of post-apartheid South Africa (Rogerson, 2004:765). Empirical review points out that there is no universal definition for who and how the term entrepreneurship should be defined. In South Africa and the world at large, the term entrepreneurship is often used interchangeably with small and medium enterprises (SME) (Mutezo, 2005:25).



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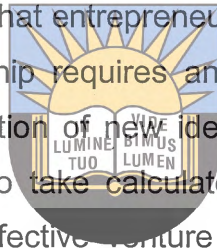
This chapter seeks to bring out the definition of entrepreneurship and also provide the theories of entrepreneurship guiding this study. A thorough empirical review of the theories of entrepreneurship will assist in elaborating the definition of entrepreneurship and the various roles performed by entrepreneurs in a country. In addition, this chapter will provide the link between entrepreneurship and small businesses by highlighting the similarities and differences existing between entrepreneurship and small businesses. The definition of SMEs from both a local and international perspective is provided in this chapter. Furthermore, the importance of entrepreneurship and SMEs to the socio-economic development of most economies is provided. This chapter also provides the definition of immigrants, immigrant entrepreneurs and also the various theories of immigrant entrepreneurship guiding this study. In conclusion, the contribution of immigrant entrepreneurs to the South African economy will be evaluated in an effort to bring out the significant contribution of immigrants to the socio-economic development of South Africa.

Section 2.2 will examine the term entrepreneurship. The definition of entrepreneurship, the theories of entrepreneurship as well as the link between entrepreneurship and SMEs will be discussed.

## **2.2 ENTREPRENEURSHIP**

### **2.2.1 Definition of entrepreneurship**

Literature presents several interpretations of entrepreneurship. Van Aardt and Bezuidenhout (2002:4) define entrepreneurship as the act of initiating, creating, building and expanding an enterprise or organization, building an entrepreneurial team and gathering other resources to exploit an opportunity in the marketplace for long-term gain. Kuratiko and Hodgetts (2004:30) add that entrepreneurship is a dynamic process of vision, change, and creation. Entrepreneurship requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks in terms of time, equity or career, the ability to formulate an effective venture team, the creative skill to marshal needed resources, the fundamental ability to build a solid business plan and finally the vision to recognize an opportunity where others see chaos, contradiction and confusion.



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Cronje, Du Toit and Motlatla (2004:40) provide a more physical or practical definition of entrepreneurship. According to Cronje *et al.* (2004:40) entrepreneurship is the process of mobilizing and risking resources (land, capital, human resources) to utilize a business opportunity or introduce an innovation in such a way that the needs of society for products and services are satisfied, jobs are created, and the owner of the venture profits from it. This process includes new as well as existing ventures, but the emphasis is usually on new products or services, and new businesses. Sherief (2008:21) adds that, entrepreneurship is a "force that mobilizes other resources in order to meet unmet market demand, creating and building something from practically nothing and creating value by pulling together a unique package of resources to exploit opportunity". From the outlined definitions, it can be depicted that entrepreneurship holds the promise for future growth, expansion and long-term financial gain.

Furthermore, according to Pihie (2009:341) entrepreneurs can be divided into two groups: actual entrepreneurs (i.e., people that have actually started business) and latent entrepreneurs (i.e., people that intend to start a business in the near future). According to Cronje *et al.* (2004:40) actual entrepreneurship is the process of mobilizing and risking resources (land, capital, human resources) to utilize a business opportunity in such a way that the needs of society for products and services are satisfied, jobs are created, and the owner of the venture profits from it. Henley (2007:253) defines latent entrepreneurship as a conscious state of mind that leads an individual towards fulfilling a specific intention or goal. Henley (2007:253) states that entrepreneurial intentions are formed at least a year in advance of new venture creation. However, this study focused on actual entrepreneurship.

## **2.2.2 Theories of entrepreneurship**

Several theories are used to describe the entrepreneurial processes of identifying opportunities and managing resources. Many theorists have attempted to explain the factors impacting on entrepreneurship. Theorists like Weber focused on the effect of the society and environment on entrepreneurship. Schumpeter focused on the economic aspect of an entrepreneur, Hoselitz suggested that entrepreneurship is the product of culture while Drucker focused on the psychological characteristics of the individuals in a society and how that influences entrepreneurship. The theories propounded by the various authors can be categorized under sociological theories, economic theories and psychological theories (Mitra & Formica, 2009:4).

### **2.2.1.1 Sociological theories**

Sociological theories explain how sociological factors like society's value, religious beliefs, customs, and taboos influence the behaviour of individuals in a society and in turn accelerate the growth of entrepreneurs. Two authors; Max Weber and Everett Hagen popularized the sociological theories of entrepreneurship.

Max Weber (1930) writing under the Sociological theories of entrepreneurship proposed the theory of Religious beliefs. According to Weber, entrepreneurship is a function of religious beliefs. Weber highlighted the spirit of capitalism in which economic freedom,

private enterprise and entrepreneurial culture are glorified. In addition, Weber also made a distinction between spirit of capitalism, adventurous spirit and entrepreneurial culture. According to Weber, spirit of capitalism is influenced by the strict discipline whereas adventurous spirit is affected by free force of impulse and entrepreneurial culture is influenced by both of these factors. Furthermore, Weber proposed the idea of protestant ethics in which the spirit of capitalism can be grown only when the mental attitude in the society is favourable to capitalism. Lastly Weber, writing under Theories of religious beliefs talked about the inducement of profits. Weber emphasized that the spirit of capitalism intertwined with the motive of profit resulted in creation of greater number of business enterprises.

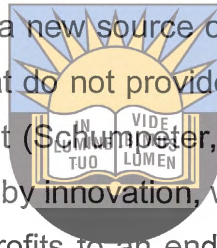
Everett Hagen (1962) writing on the Theory of Social Change under the Sociological theories of entrepreneurship highlighted how a traditional society becomes one in which continuing technical progress takes place. The theory reveals a general model of society which considers interrelationship among physical environment, social structure, personality and culture. Hagen's theory dwelt on four key features which presume the entrepreneur's creativity towards social transformation and economic growth. Firstly, Hagen identified the presentation of general model of the society which focused on the interrelationship among physical environment, social structure, personality and culture. Secondly, Hagen pointed out economic growth as a product of social change and political change. Thirdly, Hagen proposed the Rejection of followers' syndrome which rejects the idea that the solution to economic development lies in imitating western technology. Fourthly, Hagen proposed historic shift as a factor of initiating change. Hagen depicted historic shift as the crucial force which has brought about social change and technological progress thereby leading to the emergence of entrepreneurial class from different castes and communities.

#### **2.2.1.2 Economic theories**

Frank Knight's dissertation on Risk, uncertainty and profit (1921) and Joseph Schumpeter's theory of entrepreneurship (1934) are one of the first theories proposed which focused on economic development. According to Frank Knight (1921) there is a difference between risk and uncertainty. Knight described risk as randomness with knowable possibilities and

uncertainty as randomness with unknowable possibilities. Knight linked entrepreneurship to uncertainty by arguing that profit is the reward that entrepreneurs gained from pursuing uninsurable risks.

According to Schumpeter (1934:47) entrepreneurship is a phenomenon which moves the economy towards equilibrium. Excluding any innovation and innovative activities, the economy will enter into a state of equilibrium. Schumpeter (1934:47) adds that, an entrepreneur is one who perceives the opportunities to innovate and does that by inventing new combinations or new innovations. The new combination can be a creation of a new service or improvement of a good or service, an innovation in the method of production of a good or service, an exploration of a new market, a creation of a new organization or exploitation of a new resource and of a new source of supply. Imitations or recombination of existing resources in the market that do not provide improvements or innovations, does not constitute an entrepreneurial event (Schumpeter, 1934:48). This theory highlights the enhancement of profits made possible by innovation, which in turn, stimulates imitation that finally brings the flow of innovator's profits to an end. Schumpeter attempts to show why innovators must keep searching for further novelties if the flow of profits is to be held steady. Hence, the model portrayed the innovator as a profit-driven individual whose hand is forced by pursuit of profits. In summary, according to Brouwer, Van Montfort and Kleinknecht (2002:109) Schumpeter's model focused on:

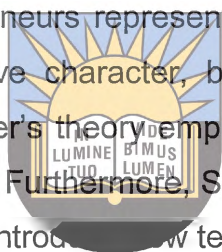


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- **Distinction between invention and innovation-** Schumpeter makes a distinction between innovation and invention. In Schumpeter's view, invention means creation of new things and innovation means application of new things onto practical use.
- **Emphasis on entrepreneurial function-** Schumpeter gave emphasis on the role of entrepreneurial functions in economic development. In Schumpeter's views, development means basic transformation of the economy that is brought about by entrepreneurial functions.

- **Presentation of disequilibrium situation through entrepreneurial activity-** the entrepreneurial activity represents a disequilibrium situation, a dynamic phenomenon and a break from the routine towards equilibrium.
- **Entrepreneurialism dream and the will to found a private kingdom-** the motives of creating things and applying these things into practice inspire the entrepreneur to undertake innovation.

Knight (1921) and Schumpeter (1934) both agreed on the fact that innovation is the source of profits and can only occur when investment is used to create new resources (Brouwer *et al.*, 2002:109). However, Schumpeter's theory is criticized by Brouwer *et al.* (2002:110) in that in the theory, innovating entrepreneurs represents the enterprises with the research and design department and innovative character, but developing countries lack these characteristics. In addition, Schumpeter's theory emphasizes on innovation and excludes the risk taking and organizing aspects. Furthermore, Schumpeter's entrepreneurs are large scale businessman who can afford to introduce new technology and methods of production (Brouwer *et al.*, 2002:110).



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In addition, entrepreneurship and economic development are interdependent. Economic development takes place when a country's real national income increases over a period of time and the entrepreneurs contribute to this development. Entrepreneurship is fundamental to the growth of the South African economy and its future socio-political stability. Without creation of new business South Africa risks economic stagnation. Increasing attention has focused on entrepreneurship and new firm creation and its potential for contributing to economic growth and job creation. Entrepreneurship is considered to be an important mechanism for economic development through job creation, innovation and its welfare effect, which has led to burgeoning policy interest in national level entrepreneurial activity (Herrington & Kew, 2010:15).

In summary, the Economic theory highlights that for entrepreneurship and economic growth to take place, entrepreneurs must engage in risk taking and innovation. In addition, entrepreneurs must identify and create opportunities by being alert to market gaps. This is

made possible by distributing the equilibrium of demand and supply through the introduction of new innovation, risk taking and innovation. There are however limitations to the Economic theory. The Economic theory does not consider other factors such as the impact of the environment and psychology in defining entrepreneurship. In addition, the Economic theory failed to assess the impact of personality, archetypes and behaviours on entrepreneurship (Brouwer *et al.*, 2002:111).

### 2.2.1.3 Cultural theories

In contrast, advocates of Cultural theories point out that entrepreneurship is the product of culture. Entrepreneurial talents come from cultural values and cultural system embedded the cultural environment (Mohanty, 2005:49). According to Hoselitz (1964) the supply of entrepreneurship is governed by cultural factors, and culturally minority groups are the spark-plugs of entrepreneurial and economic development (Mohanty, 2005:49). In many countries, entrepreneurs have emerged from a particular socio-economic class. According to Hoselitz (1964) as cited in Mohanty (2005:49) culturally marginal groups like the Chinese, Nigerians, Ghanaians, Somalis and Senegalese in South Africa and Indians in East Africa are significant in promoting economic development. Hoselitz's theory of entrepreneurship supply can be viewed from the following standpoints which are cultural in nature (Mohanty, 2005:49):



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- **Hypothesis of marginal men-** Hoselitz formulated the hypothesis of marginal men who are the important reservoir of entrepreneur development. According to Hoselitz, marginal men because of their ambiguous position from a cultural or social statement are particularly suited to make creative adjustments in situations of change and in the course of this adjustment process; they develop genuine innovations in social behaviour.
- **Emphasis on the functions of managerial and leadership skill-** entrepreneurial talents can be brought about in a society by the individuals who possess extraordinary managerial and leadership skills. Hoselitz notes that a person who is to become an industrial entrepreneur must have additional personality traits to those

resulting from a drive to amass wealth. In addition to being motivated by the expectation of profit, he must also have the ability to lead.

- **Contributions of specific social classes-** the theory reveals that in several countries, entrepreneurial talents are found in persons having particular socio-economic background. For example, contribution of the protestant ethnics of the West is significant in so far as the growth of a new class of industrialists is concerned. In Britain, the United States and Turkey, ranks of entrepreneurs were filled from commerce, Samurai in Japan, Family pattern in France. Yoruba in Nigeria, Kikuyu in Kenya. Christians in Lebanon, Halai Memon industrialists in Pakistan, Marwaris and Parsis in India are considered to be the dominant social classes in the field of entrepreneurship.

#### 2.2.1.4 Psychological theories

Drucker (1985) addressed the shortfalls in both the Economic theory and Cultural theory. Psychological theories centred on the psychological characteristics of the individual in a society. Psychological characteristics affect the supply of entrepreneurs in the society. According to Drucker (1985:15) an entrepreneur is someone who always searches for change, responds to it and exploits it as an opportunity. Drucker's main emphasis was on innovation and resources as these are the two factors he believed led to the emergence of entrepreneurship. Innovation is the real hub of entrepreneurship which creates resources (Drucker, 1985:15). A thing is regarded as resource when its economic value is recognized. According to Drucker (1985:15) successful entrepreneurship involves the following:

- Value and satisfaction obtained from resource by the consumer are increased
- New values are created
- Material is converted into a resource or existing resources are combined in a new or more productive configuration.
- Entrepreneurship is the practice which has a knowledge base.

- Entrepreneurship is not confined to big businesses and economic institutions, it is equally important to small business and non-economic institutions
- Entrepreneurial behaviour rather than personality trait is more important to enhance entrepreneurship
- The foundation of entrepreneurship lies in concept and theory rather than in intuition

The Psychological theory by Drucker (1985) addresses the shortfall in Schumpeter's (1934) Economic theory of entrepreneurs by not focusing only on big businesses and economic institutions that can afford to do research and design, but equally stresses on the importance of small business and non-economic institutions. The Psychological theory also addresses the issue of risk taking of an entrepreneur as a necessary trait of an entrepreneur by emphasizing that; entrepreneurial behaviour rather than personality trait is more important in enhancing entrepreneurship.



It is quite evident from the literature that theories of entrepreneurship have failed to provide one specific definition which fully describes entrepreneurship. No definition seems to entirely and accurately define entrepreneurship as it involves a lot of aspects. In addition, all the four categories of theories of entrepreneurship appreciate the importance of entrepreneurship and recognize the need for innovation to sustain business. However, unlike the Schumpeter's economic theory or Drucker's psychological theory, Hoselitz in his cultural theory goes a step further to recognize that ethnic minority groups or immigrants also contribute to entrepreneurial and economic development in a country.

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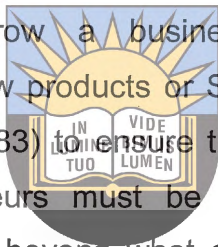
### **2.2.3 Link between entrepreneurship and small business**

A great controversy surrounds the link or differentiation between entrepreneurship and small business. Most scholars use the terms "entrepreneur" and "small business owners" synonymously. These two terms have so much in common, but significant differences exist between the entrepreneurial venture and small business. According to Schumpeter (1934) in Zindiye (2008:58) entrepreneurial ventures pursue the same goals as small businesses but differ in their degree of commitment in the following ways:

- Amount of wealth creation-** According to Co, Groenewald, Mitchell, Nayager, Van Zyl and Visser (2006:4) entrepreneurship encompasses accumulating wealth, receiving rewards of financial and personal pride over a short period of time. On the other hand, SMEs also aim to accumulate wealth as one of their objectives, usually not within a short space of time but in the long-run (Zindiye, 2008:58). Wealth accumulated by an entrepreneur is usually for his/her personal gain, pride and enjoyment whereas wealth accumulated by SMEs is usually for reinvestment and foreseeing the business survive into the unforeseeable future (Department of Trade and Industries, 2003:15). However, both entrepreneurs and SMEs seek to accumulate wealth, but rather than simply generating an income stream that replaces traditional employment, a successful entrepreneurial venture creates substantial wealth, typically in excess of several million dollars of profit.
- Speed of wealth creation-** Entrepreneurs generate wealth over a short period of time. According to Moreland (2006:6) the average income of an entrepreneur in the United Kingdom in 2002 was £121 per week higher than that of employees. SMEs also generate wealth like entrepreneurs, while a successful small business can generate several million dollars of profit over a lifetime, entrepreneurial wealth creation often is rapid, for example within 5years (Timmons & Spinelli, 2007:50). However, it may take a lifetime for a small business owner to earn wealth compared to approximately five years for a successful entrepreneur (Moreland, 2006:6).
- Risk-** the risk of an entrepreneurial venture must be high, otherwise, with the incentive of sure profits many entrepreneurs would be pursuing the idea and the opportunity no longer would exist (Timmons & Spinelli, 2007:50). Successful entrepreneurs take very careful, calculated risks. Entrepreneurs attempt to influence their chances of success positively by getting others to share their risk with them and avoiding or minimizing risks if they have the choice. Often entrepreneurs slice up the risk into smaller pieces and only then do entrepreneurs commit the time or resources to determine whether that piece will work (Anderson & Srinivasan, 2002:123). Similarly, SMEs do not deliberately seek to take more risks or take

unnecessary risk, however both SMEs and entrepreneurs do not shy away from unavoidable risks but differ in the level of risk they would be willing to take (Zindiye, 2008:51). Entrepreneurs assume a great degree of risk-taking than starting or running a small business as entrepreneurs believe in the maxim that says, “the greater the risk, the larger the wealth creation” (Anderson & Srinivasan, 2002:123).

- **Innovation-** Entrepreneurship strives on opportunities. Entrepreneurs are constantly searching for new ways of operating in order to be competitive and successful (Nieman & Bennett, 2002:58). Entrepreneurs do this through being innovative all the time. Innovation will result in entrepreneurs coming up with new products, services or new and improved production methods (Zindiye, 2008:31). Entrepreneurs are pursuing opportunities to grow a business by changing, revolutionizing, transforming, or introducing new products or SMEs (Nieman & Bennett, 2002:58). According to Wickham (2004:183) to ensure the growth and development of their business ventures, entrepreneurs must be innovative. Entrepreneurship often involves substantial innovation beyond what a small business might exhibit. An entrepreneur will be less hesitant to invest in manufacturing activities, buying plants and machinery, investing heavy amounts upfront and setting ambitious goals. This innovation gives the venture the competitive advantage that results in wealth creation (Zindiye, 2008:31). The innovation may be in the product or service itself, or in the business processes used to deliver it. However, a small business owner though he may venture into trying new innovative ways of production, the small business owner will invariably be more calculative and cautious when it comes to branching off to other unfamiliar areas. In addition Wickham (2004:183) points out that unlike SME owners who are repetitive in their business operations and focus on one market, entrepreneurs strategically work on their business, evolving it, and changing target markets when necessary.
- **Product/good-** Entrepreneurs like SMEs improve the quality of life of a society's citizens through the goods or services they provide. Both entrepreneurs and small businesses provide technologies, products and services that multiply the choices



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and enrich the lives of individuals (Wickham, 2004:183). Both entrepreneurs and SMEs provide an enhanced quality of life to employees, customers and the community (Marcketti, Niehm & Fuloria, 2006:241). However, a small business will rely mostly on selling a set list of goods or services and may even be reluctant to add new products/services to the business line. In contrast, an entrepreneur will be a lot more venturesome and will expand and diversify business operations, at every conceivable opportunity.

This section has clearly defined entrepreneurship and in addition identified the link between entrepreneurship and small business. The distinction between entrepreneurship and small business was undertaken to give a better understanding of the similarities and differences that exist between entrepreneurs and small businesses, as the two terms are often used interchangeably. The next section will define small and medium enterprises (SME) in detail.

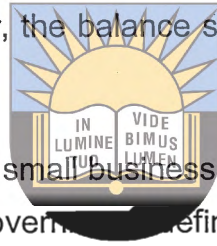
### **2.3 DEFINITION OF SMALL AND MEDIUM ENTERPRISE**

Small and Medium Enterprises (SMEs) will be defined from both South African and an international perspective in an effort to highlight the similarities and differences that exist of definitions over borders. Similarities in definitions of SMEs may exist due to the significance of the SME sector internationally whereas differences may exist due to differences in the economic systems and other variables used in describing SMEs worldwide (Zindiye, 2008:55).

The definition of firms by size varies among researchers. Some researchers use capital assets while others use skill of labour and turnover level. Others attempt to define SMEs in terms of their legal status and method of production (Nieman & Bennett, 2002:50). Zindiye (2008:55) states that overall, the quantitative definition of SMEs should encompass the number of employees, the annual turnover and total assets of the business enterprise. Sections 382 and 465 of Companies Act of the United Kingdom (2006) define an SME as a small company that has not more than 50 employees, a turnover of not more than 5.6 million pounds, a balance sheet total of not more than 2.8 million pounds. A medium-sized company has a turnover of not more than 22.8 million, a balance sheet total of not more

than 11.4 million and not more than 250 employees. The World Bank (2006) definition of small enterprise reinforces that SMEs have fewer than 50 staff members and up to 3 million US dollars turnover. A further distinction points out that, medium enterprises are those which have at most 300 employees and an annual turnover not exceeding 15 million US dollars.

The United States of America Small Business Act (2002) provides an almost similar, though general definition of SME. It defined an SME as one that is independently owned and operated, and which is not dominant in its field of operation. The Act also states that in determining what constitutes an SME, the definition varies from industry to industry to reflect industry differences accurately. The Act has therefore established a table of size standards which specifies the turnover, the balance sheet total and the employees for the various types of SMEs.



Similar to the international definition of small business, in South Africa SMEs are defined in terms of size. The South African government defines a small enterprise as one that employs not more than 50 people with an upper limit of turnover of R1 million in the Agricultural sector to R13 million in the Catering, Accommodation and other Trade sector as well as in the Manufacturing sector, with a maximum of R32 million in the Wholesale Trade sector, and acting as a registered entity. Medium enterprises are employing fewer than 200 employees, an annual turnover of less than R64 million, capital assets of less than R10 million and has direct managerial involvement by owners (National Small Business Amendment Act, 2003). Table 2.1 provides a quantitative definition of SMEs in South Africa.

**Table 2.1: Quantitative definition of SMEs**

Size of the enterprise	Number of employees	Annual Turnover	Gross Asset Value
Small	Not more than 50.	Less than R25 million, depending on the industry.	Less than R2million or R4.5 million, depending on the industry.
Medium	Not more than 100 or 200, depending on the industry.	Less than R4 million or R51 million, depending on the industry.	Less than R2 million or R18 million, depending on the industry.

Adapted from: Government Gazette: National Small Business Amendment Act (2003).

The South African definition of SME is similar to that of the United Kingdom definition, as it is defined in terms of structural characteristics such as the number of employees, annual turnover and total assets. Both the South African and United Kingdom definition point out that a small enterprise employs not more than 50 people. In addition, the South African and United Kingdom definition, both did not assume that the SME group is homogenous hence it made a distinction between small and medium-sized enterprises. However, the South African definition varies from that of the United Kingdom in that the medium enterprises employ fewer than 200 employees whereas in the United Kingdom medium enterprises employ more than 250 employees. Gathering from empirical reviews, generally, most authors from South Africa and beyond define SMEs in terms of structural characteristics such as the number of employees, performance characteristics such as amount of annual revenues or depth of the product line. The authors further concede that the definition also varies depending on factors such as industry type or age of the business enterprise (Nieman & Bennett, 2002:50; Zindiye, 2008:55).

The above section has clearly defined SMEs by size thereby making it easier to compare and contrast the South African definition of SMEs and that of other international countries.

The following section will give a detailed account on the importance and significant contributions of entrepreneurship to the South African economy.

## **2.4 IMPORTANCE OF ENTREPRENEURSHIP AND SMEs**

South Africa suffers from high unemployment, poverty, crime, income inequality and weak economic growth, and bears an official estimate of 25 percent of its economically active population being unemployed (Statistics South Africa, Quarterly Labour Force Survey, 2011). Therefore, entrepreneurship and SME development are a significant component of the solution to South Africa's development issues (Rogerson, 2004:765). The significance of SMEs in job creation, economic growth, and equality in South Africa is incontestable. SMEs play a critical role in absorbing labour, penetrating new markets and generally expanding economies in creative and innovative ways throughout the world. SMEs constitute the dominant form of business organisation, accounting for over 95 percent and up to 99 percent of enterprises in South Africa. The following section will give account of the contribution of SMEs in South Africa.



### **2.4.1 New employment creation**

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The relationship between business size and employment creation has been researched by various authors since the pioneering empirical work of Birch (1979). Birch (1979:6) finds that in the United States of America, the small business sector was responsible for major net job creation in the country. Likewise, in South Africa, SME development has been identified by the South African government as a priority in creating jobs (Nieman & Bennett, 2002:52). The unemployment rate in South Africa is very high, with an estimated 25 percent of its economically active population unable to find formal employment (Statistics South Africa, Quarterly Labour Force Survey, 2011). Research finds that SME growth and development boosts employment more than large corporate enterprises because SMEs are labour intensive (Ganbold, 2008:3). Entrepreneurs create jobs hence cutting the unemployment rate and ensuring that less people depend on social welfare and government grants (Berry *et al.*, 2002:18). In other developing and developed nations, SMEs represent about 98 percent of domestic business activity. This implies that 60

percent of the urban population and 45 percent of the formal labour force is employed in entrepreneurial firms (Best, 2005:1).

Some researchers however dispute that SMEs are a source of job creation. According to De Rugy (2005:34) SMEs are not important for employment creation and a negative relationship exists between small enterprise and employment creation. Mnenwa and Maliti (2008:3) find that net employment rates do not exhibit a significant relationship to business size in both developed and developing countries. De Rugy (2005:34) disputes the claim that SMEs are drivers of employment growth. Therefore, government has no reason to base policies on the notion that SMEs deserve government assistance more than large enterprises.

Most researchers on SMEs and entrepreneurship however agree that SMEs and entrepreneurship are a source of job creation. Nieman and Bennett (2002:52) state that small and medium enterprises have been identified by the South African government as a priority in creating jobs in order to solve the high unemployment rate in the country. According to Berry *et al.* (2002:18) the SME sector and not the large multinational businesses, acts as the largest employment creator in most economies. Fatoki, Herbest and Robert-Lombard (2010:374) acknowledge that SMEs are an important medium to address the challenges of employment creation in South Africa. Other researchers such as Neumark, Wall and Zhang (2008:45) and Nieman and Bennett (2002:52) confirm that a positive relationship exists between SMEs and employment creation.

#### **2.4.2 Poverty and income inequality**

The incidence of poverty in South Africa is very high with an estimated 57 percent of the population living below the poverty datum line of R1250 per month (Agupusi, 2007:2). Human Sciences Research Council (HSRC) (2005) adds that of the approximated 57 percent, 95 percent is made up of black people surviving under the poverty datum line (Agupusi, 2007:2).

Poverty is defined as the instance where the general population lack satisfactory material resources, are unable to access basic services and are constrained in their ability to

exercise rights, share power and lend their voices to the institutions and processes which affect the social, economic and political environments in which they exist (Vandenberg, 2006:8). According to Sachs, McArthur and McCord (2004:122) poverty is a global problem but its effects are harder-felt in Africa as compared to other continents as Africa is stuck in a poverty trap, too poor to achieve high levels of economic growth and, in some instances, too poor to grow at all. About fourteen million people are vulnerable to poverty-related food insecurity in South Africa (Farber, 2009:142). The recent global recession impacted negatively on the South African economy, living it experiencing sharp increases in food prices hence further crippling food availability to those already mired in poverty (Farber, 2009:142). SMEs have emerged as the “heroes of today” by overtaking the government to become the main actors in poverty alleviation and income redistribution, a role that was traditionally played by the government (Mandal, 2008:3).

According to Herrington and Kew (2010:18) South Africa is a two-tier economy, to one end it can be regarded as a middle income country while in terms of the disparity in income distribution it is rendered as a low income distribution country. SMEs have proven the ability to balance this inequality (Landman, Bhorat, van der Berg & van Aardt, 2003:14). Research conducted by Lloyd (2010:15) points out that, SMEs in South Africa account for approximately 42 percent of the country’s salaries and wages demonstrating the importance of the sector in income redistribution. Therefore, entrepreneurship is a significant component of the solution to South Africa’s development issues as it is recognized as one of the tools that drive the economy of a country (Rogerson, 2004:765).

Rapid employment creation has been identified as one of the remedies to poverty and income inequality. Such rapid employment creation can only be brought about by new small and medium enterprises which would offer employment to the people (Landman *et al*, 2003:14). A research conducted by Vandenberg (2006:45) shows a positive relationship between SMEs and poverty alleviation. In addition, Ntsika Enterprise Promotion Agency (2002:5) also supports the notion that entrepreneurship and new firm creation are some of the ways to reduce poverty and alleviate income inequality in South Africa hence resulting in economic growth. Furthermore, World Business Council for Sustainable Development

Report (2004:3) emphasizes that the key to poverty alleviation in developing countries is economic growth that is inclusive and reaches the majority of people.

However, other authors challenge the view that SMEs assist in poverty alleviation. Beck, Levine and Demirguc-Kunt (2004:47) argue that SMEs do not assist in alleviating a nation's poverty in any way and there is no significant positive relationship between SMEs and any measure of poverty and income inequality. In addition, Gebremariam, Gebremeskel, Tesfa, Gebremedhin and Randall (2004:15) find a strong inverse relationship between the relative SME size and poverty alleviation. Despite of some dissenting views, literature generally presents a compelling view that SMEs positively impacts on poverty reduction. According to World Bank Institute Report (2008:3) poverty alleviation in developing countries should be approached, primarily, through GDP growth, employment creation, healthcare provision, education and equitable income distribution and SME development. This is consistent with the findings of Ayyagari, Beck and Demirguc-Kunt (2003:2) that SMEs play a significant positive role in poverty alleviation, income redistribution and sustained global and regional economic recovery.



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**2.4.3 Economic growth**

According to Tridico (2010:979) economic growth is the rate of growth in goods and services. SMEs stimulate economic activity of a country, and almost without exception, countries have sought ways and means to encourage their growth as SMEs function in every economic activity. SMEs contribute (36%) of the Gross Domestic Product (GDP) in South Africa and (21.2%) in the retail sector (Ntsika Enterprise Promotion Agency, 2002:5). Berry and Roger (2005:1479) point out that, SMEs make the economy more adaptable. Successful entrepreneurs, through their breakthrough technologies and rapidly growing businesses, create new wealth that can generate even greater economic growth. In addition, through reinvestment, SMEs move from being survivalists into large companies which are globally competitive.

In addition, small businesses are likely to be more resilient to depression and offer a steadier level of employment than larger ones; small business activities and locations are

diverse, the small businesses depend on a wide variety of sources and types of raw materials, and small business owners, are likely to stay in business and maintain at least some activity and employment in times of great economic depressions (Acs, 2006:101). SMEs are more labour intensive than larger firms and therefore SMEs have lower capital costs associated with job creation. Small businesses perform useful roles in ensuring income stability, growth and employment and hence are more likely to succeed in smaller urban centres and rural areas where these small businesses can contribute to a more even distribution of economic activity in a region (Berry & Roger, 2005:1479). SMEs account for about 91 percent of the formal business entities in South Africa, contributing between 52 percent and 57 percent of GDP and providing about 61 percent of employment (Berry *et al.*, 2002:8). From an economic perspective, SMEs are not just suppliers.

However, some researchers disagree with the fact that SMEs contribute significantly to economic growth. According to Beck, Deming-Kunt and Maksimovic (2005:137) there is a positive relationship between SMEs and GDP per capita growth. However, the results do not support the notion that SMEs exert a causal impact on economic growth. In addition, Cravo, Gourlay and Becker (2010:32) find an inverse relationship between economic growth and the size of the sector.



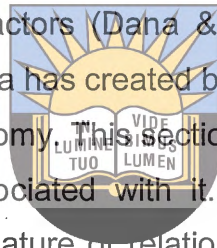
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Although some authors dispute the perception that SMEs are essential for economic growth, empirical evidence in support of the role SMEs play in economic growth is compelling. Statistically, even in instances where the contribution of the SME sector to GDP is considerably low, their effect on economic growth cannot be overlooked (Aiguran, 2007:3). Even though SMEs suffer from a number of bottlenecks that affect their ability to realise their full potential, their role to accelerated growth and job creation in South Africa is undisputable (Berry *et al.*, 2002:8).

This section has successfully portrayed the importance and significance of SME in the South African economy. Immigrant owned SMEs are an important part of the SME sector. The next section will define immigrant entrepreneurs and highlight their significance to the economy of South Africa.

## **2.5 IMMIGRANT ENTREPRENEURSHIP**

Increasing globalization, technological advancement and migration waves in the last few decades have made most developing and developed countries largely cosmopolitan with wide ranging and increasing number of immigrant businesses (Rath *et al*, 2002: 658). The causes of the recent increase in immigration has been suggested to be due to globalization, ongoing wars, and political problems facing many countries hence forcing many immigrants to migrate mostly from less developed countries to developed countries in quest of better and more stable futures (Vargas, 2005:578). The increase in immigration has been observed to be accompanied by an increase in the number of immigrant entrepreneurs who pursue business projects for different reasons that can only be explained by both 'push' and 'pull' factors (Dana & Morris, 2007:15). The presence of immigrant entrepreneurs in South Africa has created both opportunities and challenges that have important implications to its economy. This section seeks to define the term immigrant entrepreneurship and the terms associated with it. It will also review the theories of immigrant entrepreneurship and the nature of relationship that exists between immigrant entrepreneurs and the South African economy.



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### **2.5.1 Definition of Immigrant**

According to Volery (2007:55) the word "immigrant" refers to an individual who was born in another country and subsequently moved to another with the intention of living there permanently. This definition includes people who relocated to the host country that year as well as those who moved there several decades ago (Vargas, 2005:578). According to Mitchell (2004:168) in agreement with the South African Law context, an immigrant is a person who moves from one country to another to reside there for a period of time, at least a year according to the population register in South Africa. An immigrant is a person who establishes his or her residence in the territory of another country for a period of at least twelve months (European Parliament, 2007). According to Kalitanyi and Vissier (2010:383) in a study on African Immigrants in South Africa, migrants leave their home countries for various reasons. Table 2.2 shows the different reasons why African-immigrants leave their home countries for South Africa.

**Table 2.2: Reasons why African-immigrants leave their home countries for South Africa**

Variables	Origins of African immigrant entrepreneurs				Total
	Nigeria N=40	Somalia N=40	Senegal N=20	Other N=20	
	F (%)	F (%)	F (%)	F (%)	F (%)
<b>Political instability</b>	12 (30%)	40 (100%)	2 (10%)	10 (50%)	64 (53%)
<b>Perceptions of business opportunities in RSA</b>	15 (38%)	6 (15%)	6 (30%)	2 (10%)	23 (19%)
<b>Economic reasons</b>	8 (20%)	0 (0%)	9 (45%)	3 (15%)	20 (17%)
<b>Visit</b>	2 (5%)	0 (0%)	3 (15%)	2 (10%)	7 (6%)
<b>Other</b>	3 (8%)	0 (0%)	0 (0%)	3 (15%)	6 (5%)
<b>TOTAL</b>	40 (100%)	40 (100%)	20 (100%)	20 (100%)	120 (100%)
<b>N: Number of respondents</b>		<b>F: Frequency</b>			

Source: Kalitanyi and Vissier (2010:383).

Table 2.2 shows the reasons why most African immigrant entrepreneurs leave their home countries to come to South Africa, these include; political instability and economic reasons. The results of the table are consistent with conclusions by Vargas (2005:578) that the causes of the recent increase in immigration are due to globalization, ongoing wars, and political problems facing many countries hence forcing many immigrants to migrate mostly from less developed countries to develop countries in quest of better and more stable futures.

### **2.5.2 Definition of Immigrant entrepreneur**

The link between immigration and entrepreneurship is supported by a number of studies and the important influence of entrepreneurship on the economic and social integration of immigrants has been widely established (Dana, 2007:15; Rath & Kloosterman, 2004:65). Among various areas of entrepreneurship, international entrepreneurship, immigrant entrepreneurship and transnational entrepreneurship have attracted increased attention. Volery (2007:55) defines international entrepreneurship as a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations. Immigrant entrepreneurship on the other hand is defined as a set of connections and regular patterns of interaction among people sharing common national background (Welch, 2004:18).

International entrepreneurship is different from immigrant entrepreneurship in that it involves the pursuit of opportunities across borders or the comparison of entrepreneurial activities in multiple countries, and international entrepreneurship is argued to have a common heritage and a concern about similar issues with internationalization, whereas immigrant entrepreneurship concerns the study of entrepreneurial initiatives of immigrants and their struggles and contributions. According to Chaganti and Greene (2002:128) an immigrant entrepreneur is an individual who starts a business in the host country as a means of economic survival.

Immigrant entrepreneurs in South Africa are visible in a narrow band of activities of SMEs, mostly in retail or service rather than in production. Immigrant entrepreneurs' activities

involve selling curios, retailing ethnic clothes and foods, motor-car repairs/panel beating and operating hairdressing salons. Other activities include; operation of restaurants, nightclubs, cafes, music shops, several import-export businesses and traditional healing practices (Kalitanyi & Vissier, 2010: 379). Table 2.3 illustrates the variety of businesses in which African immigrant entrepreneurs are involved, whether as retailers or service providers.

**Table 2.3: Businesses African immigrant entrepreneurs are involved in South Africa**

	Origins of African immigrant entrepreneurs				Total
	Nigeria	Somalia	Senegal	Other	
<b>Businesses: retail/service</b>	<b>N=40</b>	<b>N=40</b>	<b>N=20</b>	<b>N=20</b>	<b>N=120</b>
	F (%)	F (%)	F (%)	F (%)	F (%)
<b>Clothing</b>	13 (33%)	19 (48%)	8 (30%)	4 (20%)	42 (35%)
<b>Footwear</b>	8 (20%)	5 (13%)	8 (40%)	2 (10%)	23 (19%)
<b>Groceries</b>	2 (5%)	11(28%)	2 (10%)	2 (10%)	23 (19%)
<b>Bags, caps and belts</b>	6 (15%)	0 (0%)	3 (15%)	2 (10%)	11 (9%)
<b>Restaurant</b>	2 (5%)	1 (3%)	1 (5%)	1 (5%)	5 (4%)
<b>Hairdressing</b>	3 (8%)	0 (0%)	0 (0%)	2 (10%)	5 (4%)

<b>Second hand goods</b>	2 (5%)	0 (0%)	0 (0%)	4 (20%)	6 (5%)
<b>Other</b>	4 (10%)	4 (10%)	0 (0%)	4 (15%)	12 (10%)
<b>TOTAL</b>	40 (100%)	40 (100%)	20 (100%)	20 (100%)	120 (100%)

<b>N: Number of respondents</b>	<b>F: Frequency</b>
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Source: Kalitanyi and Vissier (2010:383).

Table 2.3 shows that most immigrant entrepreneurs in South Africa are in the retail business.



**2.5.3 Theories of Immigrant entrepreneurship**

The link between immigration and entrepreneurship is supported by a number of studies and the important influence of entrepreneurship on the economic and social integration of immigrants has been widely established (Rath, Kloosterman, Haberfellner, Mung, Wilpert & Barrett, 2004:65; Dana, 2007:15). Numerous theories have been suggested to explain immigrant entrepreneurship but this study will concentrate on the Mixed embeddedness and Disadvantage theories.

**2.5.3.1 Disadvantage theory**

According to the Disadvantage theory by Ram and Smallbone (2001) ethnic minority and immigrant entrepreneurial activities result from a context of disadvantage. A portion of immigrant workers are subject to labour market disadvantage due to their accents and non-recognition of overseas credentials. Immigrants encounter several barriers in the labour market, such as; unfamiliar language, inappropriate or inadequate skills, age and discrimination (Mitchell, 2004:180). Studies indicate a relationship between lack of language proficiency and self-employment. Workers who are not fluent in the dominant language get worse jobs and lower incomes than do workers who are fluent but otherwise have similar human capital characteristics (Mitchell, 2003:10). The Disadvantage theory

states that immigrant groups pursue entrepreneurship due to relatively lower wages offered to immigrants by the labour market, which in turn may be the result of ethnic discrimination, language barriers, or incompatible educational attainment. Hence, the expectation of higher returns pushes most immigrant entrepreneurs into planning their own ventures, overriding the associated risks involved with business ownership. Immigrants' limited range of job and income generating activities urges immigrants to acquire better business skills (Ram & Smallbone, 2003:72).

The Disadvantage theory assumes that immigrant entrepreneurs only enter entrepreneurship due to the context of disadvantage, the Mixed embeddedness theory covers the economic aspect of the desire of an immigrant to be an entrepreneur out of identified opportunity and not necessarily out of disadvantage.

### 2.5.3.2 Mixed embeddedness theory

Kloosterman, van der Leun and Rath (1999) came up with a modern day theory of immigrant entrepreneurship to address the changes in factors that push immigrants into entrepreneurship either than the context of being disadvantaged as a minority group. The mixed embeddedness theory focuses on the embeddedness of entrepreneurs in the socio-economic and political-institutional environment of the country of settlement and how socio-economic and political-institutional forces shape the opportunities of the entrepreneurs (Dana, 2007:15). Rath and Kloosterman (2002:65) propose the use of the concept "mixed embeddedness" to mean both relational and structural embeddedness in analysing the process by which immigrant entrepreneurs insert their businesses in ethnic enclaves to win customers. Examples of inserting immigrant businesses in ethnic enclaves to win customers include; playing active roles in social or ethnic meetings, attending church, giving donations during fund raising, and attending funerals. Activities such as; attending church, giving donations during fund raising, and attending funerals attract and portray the immigrant entrepreneur to most of the people in an ethnic community as a reliable or significant person in times of crisis or need. In turn, the ethnic community members reciprocate by patronizing the owner's business. For example, customer loyalty is established such that, instead of shifting business to a cheaper supplier, they will ask long-term business associates to match the lower price. This is done in order to avoid the



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risk of incurring serious social and economic penalties. Ethnic members in this system switch to new business associates only if their current ethnic member associates violate reciprocity expectations. Then, the Ethnic Association can legitimize such shift as part of collective sanctions against violators (Rath, Kloosterman, Haberfellner, Mung, Wilpert & Barrett 2004:65). Therefore, a heavily embedded immigrant business owner is able to attract customers from the ethnic enclave if he or she can sell goods or provide services that focus on the ethnic market.

Immigrant entrepreneur's deep level of embeddedness allows them to compete favourably with other service providers because of their frequent participation in the ethnic community's activities. Success and growth in business is dependent on the size of the embedded co-ethnic immigrant population that provides the core market and key source of labour, capital resources, and skills (Ram & Smallbone, 2003:72). The broader market of the host country contributes to the success and survival of the immigrant business thus depends on the nature of the business. The key strength of Mixed embeddedness theory is its comprehensive perspective that, 'aims to locate immigrant businesses in the wider structures in which immigrant businesses are embedded' (Ram & Smallbone, 2003:72). In addition, Ram and Smallbone (2003:73) discuss the influence of sector, locality, labour market and institutional support in addition to market, state policies, and spatial settings on ethnic immigrant businesses.

The theory of Mixed embeddedness like the Disadvantage theory, acknowledges the fact that immigrants as a minority group in a country are disadvantaged but goes further to highlight that it is not only disadvantage that prompts entrepreneurship but the ability to identify market gaps. Both the Disadvantage and Mixed embeddedness theories highlight immigrants' strong orientation towards vision, entrepreneurship and risk-taking (Dana & Morris, 2007:15). The Mixed embeddedness theory goes a step further to point out how immigrant entrepreneurs insert their businesses in ethnic enclaves to win customers (Rath & Kloosterman, 2003:72).

This section has discussed the theories of immigrant entrepreneurship and how these best suit and explain the current presence of immigrant entrepreneurs in South Africa. The next

section will discuss the contribution of immigrant entrepreneurs to the South African economy.

## **2.6 CONTRIBUTION OF IMMIGRANT ENTREPRENEURS TO THE SOUTH AFRICAN ECONOMY**

South Africa is viewed by many young African people as the “Europe of Africa”. South Africa is seen by many immigrants as a country with many opportunities and a higher standard of living as compared to that of other African countries. It is this perception which drives many to move from their home countries to come and look for better lives in South Africa. Immigrant entrepreneurs from Sub-Saharan Africa represent a new critical element in the informal economy of post-apartheid South Africa (Rogerson, 2004:765). Immigrant entrepreneurship has become an important aspect of the South African society as it brings societal development and helps in the alleviation of poverty within the society. The contributions of immigrant entrepreneurs to the South African society are discussed in detail in the following section.



### **2.6.1 Employment**

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According to Kalitanyi and Vissier (2010:376) job creation is a formidable challenge for the South African government. Despite of the government’s extraordinary efforts to reduce the unemployment rate, which is estimated at 25 percent according to Statistics South Africa, Quarterly Labour Force Survey (2011). Many South Africans work for small business owners, and many immigrants run their own businesses in this sector (Kalitanyi & Vissier, 2010:376). Immigrant entrepreneurs create employment for themselves and for unemployed South Africans. Mitchell (2004:167) agrees that immigrant entrepreneurs contribute to the economy of a host country by creating employment for both the locals and the immigrants. Rogerson (2004:767) maintains that foreign-owned SMEs are now a particular significant element of employment, the changing economy and landscape of most big cities in South Africa.

### **2.6.2 Poverty alleviation**

The incidence of poverty in South Africa is too high with an estimated 57 percent of the population living below the poverty datum line of R1250 per month (Agupusi, 2007:2). Rapid employment creation has been identified as one of the remedies to poverty. According to Landman *et al.* (2003:13) such rapid employment creation can only be brought about by new small and medium enterprises which would offer employment to the people such as those being established by immigrant entrepreneurs.

According to Marcketti *et al.* (2006:241) stories of immigrant businesses revitalizing neighbourhoods or playing a leading role in a particular industry have become a staple of immigration news coverage. Immigration advocates often argue for high levels of immigration on the grounds that immigrants infuse the country with an entrepreneurial spirit unmatched by natives (Mitchell, 2004:164). Immigrant entrepreneurs use innovations and various technologies and skills to improve the quality of life of a society's citizens. Immigrant entrepreneurs create new technologies, new products, and new services that enrich the lives of individuals and reduce poverty. Immigrant entrepreneurial ventures provide an enhanced quality of life to employees, customers, and the community (Marcketti *et al.*, 2006:241). In addition, Ntsika Enterprise Promotion Agency (2002:15) supports the notion that immigrant entrepreneurship and new firm creation are some of the ways to reduce poverty and alleviate income inequality in South Africa hence resulting in economic growth.

### **2.6.3 Economic growth**

According to Rath and Kloosterman (2003:72) immigrant entrepreneurship creates opportunities that have important implications for an economy. The opportunities created include; employment, development of social capital, scope for better integration into the society, an increase in the range of goods and services available, expanding consumer choices and growth of certain sectors (Rath & Kloosterman, 2003:72). Most immigrant entrepreneurs are funnelled towards sectors at the lower end of the market as most fledging ethnic entrepreneurs can only establish their businesses in markets with low barriers (Immigrant entrepreneur, 2008:660).

## **2.7 SUMMARY**

This chapter presented on the various definitions of entrepreneurship and SMEs, covering both the local South African context definitions and international definitions. The discussion on the definition of entrepreneurship and SMEs revealed that there is no one universal definition for entrepreneurship and SMEs but that similarities and differences exist. Similarities exist due to the significance of the SME sector worldwide whereas differences exist due to differences in the economic systems and other variables used in describing SMEs worldwide. In addition, the link between entrepreneurship and small business was defined with the view of highlighting the similarities and slight differences that exist between the two terms, which are often used interchangeably.

Both theories of entrepreneurship and those of immigrant entrepreneurship were thoroughly reviewed in order to interpret empirical findings. It was discovered that entrepreneurs in general are affected by sociological, cultural, economic and psychological factors which drives them into entrepreneurship whereas immigrant entrepreneurs are affected by disadvantages and mixed embeddedness of the economy. Furthermore, this chapter brought out the significant contribution of immigrant entrepreneurs to the South African economy and community at large. Empirical review showed that entrepreneurs contribute to the new employment creation, poverty alleviation, even distribution of income and economic growth. In conclusion, the general relationship between the South African society and immigrant entrepreneurs was explored. It is undeniable that immigrant entrepreneurs have brought variety to the market, created employment, reduced poverty and have contributed positively to economic growth in South Africa and yet they are still treated with a lot of suspicion. Literature on the drivers and barriers to immigrant entrepreneurship will be discussed in detail in the following chapter.

# CHAPTER THREE

## DRIVERS AND BARRIERS TO IMMIGRANT ENTREPRENEURSHIP

### 3.1 INTRODUCTION

Developing as well as developed countries acknowledge the role and importance of SMEs in generating employment, stimulating growth and creating social cohesion. Moreover, interest in SMEs also seems to be further revived in the face of globalization, which is increasingly becoming an influential force in world trade (Co *et al.*, 2006:7; Timmons & Spinelli, 2007:50). Indeed globalization creates opportunities for most entrepreneurs including immigrant entrepreneurs who have migrated from their countries of origin to seek greener pastures. Vargas (2005:579) supports and adds that the recent upsurge in immigration is due to globalization, ongoing wars, and political problems facing many countries. In relation to the statement, this chapter seeks to review the literature on the drivers and barriers to entrepreneurship. According to Fatoki (2010) drivers or motivators are the factors that encourage an entrepreneur to start a business and obstacles or barriers are those factors that prevent an entrepreneur from starting a business or that negatively affect the performance of entrepreneurs. It must be noted that factors such as capital and skills (or lack of capital and skills) can be drivers and barriers. To avoid repetition, these factors are discussed under drivers and the way that these factors can constitute a barrier is also explained.

### 3.2 DRIVERS AND BARRIERS TO IMMIGRANT ENTREPRENEURSHIP

#### 3.2.1 Drivers

According to Benzing, Chu and McGee (2009:62) there are various factors that drive entrepreneurs into business. However, these factors differ in countries due to differences in income levels and employment opportunities. Developed countries entrepreneurs' are mainly necessity driven (a need pushes them) while developing countries entrepreneurs' are mainly opportunity driven (Benzing *et al.*, 2009:62). In addition, Benzing *et al.* (2009:62)

suggest that entrepreneurs start their own businesses due to unemployment, retrenchment, a low paying job with little upward mobility and a desire to escape supervision. Furthermore, Benzing *et al.* (2009:62) suggest that entrepreneurs from developing countries' are driven into entrepreneurship by pull factors such as; the desire to become one's own boss, increase wealth, changing lifestyle or need to use one's own experience and knowledge. In addition, Chigunta (2002:16) adds that entrepreneurs in developing countries tend to go into business out of economic necessity or need to survive, or out of failure to find productive use of their knowledge and skills in other avenues.

In contrast to Chigunta's argument, Organization of Economic Cooperation and Development (2007:8) highlights that in developed countries like the United Kingdom, entrepreneurs are driven primarily by the desires for independence and flexibility and not necessarily money. Most entrepreneurs in developed countries are viewed to be in business out of opportunity to grow and be independent and not necessarily out of desperation. In support, Swierczek and Ha (2003:46) in a study of SME owners in Vietnam find that challenge and achievement are more significant motivators than necessity and security.

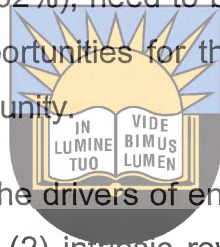


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Ashley-Cotleur *et al.* (2009:15) view the drivers of entrepreneurship from a different perspective and suggests that the factors driving entrepreneurs into business can be categorized as demographic variables or attitudes, values or psychological factors. Ashley-Cotleur *et al.* (2009:15) identify family background and gender as the two demographic factors that drive entrepreneurs into business. According to Drennan, Kennedy and Renfrow (2005:15) parental business experience as well as being raised in a family that is entrepreneurial significantly drives individuals to start their own businesses. In addition, Choo and Wong (2009:47) support that having a family business background and self employed parents tends to be especially relevant as mentors and guides for children starting their own business.

According to Habiyakare *et al.* (2009:12) the propensity of immigrants towards business is not imported, but rather reactive or situational, in other words, immigrants do not enter business as a way of life but rather it is their best opportunity of making a living when life

provides few alternatives. Barrett, Jones and McEvoy (2002:101) add that much ethnic minority business appears to have grown in circumstances of urban and economic adversity, where entrepreneurship was the only means of livelihood for many immigrants. Altinay (2002:374) in support, points out that in the context of many minorities in some countries, discrimination, the lack of access to the labour market (often due to an unwillingness of employers to accept some groups such as new immigrants or minorities), difficulty in meeting the required educational and other qualifications, and limited opportunities for career advancement may make self-employment a more viable alternative to being a salaried employee. Furthermore, Habiyaakare *et al.* (2009:12) find that the other reasons for immigrants starting their own business varied, with the most important push factor being lack of a well paying job (52%), need to be self-employed (30%), utilization of own education (12%), creation of opportunities for those around them (5%), need to be recognized and respected in the community.



Manev *et al.* (2005:298) suggest that the drivers of entrepreneurship can be classified into four categories: (1) extrinsic rewards, (2) intrinsic rewards, (3) independence/ autonomy and (4) family security. Extrinsic drivers are the economic reasons that entrepreneurs work, whereas intrinsic motives are related to self-fulfilment. However, from the literature review on immigrant entrepreneurship, majority of researchers (Masurel *et al.*, 2002:240; Baum & Locke, 2004:587; Mitchell, 2004:168; Manev *et al.*, 2005:298; Vargas, 2005:579; Dana & Morris, 2007:18) mention analogous factors from these four categories that might affect immigrant decision to enter business. Among the frequently mentioned drivers to immigrant entrepreneurship is; employment, autonomy, creativity, skills, opportunity, networking, discrimination and capital. Each of these drivers to immigrant entrepreneurship will be discussed in detail in the following section.

### **3.2.1.1 Employment**

According to Nieman and Bennett (2002:58) among those people who become entrepreneurs, many do so because they cannot obtain employment in the formal sector of the economy. In addition, Benzing *et al.* (2009:62) suggest that entrepreneurs start their own businesses due to unemployment, retrenchment, a low paying job with little upward

mobility and a desire to escape supervision. Various researchers observed that determinants of (nascent) opportunity and necessity entrepreneurship differ (Morales-Gualdron & Roig, 2005:479; Block & Wagner, 2007:1543). Developed countries entrepreneurs are mainly necessity driven (a need pushes them) while developing countries entrepreneurs' are mainly opportunity driven (Benzing *et al.*, 2009:62). The differences in the factors determining the two classes of entrepreneurs' businesses establishments has important consequences for policy making as measures to stimulate necessity entrepreneurship do not necessarily benefit opportunity-driven entrepreneurs, and vice-versa. For example, stimulating the unemployed to start a business will benefit necessity and not opportunity entrepreneurs (Bergmann & Sternberg, 2007:205). From the example it is evident that many people who become entrepreneurs are not doing so because of a highly developed need to achieve as business people, but sometimes in order to survive.



According to Mitchell (2004:169) the leading motivating factor driving immigrants into entrepreneurship is the fact that the opportunities for paid employment are slim. Immigrants are pushed into self-employment due to market discrimination, skill shortcomings and communication barriers (Dana & Morris, 2007:18). Consequently, immigrants create employment for themselves and sometimes for unemployed South Africans. Salaff (2002:78) notes that despite the high education level and experience, immigrants find work only with great difficulty, and are greatly exploited by employers. Frustrated in their goals to integrate into the host society, immigrants turn to entrepreneurship, sometimes targeting the protected niche in the ethnic enclaves (Salaff, 2002:78).

In contrast, according to Hiebert (2003:52) self-employment for immigrant entrepreneurs is a vital opportunity for economic advancement. In a study conducted in Canada, Hiebert (2003:52) finds that, without introducing any controls, a self-employed immigrant in Canada has higher average income than the native-born self-employed and also exceeds the average income of the entire immigrant population. Hiebert (2003:52) results suggest that immigrant entrepreneurs are sometimes driven into business by dire need for self-employment and independence.

The conclusions of the above authors (Salaff, 2002:78; Mitchell, 2004:169; Dana & Morris, 2007:18) evidently show that immigrants are driven into entrepreneurship as a result of discrimination and inability to obtain jobs in the formal sector. However, Hiebert's (2003:52) conclusion that immigrant entrepreneurs are driven into entrepreneurship by the desire to be independent is valid but does not apply that much to the case of African immigrant entrepreneurs in South Africa who are driven more by the context of disadvantage. Benzing and Chu (2009:62) clarify the former statement by pointing out that developed countries entrepreneurs' are mainly necessity driven (a need pushes them) while developing countries entrepreneurs' are mainly opportunity driven.

### 3.2.1.2 Autonomy

According to Ashley-Coutler *et al.* (2009:15) independence refers to the enjoyment of doing things as one pleases without another person's instructions while autonomy means self-rule or the ability to control one's future. Benzing and Chu (2009:62) highlight that, the desire to become one's own boss, increase personal wealth, need to use one's own experience and knowledge, define autonomy which in turn forms part of the drivers to entrepreneurship. Segal, Borjas and Schoenfeld (2006:44) add that individuals are pulled into entrepreneurship by seeking independence, self fulfilment, wealth and other desirable outcomes.

Autonomy provides entrepreneurs with an opportunity to generate wealth over a short period of time. Moreland (2006:6) argues that self-employment constitutes the most important aspect of entrepreneurship. Some entrepreneurs choose self-employment as a career while other entrepreneurs are motivated by the desire to be their own bosses. Moreland (2006:6) states that the average income of an entrepreneur in the United Kingdom 2002 was £121 per week higher than that of employees. This suggests that through autonomy, entrepreneurs are able to accumulate wealth, receive rewards of financial or personal gain, pride and enjoyment, an opportunity not enjoyed by many employees (Co *et al.*, 2006:4).

Likewise, by becoming self-employed, immigrants acquire quite different roles to those of immigrants who are employees and also to the roles of mainstream entrepreneurs

(Immigrant entrepreneurship, 2008:657). Entrepreneurship enables immigrants to offer jobs to other immigrants and thus immigrant entrepreneurs are often highly regarded by the locals and other immigrants (Immigrant entrepreneurship, 2008:657).

### **3.2.1.3 Creativity/Innovation**

Autonomy creates the room for entrepreneurs to be creative and innovative (Wickham, 2004:183). Creativity is the ability to produce something new through imaginative skill, whether a new solution to a problem, a new method or device (Niemann & Bennett, 2002:58). Zindiye (2008:58) suggests that creativity is a mental characteristic that allows a person to think outside of the box, which results in innovation while innovation can be described as a means of exploiting business opportunities. Wickham (2004:183) adds that innovation encompasses the successful exploitation of new ideas or change that creates a new dimension of performance, incremental changes to products, processes or services.

Real entrepreneurs are constantly innovative hence they provide a 'nursery' and proving ground for entrepreneurship and innovation (Wickham, 2004:183). Successful entrepreneurship thrives on innovation. Immigrant entrepreneurs like all other successful entrepreneurs are constantly searching for new ways of operating in order to be competitive and successful (Niemann & Bennett, 2002:60). Immigrant entrepreneurs stay competitive by changing, revolutionizing, transforming or introducing new products, services, new or improved production methods (Zindiye, 2008:31). Fisher and Reuber (2005:350) assert that immigrant entrepreneurs in South Africa are disadvantaged hence immigrant entrepreneurs need to be creative as real entrepreneurs by starting something out of nothing. Most immigrant entrepreneurs are driven by the sole need to exercise their innovative and creative skills (Immigrant entrepreneurship, 2008:658).

### **3.2.1.4 Skills**

According to Martins, Couchi, Parat, Federico, Doneddu and Salmon (2004:12) the ability to discover and exploit opportunities to create a new business depends largely on previous skills, education and work experience. Most entrepreneurs possess a particular set of unique skills and experience which usually drives these entrepreneurs into starting a business where the entrepreneurs can fully exploit and benefit from their skills potential. In

addition, Benzing *et al.* (2009:62) suggest that entrepreneurs from developing countries' are driven into entrepreneurship by pull factors such as changing lifestyle or need to use one's own experience and knowledge.

Studies with an ethnic focus report that higher educational qualifications enhance both the likelihood of being an entrepreneur, and also the chances for greater success (Salaff, 2002:78; Mitchell, 2004:169; Timberg, 2005:21; Kalitanyi & Vissier, 2010:381). Most immigrants are usually educated, experienced and are highly skilled. Immigrants' relatively good education and skills have been confirmed by various researchers and representatives of Non-Governmental Organisations. According to Mitchell (2004:169), about 80 percent of immigrants had a minimum of 10 to 12 years of education, and at least 30 percent have a form of or have completed tertiary education. Kalitanyi and Vissier (2010:381) add that 31 percent of immigrants in Capetown have a Technikon, Bachelor's or Postgraduate degree, while 69 percent have a qualification equivalent to primary and high school. Furthermore, Timberg (2005:15) points out that the United Nations survey on asylum seekers indicates that immigrants are relatively skilled and well-educated, with two-thirds holding a high school diploma or higher. Despite immigrants' education and experience, finding work for refugees or immigrants is very difficult and immigrants are grossly exploited by employers. Frustrated by the failure to integrate into the host society, immigrants turn to entrepreneurship, sometimes targeting the protected niche in the ethnic enclaves (Salaff, 2002:78). As a result of failure to integrate into the host society, many immigrants are pushed into necessity-based entrepreneurship. Consequently, immigrants create employment for themselves and sometimes for unemployed South Africans.

On the other hand, lack of business skills is consider a barrier to entrepreneurship and is attributed to failure of most small businesses (Fatoki & Garwe, 2010:4). Papulova and Makros (2007:30) highlight that most entrepreneurs, be they technicians, accountants, or social researchers, require skills, and these skills, especially technical skills seem to be lacking when it comes to business development over the long term. In addition, Herrington and Wood (2007:18) confirm that lack of education and training has reduced management capacity in new firms in South Africa. Lack of education and training in South Africa is one

of the reasons for the low level of entrepreneurial creation and the high failure rate of new ventures. The quality and context of education system do not promote the development of managerial competencies. Furthermore, Herrington and Kew (2010:26) argue that the quality of entrepreneurship training apart from academic qualification is poor and therefore local entrepreneurs have poor business and managerial skills.

According to Martins *et al.* (2004:12) creating an enterprise is a very difficult task because it demands knowledge of the legislation, environment, market and institutions. To install an enterprise in a country, immigrant entrepreneurs like any other entrepreneurs need to know well the language to have a better implementation and adaptation in the place. However, although majority of immigrant entrepreneurs are driven into entrepreneurship due to their high education, experience and skills levels (Mitchell, 2004:168) not all immigrants passes high education, experience and skills and this acts as a barrier to immigrant entrepreneurship. Changati and Greene (2002:128) establish that personal characteristics like education, industry experience and foreign work experience are significantly lower for ethnic entrepreneurs. Kalitanyi and Vissier (2010:379) add that entrepreneurship is a strong tool for immigrants' economic and social integration and is a means by which immigrants without education or technical skills can escape poverty. According to Ram and Smallbone (2003:72) a portion of immigrant workers are subject to labour market disadvantage due to their accents and non recognition of overseas credentials. Immigrant workers encounter several barriers in the labour market, such as unfamiliar language, inappropriate or inadequate skills (Changati & Greene, 2002:128). This suggests that skills or lack of skills can serve as a driver or a barrier to immigrant entrepreneurship. Mitchell (2004:170) notes that while it is undisputed that majority of immigrant entrepreneurs are driven into entrepreneurship due to the possession of high levels of education, it is also quite evident that the lack of skills tends to be a barrier to their entrepreneurial success.

### **3.2.1.5 Opportunity**

Market opportunities refer to the existence of an environment which will allow the business to grow and be successful with the support of customers and good economic conditions (Henderson & Robertson, 2003:280). According to Choo and Wong (2009:48) not all

aspiring entrepreneurs are successful in starting a business. This could be as a result of the market appearing to be not as attractive as initially perceived. Entrepreneurs who perceive the existence of market opportunities are more likely to make the decision to start a business. On the other hand, if entrepreneurs have a negative perception about the business environment, starting a business becomes difficult.

Mitchell (2004:172) in a research on immigrant entrepreneurship points out that South Africa is viewed by many young African people as the “Europe of Africa”. South Africa is seen by many immigrants as a country with many opportunities and a higher standard of living as compared to the standard of living of other African countries. It is this perception which drives many immigrants from their home country to South Africa. Vargas (2005:579) adds that most immigrants migrate from less-developed countries to more developed countries in search of a more stable future and better business opportunities. Furthermore, Kalitanyi and Vissier (2010:380) note that most immigrant entrepreneurs chose to establish businesses in Johannesburg due to the strong market potential and networks of family and friends.



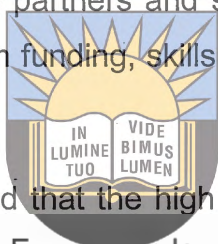
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### **3.2.1.6 Networking**

According to Watson (2007:852) social networks influence entrepreneurship. Entrepreneurs often use informal network contacts such as family, friends and business people more often than formal network contacts like bankers, accountants, and lawyers as information sources. Adler and Kwon (2002:18) argue that the benefits derived from belonging to a particular network group and use of the associated networks, greatly enhance the start-up and continuing business success of most businesses. Social networks are multi-faceted; they may serve as a source of labour by providing a low cost and highly committed workforce, a source of capital by facilitating informal borrowing within the networks, and a source of information among community members. Moreover, social networks facilitate mutual trust within the network, hence, members of the group are more willing to do business with each other and to exchange critical information (Watson, 2007:852).

According to Volery (2007:55) cultural characteristics like religious beliefs, family ties, work ethics and compliance with social values serve as ethnic resources which partially explain the orientation of immigrants towards entrepreneurship. Chaganti and Greene (2002:128) state that highly networked ethnic entrepreneurs like any other entrepreneurs start businesses more often than less involved ethnic entrepreneurs. Immigrant entrepreneurs involved in ethnic networks benefit from ethnic benefits such as; use of co-ethnic employees, co-ethnic markets, co-ethnic suppliers, community sources of capital, advice and information, as well as membership in ethnic community organizations (Adler & Kwon, 2002:18). Mitchell (2003:8) also adds that immigrant entrepreneurs are more reliant on loans from relatives and friends. Chaganti and Greene (2002:128) conclude that immigrant entrepreneurs invest in countries where partners and social networks are available as this immigrant entrepreneurs to benefit from funding, skills and other benefits enjoyed by those operating within ethnic networks.



However, it is commonly acknowledged that the high involvement in an ethnic network is both “developmental and destructive. For example, co-ethnic labour can be viewed as training would-be competitors, were as catering to co-ethnic markets, in some instances, can increase the likelihood of business failure, sometimes due to market saturation and fierce competition amongst ethnic entrepreneurs chasing the same market (Mitchell, 2003:8). Judging from the empirical literature presented by various researchers (Salaff, 2002:79; Mitchell, 2004:168; Dana & Morris, 2007:18), it is ultimately undisputable that the benefits of belonging to an ethnic network outweigh the disadvantages. Therefore it is hypothesized that there is a significant positive relationship between networking and immigrant entrepreneurship.

### **3.2.1.7 Discrimination**

Discrimination is defined by Kalitanyi and Vissier (2010:382) as the act of treating people differently through prejudice about race or ethnicity. Altinay (2002:375) adds that discrimination is bias or prejudice resulting in denial of opportunity, or unfair treatment regarding selection, promotion, or employment. Martins *et al.* (2004:14) identifies discrimination as the major obstacle to starting a new firm faced by most disadvantaged

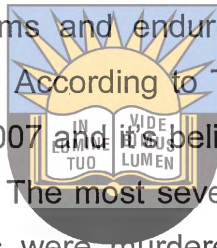
groups like female entrepreneurs and ethnic entrepreneurs. Martins *et al.* (2004:14) adds that female entrepreneurs and ethnic entrepreneurs usually have difficulties in entering informal financial networks, or in accessing finance in financial institutions such as banks or other lending institutions and female entrepreneurs and ethnic entrepreneurs are not viewed as entrepreneurs due to the attitudes formed by traditional gender roles and belief. In addition, Mutezo (2005:25) confirms that the South African government has in the past few years established many support programmes to help potential entrepreneurs, but it has been observed that not many support programmes reach entrepreneurs especially disadvantaged groups like female entrepreneurs and ethnic entrepreneurs (Mutezo, 2005:25).

Immigrants are pushed into self-employment due to market discrimination, skill shortcomings and communication barriers (Dana & Morris, 2007:18). According to Disadvantage theory, ethnic minority entrepreneurial activities result from a context of disadvantage (Ram & Smallbone, 2003:72). A portion of immigrant workers are subject to labour market disadvantage due to their accents and non recognition of overseas credentials. Immigrant workers encounter several barriers in the labour market, such as unfamiliar language, inappropriate or inadequate skills, age and discrimination (Dana & Morris, 2007:18). Studies indicate a relationship between lack of language proficiency and self-employment. Workers who are not fluent in the dominant language get worse jobs and lower incomes than do workers who are fluent but otherwise have similar human capital characteristics (Ram & Smallbone, 2003:72; Mitchell 2003:8; Mutezo, 2005:25). In addition, Altinay (2002:371) suggests that, in the context of many minorities in some countries, discrimination, lack of access to labour market (often due to the unwillingness of employers to accept some groups such as new immigrants or minorities), difficulty in meeting the required educational and other qualifications, and limited opportunities to career advancement may make self employment a more viable alternative to being a salaried employee.

Furthermore, Altinay (2002:371) states that immigrant groups pursue entrepreneurship due to relatively lower wages offered to them by the labour market, which in turn may be the

result of ethnic discrimination, language barriers, or incompatible educational attainment. Hence, the expectation of higher returns pushes most immigrant entrepreneurs into planning their own ventures, overriding the associated risks involved with business ownership.

Discrimination also poses as a barrier to immigrant entrepreneurship. According to Mutezo (2005:25) most immigrant entrepreneurs struggle to access finance from banks due to excessive discrimination, red tape and administrative burden. Kalitanyi and Vissier (2010:382) observe that financial institutions hardly finance start-up firms and are not willing to assist immigrant entrepreneurs with finance as observed by numerous problems they encounter when opening bank accounts. Kalitanyi and Vissier (2010:382) add that immigrants face a number of problems and endure considerable xenophobic hostility directed at them and their businesses. According to The Times (2008) attacks on foreign nationals increased markedly in late 2007 and it is believed that there have been at least a dozen attacks since the start of 2010. The most severe incidents occurred on January 8, 2008 when two Somali shop owners were murdered in the Eastern Cape Town's of Jeffrey's Bay and East London and in March 2008 when seven people were killed including Zimbabweans, Pakistanis and Somali after their shops and shacks were set alight in Atteridgeville near Pretoria.



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The conclusions of various authors (Salaff, 2002:79; Mitchell, 2004:168; Dana & Morris, 2007:18) evidently show that immigrants are driven into entrepreneurship due to discrimination and inability to obtain jobs in the formal sector, and for those immigrant businesses that survive under the turf host business environment; most immigrant businesses are barred from growth by discrimination.

### **3.2.1.8 Capital**

According to Hutton (2008:12) access to capital is one of the drivers to entrepreneurship. Fatoki and Garwe (2010:731) acknowledge the importance of capital as a driver to starting a new business or expanding an existing one. In order to raise capital or finance, many entrepreneurs use personal savings, friends, family and social network funding (Mitchell, 2003:8). Capital is important for business success and includes not only financial capital

but other sources of capital such as human capital and government support (Hutton, 2008:12). In most cases it is the possession of excess capital and a need to invest which drives most entrepreneurs into business. Government intervention also helps in providing capital, policy support, external resources and institutional infrastructure for growth (Nguyen, Alam, Prajogo & Duog, 2008:1). In South Africa, many support programmes have been established mainly by the government to encourage and support potential entrepreneurs. However, many of these support programmes have been observed not to reach many entrepreneurs especially immigrant entrepreneurs (Mutezo, 2005:26).

The availability of finance is one of the most controversial issues in the analysis of SME problems (Nguyen *et al*, 2008:2). Okpara (2011:158) maintains that insufficient finance is not a fundamental obstacle to SME growth and that firms with good projects will always find sources of finance. Other authors (Martins *et al*, 2004:14; Maas & Herrington, 2006:17; Hutton, 2008:12) emphasize the interaction between financial and institutional systems as creating barriers for new firms' growth.



According to Mitchell (2003:8) the absence of adequate funding poses a barrier to entrepreneurs who have no option but to resort to requesting loans from their families, friends or acquaintances to meet their enterprises' financial needs. According to Klapper, Laeven and Rajan (2004:13) liquidity constraints hinder entrepreneurs from starting businesses. This suggests that entry rates should be lower in countries with less developed financial systems. Maas and Herrington (2006:18) indicate that lack of financial support is the second major contributor to the low Total Entrepreneurial Activity rate in South Africa. In addition, Pretorius and Shaw (2008:13) observe that a large percentage of the failure of entrepreneurial ventures in South Africa is attributed to inadequate capital structure or resource poverty.

Immigrant entrepreneurs are not spared by the effects of lack of capital. Immigrant entrepreneurs are excluded in most of the support programmes funded by the South African government (Mutezo, 2005:26). Financial support is an equally important resource for the success of immigrant businesses. In general, businesses owned and operated by immigrant entrepreneurs are reported in the literature as smaller and lesser successful

than mainstream businesses. A variety of reasons are proposed as to why immigrant entrepreneurs are as smaller and lesser successful than mainstream businesses, including a lack of social capital, financial capital and human capital (Chaganti & Greene, 2002:128). Martins *et al.* (2004:13) adds that risk capital societies usually support societies and not small enterprises as banks view micro loans as very expensive as the transaction costs are high and the returns are low.

According to Suhir and Kovach (2003:12) in most developing countries the timeframes and terms of credit for repayment are unreasonable, collateral is difficult to provide, and finding a guarantor to help secure a loan is very difficult. Mutezo (2005:28) contends that most immigrant entrepreneurs struggle to access finance from banks due to excessive red tape and administrative burden. Financial institutions hardly finance start-up firms and are not willing to assist immigrant entrepreneurs with finance as observed by numerous problems they encounter when opening bank accounts (Kalitanyi & Vissier, 2010:382). It is quite evident from the above literature that most immigrant entrepreneurs fail to achieve their entrepreneurial goals due to financial constraints (Maas & Herrington, 2006:18; Pretorius & Shaw 2008:13; Nguyen *et al.*, 2008:1).



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### **3.2.2 Barriers**

Several studies (Masurel, 2002:240; Baum & Locke, 2004:587; Manev, 2005:298) show that there are various explanations as to why some individuals may be less inclined to engage into behaviours necessary to become successful entrepreneurs. According to Volery *et al.* (2007:55) the rate of entrepreneurship is affected by the presence of barriers. Fatoki and Garwe (2010:89) define barriers as those factors that prevent an entrepreneur from starting a business.

Volery *et al.* (2007:57) highlight lack of resources, compliance costs, and the hard reality of setting up a business as some of the barriers to entrepreneurship. In addition, Robertson (2003:280) find that factors inhibiting start-ups included an expressed fear of debt, a fear of failure, difficulties in obtaining finance, regulation, and taxation. Furthermore, Pretorius and Shaw (2008:13) observe that a large percentage of the failures of entrepreneurial

ventures in South Africa are attributed to inadequate capital structure or resources poverty. Crime is also one of the latent barriers to entrepreneurship. Crime causes stress and additional costs for security and this retards the development of emerging markets (United Nations Office on Drugs and Crime, 2007).

According to Robertson (2003:279) lack of information about business start-ups, partners, funding, marketing skills, managerial or financial expertise, and savings or assets, are the major inhibiting factors to forming a business. Herrington and Wood (2007:13) confirm that lack of education and training has indeed reduced management capacity in new firms in South Africa. Another contextual factor to education and training is discrimination.

Altinay (2002:371) suggests that, in the context of many minorities in some countries, discrimination, the lack of access to the capital, labour market and institutional support hinder immigrant entrepreneurs from realizing their entrepreneurial potential. In addition, Masurel *et al.* (2002:240); Baum and Locke (2004:587); Mitchell (2004:168); Manev *et al.* (2005:298); Vargas (2005:579); Dana and ... (2007:15) point out that lack of capital, lack of skills, lack of support, excessive compliance costs, excessive regulations, excessive tax, discrimination, and crime are barriers to entrepreneurship. Each of these barriers to immigrant entrepreneurship will be discussed in detail in the following section.

### 3.2.2.1 Support

Creating an enterprise is a very difficult task because it demands knowledge and support of the legislation, environment, market and institutions (Martins *et al.* 2004:13). Schoof and Semlani (2008:3) suggest that SMEs need institutional support network to overcome some of the barriers to SME growth like clientelism, paternalism and corruption. In addition, local enterprise agencies and government can ideally provide much needed support to new and growing SMEs in the form of provision of information, advice and training services. These services may be a more effective way of overcoming the barriers to SME development than the provision of financial assistance alone (Schoof & Semlani, 2008:3).

According to Mutezo (2005:28) the South African government has in the past few years established many support programmes to help entrepreneurs. However, awareness of

these support programmes by entrepreneurs is limited. Similarly, Ndhlovu and Twala (2007:13) find that obtaining integrated business support services by entrepreneurs is difficult in South Africa; hence, government needs to create fair distribution of resources and an enabling environment for entrepreneurs.

Schoof and Semlani (2008:3) suggest that entrepreneurs often lack business support services that are keys to transforming fragile start-ups into successful small and medium sized businesses. To establish an enterprise in a country, immigrant entrepreneurs need to know well the language, skills, market and business requirements in order to have a better implementation and adaptation in the host nation (Kalitanyi & Vissier, 2010:378). The lack of support from government poses a barrier to the creation and sustainability of immigrant-owned firms (Martin *et al.*, 2004:14).

### 3.2.2.2 Regulations and Compliance costs

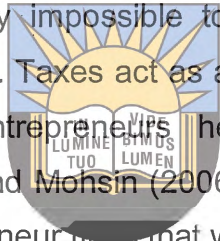
According to Martins *et al.* (2004:14) there is considerable evidence that regulatory and administrative burdens can impose adverse effects on entrepreneurial activity and should be avoided unless their benefits are very clear. Klapper *et al.* (2004:16) argue that complicated laws, rules and regulations represent a severe burden for SMEs in many countries. More recently, however, there is a growing view that costly regulations impede the setting up of businesses and stand in the way of economic growth (World Bank, 2005:8). According to Klapper *et al.* (2004:16) "naturally high-entry" industries have relatively lower entry in countries that have more onerous bureaucratic entry regulations. In a related paper, Desai, Gompers, and Lerner (2003:26) find that entry regulations have a negative impact on firm entry.

Martins *et al.* (2004:14) indicate that some of the common barriers to entry found in most countries include: several legal forms of enterprise, with different procedures, requirements and registration; the complexity of creating a company; in some countries, the entrepreneurs need one day to register an enterprise, in others, entrepreneurs need 20 weeks; in addition to registration requirements, some countries require skill qualification when the activity is deemed to be an artisanal nature or the elaboration of a business plan certified by a business expert which attests to the enterprise viability.

Altinay (2002:371) points out that in the case of skills qualification, most immigrant entrepreneurs are disadvantaged as most immigrants' education and skill credentials are usually ruled out as incompatible. Martins *et al.* (2004:14) concludes that barriers to exit may also discourage entry, since exit and entry rates tend to be closely related. Since firm entry involves considerable risk, with survival chances that are very difficult to assess, institutions that make exit very costly, discourage entry. The high cost of entry and exit makes the entry and growth of immigrant businesses very cumbersome.

### 3.2.2.3 Tax

According to Gentry and Hubbard (2004:8) taxes have an impact on entrepreneurship by altering the rewards of such activity. The net effect of an excessive and arbitrary system of taxation is that SMEs find it virtually impossible to conform to all the laws and tax regulations (Suhir & Kovach, 2003:12). Taxes act as a barrier to entrepreneurship as high tax levels reduce the profit of entrepreneurs, hence discouraging high levels of entrepreneurship. A study by Bruce and Mohsin (2006:409) on the impact of progressivity on the decision to become an entrepreneur finds that when tax rates are more progressive; entrepreneurs pay substantial taxes on profits but save little in taxes when losses occur. In other words, there is a tax on "success" that discourages entrepreneurship.



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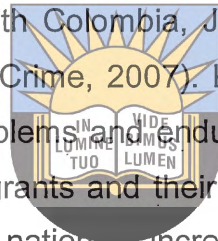
Another way taxes impact SMEs is through preferential corporate income tax rates. A study by Clemens and Veldhuis (2005:8) conclude that large increases in business income tax rates create a powerful barrier for entrepreneurs to expand their businesses. Clemens and Veldhuis (2005:8) use tax return data for sole proprietors before and after the American Tax Reform Act of 1986 and find that a decrease in a sole proprietor's marginal tax rate increases the size of the sole proprietor's business. Bruce and Mohsin (2006:409) find that a reduction in capital gains, corporate income tax, and payroll taxes has a positive impact on self-employment. Immigrant entrepreneurs like any other entrepreneurs have their business operations affected by taxes.

### 3.2.2.4 Crime

Crime is one of the barriers to entrepreneurship in South Africa. Crime causes stress and additional costs for security and the effects of crime retards the development of emerging

markets such as South Africa. Crime necessitates that entrepreneurs invest money in burglary bars, alarm systems and security companies to ensure that their property and products are well protected. Security measures result in increased insurance premiums which in turn decreases profits, negatively impacting on sustainability and success of most enterprises. Maas and Herrington (2006:18) in the Global Entrepreneurship Monitor South Africa Report point out that crime is one of the major factors that influence people negatively towards the creation of their own business in South Africa. The costs of crime are higher for small entrepreneurs as compared to large firms and a major crime incident can affect a small firm very hard and lead to a small business's failure.

South Africa's situation is worrying as the country is ranked among the top five highest murder rates in the world together with Colombia, Jamaica, Guatemala, and Venezuela (United Nations Office on Drugs and Crime, 2007). Kalitanyi and Vissier (2010:382) add that immigrants face a number of problems and endure considerable xenophobic hostility and crimes directed at them as immigrants and their immigrant businesses. According to The Times (2008) attacks on foreign nationals increased markedly in late 2007 and it's believed that there have been at least a dozen attacks since the start of 2010. The most severe incidents occurred on January 8, 2008 when two Somali shop owners were murdered in the Eastern Cape Town's of Jeffrey's Bay and East London and in March 2008 when seven people were killed including Zimbabweans, Pakistanis and Somali after these immigrants' shops and shacks were set alight in Atteridgeville near Pretoria. Therefore, most immigrant entrepreneurs will be reluctant to invest in a host country with a high crime rate.



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### **3.3 SUMMARY**

This chapter reviewed the literature on the drivers and barriers to immigrant entrepreneurship in South Africa. Empirical studies reviewed showed that the various drivers to immigrant entrepreneurship include; employment, autonomy, creativity, managerial competency, educational skills, opportunity, networking, discrimination and capital. In addition, empirical studies reviewed on barriers to immigrant entrepreneurship were specifically on lack of capital, lack of skills, lack of support, compliance costs, regulations, tax, discrimination and crime. However, no study has empirically investigated the drivers and barriers to immigrant entrepreneurship in South Africa. The next chapter will focus on the research methodology that will be used for the empirical study.



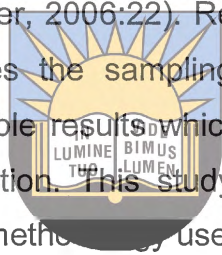
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# CHAPTER FOUR

## RESEARCH METHODOLOGY

### 4.1 INTRODUCTION

Research methodology refers to the method by which data are gathered for a research project. Research methodology is the blueprint for the collection, measurement, and analysis of data in order to achieve the objectives of a research (Cooper & Schindler, 2003:33). It is paramount that a scientific method be followed in carrying out a research study. A scientific research follows systematic, empirically based procedures for generating replicable research (Cooper & Schindler, 2006:22). Research methodology is important in a research work because it specifies the sampling design. A properly planned and conducted research will produce reliable results which are important in making informed decisions about future courses of action. This study will follow the business research process (Figure 4.1) in explaining the methodology used.



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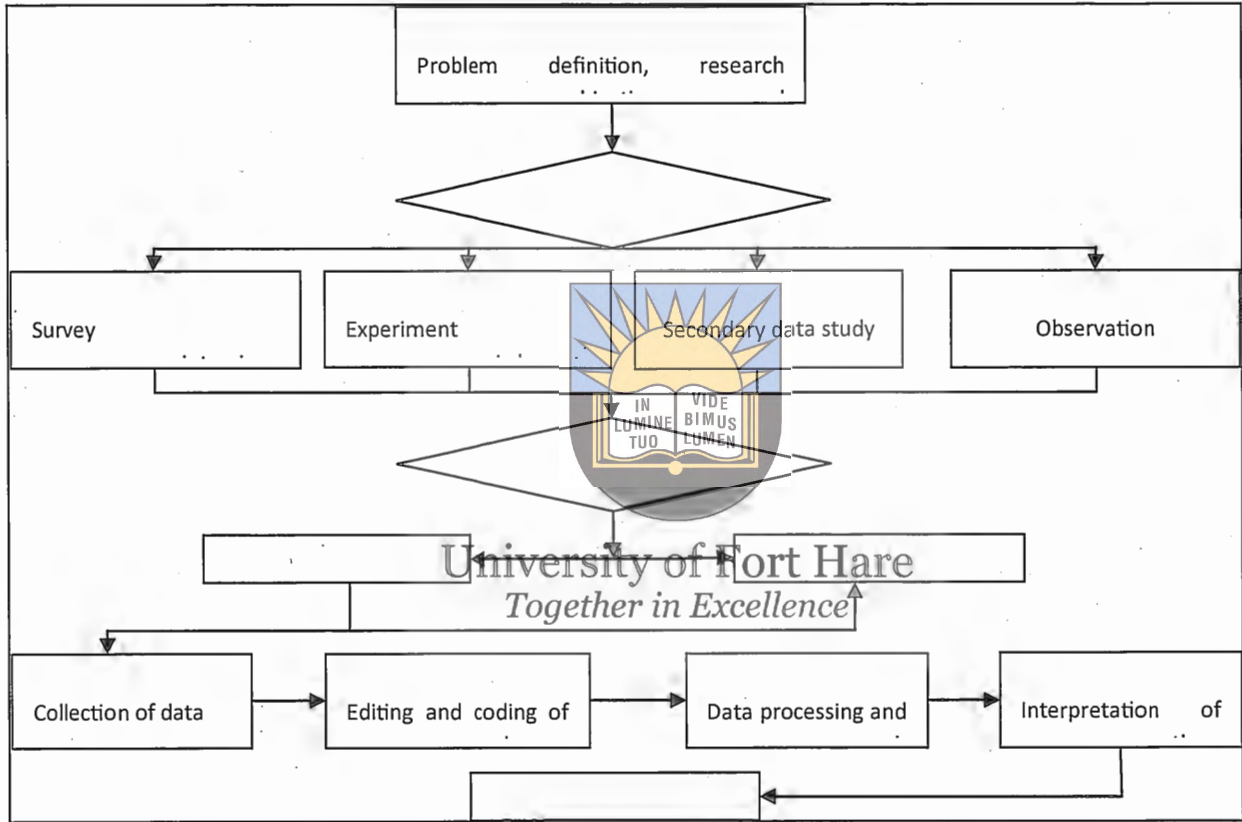
This chapter provides an outline of the research methodology in terms of the study area, the study unit and the population. In addition, the chapter highlights the organization and design of the questionnaire as well as the methods of data collection and data analysis. Furthermore, the various statistical tests employed in the study in analyzing the gathered data, validity and reliability of the results as well as the limitations in the collection of the data will be elaborated on.

### 4.2 BUSINESS RESEARCH PROCESS

Research can be defined as a systematic process of collecting, analyzing and interpreting data to increase the understanding of a phenomenon (Cooper & Schindler, 2003:33). Since this research focuses on entrepreneurship, which is business, the term business research will be used. According to Cant, Gerber-Nel and Kotze (2003:29) business research process is a sequence of steps in the systematic collection and analysis of business data which describes how the research is designed and implemented. In addition, business research can be defined as the systematic and objective process of planning, gathering,

analyzing and reporting data which may be used to solve a specific problem or opportunity (Cant *et al.*, 2003:28). The next section will discuss the research process followed for this study. Figure 4.1 shows the seven steps of the business research process that will guide this study.

**Figure 4.1: Steps in the business research process**



Source: Adapted from Zikmund (2003:61).

#### **4.2.1 Step 1: Problem statement, research questions, research objectives and research hypotheses**

##### **4.2.1.1 Problem statement**

Problem identification marks the beginning of research. According to Cant *et al.* (2003:40) a problem is a prevailing situation that might be affecting the society as a whole. Problems generally evolve from a combination of three well known sources which are existing theory, practical problem and observation. Therefore, proper problem identification is essential for a researcher to come up with the appropriate solutions.

According to Rogerson (2004:765) immigrant entrepreneurs from Sub-Saharan Africa represent a new critical element in the informal economy of post-apartheid South Africa. However, immigrant entrepreneurships like all other small businesses in South Africa suffer from a high failure rate (Mitchell, 2004:170). It is against this background that the following research problems were derived:

- What are the factors driving immigrants into entrepreneurship in South Africa?
- What are the barriers to the performance of immigrant entrepreneurs in South Africa?

#### **4.2.1.2 Research objectives**

According to Cooper and Schindler (2003:45) a research objective is the researcher's version of a business problem. Research objectives refer to the specific outcome that is needed to solve a research problem or secure the advantages of an opportunity. It is important for researchers to state all objectives in terms of the brief information necessary, and want to solve the specific problem or opportunity. Objectives explain the purpose of the research in measurable terms and define the standards of what the research should accomplish (Cooper & Schindler, 2003:45). This study pursued the following objectives:

- To investigate empirically the drivers of immigrant entrepreneurship in South Africa.
- To investigate empirically the barriers to the performance of immigrant entrepreneurs in South Africa

#### **4.2.1.3 Research hypotheses**

According to Cooper and Schindler (2003:118) a hypothesis refers to possible answers to stated research questions. A hypothesis can be defined as an unproven statement or proposition about a phenomenon that is of interest to the researcher. Hypothesis is a proposition that is empirically testable. Cooper and Schindler (2003:119) add that in order to answer research questions; they must first be translated into hypotheses (null and the alternative). The null hypothesis is denoted as  $H_0$  and is a statement that maintains that there are no differences between groups or no relationship between measured variables.

The alternative is denoted as  $H_a$  and maintains that there is a difference or relationship between measured variables. Furthermore, Cooper and Schindler (2003:118) suggest that in research, hypothesis serve several important functions by guiding the direction of the study and identifying the facts that are relevant and those that are not relevant thus suggesting which form of research is likely to be appropriate. The hypotheses for this study were:

- Drivers

$H_0$  Employment and opportunity are not drivers of immigrant entrepreneurship.

$H_1$  Employment and opportunity are drivers of immigrant entrepreneurship.

$H_0$  Capital is not a driver of immigrant entrepreneurship.

$H_2$  Capital is a driver of immigrant entrepreneurship.

$H_0$  Intrinsic rewards are not drivers of immigrant entrepreneurship.

$H_3$  Intrinsic rewards are drivers of immigrant entrepreneurship.

$H_0$  Independence/autonomy is a not driver of immigrant entrepreneurship.

$H_4$  Independence/autonomy is a driver of immigrant entrepreneurship.

- Barriers

$H_0$  Lack of finance is not a barrier to the performance of immigrant entrepreneurs.

$H_1$  Lack of finance is a barrier to the performance of immigrant entrepreneurs.

$H_0$  Weak markets are not a barrier to the performance of immigrant entrepreneurs.

$H_2$  Weak markets are a barrier to the performance of immigrant entrepreneurs.

$H_0$  Lack of skills is not a barrier to the performance of immigrant entrepreneurs.

$H_3$  Lack of skills is a barrier to the performance of immigrant entrepreneurs.



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H<sub>0</sub> Lack of support is not a barrier to the performance of immigrant entrepreneurs.

H<sub>4</sub> Lack of support is a barrier to the performance of immigrant entrepreneurs.

#### **4.2.2 Step 2: Research design**

According to Hair, Wolfinbarger, Ortinau and Bush (2008:32) research design is an overall plan for the methods to be used to collect and analyse the data of a research study. It is a detailed blueprint used to guide a research study towards its objectives. The research design involves coming up with the research approach that will help determine how the information would be obtained. The research design provides answers to questions such as: What techniques will be used to gather data? What sampling techniques will be used? How will time and cost constraints be dealt with?

##### **4.2.2.1 Types of research design**

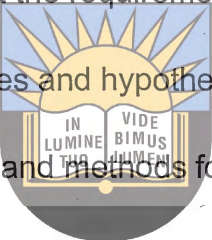
According to Saunders, Lewis and Thornhill (2003:18) researches are classified in terms of their purposes and can be classified as exploratory research, descriptive and explanatory. Zikmund (2003:68) adds that there are three basic types of research design: qualitative, quantitative and a hybrid of qualitative and quantitative. The choice of research design used in a study depends on the nature of the research, the setting, the possible limitations and the underlying paradigm that informs the research project (Zikmund, 2003:68).

##### **• Qualitative research**

According to Perren and Ram (2004:83) qualitative research methods have been gaining acceptance in the small business and entrepreneurship research community. Saunders *et al.* (2003:18) state that; qualitative research focuses on in-depth issues and is aimed at studying occurrences rather than drawing population-wide solutions. Chisnall (2005:18) adds that the ultimate aim of qualitative research is to offer a perspective of a situation and provide well-written research reports that reflect the researcher's ability to illustrate or describe the corresponding phenomenon.

## • Quantitative research

According to Tustin, Lithelm, Martins and Van Wyk (2005:18) quantitative research generally involves generation of statistics or data from large-scale surveys, and using methods such as structured interviews and questionnaires. The intention is to generalize the results to a wider setting. In addition, Cooper and Schindler (2003:33) point out that; the objective of quantitative approach to research is to develop and employ mathematical models, theories and/or hypotheses pertaining to a phenomenon. The research findings are then subjected to statistical manipulation to produce broadly representative data that can be extensively applied to the total population, and used as a basis to forecast future events and trends under different conditions (Tustin *et al.*, 2005:18). Furthermore, Cooper and Schindler (2003:33) emphasize that the requirements for quantitative research include:

- 
- The generation of models, theories and hypotheses.
  - The development of instruments and methods for measurement
  - Collection of empirical data
  - Modelling and analysis of data
  - Evaluation of results.

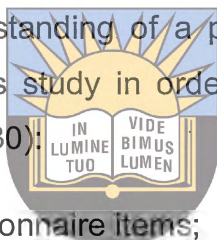
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Quantitative methods are to be employed in gathering primary data from African-immigrant owned SMEs operating in selected towns and cities in Eastern Cape. The data was gathered through the use of self-administered questionnaires which were distributed by the researcher with the aid of names and addresses obtained from Ethnic Associations. Self-administered questionnaires were also distributed during the general meetings of the various ethnic groups. Various secondary data sources were reviewed which include newspaper articles on African-immigrant owned SMEs and annual reports of financing institutions, online journals and databases, scientific journals within the immigrant entrepreneurship and SME context, reports from the Department of Trade and Industry (DTI) of South Africa were also assessed and deductively applied. Other relevant sources of information such as published data obtained from Statistics South Africa, African-

Immigrant Associations, United Nations Department of Immigrations and Home Affairs Department were also assessed.

### • Exploratory research

According to Gerber-Nel, Nel and Kotze (2005:30) exploratory research is defined as the initial research conducted to clarify and define the nature of the research problem or opportunity by giving ideas or insights as to how the research problem can be addressed. Hair *et al.* (2008:15) add that exploratory research is useful when the research questions are vague or when there is little theory available to guide predictions. Furthermore, exploratory studies are a valuable means of finding out what is happening, to seek new insight, to ask questions and to assess phenomena in a new light. It is particularly useful if researchers wish to clarify the understanding of a problem (Saunders *et al.*, 2003:18). Exploratory research was used in this study in order to achieve the following goals as highlighted by Gerber-Nel *et al.* (2005:30):



- To develop and refine the questionnaire items;
- To formulate the research problem and questions for more precise investigation, in order to formulate hypotheses;
- To discover what has been done by other studies related to the research problem;
- To gather information about practical problems of carrying out this research; and
- To discover whether there are any significant gaps in the literature that necessitate this study

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### • Descriptive research

According to Collis and Hussey (2003:11), descriptive research is research that describes phenomena as they exist. In addition, a descriptive research design provides answers to questions as to who, what, where and how of the phenomenon of interest (Cant *et al.*, 2005:33). It is extremely important under descriptive research that the researcher already has an understanding of the underlying relationships of the problem area. Researchers

may have a general understanding of the research problem, but conclusive evidence that provides answers to the question should still be collected to determine a course of action (Tustins *et al.*, 2005:18). Descriptive research was used to establish the perceptions of immigrant entrepreneurs on the various barriers to their business performance.

- **Causal research**

According to Tustins *et al.* (2005:18) under causal research the researcher investigates whether one variable causes or determines the value of another variable. In other words, causal research seeks to determine when the occurrence of x increases the probability of the occurrence of y. In addition, causality can never be proved, but at best be inferred that x is a cause of y (Roberts-Lombard, 2002:49). Experiments are used to measure causality. Researchers can also use causal research to test hypothesis. Causal research was implemented in this study through the use of Pearson correlation.

#### **4.2.3 Step 3: Selecting the primary data collection method**

The next step in the research process will focus on data collection. This section elaborates on the various methods of gathering data as well as the questionnaire design.



##### **4.2.3.1 Basic primary data collection methods**

Primary data is data that is observed or collected directly from first-hand experience (Cant *et al.*, 2005:77). In addition, primary data is information collected for the specific purpose at hand. The major advantage of primary data collection is that it relates specifically to the problem at hand. Such information can be collected verbally or in a written form. According to Gerber-Nel *et al.* (2005:88) there are three primary data collection methods namely observation, experiment and survey.

- **Observation**

According to Cooper and Schindler (2003:114) observation is defined as the process through which data is obtained by observers (human or machines) about the behavioural pattern of people, objects or occurrences. By observation, the interviewer can obtain data regarding the respondents' socio-economic status- their home, neighborhood, and apparent standard of living (Cant *et al.*, 2005:97). Observation also improves accuracy.

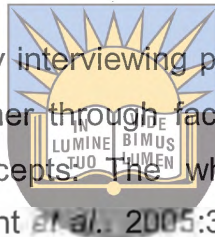
However observation was not used in this study as the researcher seeks to acquire vital information from respondents which is not obtainable through observation.

### • Experiment

An experimental study involves taking measurements of the system under study, manipulating the system, and then taking additional measurements using the same procedure to determine if the manipulation has modified the values of the measurements. In addition, Cooper and Schindler (2003:115) suggest that the experimental setting can be in a laboratory or in the field. However this study focused on the survey method of data collection as observation and experiment would not allow us to obtain the desired result.

### • Survey

A survey consists of gathering data by interviewing people. The interviewing process in a survey may be done by the researcher through face-to-face, by telephone, or by mail. Surveys measure four related concepts: The what, where, when and how often respondents did or do something (Cant *et al.* 2005:33). This study used survey research for the following reasons as pointed out by Cooper and Schindler (2003:663):



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- Surveys are useful in describing the characteristics of a large population. No other method of data collection can provide this general capability.
- Surveys can be administered from remote locations using mail, email or telephone. Consequently, very large samples are feasible, making the results statistically significant even when analyzing multiple variables.
- Surveys are relatively inexpensive (especially self-administered surveys).

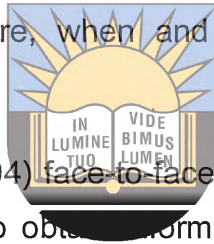
The study followed the survey research process as pointed out by Gerber-Nel *et al.* (2005:94):

- The population to be studied was defined.
- A representative sample was selected.

- Data was collected through the use of self-administered questionnaire
- SPSS (Statistical Package of Social Sciences) was used to tabulate and analyze the sample to produce various sample statistics.
- Inferences were made from sample statistics to population parameters of interest.

• **Methods of conducting survey research**

According to Gerber-Nel *et al.* (2005:94) methods of conducting survey research can be divided into four major types: face-to-face interviews, telephone surveys, mail surveys and self-administered surveys. A survey consists of gathering data by interviewing a particular group of the population. Surveys can be used to identify the characteristics of the target population by asking the what, where, when and how often respondents did or do something.



According to Gerber-Nel *et al.* (2005:94) face-to-face interview is a two-way conversation which is initiated by the interviewer to obtain information from a participant. In addition, Gerber-Nel *et al.* (2005:97) **University of Port Harcourt** face-to-face interviews remain an essential market research tool and are associated with the following benefits and strengths:

- Due to the conversational character of the encounter, it is easier to establish a personal relationship and thereby receive higher-quality answers
- Ambiguity and problems in understanding can be cleared up immediately.
- In-depth or detailed answers are provided.
- By observation, the interviewer can obtain data regarding the respondents' socio-economic status- their home, neighborhood, and apparent standard of living.
- There might be fewer refusals if the interviewer has good communication skills.

However face-to-face interview was not used in this study due to the following disadvantages as pointed out by Cant *et al.* (2005:97):

- It is considerably expensive as professional interviewers are expensive.

- The chances of interviewer bias might be high due to the face-to-face contact that the interviewer has with the respondents.
- It can be slow and time-consuming.
- It can be regarded as invasion (or intrusion) of privacy by the respondent.

According to Gerber-Nel *et al.* (2005:94) telephone interviews take place when respondents are telephoned in order to gather primary data about a specific research problem. Telephone interviews are usually conducted when the interviewee is in a distant location and the telephone is the most convenient way to obtain data. The following have been identified as the benefits of telephone interviews (Cant *et al.*, 2005:94):

- Telephone interviews have a certain degree of flexibility which allows the interviewer to probe and skip questions that prove irrelevant to the case of a particular respondent.
- Telephone interviews are generally a less expensive method compared to door to door interviews.
- Telephone interviews allow for interviews to be conducted with respondents from a different geographical location. Respondents have access to telephones.
- Interviewer and interviewee can directly respond to what the other says. Direct response also leads to the advantage that the interviewee is more spontaneous in his response and does not deliberate too long.



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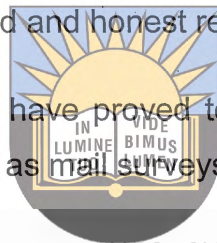
However, the telephone interview method was not used in this study because it is associated with the following limitations:

- They are higher chances of respondents denying discussing personal questions with an interviewer.
- Telephone interview is usually limited to only a sample of respondents who own telephones, making telephone interviews less representative and thus increasing the possibility of biased results.
- Telephone interview might be considered as an invasion of privacy by the respondent.

- There might arise need for translation to those people who do not understand the language used in the questionnaire and this is difficult to rectify when using mail questionnaires.

Due to the various limitations associated with other methods of conducting surveys, data used in this research was collected through the use of self-administered questionnaire. Cooper and Schindler (2003:326) define self-administered questionnaire as research questionnaires personally delivered to the respondent by the interviewer but completed by the interviewee with no interviewer involvement. The researcher used self-administered questionnaires for the following reasons:

- Self-administered questionnaires ensure anonymity and privacy of the respondents, thereby encouraging more candid and honest responses.
- Self-administered questionnaire have proved to have a higher response rate than other gathering techniques such as mail surveys.
- Self-administered questionnaires are less expensive than other data gathering methods such as personal interviews, where the researcher must be present with respondents at all times (Cooper & Schindler, 2003:369)



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#### 4.2.3.2 Questionnaire design and content

##### • Questionnaire

For this study a formal self-administered questionnaire is utilized as the primary research instrument. Questionnaires are widely used in most of the surveys mainly because of the advantages they give to the researcher. A questionnaire is a document consisting of a set of questions and scales to gather primary data (Hair *et al.*, 2008:170). Questionnaire surveys are advantageous due to the range of information that can be collected and the favourable cost and effort required collecting the data. Good questionnaires enable researchers to collect reliable and valid information. The researcher used questionnaires for the research study for the following reasons:

- Questionnaires help to ensure that information from different respondents is comparable.

- Telephone interview most likely leads to interviewer bias by the way interviewers talk or ask questions.
- Different interviewers may interpret and record responses differently, and under time pressures some interviewers might even cheat by recording answers without asking questions.

Cooper and Schindler (2003:430) point out that a mail survey takes place when the researcher selects a sample of names and addresses and sends questionnaires to these respondents with the aim of collecting data. The use of mail survey is usually recommended when the desired sample consists of respondents with higher educational and literacy levels, and people with an interest in the subject being surveyed. The following have been identified as the benefits of using the mail survey in gathering data:

- Mail survey is a relatively cheaper data collection method compared to other methods.
- Mail survey applies the least pressure on respondents as respondents are at liberty to answer the questionnaire at their leisure time.
- Any potential interviewer bias may be reduced due to lack of contact with the interviewer.
- Ease of administration as the responses are already in written form.
- Respondents may give more honest answers to more personal questions on a mail questionnaire than to an unknown interviewer in person or over the phone.
- Good strategy for obtaining negative feedback.

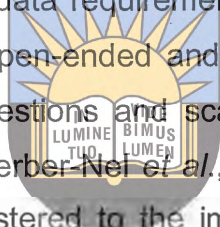
The researcher decided against using the mail survey due to the following drawbacks:

- Mail survey generally has a low response rate.
- Mail survey has higher chances of bias due to low response rates.
- It is hard for the interviewer to control who fills out the questionnaire, even when a good mailing list is used. Therefore, the information collected might be inaccurate or of lower quality.

- Questionnaires increase the speed and accuracy of recording.
- Questionnaires facilitate data processing.
- Questionnaires are economical in terms of time and money
- Questionnaires enable the respondents to remain anonymous and be honest in their response.

### • Survey questions

The designing of questionnaires is systematic and includes a series of logical activities. Researchers have the duty to select appropriate question scales as well as design the questionnaire format that will suit the data requirements. To fulfil, the researcher decides on the appropriate question format (open-ended and closed-ended), the perfect wording and instructions for responding to questions and scales, and the type of data required (nominal, ordinal, interval, or ratio) (Gerber-Net *et al.*, 2005:150). This research is survey based. Questionnaires will be administered to the immigrant entrepreneurs operating in selected cities of the Eastern Cape Province.

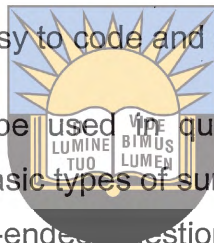


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The questionnaire will predominantly make use of the Likert scale questions to determine drivers and barriers to immigrant entrepreneurship. According to Cooper and Schindler (2003:420) the Likert scale is a type of response scale often used in questionnaires as it is a simple statement that allows the respondent to evaluate any kind of statement in a subjective or objective manner by expressing their level of agreement or disagreement. The drivers variables were measured using a five point Likert scale with 1 meaning strongly disagree and 5 strongly agree. The five point Likert scale was also used in measuring the barrier variables with 1 meaning strongly disagree and 5 strongly agree. The instrument was developed taking into consideration other similar studies done by Fatoki and Garwe (2010:733). The researcher used Likert scale questions because of the under listed reasons as highlighted by Cooper and Schindler (2003:421):

- The Likert scale eliminates the development of response bias amongst the respondents.

- Interviewer bias is reduced.
- Using the Likert scale makes the response items standard and comparable amongst the respondents.
- Respondents from the Likert scale questions are easy to code and analyse directly from the questionnaires.
- Questions can be administered more quickly.
- The Likert scale can be used to assess attitudes, beliefs, opinions and perception.
- Likert scale questions are easy to code and analyse.



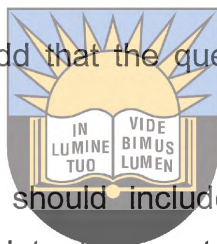
Another type of questions that can be used in questionnaire design as proposed by Gerber-Nel *et al.* (2005:150) are two basic types of survey questions from which to choose: open-ended and closed-ended. Open-ended questions usually allow the respondents to reply in their own words as the researcher does not limit responses available to limit respondents' answers. Open-ended questions are seldom used by researchers because there are viewed as more difficult to code for analysis purposes. In addition, open-ended questions require more thinking and effort on the part of respondents; as a result, with quantitative surveys there are generally only a few open-ended questions (Gerber-Nel *et al.*, 2005:150). However, in this research there was no use of open-ended questions for the above mentioned reason; that it is difficult to categorize respondents' response as they vary from one respondent to another.

Close-ended questions will be used for demographic variables, identifying the characteristics and business profile of immigrant businesses and in determining whether interviewee is an opportunity/necessity entrepreneur. According to Cooper and Schindler (2003:420) close-ended questions require the respondent to choose from a predetermined set of responses or scale points. Close-ended questions result in the reduction of thinking, time and effort required by respondents. Close-ended questions are often used in research

as compared to open-ended questions because close-ended questions are considerably easier for respondents to answer and easier for researchers to code.

Close-ended questions range from likert scale questions, multiple choice questions, dichotomous questions and ordinal questions. According to Cooper and Schindler (2003:420) the likert scale is a simple statement that allows the respondent to evaluate any kind of statement in a subjective or objective manner by expressing their level of agreement or disagreement. Dichotomous questions only have two response choices such as yes or no. Whereas ordinal questions require the respondent to rank objects that are presented to them simultaneously according to some kind of criteria. All the different types of close-ended questions were used in various sections of the questionnaire.

Furthermore, Hair *et al.* (2008:170) add that the questionnaire should have at least the following:



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- **Introduction-** the introduction should include the name of the institution that commissioned the research, an introductory statement as well as contact details of the researcher.
- **Content-** the content covers the different questions of the questionnaire.
- **Conclusion-** conclusion includes a statement of thanking the respondent for his or her co-operation in completing the questionnaire.

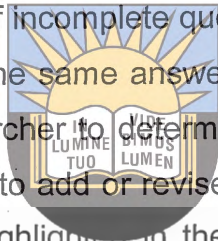
#### • **Items included in the questionnaire**

Section A of the questionnaire used in this study focused on the demographic information of the respondents. Section A was necessary to assess whether the respondent was an African immigrant entrepreneur and also whether the respondent belonged to any of the four target population groups the study was focusing on. Section B focused on the characteristics and business profile of immigrant business. Section C investigated the drivers to immigrant entrepreneurship. Section D assessed the performance of immigrant businesses. Section E investigated the barriers to performance of immigrant entrepreneurs.

#### 4.2.3.3 Pre-testing (Pilot study)

The final evaluation of the questionnaire is obtained from a pre-test. According to Churchill (2002:250) pre-testing is the testing of the questionnaire on a small sample of respondents to identify and eliminate potential problems. When conducting a pre-test, the survey questionnaire is given to a small, representative group of respondents that are asked to fill out the survey and provide feedback to researchers. The essence of a pre-test is to have respondents pay attention to words, phrases, instructions, and question sequence. Respondents are requested to pick out any irregularities that they may find in the questions and also anything respondents found difficult to understand.

Returned questionnaires are then checked for signs of boredom on the part of the respondents reflected by the number of incomplete questionnaires. Other signs of boredom include skipped questions or circling the same answer for all questions within a group. In addition, a pre-test enables the researcher to determine how much time respondents will need to complete the survey, whether to add or revise instructions, and what to say in the cover letter. Problems or concerns highlighted in the pre-test, call for modifications and should be approved by the respondent prior to moving to the next step. The questionnaire was pre-tested in a pilot-study using 20 African-immigrant entrepreneurs in Alice. Pre-testing was done in an effort to detect the questionnaire weaknesses before the formal study is executed. The researcher pre-tested the questionnaire, because, as Churchill (2002:251) points out, pre-testing:



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- Permits a thorough check of the planned statistical and analytical procedures, giving the researcher a chance to evaluate the usefulness of planned statistical and analytical procedures for the data. The researcher may then be able to make needed alterations in the data collecting methods, and therefore, analyze data in the main study more efficiently
- Can greatly reduce the number of unanticipated problems because the researcher has an opportunity to redesign parts of the study to overcome difficulties that the pilot study reveals.

- Saves a lot of time and money. The pre-testing almost always provides enough data for the researcher to decide whether to go ahead with the main study.

#### **4.2.4 Step 4: Sample design**

According to Saunders *et al.* (2003:18) in most researches it is practically impossible to collect data from the entire population due to possession of low budgets and time constraints for most researchers. Hence, most researchers resort to use of population samples which are usually a representative subset of the entire population. Cooper and Schindler (2003:179) define sampling as the act, process, or technique of selecting suitable sample or a representative part of population. In order to get a true representative sample of the population non-probability sampling is used.



##### **4.2.4.1 Population**

According to Hair *et al.* (2008:33) a target population is a specified group of people or objects from which questions can be asked or observation made to obtain information. The target population of this research was all African-immigrant entrepreneurs operating in selected towns and cities in Eastern-Cape Province, King Williams Town, East London, Fort Beaufort and Port Elizabeth). A compilation of lists of affiliated members obtained from the various Ethnic Associations gave a sampling frame total of 245 African-immigrant entrepreneurs operating in selected cities of the Eastern-Cape Province. This study focused mainly on Ghanaians, Senegalese, Nigerians and Somalis. A pilot study conducted by the researcher on Ghanaians, Senegalese, Nigerians and Somalis operating in Alice, pointed out that most immigrant entrepreneurs had social and ethnic networks in these cities, and also, that other ethnic groups were not large enough for us to attain accurate findings. A randomly selected representative sample of immigrant owned SMEs from different segments of SME enterprises operating in Alice, King Williams Town, East London, Fort Beaufort and Port Elizabeth was used. Immigrant entrepreneurs used in the sample were selected basing on the origin of the entrepreneur.

##### **4.2.4.2 Sampling technique**

According to Hair *et al.* (2008:131) sampling methods are divided into two categories; probability and non-probability methods. In probability sampling each unit in the target

population has a known non-zero chance of being selected for the sample. A non-probability sample is when the probability of selecting each unit is not known, that is, selection of sampling units based on intuitive judgement or knowledge of the researcher (Hair et al., 2008:131). However this study made use of probability sampling as it allows the researcher to make inferences from information about a random sample to the population from which it was selected (Bryman & Bell, 2003:101). In addition, non-probability sampling was not used as it involves a high possibility of human judgement which would affect the selection process by making some elements of the population more likely to be selected than others.

Falling under the probability sampling methods are systematic sampling, cluster sampling, stratified sampling and simple random sampling. The simple random sampling method was used as recommended by Fouche *et al.* (2005:25), as they argue that probability sampling allows each sampling unit in the sampling frame to have a known, non-zero probability of being selected from the sample, respecting the principles of unbiased selection of the sampling unit and ensuring proper sample representation of the defined target population.



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#### 4.2.4.3 Sample size

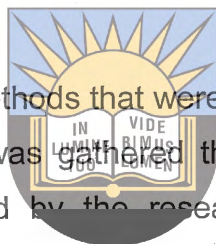
A sample should be a relatively true representation of the target population in terms of key responses. Hair *et al.* (2008:138) argued that in determining the sample size, the researcher must consider how precise the estimates must be and how much time and money are available to collect the required data, since data collection is generally one of the most expensive components of a study.

In reality the sample statistic is known but the population statistic is unknown, so, the difference between the sample and the population value can be assessed in terms of the likelihood that a sample value differs by a certain value from the population value (Leedy, 2005:35). Leedy (2005:35) adds that the correct sample size is dependent on the population and the significance of the study.

The sample size was determined through use of the RAOSOFT sample size calculator. A sampling frame of 245 African-immigrant entrepreneurs operating in selected cities of the Eastern Cape Province was compiled from the lists of affiliated members obtained from the various Ethnic Associations. This resulted in RAOSOFT recommending a sample of 150 African-immigrant entrepreneurs which were interviewed in this study. RAOSOFT is statistical software used in the calculation of sample size. RAOSOFT takes into consideration four factors in determining sample size. These factors include the margin of error, the confidence level, the population and the response distribution. The RAOSOFT sample size calculator gives a recommended minimum sample size for a particular target population.

#### **4.2.5 Step 5: Gathering the data**

This section focuses on the various methods that were used in the actual collection of data and the cleaning of data. The data was gathered through the use of self-administered questionnaires which were distributed by the researcher with the aid of names and addresses obtained from Ethnic Associations. Self-administered questionnaires were also distributed during the general meetings of the various ethnic groups. This method of data collection was used in another study on Chinese Immigrant Entrepreneurs in New England Area by Zhou (2008).



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##### **4.2.5.1 Missing values**

According to Cant *et al.* (2005:202), treatment of missing responses poses problems, particularly if the proportion is more than 10 percent. The researcher is often faced with a dilemma on how to treat missing values that is whether to include or exclude responses from respondents with a large proportion of missing responses. The strategy to be adopted to solve missing values is influenced by factors such as the available sample size, the size of the important groups in the sample, the requirements of the client, and the research firm's policies and practices. In addition, Graham (2009:551) proposed three basic approaches to apply when dealing with missing values; firstly to leave the data as it is with the missing values, secondly to screen out all incomplete questionnaires and thirdly to fill in the incomplete questionnaires with average responses obtained from responses provided

by other respondents. The approach chosen by the researcher in this study is controlled by the Statistical Package for Social Sciences (SPSS) which will either use listwise deletion or pairwise deletion for treating missing values reducing the researcher's options to two.

- **Listwise deletion**

With listwise deletion, the researcher discards any cases with any missing responses for any variable measured in the study. According to Graham (2009:551) under listwise deletion approach, SPSS will not include cases (subjects) that have missing values on the variable(s) under analysis. Listwise deletion is often viewed as an extreme option, which may result in small sample sizes. Deleting large amounts of data is undesirable because data collection is costly and time consuming. Furthermore, listwise deletion results in unnecessary loss of data as it removes all data from subjects who may have answered some of the questions, but not others.



- **Pairwise deletion**

Pairwise deletion approach requires the researcher to use all the cases with complete responses for a specific calculation. A respondent, for example, may not have provided complete answers to all the questions in the survey. These respondents' data will be included in all calculations except those incomplete responses. This approach works well when the overall sample size is very large, there are relatively few missing responses, the variables are not related, and where there is no reason to believe that missing responses follow a systematic pattern across questions. According to Graham (2009:551) another way is to use the mean substitution or regression substitution. Mean substitution replaces the missing value with the mean of the variable. Whereas, regression substitutions uses regression analyses to replace the missing value.

Some research analysts are uncomfortable using the pair-wise deletion. Researchers argue that a high proportion of missing responses may be attributed to a sloppy field work, where the respondent didn't understand key questions, or a hurried respondent who did not adequately consider the choice of responses (Cant *et al.*, 2005:203).

#### **4.2.6 Step 6: Data analysis**

The objective of including the data analysis section in this study is to indicate how the collected data will be analyzed by the researcher. The best way to approach the data analysis is to set objectives (Cant *et al.*, 2003:165). This means, deciding exactly what kind of information needs to be obtained from the data. According to Cant *et al.* (2003:165) the researcher needs to ask himself the following questions: What do we want to investigate? Which specific questions need to be answered? Which analyses need to be conducted in order to answer these questions? Clear analysis objectives will ensure that only relevant analyses are done, that all the analyses necessary to satisfy information needs are done, and that the same things are not repeated (Cant *et al.*, 2003:165). Accomplishing the required analysis objectives, should help the researcher to achieve the research objectives.

Responses obtained from questionnaires will be analysed and evaluated using the Statistical Package for Social Sciences (SPSS). Statistical analyses include descriptive statistics, principal component analysis, T-test, ANOVA and correlation. The Cronbach's alpha will be used to measure reliability. Validity will be ensured through various consultations with a statistician and a panel of experts to evaluate the research instrument for conceptual clarity and by pre-testing the research instrument in a pilot study. The normality of the data will be determined using the Koglomorov-Sminov test. The Pairwise deletion method will be used to treat missing values.

##### **4.2.6.1 Descriptive statistics**

Descriptive statistical techniques will be used to describe characteristics of the population or samples. Descriptive statistics was used to describe the main features of collection of data in quantitative terms. In addition, Terre Blache and Durheim (2002:105) add that descriptive statistics is aimed at describing the data by investigating the distribution of the scores on different variables and how the scores are related to each other. According to Cooper and Schindler (2008:436) descriptive statistics were used to point out location tendency (mean, median, and mode), spread (variance, standard deviation, range, interquartile range) and shape (skewness and kurtosis). Furthermore, a Gerber-Nel et al.

(2005:204) point out that descriptive statistics was also used to summarise the frequencies of individual values or ranges of values for a variable (tables and charts).

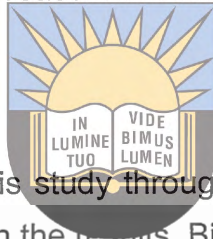
#### 4.2.6.2 Principal component analysis

Principal component analysis was used in this study to confirm the reliability and validity of the measuring instrument (questionnaires), as well as for data reduction. Principal component analysis also assisted in classifying the variables and in developing and refining research hypotheses. According to Leech, Barrett and Morgan (2005:80) the principal components analysis is a data reduction technique used to reduce a large number of variables to a smaller set of underlying factors that summarize the essential information contained in the variables.

According to Cooper and Schindler (2003:180) the Principal component analysis (PCA) is a multivariate statistical method which involves a mathematical procedure that transforms a number of possibly correlated variables into a smaller number of uncorrelated variables called principal components. The first principal component accounts for as much of the variability in the data as possible, and each succeeding component accounts for as much of the remaining variability as possible. The study will also use Varimax orthogonal rotation method developed by Kaiser (1958) where Principal component Eigen-values greater than 1 will be retained. Items with factor loading lower than 0,300 will be removed as suggested by Leech *et al.* (2005:80). The Principal component analysis was used in this study specifically for two main purposes. Firstly, Principal component analysis was used to enhance the validity and reliability of the measuring instrument, as well as data reduction. Secondly, Principal component analysis also assisted in classifying the variables and in developing research hypotheses. Principal component analysis also looks for patterns among the variables to discover whether an underlying combination of the original variables (a factor) can summarize the original set (Cooper & Schindler, 2008:562). Leech *et al.* (2005:80) notes that the assumptions for factor analysis include:

- **Normality-** factor analysis is robust to the assumption of normality. However, if variables are normally distributed, then the solution is enhanced.

- **Sampling adequacy-** Bartlett's test of sphericity and Kaiser-Meyer-Olkin (KMO) aid in measuring the sampling adequacy and can also be used in determining the factorability of the matrix as a whole. If Bartlett's test of sphericity is large and significant, and if the KMO is greater than 0.6, then factorability is assumed. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. High values (between 0.5 and 1.0) indicate factor analysis is appropriate. Values below 0.5 imply that factor analysis may not be appropriate. The KMO guides the researcher to identify whether or not enough items are predicted by each factor. The Bartlett test should be significant (i.e., a significance value of less than .05). This means that the variables are highly correlated enough to provide a reasonable basis for factor analysis (Leech *et al.*, 2005:82).



#### 4.2.6.3 Bivariate data analysis

Bivariate data analysis was used in this study through the simultaneous use of the t-test and ANOVA in testing the differences in the results. Bivariate data analysis is data analysis and hypothesis testing when the investigation concerns simultaneous investigation of two variables using tests of differences or measures of association between two variables at a time (Cooper & Schindler, 2003:531). The t-test and ANOVA were used to test the differences in the results and Pearson correlation was used to test the association.

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According to Coakes (2005:73) t-test is used to determine whether a significant difference exists between two sets of scores, in this study t-test was used to determine if a significant difference exists between the drivers and barriers to performance between male and female immigrant entrepreneurs. ANOVA was used to test for significant differences in situations where the variables were two or more, in this study ANOVA was used to test if a significant difference exists among the drivers and barriers to performance for Senegalese, Nigerians, Ghanaians and Somalis. The Pearson correlation was used to test for the direction and strength of relationship between the barriers and immigrant entrepreneurial performance. According to Coakes (2005:18) the main result of a correlation is called the correlation coefficient (or "r"). It ranges from -1.0 to +1.0. The closer r is to +1 or -1, the

more closely the two variables are related. If  $r$  is close to 0, it means there is no relationship between the variables. The P-value measures the significance. A 5 percent level of significance was used for this study. Table 4.1 depicts the value of  $r$  and the implication for the strength of the relationship.

**Table 4.1: Value of correlation and strength of relationship**

Value of $r$	Strength of relationship
-1.0 to -0.5 or 1.0 to 0.5	Strong
-0.5 to -0.3 or 0.3 to 0.5	Moderate
-0.3 to -0.1 or 0.1 to 0.3	Weak
-0.1 to 0.1	None or very weak



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Source: Adapted from Coakes (2005:9).

**4.2.6.4 Statistical Package for Social Sciences (SPSS)**

SPSS was the statistical software used to analyze data in this study. SPSS is software for performing statistical procedures in the social sciences field. SPSS is an integrated set of modules used for manipulating, analyzing and presenting data. The SPSS package consists of a statistical number of written flexible computer programs which can vary on the maximum or minimum sample size used in research. SPSS has almost all statistical features available and is widely used by researchers to perform quantitative analysis (Coakes, 2005:5).

**4.2.6.5 Validity, reliability and errors**

According to Saunders *et al.* (2003:18) the quality of the collected data needs to be checked according to the following criteria: validity, reliability and errors. To ensure the

credibility of the findings and conclusions of this study, steps were taken to ensure both validity and reliability of the instrument and reduce the errors.

• **Validity**

According to Collis and Hussey (2003:58) validity is the extent to which the research findings accurately represent what is really happening in the situation. Validity ensures according to Cooper *et al.* (2008:289) that you measure what you are supposed to measure. Validation involves telephonically contacting a portion of the respondents surveyed by every field worker, to ensure that the original interview was conducted correctly. Most marketing research firms will re-contact 10 to 30 percent of all completed interviews. There are three types of validity tests namely; content, construct and criterion-related validity tests (Cooper *et al.*, 2008:289).



**Table 4.2: Summary of validity estimates**

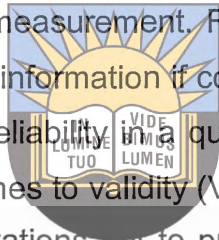
Type of validity	What is measured	Methods
<b>Content</b>	Degree to which the content of the items adequately represent the universe of all relevant items under study	Judgmental or panel evaluation with content validity ratio
<b>Criterion</b>	Degree to which the predictor is adequate in capturing the relevant aspects of the criterion	Correlation
<b>Construct</b>	Identifies the underlying constructs being measured and determine how well the tests represents them	Judgmental; correlation of proposed tests with established one; Factor analysis

Source: Adapted from Cooper and Schindler (2008:289).

The researcher will use the following steps to ensure the validity of the study as pointed out by Cooper and Schindler (2003:214); using a statistician and a panel of experts to evaluate the research instrument for conceptual clarity, pre-testing the research instrument in a pilot study, sampling was carried out using probability methods ensuring external population validity, using self-administered questionnaires, which generally have a high response rate, using a big sample size with a margin of error of not more than 5 percent and a confidence level of 95 percent and comprehensively reviewing the literature for theoretical constructs and empirical conclusions.

- **Reliability**

According to Visser (2010:195) reliability is the extent to which the scores obtained may be generalized to different occasions of measurement. Reliability is concerned with whether other researchers would reveal similar information if conducting the same study (Saunders *et al.*, 2003:18). It is easier to reach reliability in a qualitative study than in a quantitative study and the same is true when it comes to validity (Visser, 2010:195). Since a qualitative study does not aim to make generalizations but to present examples, reliability does not have to be as high as it has to be in a quantitative study. The Cronbach's alpha will be used to measure reliability.

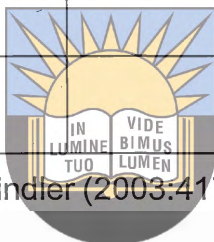


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According to Visser (2010:195) the Cronbach's alpha coefficient ( $\alpha$ ) provides a measure of internal consistency. Cronbach's alpha estimates the proportion of true score variance that is captured by the items by comparing the sum of item variances with the variance of the sum scale. Cooper and Schindler (2003:417) add that a score of 0.7 is the acceptable reliability coefficient but lower thresholds are sometimes used in the literature. Table 4.3 shows the Cronbach alpha scale:

**Table 4.3: Cronbach's alpha scale**

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable



Source: Adapted from Cooper and Schindler (2003:417).

Babbie and Monton (2002:81) recommend that the following steps be followed to ensure reliability of the data gathered in a study.

- Pre-testing the research instrument in the survey development stage through a pilot study.
- Discussing with senior researcher who have previous experiences in similar studies.
- Keeping open-ended questions to the minimum; devising response scales that are likely to increase the variability of responses thereby ensuring higher statistical value from the data by using a large sample size.
- Performing a thorough review of the literature in the field of interest.

SPSS software offers reliability analysis statistics. Reliability analysis allows you to study the properties of measurement scales and the items that make up the scales. The reliability

analysis procedures calculate a number of commonly used measures of scale; reliably and also provide information about the relationship between individual items in the scale. Interclass correlation coefficients can be used to compute reliability estimates. Cooper and Schindler (2008:293) provide a summary if the reliability estimates.

**Table 4.4: Summary of reliability estimates**

Coefficient	What is measured	Methods and types
<b>Stability</b>	Reliability of a test or instrument is inferred from examine scores. The same test is administered twice to same subjects over a period of less than six months.	Correlation; test-retest
<b>Equivalence</b>	Degree to which alternative forms of the same measure produce or similar results. Administered simultaneously without a delay.	Correlation, parallel forms
<b>Internal consistency</b>	Degree to which instrument items are homogeneous and reflect the same underlying constructs.	Specialised correlation: split half, KR20 and Cronbach's alpha

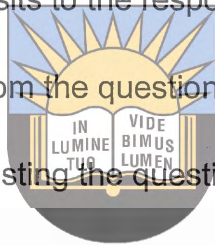
Source: Adapted from Cooper and Schindler (2008:293).

**• Errors**

According to Aaker, Kumar and Day (2008:81) many research errors can have an adverse effect on the quality of the data collected hence the reliability of results obtained. It is therefore the duty of the researcher to ensure that research errors are kept to a minimal. Among the commonly cited errors are response errors and non-response errors (Cooper & Schindler, 2003:332). Response errors occur when the respondent, intentionally or

unintentionally, provides inaccurate answers to the questions asked. This can be caused by respondent's inability to fully comprehend the question due to fatigue, boredom, or misinterpretation of the question. On the other hand non-response errors occur when some elements or respondents of a sample are not contacted, and hence their responses totally excluded in the study or some of the elements contacted provide incomplete answers or totally do not respond to any of the survey questions asked. In order to reduce non-response errors, Babbie and Monton (2002:81) suggested the following steps:

- Using self-administered questionnaires, which involved a direct meeting between the researcher and the respondents.
- Repeated telephone calls and visits to the respondents.
- Removing sensitive questions from the questionnaire.
- Carefully constructing and pre-testing the questionnaires.



#### **4.2.7 Step 7: Reporting the results**

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This step marks the end of the research process as proposed by Zikmund (2003:61) in the seven steps of the business research process. It is at this stage of the research that the researcher reports the research findings, conclusions and makes recommendations (Gerber-Nel *et al.*, 2005:234). The next chapter will focus precisely on the presentation of research results.

### **4.3 ETHICAL CONSIDERATION**

According to Cant *et al.* (2005:11) ethics within a society pertain to commonly accepted standards of right and wrong behaviour. This research put ethical considerations into practice. The participation of respondents was voluntary meaning that respondents participated at their own free will and respondents were allowed to withdraw from the survey at any time. Participants were treated in a way that protected their rights, dignity and their welfare. The researcher therefore ensured that no embarrassing and prying questions, which might result in the respondents feeling uncomfortable, were asked. All

participants were informed on the aim, purpose, duration and objectives of the study and how the collected data was going to be of use and benefit to the society. It was the duty of the researcher to keep personal information of the respondents under strict confidence. The research process ensured that no harm befell the participants before, during and after the process. The researcher therefore had the duty to debrief the participants on certain aspects that participants had been deceived on, during the research process.

#### **4.4 SUMMARY**

This chapter examined the research methodology used in this study. The steps in the business research process were identified and followed by the researcher. The chapter discussed the scope of the survey, sampling method and the organization of the survey. Additionally, the chapter examined the data gathering technique used for the research study, especially the rationale for choosing the self-administered questionnaire. It also looked at the data collection technique, data processing and the statistical packages used to analyse data. Furthermore, the chapter examined the reliability of the results, the errors that can affect the validity of the results and methods that were used by the researcher to minimise these errors. The final step in the research process which focuses on analysis of results obtained from the empirical study will be presented in the next chapter.



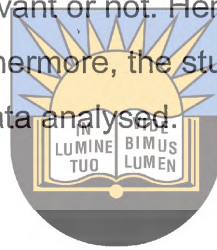
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# CHAPTER FIVE

## RESEARCH RESULTS

### 5.1 INTRODUCTION

This chapter presents empirical evidence on the drivers and barriers to the performance of immigrant entrepreneurs in South Africa. The purpose of this chapter is to present and interpret the empirical findings of this research. Data was analysed using the principal component analysis, descriptive statistics, T-test, ANOVA and Pearson correlation. The findings of this research must be relevant to the objectives of the research as these determine whether the research is relevant or not. Hence, a summary of findings in relation to the hypotheses was also done. Furthermore, the study results are presented in summary form due to the huge volumes of the data analysed.



### 5.2 EMPIRICAL FINDINGS

#### 5.2.1 Response rate

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Table 5.1: Response rate

Respondents	No. sent out	No. Returned	Response rate
African-immigrant entrepreneurs	150	101	67%

150 questionnaires were sent out to the respondents and 101 questionnaires returned. The response rate is 67 percent.

#### 5.2.2 The Normality of the data

The normality of the data is determined using the Koglomorov-Smirnov test. According to Coakes (2005:35) the Koglomorov-Smirnov statistic quantifies distance between the empirical distribution functions of two samples. If the significance level is greater than 0.05

then the data is assumed to be normal. The significance of the Koglomorov-Smirnov test in this study was greater than 0.05. Therefore the normality of the data can be assumed.

### 5.2.3 Reliability of the questionnaire

The questionnaire used in this study consists of five sections. The first section provides demographic information of the respondents, the second section identifies the characteristics and business profile of immigrant entrepreneurs, the third section focuses on identifying the most prevalent drivers to immigrant entrepreneurship, the fourth section seek to establish the perceptions of immigrant entrepreneurs on the performance of their businesses and the last section focuses on highlighting the various factors barring immigrant entrepreneurs from successfully performing in their businesses. The reliability of the variables in two of the five sections, namely drivers and barriers is tested using the Cronbach's coefficient alpha. The variables were only tested after the questionnaires were returned and the reliability of each variable is depicted in Table 5.2.



**Table 5.2: Reliability test of the variables**

	Number of variables	Cronbach's alpha
<b>Drivers</b>	18	0.800
<b>Barriers</b>	10	0.768

The first variable (drivers) had eighteen items with an alpha of 0.800. The second variable (barriers) had ten items with an alpha of 0.768. According to Cooper and Schindler (2003:417) a Cronbach's alpha coefficient score of 0.7 is the acceptable reliability coefficient. Therefore, it can be concluded that the scales for drivers and barriers are reliable.

## 5.3 RESEARCH RESULTS


This section presents the analysis and interpretation of data obtained from the respondents in the study area through self-administered questionnaires. This section of the study discusses the outcomes of this study by analysing every section of the questionnaire. A proper analysis of results enables the researcher to make effective recommendations and conclusions of the research.

### 5.3.1 Section A: Demographic information

Demographic information is necessary in a study as it gives the researcher a picture of the general profile of the respondents, that is, gender, age, nationality and the period that the immigrant entrepreneur has stayed in South Africa.

#### 5.3.1.1 Question 1: The gender of the respondents

Table 5.3: Gender of the respondents



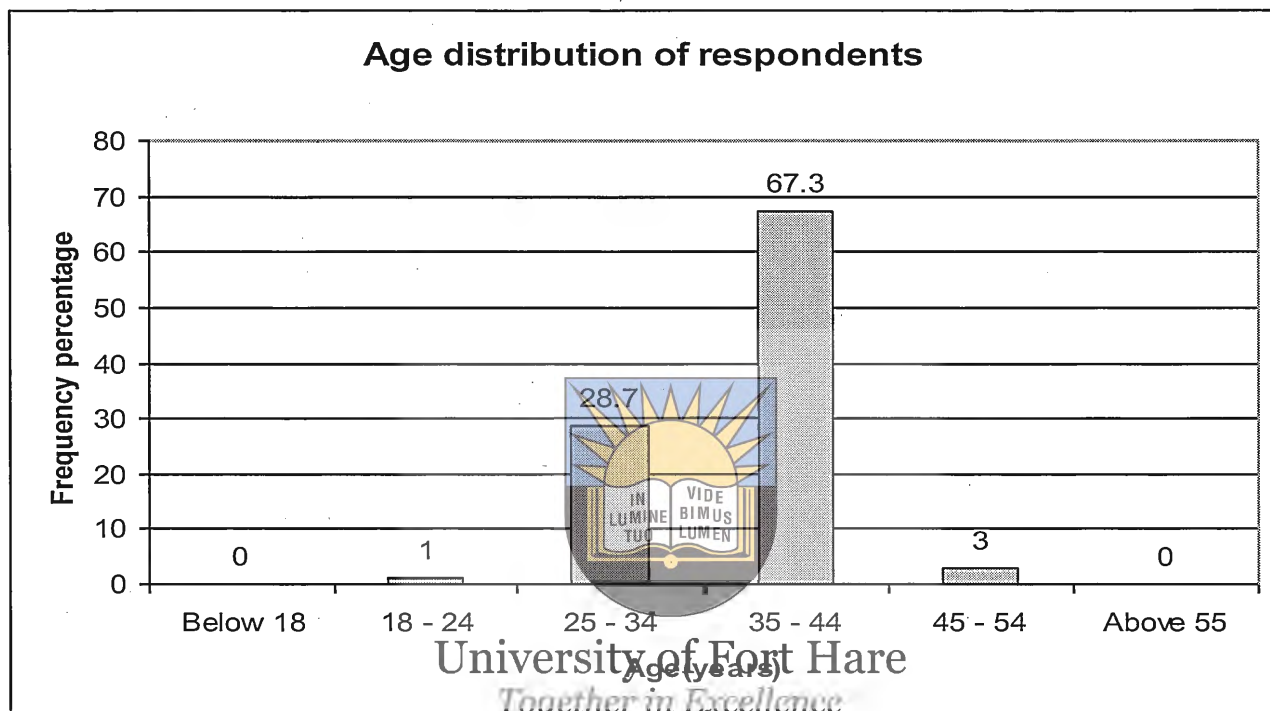
Gender	Frequency	Percentage (%)
Male	82	81%
Female	19	19%
<b>Total</b>	<b>101</b>	<b>100%</b>

Table 5.3 shows that 82(81%) of the respondents were male African-immigrant entrepreneurs while 19(19%) were female African-immigrant entrepreneurs. The findings show that African-immigrant men are more involved in small business compared to African-immigrant women. This result is consistent with the results found by Kalitanyi and Vissier (2010:381) who note that majority (97%) of immigrant businesses are run by male immigrants while the women are preoccupied with household activities such as baby-sitting, learning English, or short courses provided by Ethnic Associations.

### 5.3.1.2 Question 2: The age of the respondents

The figure below shows the results obtained for the age of respondents.

Figure 5.1: Age of the respondents



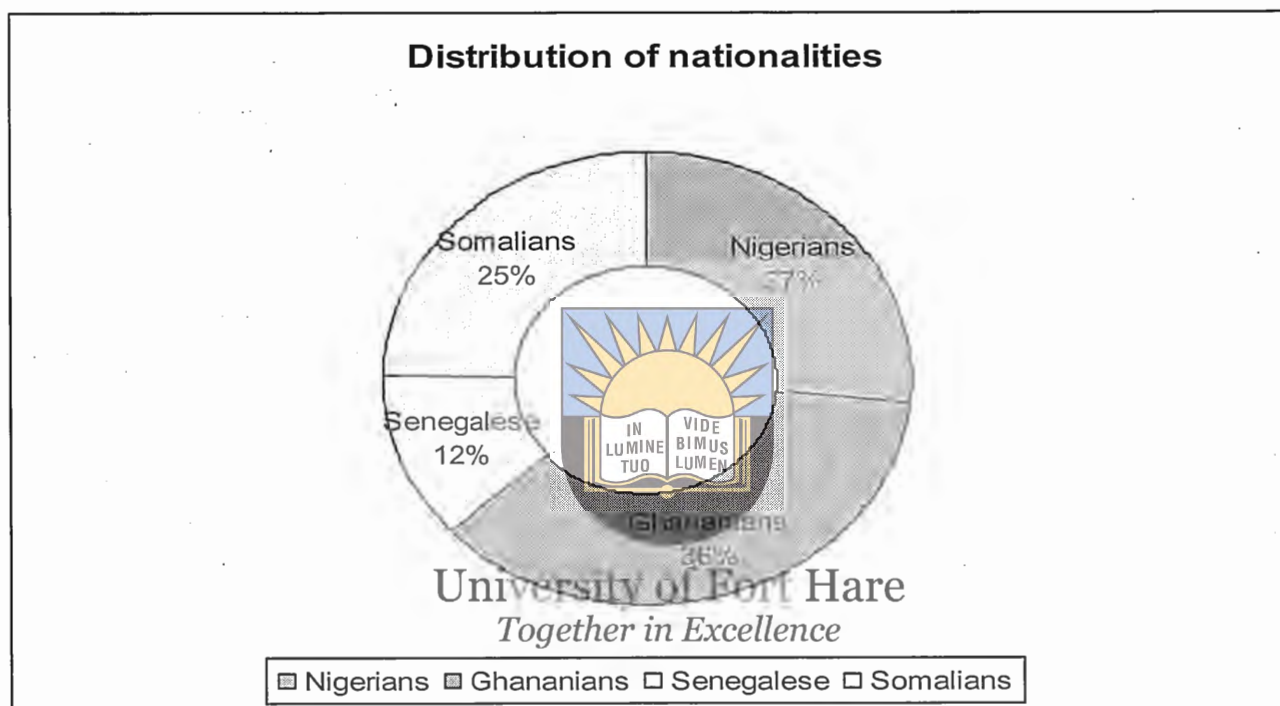
The age was distributed into six categories, that is: below 18years, 18-24years, 25-34years, 35-44years, 45-54years, above 55years. The distribution shows that the majorities of the respondents in the study were those between the age 35-44years (67%), followed by the 25-34years (29%) category, then the 45-54years (3%), only one person (1%) was in the 18-24years category, no respondents were found in the below 18years and the above 55years age category. The results of this study are similar to the findings by Zindiye (2008:167) who points out that two age peaks correlate to entrepreneurship, namely the late twenties and mid-forties.

### 5.3.1.3 Question 3: The nationality of the respondents

This question seeks to establish the nationality of the respondents. This study focuses mainly on Ghanaians, Senegalese, Nigerians and Somalis. A pilot study conducted by the researcher on Ghanaians, Senegalese, Nigerians and Somalis operating in Alice, points

out that most immigrant entrepreneurs have social and ethnic networks in these cities, and also, that other ethnic groups are not large enough for the researcher to attain accurate findings. Figure 5.2 shows the nationality of the respondents.

**Figure 5.2: Nationality of the respondents**



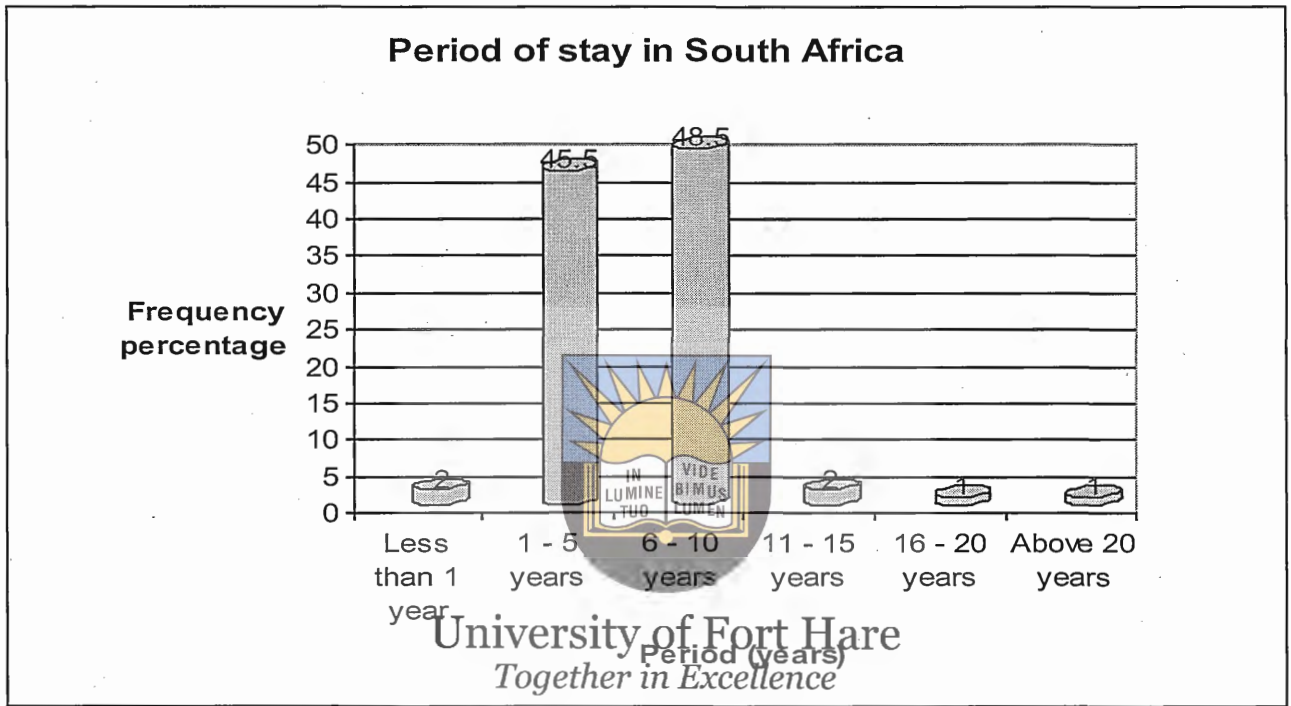
Majority of the respondents were Ghanaian nationals (36%), followed by Nigerian nationals (27%), who were closely followed by Somalis (25%), and the nationality with the least representation was the Senegalese (12%). These results could maybe explained by the language barrier that existed between the researcher and most Senegalese. It was noted by the researcher during data collection that; most Senegalese are French speaking as compared to the other three nationalities who communicated better in English, hence the low percentage of response rate.

#### **5.3.1.4 Question 4: The period of stay in South Africa of the respondents**

This question seeks to establish the period of stay that most immigrants have stayed in South Africa in order to determine if their period of stay justifies the fact that lack of

employment and dire need to survive pushed them into establishing small businesses. Figure 5.3 shows the period of stay in South Africa of the respondents.

**Figure 5.3: Period of stay in South Africa of the respondents**



Majority of respondents claim to have stayed in South Africa for a period of 6-10 years (49%), close to this category are those immigrants who have stayed for a period between 1-5years (46%), followed by those who have stayed for 11-15years (2%) and less than 1year (2%), only one respondent had stayed in South Africa for a period of 16-20years (1%) and another one for more than 20years (1%). This result is consistent with results obtained by Kalitanyi and Vissier (2010:381) whose study reveals that all the immigrants interviewed had been living in South Africa for more than a year.

**5.3.2 Section B: Characteristics and Business Profile of Immigrant Business**

Section B of the questionnaire establishes the general characteristics and business profile of immigrant business. This section comprises of questions ranging from question 5 to question 18.

### 5.3.2.1 Question 5: Immigrant category for moving to South Africa

This question seek to establish the category under which the immigrant moved to South Africa in an effort to understand the motive behind immigrants settling in South Africa and how that adds up to immigrants ending up being entrepreneurs. Table 5.4 below shows the different results obtained on the various categories that immigrant entrepreneurs migrated to South Africa under.

**Table 5.4: Immigrant category for moving to South Africa**

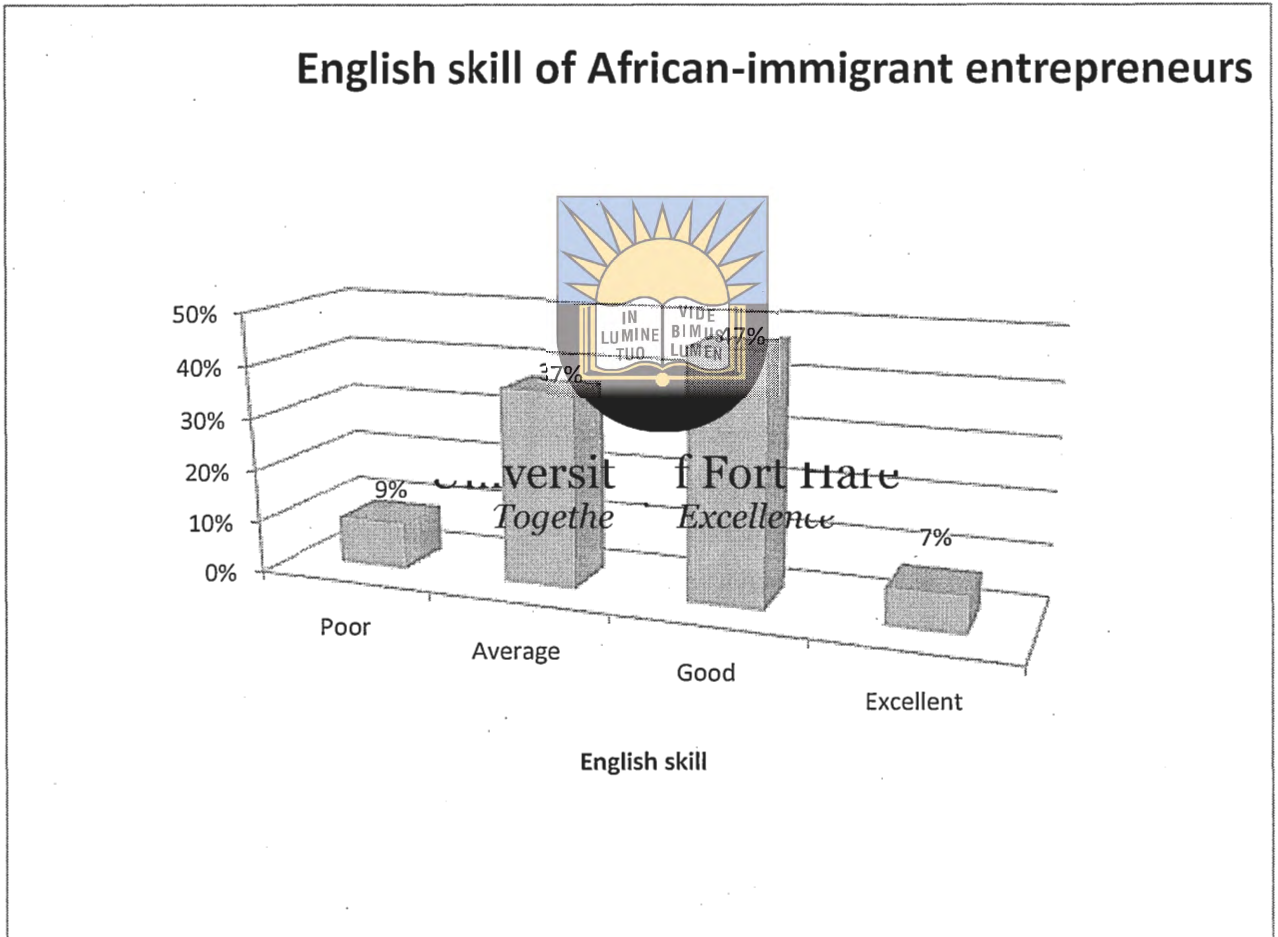
Category	Frequency	Percentage (%)
Family	14	14%
Skilled worker	12	12%
Entrepreneur	1	1%
Refugee	70	69%
Investor	1	1%
Other	3	3%
<b>Total</b>	<b>101</b>	<b>100%</b>

70 respondents (69%) came to South Africa as refugees, 14 respondents (14%) came to South Africa through invitations from family and 12 (12%) came to South Africa as skilled workers. 3 respondents (3%) came to South Africa under other categories, 1 respondent (1%) came to South Africa as an entrepreneur and another one (1%) came to South Africa as an investor.

### 5.3.2.2 Question 6: English skill of respondents

Question 6 investigates on the English skill of immigrant entrepreneurs in an effort to establish whether the results obtained in this research are consistent to other characteristics of immigrant entrepreneurs obtained in earlier researches. Figure 5.4 shows the English skill of respondents.

Figure 5.4: English skill of respondents



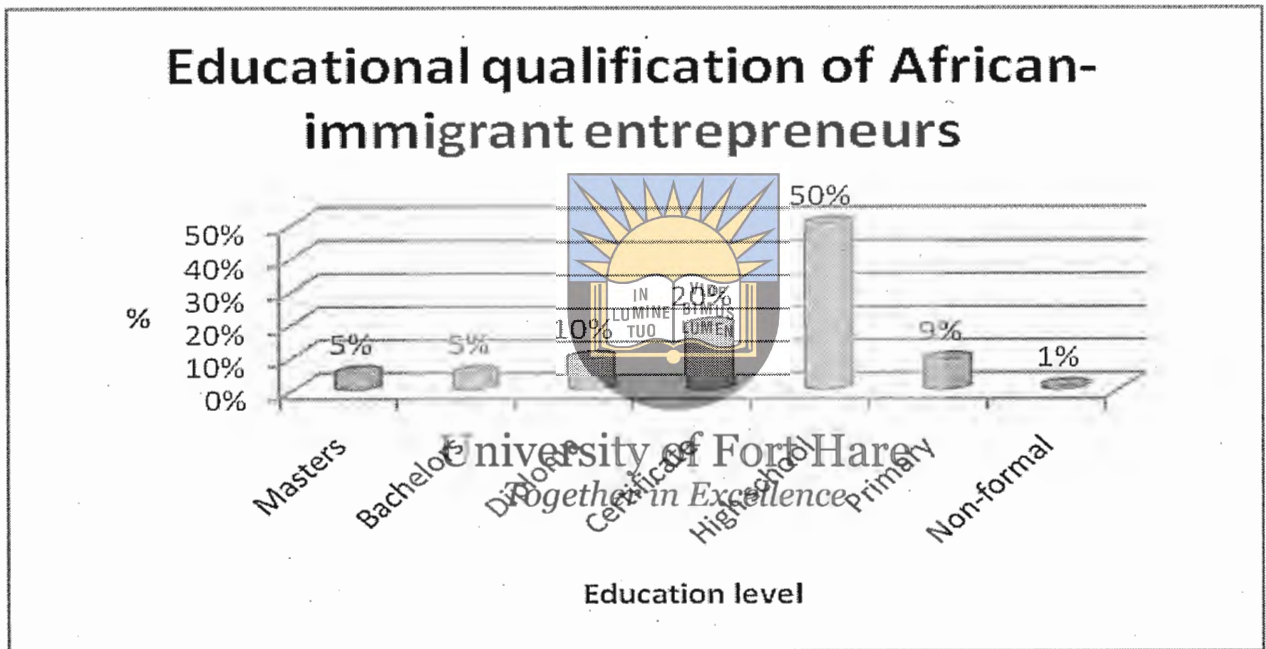
47 African immigrant entrepreneurs (47%) interviewed had good English skill, 37 African-immigrant entrepreneurs (37%) possessed average English skill, 9 African-immigrant entrepreneurs (9%) admitted they possessed poor English skill and only 8 African-immigrant entrepreneurs (7%) possessed excellent English skill. In total 91 percent of African-immigrants possessed an average and above English skill a result which is

consistent to earlier studies which highlighted that most immigrant entrepreneurs are usually equipped with high literacy skills (Mitchell, 2004:3; Kalitanyi & Vissier, 2010:381).

**5.3.2.3 Question 7: Educational qualification of African-immigrant entrepreneurs**

Figure 5.5 presents the educational qualification of African-immigrant entrepreneurs interviewed for this study.

**Figure 5.5: Educational qualification of African-immigrant entrepreneurs**



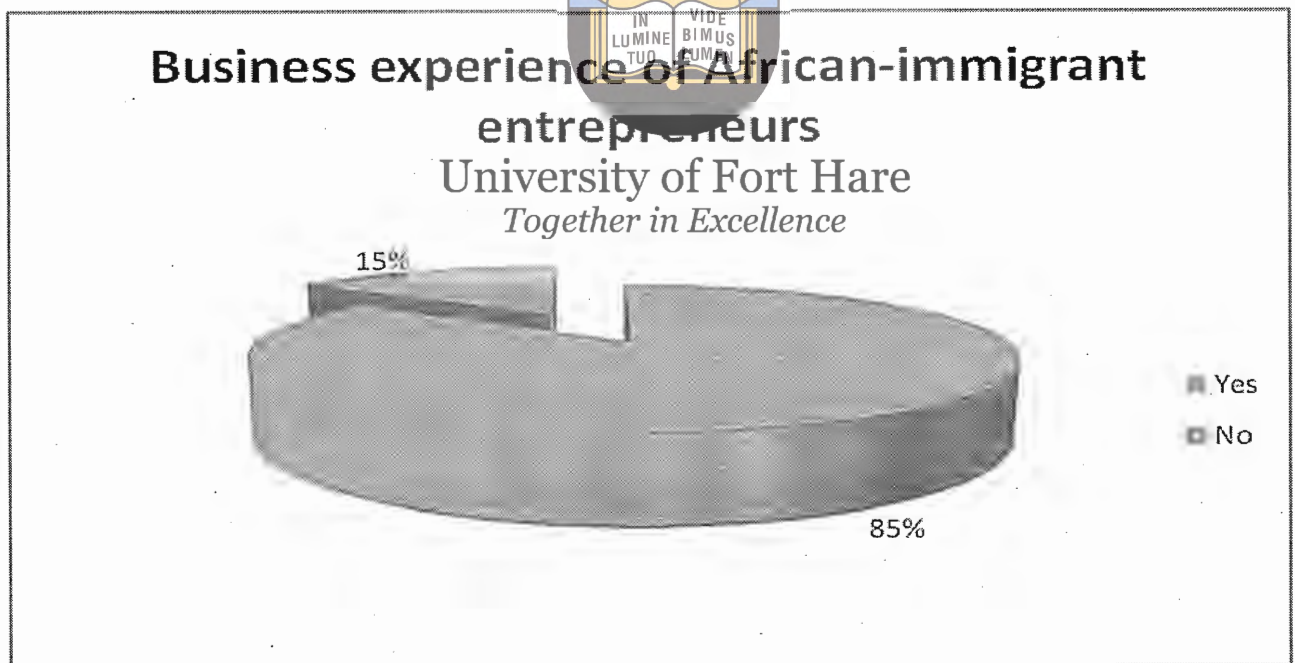
Most immigrant entrepreneurs in the sample possessed a High school level education (50%), 20 percent possessed a certificate and 10 percent had obtained a diploma. Only 9 percent of immigrant entrepreneurs had gone to school as far as primary school. 5 percent of immigrant entrepreneurs had obtained a Bachelors degree together with another 5 percent of immigrants who had attained a Masters degree. Only (1%) of the immigrant entrepreneurs admitted to not possessing any form of formal education. In total, 90 percent of the interviewed immigrant entrepreneurs claimed to have attained at least High school education or higher. The results obtained in this study on the educational qualification of immigrants is consistent with Timberg (2005:15) who highlights that in the UN survey, asylum seekers were found to be well educated, with two-thirds holding a high school

diploma or higher. Mitchell (2004:3) also notes that immigrants had a minimum of 10 to 12 year of education.

#### 5.3.2.4 Question 9: Business experience of African-immigrant entrepreneurs

Question 9 establishes whether African-immigrant entrepreneurs had business history or experience prior to establishing their own businesses, which could maybe explain their strong orientation towards entrepreneurship. According to Drennan *et al.* (2005:15) parental business experience as well as being raised in a family that is entrepreneurial significantly drives individuals to start their own businesses. Figure 5.6 below shows the results on whether African-immigrant entrepreneurs possessed any business history or experience.

Figure 5.6: Business experience of African-immigrant entrepreneurs



Most African-immigrant entrepreneurs (85%) had either owned a business or worked in a family business in their home country before establishing their own businesses in South Africa. Only 15 percent of the respondents had neither owned a business nor worked in a family business in their home country before establishing their own businesses in South Africa.

### 5.3.2.5 Question 10: Number of years of business experience of African-immigrant entrepreneurs

Question 10 was dependent on Question 9. Only respondents who had attested to having owned or worked in a family business before establishing their own businesses in South Africa answered this question. This question aimed to establish the years of experience in business operation of African immigrant entrepreneurs in an effort to see if this drove immigrants into entrepreneurship or maybe explained the number of barriers immigrant entrepreneurs faced when running immigrant businesses. Table 5.5 shows the number of years of business experience of African-immigrant entrepreneurs.

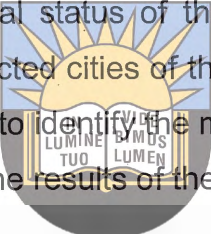
**Table 5.5: Number of years of business experience of African-immigrant entrepreneurs**

Number of years	Frequency	Percentage (%)
Less than 1 year	18	21%
1-5 years	54	63%
6-10 years	11	13%
11-15 years	2	2%
16-20 years	1	1%
20+ years	0	0%
<b>Total</b>	<b>86</b>	<b>100%</b>

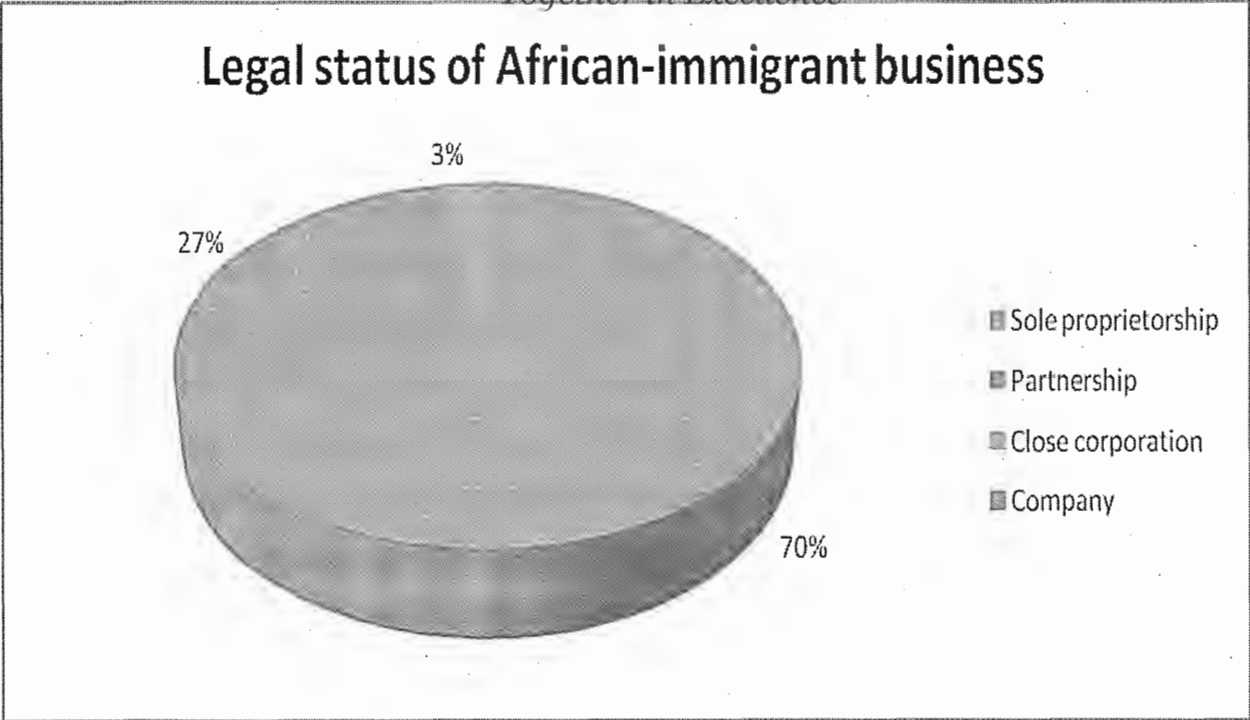
Majority of the immigrant entrepreneurs (63%) claimed to have been running business in their home countries for a period of 1-5years, the second largest group (21%) was that of immigrant entrepreneurs who had only operated in their countries of origin for less than 1year. 13 percent of immigrant entrepreneurs claimed to have been running their business in their home countries' business market for a period of 6-10years. Only 2 percent of the respondents claimed to have been operating for a period of 11-15years, 1(1%) African-immigrant entrepreneurs had operated for a period of 16-20years and no interviewed African-immigrant entrepreneur attested to have operated a business for more than 20years.

**5.3.2.6 Question 11: Legal status of African-immigrant businesses.**

This question sought to clarify the legal status of the various businesses being run by African-immigrant entrepreneurs in selected cities of the Eastern Cape Province. The legal status of the firm helped the researcher to identify the most common legal status of African-immigrant business. Figure 5.7 shows the results of the various legal statuses.



**Figure 5.7: Legal status of African-immigrant businesses**  
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Most African-immigrant businesses were operating as sole proprietorships (70%) and others as partnerships (27%), only 3 percent of African-immigrant businesses were operating as close corporations and none was operating as a company. The results indicate that most of African-immigrant entrepreneurs' businesses (97%) fall under the sole proprietorships and partnership categories. This could be explained by the fact that the formation of sole proprietorships does not encompass a lot of regulations and formalities, hence sole proprietorships are by far the most popular form of business (Cronje *et al.*, 2004:59).

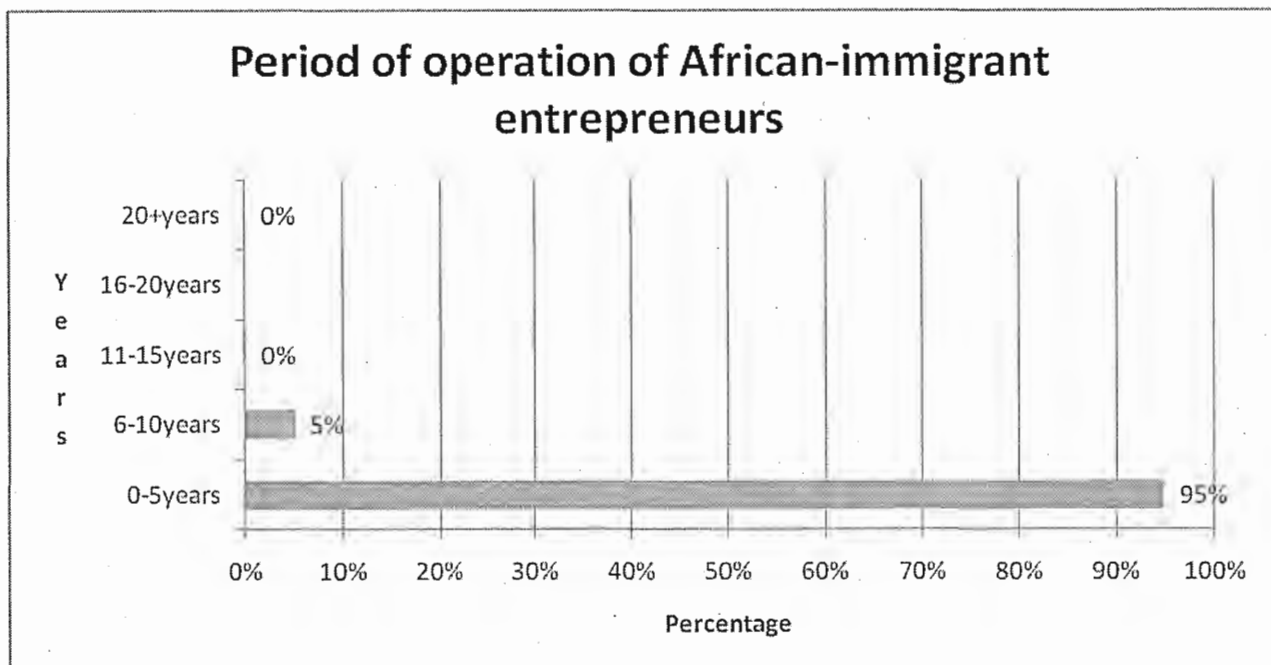
### 5.3.2.7 Question 12: Period of business operation of African-immigrant entrepreneurs

Question 12 examines the number of years the immigrant business has been in operation. This question was necessary to enable the researcher to obtain information on how long the business has been operational in an effort to find out if this affects the performance and barriers faced by the immigrant entrepreneur. Figure 5.8 below shows the number of years that African-immigrant entrepreneurs have been in business.



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Figure 5.8: Period of business operation of African-immigrant entrepreneurs

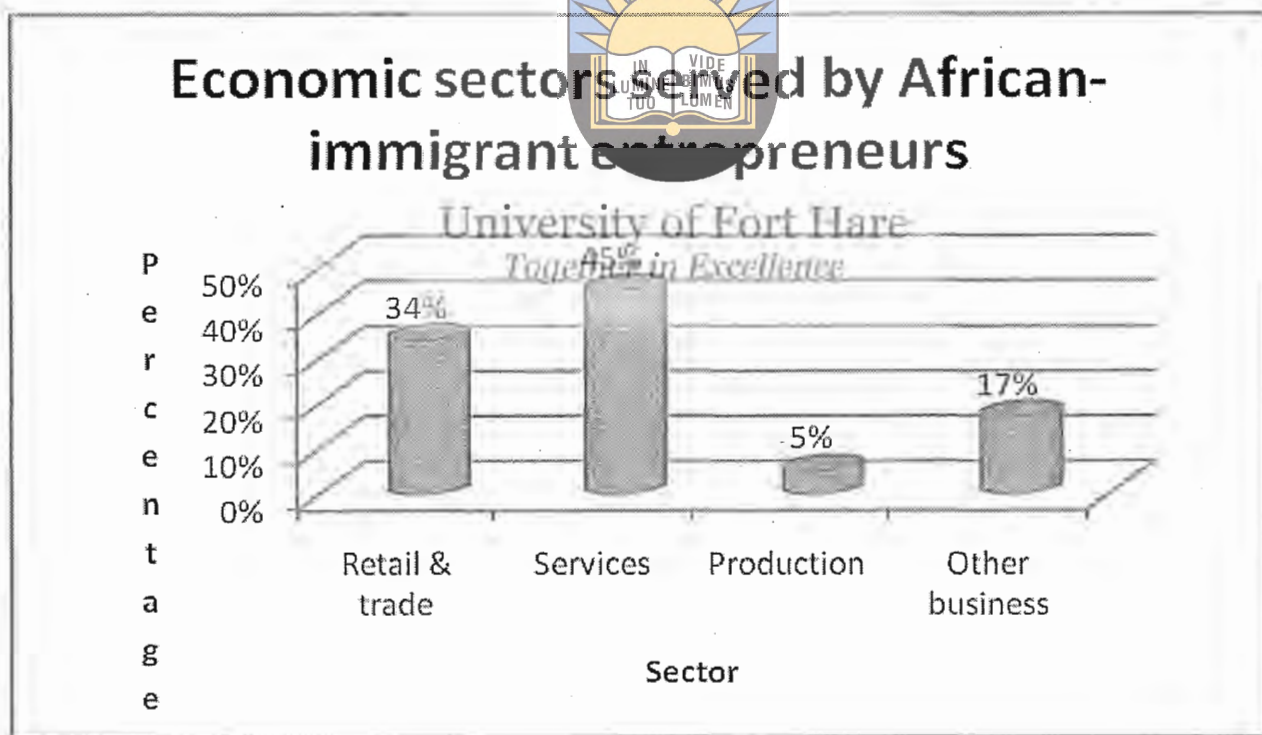


95 percent of the respondents have been operational for between 0-5 years, while 5 percent have been in business for 6-10 years and the rest of the categories did not have respondents who match the periods.

### 5.3.2.8 Question 13: Economic sectors served by African-immigrant entrepreneurs

This question allows the researcher to establish the various economic sectors served by African-immigrant entrepreneurs. Information obtained from this question allows the researcher to establish the most dominant SME sector and how representative and reliable the research findings are. Figure 5.9 below shows the various economic sectors served by African-immigrant entrepreneurs.

**Figure 5.9: Economic sectors served by African-immigrant entrepreneurs**



The study establishes that majority of African-immigrant entrepreneurs are engaged in a variety of business activities. The majority of the African-immigrant entrepreneurs are involved in retail and trade (*curio selling, selling ethnic clothing and food retail*), service (*motor-car repairs/panel beating, hairdressing, operating restaurants*), Production

(traditional clothing, wedding dresses, general tailoring) and other business sectors (nightclubs, cafes, music shops, traditional healing and several import/export). These results are consistent with the findings by Kalitanyi and Vissier (2010:381) and of the 2007 studies made by the Amathole Economic Development Agency in partnership with Small Enterprise Development Agency (SEDA). The survey shows that majority of African-immigrant entrepreneurs (45%) are operating in the services economic sector, 34 percent of African-immigrant entrepreneurs serve in the retail and trade sector, 17 percent of the African-immigrant entrepreneurs operate in other business sectors and only 5 percent of African-immigrant entrepreneurs serve in the production sector.

### 5.3.2.9 Question 14: Employment creation by African-immigrant entrepreneurs

Questions 14, 15 and 16 focused on the number of employees and general composition of the employees employed by African-immigrant entrepreneurs. Questions 14, 15 and 16 were necessary to prove that African-immigrant entrepreneurs create employment, not only for immigrants but also for unemployed South Africans (Dana & Morris, 2007:15). Table 5.6 shows the number and composition of employees employed by African-immigrant entrepreneurs.



**Table 5.6: Number and composition of employees employed by African-immigrant entrepreneurs.**

Preference in employment	Origin of African immigrants entrepreneurs									
	Nigeria N=27		Somalia N=25		Senegal N=12		Ghana N=37		Total N=101	
	F	%	F	%	F	%	F	%	F	%
South Africans	20	74	20	80	11	92	28	76	79	78

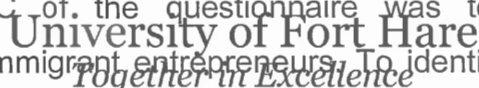
Immigrants	2	7	2	8	0	0	2	5	6	6
Both	5	19	3	12	1	8	7	19	16	16
<b>TOTAL</b>	<b>27</b>	<b>100</b>	<b>25</b>	<b>100</b>	<b>12</b>	<b>100</b>	<b>37</b>	<b>100</b>	<b>101</b>	<b>100</b>
<b>N: Number of respondents</b>			<b>F: Frequency</b>				<b>?: Percentage</b>			

Majority of the interviewed African immigrant entrepreneurs (78%) employ South Africans only, followed by 16 percent of the respondents who claimed to employ both South Africans and fellow immigrants. Only 6 percent of African-immigrant entrepreneurs employed immigrants only. The results indicate that immigrant entrepreneurship can be one of the ways to reduce the high unemployment rate in South Africa.



### 5.3.4 Section C: Drivers of Immigrant Entrepreneurship

The objective of Section C of the questionnaire was to identify the drivers to entrepreneurship of African immigrant entrepreneurs. To identify the drivers to immigrant entrepreneurship, an eighteen-item scale was developed after the review of the literature such as Choo and Wong (2009:53) who also used a similar scale to determine the drivers to entrepreneurship. Table 5.7 below presents the means and standard deviations of the drivers to African-immigrant entrepreneurship.



**Table 5.7: Drivers of Immigrant Entrepreneurship**

Drivers	Mean	Standard deviation
To take advantage of my creative talent	3.41	0.695
For my own satisfaction and growth	3.48	0.687

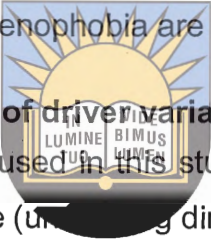
To provide employment	4.92	0.877
To challenge myself	3.31	0.703
To be my own boss	4.57	0.740
To provide job security	4.02	0.565
To earn a reasonable living	4.73	0.546
I enjoy taking risks	3.09	0.567
Utilisation of skills and experience	3.83	0.649
Entrepreneurial family culture	3.82	0.779
Availability of support from other immigrant entrepreneurs	3.58	0.676
Discrimination and unfair employment practices	4.44	0.974
To invest personal savings	3.56	0.805
To increase my prestige and status	3.45	0.624
Existence of opportunities in the market	3.87	0.981
To support my family	3.39	0.616



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To have personal freedom	3.36	0.626
To realise my dream	3.54	0.954

The results for drivers to African-immigrant entrepreneurship indicated that; to provide employment (4.92), to earn a reasonable living (4.73), and to be my own boss (4.57), had the highest means, while I enjoy taking risks (3.09), to challenge myself (3.31) and to have personal freedom (3.36), had the lowest means. The results indicated that most African-immigrant entrepreneurs are driven into entrepreneurship by employment and the dire need to earn a reasonable living, a result which explains why they continue to thrive in an environment where discrimination and xenophobia are rife.



**5.3.4.1 Principal component analysis of driver variables**

The principal component analysis was used in this study, primarily for data reduction and secondarily for the detection of structure (underlying dimension) in the set of both the driver and barrier variables. The procedure followed in this study was such that; questionnaire items with factor loading lower than 0.300 were discarded as suggested by Leech *et al.* (2005:13). The results of the principal component analysis are presented below:

**A. BTS AND KMO**

To justify the use of the factor analysis, the Barlett Test of Sphericity (BTS) and Kaiser-Meyer-Oklin (KMO) test of appropriateness were carried out accordingly. If the Bartlett's test of sphericity is large and significant and KMO is greater than 0.6 then factorability is assumed. The results of the BTS and KMO are presented in table 5.8 below

**Table 5.8: KMO and BTS of driver variable**

Variables	Results
KMO	0.735
BTS	2760.415
Sig.	0.00

The results (BTS=2760.415; sig. =0.00) indicated that the data was appropriate for the purpose of factor analysis. A statistical interpretation of the result entailed that there existed a relationship between the variables hence they were included in the factor analysis. The result of the KMO measure of sampling adequacy was 0.735, a result which indicated that there were sufficient items for each factor. Therefore, the two tests supported the appropriateness of the principal component analysis technique.



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**B. Rotated factor loading for drivers** *Together in Excellence*

This section showed the factor loading for drivers for African-immigrant entrepreneurs. Four factors were identified for the respondents. Table 5.9 below shows the rotated factor matrix for drivers to African-immigrant entrepreneurship.

**Table 5.9: Rotated factor matrix for drivers to African-immigrant entrepreneurship**

Factors	1	2	3	4
To provide employment	0.92			
To earn a reasonable living	0.91			
To support my family	0.89			

Existence of opportunities in the market	0.89			
To provide job security	0.74			
Discrimination and unfair employment practices	0.74			
To take advantage of my creative talent	0.66			
Utilisation of skills and experience		0.96		
Entrepreneurial family culture		0.70		
To invest personal savings		0.64		
Availability of support from other immigrant entrepreneurs		0.56		
To challenge myself			0.87	
To be my own boss			0.85	
To realise my dream			0.82	
For my own satisfaction and growth			0.76	
I enjoy taking risk			0.72	
To increase my prestige				0.70



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To have personal freedom				0.63
<b>Eigen value</b>	<b>7.01</b>	<b>4.73</b>	<b>2.15</b>	<b>1.72</b>
<b>Percentage of variance explained</b>	<b>36.90</b>	<b>24.88</b>	<b>11.29</b>	<b>9.06</b>
<b>Cronbach's alpha</b>	<b>0.844</b>	<b>0.903</b>	<b>0.727</b>	<b>0.728</b>

Factor loading less than 0.300 have been omitted

### C. Total variance explained

The results obtained of the principal component analysis, highlighted that four factors with Eigen values greater than one accounted for (62.2%) of the total variance. The four factors were further explained by the total sum of squares after Varimax rotation. The rules of factor analysis stress out that, only factors that possess Eigen values greater than one should be retained. The second rule emphasises that, the higher the percentage of total variance, the greater the contribution of the factor. All the eighteen factors had factor loadings greater than 0.300 hence they were all retained. The four factors driving African-immigrant entrepreneurs into business are presented below in order of importance as indicated by their contribution.

- Factor one was labelled *employment and opportunity*. The Eigen value for the factor was 7.01. The factor comprised of seven items. This was the most important factor according to the factor analysis. Cronbach's alpha for the factor yielded a value of 0.844, indicating the reliability of the factor.
- Factor two was labelled *capital*. The Eigen value for the factor was 4.73. The factor included four items. The Cronbach's alpha for the factor yielded a value of 0.903, indicating reliability of the factor.

- Factor three was labelled *intrinsic rewards*. The Eigen value for the factor was 2.15 and it comprised of five items. Cronbach's alpha for the factor yielded a value of 0.727, which signified its reliability.
- Factor four was labelled *independence and autonomy*. The Eigen value for the factor was 1.72 and it comprised of only two items. The Cronbach's alpha for the factor yielded a value 0.728, indicating the factor's reliability.

#### 5.3.4.2 Mean value of the factors

Table 5.10 depicts the aggregate means of each factor in the order of importance as drivers to immigrant entrepreneurship.

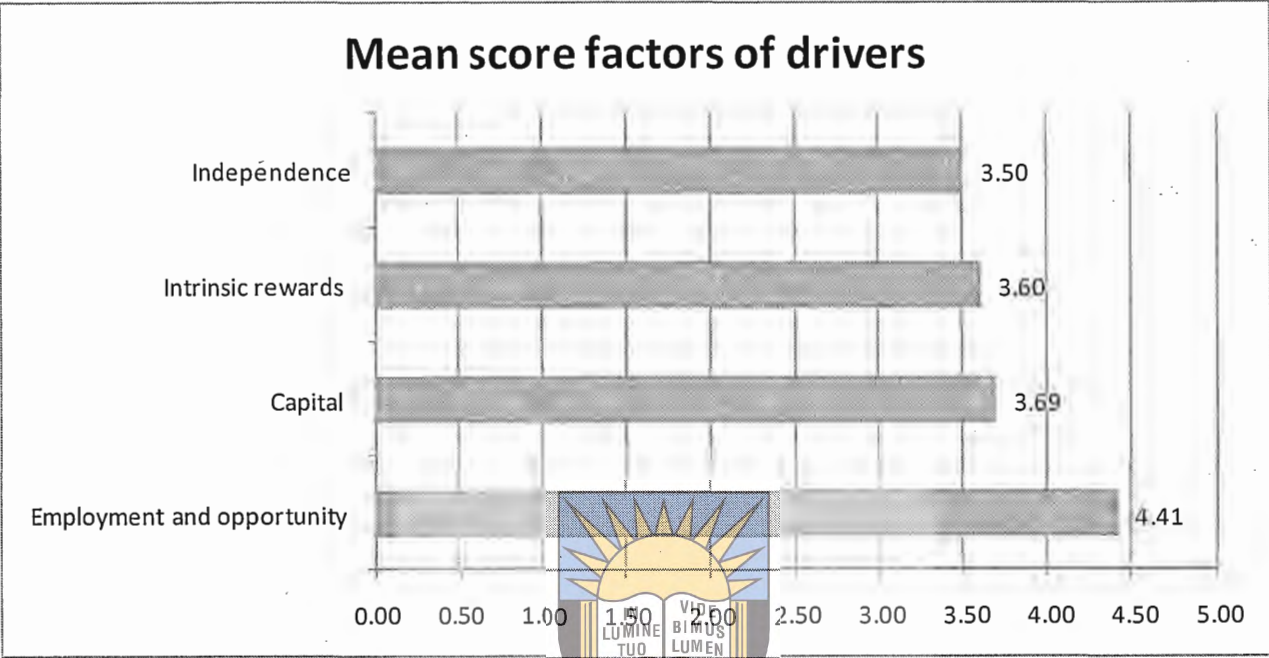
**Table 5.10: Mean factor scores of drivers to immigrant entrepreneurship**

Factor	Mean
Employment and opportunity	4.41
Capital	3.69
Intrinsic rewards	3.60
Independence	3.50

#### 5.3.4.3 Testing for hypotheses

The mean scores for the drivers to immigrant entrepreneurship are shown in Figure 5.10. The mean scores are based on a 5-point Likert scale and 3 is the average value shown by the scale on the horizontal axis. Thus any score greater than 3 indicates that the factor will be a driver and anything less than 3 indicates that the factor will not be a driver. Figure 5.10 below shows the mean scores of the four drivers to immigrant entrepreneurship. Figure 5.10 presents the testing of the research hypotheses.

Figure 5.10: Mean factor scores for drivers to immigrant entrepreneurship



- Employment and opportunity

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Employment and opportunity factor has been identified as a driver to immigrant entrepreneurship and has a mean of 4.41 which is above the average value of 3 on the 5-point Likert scale.

**Therefore, the null hypothesis that employment and opportunity is not a driver of immigrant entrepreneurship is rejected.**

This result is consistent with that identified by Nieman and Bennett (2002:58) who note that most immigrants become entrepreneurs because immigrants cannot obtain employment in the formal sector of the economy.

- Capital

Capital was the second factor identified as a driver to immigrant entrepreneurship. The capital factor has a mean of 3.69, a mean which is higher than 3 and hence qualifies as a driver to immigrant entrepreneurship.

**Therefore, the null hypothesis that capital is not a driver of immigrant entrepreneurship is rejected.**

This result is consistent with other empirical studies which find that access to capital is one of the drivers to entrepreneurship (Hutton, 2008:12; Fatoki & Garwe, 2010:731).

- Intrinsic rewards

Intrinsic rewards has a mean score of 3.60, which shows that intrinsic rewards is a driver to immigrant entrepreneurship as it is higher than 3.

**Therefore, the null hypothesis that an intrinsic reward is not a driver to immigrant entrepreneurship is rejected.**

The result obtained in this study on intrinsic rewards is consistent with the results by Choo and Wong (2009:53) who find that entrepreneurs are driven into entrepreneurship by the need of intrinsic rewards such as; satisfaction of being one's own boss, being more in control of one's own destiny and realising personal dreams.



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- Independence/autonomy

Independence/autonomy was the fourth factor identified to be a driver of immigrant entrepreneurship. Independence had a mean score of 3.50 which is higher than 3.

**Therefore, the null hypothesis that independence/autonomy is not a driver of immigrant entrepreneurship.**

Segal, Borgea and Schoenfeld (2006:44) also find that individuals are pulled into entrepreneurship by seeking independence, self fulfillment, wealth and other desirable outcomes, a result which is consistent with this research.

Table 5.11 shows the T-test for the differences in the mean scores of the drivers to entrepreneurship for male African-immigrant entrepreneurs and female African-immigrant entrepreneurs.

**Table 5.11: T-test to show the differences between the mean scores of factors driving male and female African-immigrant entrepreneurs into business.**

Gender	Mean	T	Sig. (2 tailed)
Male	3.67	0.08	0.163
Female	3.92		

An independent samples t-test was carried out to test for any differences on the means of male African-immigrant entrepreneurs and female African-immigrant entrepreneurs on drivers. As shown above the p value for the Levene's test was 0.08, meaning equal variances were not assumed. The results of the t-test for equality of means gave a p value of 0.163 which is above 0.05 thus the researcher concluded that there are no significant differences between male African-immigrant entrepreneurs and females on drivers. In other words, male African-immigrant entrepreneurs are driven into entrepreneurship by basically the same factors as those driving female African-immigrant entrepreneurs.



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**Table 5.12: ANOVA to show the differences among the mean scores on drivers of the four interviewed African-immigrant nationalities.**

Nationality	Mean	F	Sig
Nigerian	3.65	3.79	0.881
Ghanaian	3.80		
Senegalese	3.68		
Somali	3.71		

A one way test of ANOVA was carried out to test for the significance of difference on means of four African-immigrant nationalities on drivers. The ANOVA table shown above gave a p value of 0.881, which is more than 0.05, thus the researcher concluded that there are no significant differences of means by nationality. In other words, Nigerians, Ghanaian, Senegalese and Somali are basically driven into entrepreneurship by almost the same factors.

#### D. Correlation

The Pearson correlation was used to test for the direction and strength of the relationship between the demographics and the drivers to immigrant entrepreneurship.

**Table 5.13: Pearson’s correlation between the age and drivers to immigrant entrepreneurship**



Factor	African-immigrant entrepreneurs	
		p-value
Age	0.150	0.22

The significance of the relationship between age and drivers to African-immigrant businesses was tested through the Pearson’s correlation ( $R=0.150$ ,  $P\text{-value}=0.134$ ). The r square value of 0.150 signified a weak positive correlation between the drivers and age and the p-value of 0.22 indicates that there is no significant relationship that exists between age and drivers to immigrant entrepreneurship.

**Table 5.14: Pearson’s correlation between the periods stayed in South Africa and drivers to immigrant entrepreneurship**

Factor	African-immigrant entrepreneurs	
	R	p-value
Gender	0.135	0.177

The significance of the relationship between periods of stay in South Africa and drivers to African-immigrant businesses was tested through the Pearson's correlation ( $R=0.135$ ,  $P\text{-value}=0.177$ ). The  $r$  square value of 0.135 signified a weak positive correlation between the periods of stay in South Africa and drivers to immigrant-entrepreneurs. The  $p$ -value of 0.177 indicated that there is no significant relationship that existed between the period of stay and drivers to immigrant entrepreneurship.

### 5.3.5 Section D: Performance of Immigrant Entrepreneurship

The questions in this section were developed in an effort to achieve the objective of determining the perceptions of the African-immigrant entrepreneurs on the performances of their immigrant businesses.

#### 5.3.5.1 Question 21: Performance of Immigrant Entrepreneurship

This question basically comprises of four measures, which are increased sales turnover, increased profit, increased performance relative to competitors and satisfaction with overall business performance. The objective of this question is to establish if a significant inverse relationship exists between barriers to performance and immigrant businesses.

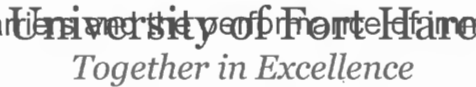


Table 5.15 presents the mean scores and standard deviations of the performance of immigrant-businesses

**Table 5.15: Performance of the business**

Measures of Performance	Mean scores	Standard deviation
Increased Sales Turnover	3.24	0.625
Increased Profit	3.31	0.730
Increased performance relative to competitors	3.09	0.801
Satisfied with overall business performance	3.22	0.881

Average mean for performance	3.22	0.881
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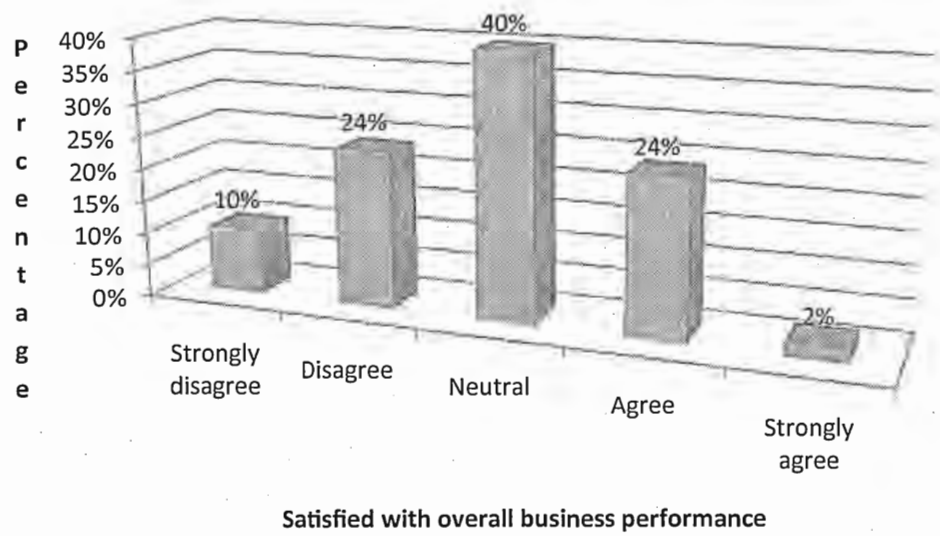
The mean scores of the measures of the performance of immigrant-entrepreneurs are based on a 5-point Likert scale and 3 is the average value. Thus any score greater than 3 indicates that the immigrant entrepreneur is satisfied with the performance of the immigrant business and any score lower than 3 indicates that the immigrant entrepreneur is not satisfied with the performance of the immigrant business. The results of the four measures of performance indicate that most immigrants are satisfied with the overall performance of immigrant businesses as supported by the average mean for performance of immigrant businesses (3.22). Figure 5.11 shows the overall satisfaction of African-immigrant entrepreneurs relative to the performance of their businesses. The results on Figure 5.11 depict that majority of immigrant entrepreneurs are satisfied with the overall performance of immigrant businesses (66%).



**Figure 5.11: Overall business performance satisfactions of African-immigrant entrepreneurs.**

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**Overall business performance satisfaction of respondents**



### 5.3.6 Section E: Barriers to the Immigrant Entrepreneurs

The objective of Section E of the questionnaire is to identify the barriers to the performance of entrepreneurial African immigrants. To identify the barriers to the performance of immigrant entrepreneurs, a ten-item scale was also developed after the review of the literature such as Pihie (2009:338) who also used a similar scale. Table 5.16 below presents the descriptive statistics for barrier variables in the form of means and standard deviations of the drivers to African-immigrant entrepreneurship.

**Table 5.16: Barriers to immigrant entrepreneurship**

Barriers	Mean	Standard deviation
Lack of social and professional networks	4.74	0.611
Lack of business skills (managerial and financial)	3.41	0.904
Difficulty in obtaining bank finance	4.80	0.448
High competition	4.12	1.91
Crime	4.69	0.543
Weak market opportunities	4.68	0.927
Lack of government support	3.23	0.691
Lack of assets for collateral	4.44	0.974

High operational costs	3.57	0.963
Language	3.56	0.805

The results for barriers to African-immigrant entrepreneurship indicate that; difficulty in obtaining bank finance (4.80), lack of information (4.74) and crime (4.69) had the highest means, while lack of government support (3.23), lack of business skills (3.41), and language (3.56) have the lowest means. The results indicate that most African-immigrant entrepreneurs are mainly barred by difficulty in obtaining bank finance which could be as a result of lacking social and professional networks which hinders immigrant businesses from running their immigrant businesses efficiently.



**5.3.6.1 Principal component analysis of barrier variables**

This section presents results of the principal component analysis for the barrier variable.

**A. BTS AND KMO**

In order to determine the appropriateness of the use of factor analysis in this section of the study, the BTS and KMO test of appropriateness were carried out accordingly. Table 5.17 below shows the results of the BTS and KMO

**Table 5.17: KMO and BTS of barrier variable**

Variables	Results
KMO	0.737
BTS	2307.793
Sig.	0.00

The results (BTS=2307.793; sig. =0.00) indicate that the data is appropriate for the purpose of factor analysis. The result entails that there exists a relationship between the

variables hence the variables were included in the factor analysis. The result of the KMO measure of sampling adequacy is 0.737, a result which indicates that there are sufficient items for each factor. Therefore, the two tests support the appropriateness of the principal component analysis technique.

### B. Rotated factor loading for barriers

This section showed the factor loading of barriers to the performance of African-immigrant entrepreneurs. Four factors were identified for the respondents. Table 5.18 below shows the rotated factor matrix for barriers to African-immigrant entrepreneurship.

**Table 5.18: Rotated factor matrix for barriers to African-immigrant entrepreneurship**

Factors	1	2	3	4
Difficulty in obtaining bank finance	0.91			
Crime	0.88			
Lack of assets for collateral	0.77			
High operating costs	0.76			
Weak market opportunities		0.83		
High competition		0.75		
Lack of business skills (managerial and financial)			0.68	
Language			0.64	

Lack of government support				0.65
Lack of social and professional networks				0.63
<b>Eigen value</b>	<b>6.19</b>	<b>4.01</b>	<b>2.25</b>	<b>1.88</b>
<b>Percentage of variance explained</b>	<b>32.56</b>	<b>21.10</b>	<b>11.82</b>	<b>9.89</b>
<b>Cronbach's alpha</b>	<b>0.904</b>	<b>0.710</b>	<b>0.806</b>	<b>0.653</b>



Factor loading less than 0.300 have been omitted

### C. Total variance explained

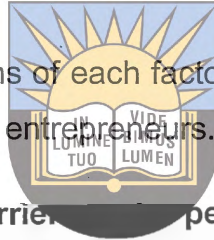
The results obtained from the principal component analysis, highlights that four factors with Eigen values greater than one account for (75.4%) of the total variance. The four factors were further explained by the rotation sum of squares after Varimax rotation. The rules of factor analysis stress out that only factor that possess Eigen values greater than one should be retained. The second rule emphasises that, the higher the percentage of total variance, the greater the contribution of the factor. All the ten factors had factor loadings greater than 0.300 hence they were all retained. The four underlying factors driving African-immigrant entrepreneurs into business are presented below in order of importance as indicated by their contribution.

- Factor one was labelled as *lack of finance*. The Eigen value for the factor was 6.19. The factor comprised of four items. This was the most important factor according to the factor analysis. Cronbach's alpha for the factor yielded a value of 0.904, indicating the reliability of the factor.

- Factor two was labelled *weak markets*. The Eigen value for the factor was 4.01. The factor included two items. The Cronbach's alpha for the factor yielded a value of 0.710, indicating reliability of the factor.
- Factor three was labelled *lack of skills*. The Eigen value for the factor was 2.25 and it comprised of two items. Cronbach's alpha for the factor yielded a value of 0.806, which signified its reliability.
- Factor four was labelled *lack of support*. The Eigen value for the factor was 1.88 and it comprised of two items. The Cronbach's alpha for the factor yielded a value 0.653, indicating the factor's reliability.

### 5.3.6.2 Mean value of the factors

Table 5.19 depicts the aggregate means of each factor in the order of level of effects as a barrier to the performance of immigrant entrepreneurs.



**Table 5.19: Mean factor scores of barriers to performance of immigrant entrepreneurs**

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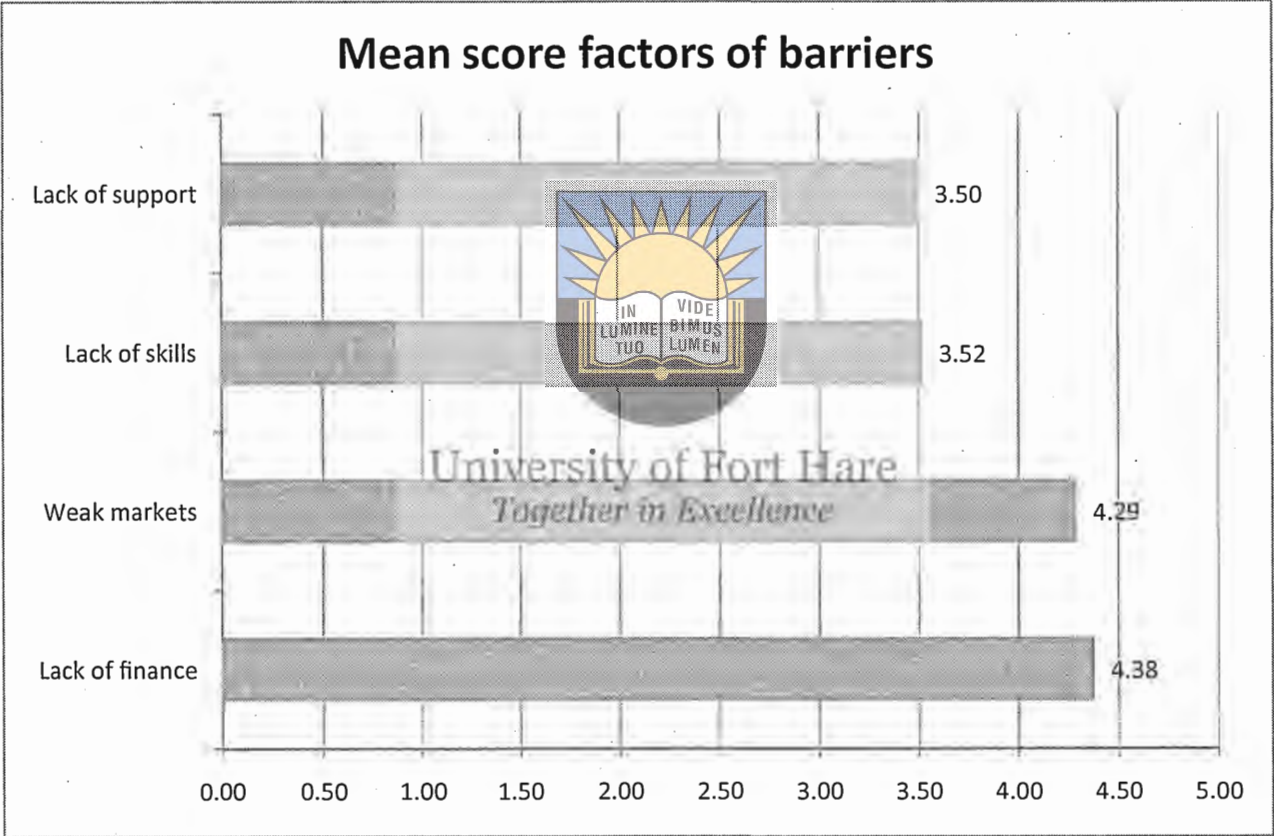
Factor	Mean
Lack of finance	4.38
Weak markets	4.29
Lack of skills	3.52
Lack of support	3.50

### 5.3.6.3 Testing for hypotheses

The mean scores for the barriers to the performance of immigrant entrepreneurship are shown in Figure 5.12. The mean scores are based on a 5-point Likert scale and 3 is the

average value shown by the markings on the horizontal scale. Thus any score greater than 3 indicates that the factor will be a barrier to the performance of immigrant entrepreneurship and anything less than 3 indicates that factor is not a barrier to the performance of immigrant entrepreneurship. Figure 5.12 shows the mean scores of the four barriers to the performance immigrant entrepreneurship.

**Figure 5.12: Mean factor scores for barriers to immigrant entrepreneurship**



- Lack of finance

Lack of finance is identified as a barrier to the performance of immigrant entrepreneurship and has a mean of 4.38 which is above the average value of 3 on the 5-point Likert scale.

**Therefore, the null hypothesis that lack of finance is not a barrier to the performance of immigrant entrepreneurship is rejected.**

This result is consistent with other studies which highlight that lack of finance poses as a barrier to the performance of immigrant entrepreneurship (Mitchell, 2003:8; Klapper, Laeven & Rajan, 2004:13).

- Weak markets

Weak markets are the second factor identified as a barrier to the performance of immigrant entrepreneurs. The weak markets factor has a mean of 4.29, a mean which is higher than 3 and hence qualifies as a barrier to the performance of immigrant entrepreneurship.

**Therefore, the null hypothesis that weak markets are not a barrier to the performance of immigrant entrepreneurship is rejected.**

The result identifies weak markets as a barrier to the performance of immigrant entrepreneurs a result which is consistent with Volery (2007:57) who notes that the absence of positive indicators in the business market affects the performance of immigrant entrepreneurs.



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- Lack of skills

Lack of skills has a mean score of 3.52, which shows that lack of skills is a barrier to the performance of immigrant entrepreneurship as the mean of 3.52 is higher than 3.

**Therefore, the null hypothesis that lack of skills is not a barrier to the performance of immigrant entrepreneurship is rejected.**

This result is consistent with previous studies which point out that marketing skill, managerial or financial expertise and language barrier are the major inhibiting factors to the performance of immigrant businesses (Altinay, 2002:371; Robertson, 2003:279)

- Lack of support

Lack of support is the fourth factor identified as a barrier to the performance of immigrant entrepreneurship. Lack of support has a mean score of 3.50 which is higher than 3.

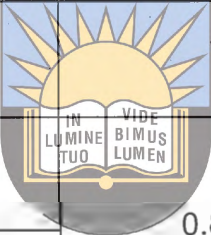
Therefore, the null hypothesis that lack of support is not a barrier to the performance of immigrant entrepreneurship is rejected.

Lack of support is also highlighted by Vargas (2005:579); Dana and Morris (2007:15) as one of the barriers to the performance of immigrant entrepreneurship.

Table 5.20 shows the T-test for the differences in the mean scores of the barriers to the performance of male African-immigrant entrepreneurs and female African-immigrant entrepreneurs.

**Table 5.20: T-test to show the differences between the mean scores of factors barring male and female African-immigrant entrepreneurs.**

Gender	Mean	T	Sig. (2 tailed)
Male	3.50	0.826	0.845
Female			



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An independent samples t-test was carried out to test for any differences on the means of male African-immigrant entrepreneurs and female African-immigrant entrepreneurs on barriers. As shown above the p value for the Levene's test was 0.826, meaning equal variances were not assumed. The results of the t-test for equality of means give a p value of 0.845 which is above 0.05 thus the researcher concludes that there are no significant differences between male African-immigrant entrepreneurs and females on barriers. In other words, male African-immigrant entrepreneurs basically face the same barriers in running their business as those faced by female African-immigrant entrepreneurs.

**Table 5.21: ANOVA to show the differences among the mean scores on barriers of the four interviewed African-immigrant nationalities.**

Nationality	Mean	F	Sig
Nigerian	3.44	0.221	0.882
Ghanaian	3.42		
Senegalese	3.54		
Somali	3.61		

A one way test of ANOVA was carried out to test for the significance of difference on means of four African-immigrant nationalities on barriers. The ANOVA table shown above gives a p value of 0.882, which is more than 0.05, thus the researcher concludes that there are no significant differences of means by nationality. In other words, Nigerians, Ghanaian, Senegalese and Somali are basically hindered by the same barriers from efficiently performing in their various business sectors.

### C. Correlation

The Pearson correlation was used to test for the direction and strength of the relationship between the demographics and the barriers to immigrant entrepreneurship. Table 5.22 shows the results of the correlation between age and the barriers to immigrant entrepreneurship.

**Table 5.22: Pearson's correlation between the age and barriers to immigrant entrepreneurship**

Factor	African-immigrant entrepreneurs	
	R	p-value
Age	0.166	0.98

The significance of the relationship between age and barriers to African-immigrant businesses was tested through the Pearson's correlation ( $R=0.166$ ,  $P\text{-value}=0.98$ ). The r square value of 0.166 signifies a weak negative correlation between the barriers and age of African-immigrant entrepreneurs. The p-value of 0.98 indicates that a significant negative relationship exists between age and barriers to immigrant entrepreneurship.

**Table 5.23: Pearson's correlation between the periods stayed in South Africa and barriers to immigrant entrepreneurship**

Factor	African-immigrant entrepreneurs	
	R	p-value
Period of stay in South Africa	-0.121	0.288

The significance of the relationship between periods of stay in South Africa and barrier to African-immigrant businesses was tested through the Pearson's correlation ( $R=0.121$ ,  $P\text{-value}=0.288$ ). The r square value of -0.121 signifies a weak negative correlation between the periods of stay in South Africa and barriers to immigrant-entrepreneurs. The p-value of 0.288 indicates that there is no significant relationship that exists between the period of stay and barriers to immigrant entrepreneurship. Table 5.22 shows the results of the correlation.

**Table 5.24: Pearson's correlation between barrier variables and performance of immigrant businesses**

Factor	African-immigrant entrepreneurs	
	R	p-value
Performance	-0.04	0.01

The significance of the relationship between barriers and performance of African-immigrant businesses was tested through the Pearson's correlation ( $R=-0.04$ ,  $P\text{-value}=0.01$ ). The p-

value was 0.01 which is less than 0.05, thus we conclude that the model is significant. Table 5.25 below shows the coefficients table of the Pearson's correlation between barrier variables and performance of immigrant businesses.

**Table 5.25: Coefficients table of the Pearson's correlation between barrier variables and performance of immigrant businesses**

Model	Unstandardised Coefficients		Standardised Coefficients		
	B	Std. Error	Beta	T	Sig.
Barriers	3.855	0.281	0.657	13.720	0.000
	0.095	0.075		1.268	0.01



The Pearson product moment correlation was 0.657 which signified that the strength of the relationship was strong between barriers and performance since it was greater than 0.5.

The direction of the relationship between barriers and performance was negative meaning this was a strong negative correlation. It was negative in the sense that, it is expected that as barriers increase the performance of immigrant businesses must decrease, and in this study as barriers increased performance of immigrant businesses decreased.

### **5.3.7 Summary of findings**

- **Primary hypothesis**

This study pursued two primary hypotheses. The first hypothesis focuses on establishing the drivers to African-immigrant entrepreneurship and the second focuses on establishing the barriers to African-immigrant business performance. The results indicate that all four-items identified as drivers are indeed significant drivers and all four-items identified are barriers to the performance of immigrant-businesses and that a strong inverse relationship exists between barriers and the performance of immigrant businesses. The findings are presented in 5.26 below

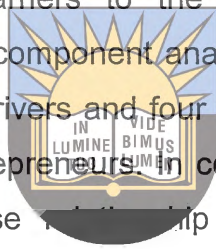
**Table 5.26: Summary of hypotheses and results**

Null hypotheses	African-immigrant entrepreneurs
<ul style="list-style-type: none"> <li><u>Drivers</u></li> </ul>	
<p>H1<sub>0</sub>: Employment and opportunity are not drivers of immigrant entrepreneurship.</p>	Rejected
<p>H2<sub>0</sub>: Capital is not a driver of immigrant entrepreneurship.</p>	Rejected
<p>H3<sub>0</sub>: Intrinsic rewards are not drivers of immigrant entrepreneurship.</p>	Rejected
<p>H4<sub>0</sub>: Independence/autonomy is not a driver of immigrant entrepreneurship.</p>	Rejected
<ul style="list-style-type: none"> <li><u>Barriers</u></li> </ul>	
<p>H1<sub>0</sub>: Lack of finance is not a barrier to the performance of immigrant entrepreneurs.</p>	Rejected
<p>H2<sub>0</sub>: Weak market is not a barrier to the performance of immigrant entrepreneurs.</p>	Rejected
<p>H3<sub>0</sub>: Lack of skills is not a barrier to the performance of immigrant entrepreneurs.</p>	Rejected

H4 <sub>0</sub> : Lack of support is not a barrier to the performance of immigrant entrepreneurs.	Rejected
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## 5.4 SUMMARY

This chapter presented the empirical findings of this study. The response rate of African-immigrant entrepreneurs operating in selected cities of the Eastern Cape amounted to 67 percent of the marked sample. The normality of the data was tested through the use of the Koglmorov-Smirnov test. The empirical findings on demographic variables were presented with the aid of tables and figures. In addition, the chapter also presented the results on both the drivers and barriers to the performance of African-immigrant entrepreneurs. Furthermore, Principal component analysis was employed, which aided in identifying four underlying factors for drivers and four underlying factors for barriers to the performance of African-immigrant entrepreneurs. In conclusion Pearson's correlation was used to reveal that a strong inverse relationship exists between barriers and the performance of African-immigrant businesses.



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The next chapter will conclude this study by summarizing the conclusions made in this study and also providing recommendations. In addition, the achievements of the study objectives will be revealed. The limitations of the study and areas of further study will also be highlighted.

## CHAPTER SIX

### CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 INTRODUCTION

This chapter marks the conclusion of a study that was undertaken to establish the drivers and barriers to African-immigrant entrepreneurial performance in South Africa. Literature review has revealed that South Africa suffers from high unemployment, poverty, crime, income inequality and weak economic growth, and bears an official estimate of 25 percent of its economically active population being unemployed (Statistics South Africa, Quarterly Labour Force Survey, 2011:12). Entrepreneurship was identified as a significant component of the solution to South Africa's development issues as it has been recognized as one of the tools that drive the economy of a country (Gree and Thumik, 2003:243). Immigrant entrepreneurs have been identified as a unique group of entrepreneurs who are consistently establishing small businesses in the corners of South Africa that seem to be successfully blooming in a business environment that most local-owned SMEs seem to be failing (Immigrant entrepreneur, 2009:60). This study, therefore, seek to find the various factors driving immigrants into business and also the barriers they face that affect their entrepreneurial performance.

This chapter summarizes the research findings and suggests recommendations to solve the various problems highlighted by the research results. In addition, the limitations of the study and the areas for future research will be stated. The following is the chapter outline that was followed: Section 6.2 of this chapter presents a brief summary of each chapter including the findings. Section 6.3 will highlight the recommendations. Section 6.4 discusses the achievement of objectives. Section 6.5 will examine the limitations of the study and section 6.6 will highlight the areas for further study. Finally, section 6.7 will conclude the study by giving a summary of this chapter.

## **6.2 SUMMARY OF STUDY**

This study comprised of six chapters. The summary of the six chapters is presented from section 6.2.1 to 6.2.6.

### **6.2.1 Introduction to the research (Chapter One)**

The main objective of this study was to determine the factors driving immigrants into small business and the barriers immigrants are facing in their day-to-day running that affects their performance. Earlier studies point out that, South Africa suffers from high unemployment, poverty, crime, income inequality and weak economic growth, and bears an official estimate of 25 percent of its economically active population being unemployed (Statistics South Africa, Quarterly Labour Force Survey, 2011:12). The proportion of the population living below the poverty line is 57 percent and the Gini coefficient (a measure of income inequality) is at 0.58 the highest in the world. Unemployment is 25 percent according to Statistics South Africa (2011:12). SMEs, especially new ones, are expected to be one of the important vehicles to address the development challenges being faced by South Africa. Therefore entrepreneurship is a **significant component of the** solution to South Africa's development issues as it has been **recognized as one of the** tools that drive the economy of a country (Gree & Thumik, 2003:243).

South Africa suffers from corporate restructuring and given the failure of the formal and public sector to absorb the growing number of job seekers in South Africa, increasing attention has focused on entrepreneurship and new firm creation and its potential for contributing to economic growth and job creation. Entrepreneurship is considered to be an important mechanism for economic development through job creation and innovation (Herrington & Kew, 2010:15). However, South Africa ranks 27th out of 59 countries in a primary measure of entrepreneurship used by GEM, with a Total Early-Stage Entrepreneurial Activity (TEA) below the average rate (11.9%) of all participating countries (Herrington & Kew, 2010:17). South Africa's TEA rate of 8.9 percent is significantly lower than the average 15.6 percent for all middle to low income countries and 11.7 percent for all efficiency driven economies. The general expectation TEA rate of a country of South Africa's stage of development would be 16 percent which is almost double its current 8.9

percent rating. In addition, Berry *et al.* (2002:18) point out that despite the significance of SMEs to the South African economy, the failure rate of SMEs in South Africa is very high tagged at 75 percent with 90 percent of new SMEs failing within the first two years of their operation. With such a low TEA rate and an extremely high failure rate, it is doubtful whether the SME sector alone will be able to create sustainable employment, reduce poverty and income inequality, and create sustainable economic growth. Immigrant entrepreneurship can help to improve the general level of entrepreneurship in South Africa and positively contribute to employment, poverty alleviation and economic growth (Kalitanyi & Visser, 2010:376). The research problems for the study were:

- What are the factors driving immigrants into entrepreneurship in South Africa?
- What are the barriers to the performance of immigrant entrepreneurs in South Africa?



In order to investigate the answers for the initially mentioned problem statements, it was necessary to first perform a review of the literature and develop hypotheses. The hypotheses for the study were:

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- Drivers

H<sub>0</sub> Employment and opportunity are not drivers of immigrant entrepreneurship.

H<sub>1</sub> Employment and opportunity are drivers of immigrant entrepreneurship.

H<sub>0</sub> Capital is not a driver of immigrant entrepreneurship.

H<sub>2</sub> Capital is a driver of immigrant entrepreneurship.

H<sub>0</sub> Intrinsic rewards are not drivers of immigrant entrepreneurship.

H<sub>3</sub> Intrinsic rewards are drivers of immigrant entrepreneurship.

H<sub>0</sub> Independence/autonomy is not a driver of immigrant entrepreneurship.

H<sub>4</sub> Independence/autonomy is a driver of immigrant entrepreneurship.

- Barriers

H<sub>0</sub> Lack of finance is not a barrier to the performance of immigrant entrepreneurs.

H<sub>1</sub> Lack of finance is a barrier to the performance of immigrant entrepreneurs.

H<sub>0</sub> Weak markets are not a barrier to the performance of immigrant entrepreneurs.

H<sub>2</sub> Weak markets are a barrier to the performance of immigrant entrepreneurs.

H<sub>0</sub> Lack of skills is not a barrier to the performance of immigrant entrepreneurs.

H<sub>3</sub> Lack of skills is a barrier to the performance of immigrant entrepreneurs.

H<sub>0</sub> Lack of support is not a barrier to the performance of immigrant entrepreneurs.

H<sub>4</sub> Lack of support is a barrier to the performance of immigrant entrepreneurs.



## 6.2.2 An Overview of Entrepreneurship and Immigrant Entrepreneurship (Chapter Two)

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This chapter elaborated on the various definitions of entrepreneurship and SMEs, covering both the local South African context definitions and international definitions. The elaboration on the definition of entrepreneurship and SMEs revealed that there is no one universal definition for entrepreneurship and SMEs but that similarities and differences exist. Similarities exist due to the significance of the SME sector worldwide whereas differences exist due to differences in the economic systems and other variables used in describing SMEs worldwide. In addition, the link between entrepreneurship and small business was clearly elaborated with the view of highlighting the similarities and slight differences that exist between the two terms, which are often used interchangeably. Both theories of entrepreneurship and those of immigrant entrepreneurship were reviewed in order to interpret empirical findings. It was discovered that entrepreneurs in general are affected by sociological, cultural, economic and psychological factors which drives them into entrepreneurship whereas immigrant entrepreneurs are affected by disadvantages and mixed embeddedness of the economy. Furthermore, this chapter revealed the significant

contribution of immigrant entrepreneurs to the South African economy and community at large. Empirical review showed that entrepreneurs contribute to the new employment creation, poverty alleviation, even distribution of income and economic growth.

### **6.2.3 Drivers and Barriers to Immigrant Entrepreneurs (Chapter Three)**

This chapter reviewed the literature on the drivers and barriers to immigrant entrepreneurship. Empirical studies reviewed show that the various drivers to immigrant entrepreneurship include; employment, autonomy, creativity, managerial competency, educational skills, opportunity, networking, discrimination and capital. In addition, empirical studies reviewed on barriers to immigrant entrepreneurship were specifically on lack of capital, lack of skills, lack of support, compliance costs, regulations, tax, discrimination, crime and risk. Evidence from these studies reviewed that these factors indeed impose a barrier to immigrant entrepreneurship in South Africa.

### **6.2.4 Research Methodology (Chapter Four)**

This chapter examined the research methodology used in this study. The steps in the business research process were identified and followed by the researcher. The chapter discussed the scope of the survey, sampling method and the organization of the survey. Additionally, the chapter examined the data gathering technique used for the research study, especially the rationale for choosing the self-administered questionnaire. It also looked at the data collection technique, data processing and the statistical packages used to analyse data. Furthermore, the chapter examined the reliability of the results, the errors that can affect the validity of the results and methods that were used by the researcher to minimise these errors.

### **6.2.5 Research Results (Chapter Five)**

The results for this study were presented following the structure and sequence of the questionnaire.

#### **6.2.5.1 Response rate**

The response rate for African-immigrant entrepreneurs was 67 percent.



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### 6.2.5.2 Demographics

The majority of participants in this study were males and many of these respondents fell under the 35-44 years age group.

### 6.2.5.3 Drivers of Immigrant Entrepreneurship

The four driver factors as determined by the principal component analysis were investigated to determine their influence towards African-immigrant entrepreneurship. Four hypotheses were developed. The findings were as follows:

- The null hypothesis that employment and opportunity are not drivers of immigrant entrepreneurship is rejected.
- The null hypothesis that capital is not a driver of immigrant entrepreneurship is rejected.
- The null hypothesis that intrinsic rewards are not drivers of immigrant entrepreneurship is rejected.
- The null hypothesis that independence/autonomy is not a driver of immigrant entrepreneurship is rejected.



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It can therefore be concluded that employment and opportunity, capital, intrinsic rewards and independence are drivers to immigrant entrepreneurship.

### 6.2.5.4 Performance of Immigrant Entrepreneurs

The section on the performance of immigrant entrepreneurs focused on establishing the perceptions of African-immigrant entrepreneurs on the performance of their businesses. Majority of the respondents attested to not being satisfied by the overall performance of their businesses and went on to highlight a couple of factors as barriers to the performance of most immigrant businesses.

### 6.2.5.5 Barriers to Immigrant Entrepreneurship

The four barrier factors as determined by the principal component analysis were investigated to determine their influence towards the performance of African-immigrant businesses. Four hypotheses were developed and the findings were as follows:

- The null hypothesis that lack of finance is not a barrier to the performance of immigrant entrepreneurs is rejected.
- The null hypothesis that weak markets are not a barrier to the performance of immigrant entrepreneurs is rejected.
- The null hypothesis that lack of skills is not a barrier to the performance of immigrant entrepreneurs is rejected.
- The null hypothesis that lack of support is not a barrier to the performance of immigrant entrepreneurs is rejected.



It can therefore be concluded that lack of finance, weak markets, lack of skills and lack of support are barriers to the performance of African-immigrant businesses.

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## 6.3 RECOMMENDATIONS

According to Disadvantage theory by Ram and Smallbone (2001) immigrant entrepreneurship results from a context of disadvantage (Ram & Smallbone, 2003:72). A portion of immigrant workers are subject to labour market disadvantage due to their accents and non recognition of overseas credentials (Ram & Smallbone, 2003:72). The Disadvantage theory concludes by pointing out that immigrant entrepreneurs are pushed into entrepreneurship rather than working in skilled employment. The review of literature has revealed that there are great influxes of immigrants who are starting small businesses in South Africa. This research revealed the various reasons why most African-immigrant entrepreneurs are driven into immigrant entrepreneurship and the barriers affecting the performance of their immigrant businesses. The following recommendations were put across based on the findings obtained from the research results.

The empirical findings of this research revealed employment and opportunity as the most important factor driving African-immigrant entrepreneurs. Employment and opportunity consisted of items like to provide employment, to earn a reasonable living and to be my own boss as the three items with the highest means in the factor. This result revealed that most African-immigrants are driven into entrepreneurship out of the dire need to earn a decent living and provide employment and support to family and fellow immigrants, as finding formal employment in South Africa is a cumbersome task due to prevalent unfair employment practices and discrimination. It is recommended that; immigrants should try and convert their qualifications and skills to match the standard required by the South African job market by having their qualifications accredited by the South African National Accreditation board or adding the necessary courses to make immigrants marketable. In addition, immigrants should also familiarise themselves with various employment agencies and not only rely on ethnic associations and ethnic members to link immigrants with potential employers. The South African government has the duty to come up with integration policies that reduce unemployment among immigrants specifically those which address unfair employment practices and also policies that incorporate immigrant entrepreneurs into the South African government's larger economic development framework.



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Availability of capital was also identified as one of the underlying factors which drive African immigrant entrepreneurs into business. The capital factor included items like to invest personal savings. Capital consists of both human and financial resources. Most immigrants are driven into entrepreneurship by the need to invest personal savings, human skills and utilise financial schemes made available by ethnic associations. Immigrant entrepreneurs should seek to invest their capital resources in investments that will maximise profit and also result in socio-economic development of South African societies. The South African government should in turn encourage immigrant entrepreneurs to invest in business by developing a new framework for providing business services to immigrant communities as most of the programs run by the Small Business Agencies do not reach immigrant entrepreneurs. The government should aim at connecting many more immigrant entrepreneurs by creating small business services that specifically serve immigrant

communities in accordance to immigrants' cultural norms and practices. Government should actually go a step further by employing immigrant personnel's who have an understanding of the language, culture and norms in government business support services.

In addition, intrinsic rewards were another important factor identified to be driving African-immigrant entrepreneurs into entrepreneurship. Drivers such as; to challenge myself, to be my own boss and to realise my dream topped the factor. It was concluded from the result that African-immigrant entrepreneurs in general had the spirit of entrepreneurialism installed in them probably because many came from families with an entrepreneurial background. Immigrant entrepreneurs have the duty to familiarise themselves with all business opportunities and avenues which will allow immigrants to realise their entrepreneurial dreams and not just restrict themselves to ethnic associations. It is therefore of utmost importance that the South African government pushes for a well-established small business agencies such as Small Enterprise Development Agency (SEDA) and Ntsika to form partnerships with the various ethnic associations found in South Africa. By integrating expertise and resources of the more established groups with ethnic associations, the partnership can quickly strengthen the benefits enjoyed by immigrant entrepreneurs without the government having to spend on the setting of a new set of institutions. The formation of a partnership between small business agencies and ethnic associations might greatly benefit the whole of the South African business society by the establishment of a greater understanding of job creation and the transmission of entrepreneurial skills from foreigners to locals.



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Furthermore, independence or autonomy was another underlying factor identified to drive African-immigrant entrepreneurs into business. It was noted that the need to increase prestige and have personal freedom were drivers composing the independence factor. Immigrants entrepreneurs have the duty to ensure that the immigrant businesses they establish allow them to pursue personal freedom at the same time increase their prestige by diversifying and exploring as many ideas as possible. It is therefore the duty of the South African government to come up with initiatives which allow immigrant entrepreneurs

to explore their entrepreneurial talent to the limit. The government can help local immigrant-run businesses to export their products to overseas market by subsidizing the export costs of immigrant entrepreneurs. The benefit of the government helping immigrants export is that this improves the balance of payment of the country and results in economic growth and job creation. Furthermore, the South African government can create marketing campaigns to promote the country's major ethnic business districts as unique tourist shopping destinations.

To sum it up, it is greatly important to understand the various factors that drive African-immigrant entrepreneurs into entrepreneurship. An understanding of the factors driving African-immigrant businesses could go a long way in changing the negative perceptions among some South Africans who believe that immigrants are in South Africa to take jobs by confirming that immigrants are actually job-creators and not takers. In support Kolvereid and Isaksen (2006:870) point out that it is important and necessary to understand the drivers to entrepreneurship in order to encourage and enhance the spirit of entrepreneurialism.



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The findings of this study also confirm ~~the various barriers~~ **together in Exaltation** to the performance of African-immigrant businesses. Lack of finance was identified as one of the four most prevalent underlying factors barring immigrant business from performing. The barriers under this factor included difficulty in obtaining bank finance, crime and lack of assets for collateral. African-immigrant entrepreneurs like all other entrepreneurs need funding to establish, develop and operate their businesses effectively. In order to improve on the performance of African-immigrant businesses, immigrant entrepreneurs have the duty to furnish themselves with the various financing options, commercial banks offering businesses financial services and the requirements needed to be met by an applicant before acquiring the funds. The immigrant entrepreneurs should then make an effort to see that the bank requirements are met. The South African government and commercial banks should consider funding immigrant businesses as immigrant businesses contribute significantly to the South African economy. Small business agencies should furthermore assist in the

development of entrepreneurial finance skills and competencies by training and developing financing skills and competencies to all entrepreneurs including immigrant entrepreneurs.

Banks have the duty to support efforts to get more immigrants into the banking systems by lowering barriers to establishing accounts, employing bank tellers who come from the various ethnic groups and speak many languages, and offering bank services mostly needed by immigrant entrepreneurs such as money transmission services. In addition, banks should refer rejected loan applicants to micro lenders who will be willing to render immigrant entrepreneurs the financial services immigrant entrepreneurs will be seeking.

Crime is another barrier that composed the lack of finance factor. Crime results in loss of finance or capital when the business is robbed, stock is stolen or hijacked which results in the entrepreneur suffering capital loss. South Africa is ranked among the top five highest murder rates in the world together with Colombia, Jamaica, Guatemala, and Venezuela, making it one of the riskiest business environments (United Nations Office on Drugs and Crime, 2007). The lack of a safe and secure business environment in South Africa causes fear in the development of emerging markets. It is recommended that the South African government should work in partnership with organizations such as Business Against Crime South Africa and Business Unity South Africa to combat crime in the South African society.



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The South African government needs to undertake well-publicized educational campaigns against crime and also encourage immigrant businesses to insure their stocks and assets. Government can assist in subsidizing the cost of insurance or help to subsidize once-off security costs such as burglar proofing. The legal system should also come up with more stringent measures to deal with perpetrators that commit crimes against businesses, especially those that are xenophobic related. More effective policing is needed especially better police visibility, area coverage and faster response times to crime and crime cases.

Weak markets are the second underlying factor identified as a barrier to the performance of African-immigrant businesses. Weak markets are characterised by dynamic changes in the market demand, high fluctuations in commodity prices and high competition. Most small businesses including immigrant businesses fail because of failure to keep up with the constant changes in the business market. Therefore, immigrant entrepreneurs are urged to

familiarise themselves with financial gazettes and various media programmes which forecast the financial position and level of performance of the South African economy. In addition, immigrant entrepreneurs should diversify their business portfolios to safeguard their investments in case one product fails the other product might perform better. The South African government has the duty to establish small business agencies which provide immigrant entrepreneurs with economic forecasts and lists of products and services which will be viable and can thrive under the predicted economic conditions.

Lack of skills was the third underlying factor which was identified as a barrier to the performance of immigrant businesses. Literature review highlighted that most immigrant businesses fail as a result of lack of skills and information pertaining to the business environment. In order to improve on the performance of African-immigrant businesses entrepreneurship education is recommended. Findings from the study highlight that most African-immigrant entrepreneurs have no history of attending any entrepreneurial courses back in their home countries or in South Africa. To be successful, it is recommended that immigrant entrepreneurs attend various courses, seminars or lectures offered by Ethnic Associations, small business agencies and government agencies. Entrepreneurial education provides immigrant entrepreneurs with skills such as innovation, risk-taking, business plan writing, book keeping, ability to interpret successful entrepreneurial role models and identification of opportunities. Immigrant entrepreneurs equipped with all the necessary business skills should be in a better position to run immigrant businesses efficiently.



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In addition, African-immigrant entrepreneurs are inhibited from successful business performance due to lack of support from government agencies. It was identified from the results that some immigrant entrepreneurs do not belong to any social or professional networks. Immigrant entrepreneurs are encouraged to join trade associations, ethnic associations and also professional networks as this helps them to link with potential business partners, suppliers, financiers, advisors and clients. The South African government should consider supporting African-immigrant business by establishing small business agencies that offer informative programs and fully support the day to day

operations of all small businesses including immigrant businesses. Government agencies such as SEDA, Developmental Corporations should include immigrant businesses in the services offered by government agencies to small businesses. It is also advisable that government takes a step forward to support Ethnic Associations by funding immigrant skills, networking and support programmes as these go a long way in supporting the establishment and survival of immigrant businesses. Furthermore, government should host awareness campaigns to inform immigrants of their rights and government support instruments that immigrants are entitled to benefit from.

#### **6.4 ACHIEVEMENT OF OBJECTIVES**

This section measured the ability of the study to achieve the research objectives as outlined in section 1.3 of this study. The following were the set objectives:



- To investigate empirically the drivers of immigrant entrepreneurship in South Africa.
- To investigate empirically the barriers to the performance of immigrant entrepreneurs in South Africa.

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The first objective was to empirically find the drivers to immigrant entrepreneurship. This was achieved in chapter three and chapter five of the study where the results of the empirical research were presented. The second objective aimed to investigate empirically the barriers to immigrant entrepreneurial performance. This was achieved in chapter three of the study with the various barriers being identified from the literature review and the empirical results being presented in chapter five of this study.

#### **6.5 LIMITATIONS OF THE STUDY**

This study covered only African-immigrant entrepreneurs operating in selected towns and cities in Eastern Cape (i.e., Alice, Fort Beaufort, King Williams Town, East London and Port Elizabeth). This study focused mainly on Ghanaians, Senegalese, Nigerians and Somalis as these groups have significantly large populations operating SMEs in the earlier mentioned cities in Eastern Cape, and also that, other ethnic groups are not large enough for us to attain accurate findings. Therefore, care must be taken not to generalize the

findings as the results may vary when applied to all African-immigrant entrepreneurs at a national scale.

## **6.6 AREAS FOR FURTHER STUDY**

Not many studies have been undertaken in South Africa on immigrant entrepreneurship especially on African-immigrant entrepreneurship. Other researchers should focus on studying all immigrants at a national scale or all African-immigrant entrepreneurs on a national scale. Further studies can also focus on the various policies that can be formulated by the South African government to support and promote immigrant entrepreneurship in South Africa. Other researchers can also focus on female immigrant entrepreneurship especially a gender-comparative study of the distinct immigrant groups found in South Africa. Another area of future study would be to investigate whether the theories of ethnic entrepreneurship, based on immigrant groups, apply to all ethnic groups that are indigenous to South Africa (for example African ethnic groups).



## **6.7 CONCLUSION**

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This chapter marked the conclusion of the research entitled the drivers and barriers to immigrant entrepreneurial performance in Eastern Cape, South Africa, by suggesting recommendations, pointing out the achievements of the objectives, highlighting limitations to the study and suggesting areas of further research. The presence of immigrants in South Africa is surrounded with a great aura of controversy. South Africa's massive socio-political transition, commencing in 1990 and culminating in 1994, transformed the country into a financially attractive destination which also invited the entry of the skilled and educated workers. Since the early 1990s groups of immigrants from Asia, Central and Southern Africa, and increasingly West Africa have established a significant number of new informal businesses. With the prevailing huge unemployment and other development issues, there is the perception by South Africans that foreigners are competing for jobs, and other facilities leading to xenophobia. The purpose of this study was to clear this controversy by proving that immigrant entrepreneurs are actually job creators and not job takers through

exposing the main factors driving them into entrepreneurship and also the factors barring immigrant businesses from attaining optimum performance.

Four underlying driver factors were identified namely employment and opportunity, capital, intrinsic rewards and independence or autonomy. The results indicated that African-immigrant entrepreneurs perceive the availability of these factors as drivers to immigrants establishing immigrant businesses in South Africa.

In addition, the study investigated the barriers to immigrant entrepreneurial performance. The four underlying factors identified as barriers to the performance of immigrant entrepreneurs were lack of finance, weak markets, lack of skills and lack of support. It is of paramount importance that the immigrants, policy makers, government and all stakeholders co-operate to combat the identified barriers to the performance of immigrant businesses so as to create a favourable business environment where immigrant entrepreneurship will flourish.



In order to support and cultivate the spirit of entrepreneurialism in South Africa, the study recommended that the South African government and commercial banks should fully support immigrant entrepreneurs with financial aid, market analysis, entrepreneurial training programs and come up with policies that integrate and protect immigrants and their businesses in South Africa. Immigrant entrepreneurs were also encouraged to attend meeting, seminars and training programs hosted by the government agencies, small business agencies and banks in order to improve entrepreneurial skills.

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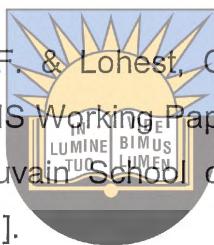
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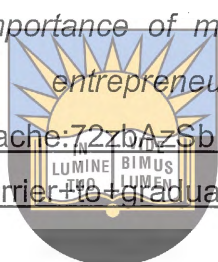
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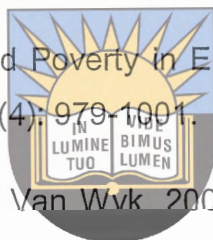
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# APPENDICES

## Appendix 1: Cover letter and Questionnaire



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TO WHOM IT MAY CONCERN

My name is Tilton Jamera Patswawairi student number 200604870, and I am currently registered as an M.Com student in the Department of Business Management, Fort Hare University.

I kindly request you to participate in my research titled **“Drivers and Barriers to Immigrant Entrepreneurship in South Africa”**. No research has so far been done on the Drivers and Barriers to Entrepreneurship performance in South Africa. This research study is conducted under the auspices of the School of Business Management at the University of Fort Hare, South Africa. The research study intends to establish the most prevalent factors driving African-immigrant entrepreneurs into business and those barring them from achieving successful performance in selected cities of the Eastern Cape Province, South Africa.

Your assistance will be greatly appreciated in ensuring that accurate and relevant information are obtained to assist me in making the correct conclusions and recommendations. I request 30 minutes of your time for an interview to complete the questionnaire. Copies of the summarised results will be sent to you as well as all interested Ethnic Societies for perusal. It is furthermore the intention of the Department to keep the information supplied by participants in strict confidence. Completion of the questionnaire is voluntary. If you would like to obtain a summary of the results of this research, I would be happy to send you a copy.

Please feel free to contact me on 073 9933 110 or 200604870@ufh.ac.za with regards to any queries you may have, or my supervisor, Dr O. Fatoki on 040 602 2248 or fatoki@ufh.ac.za

# QUESTIONNAIRE



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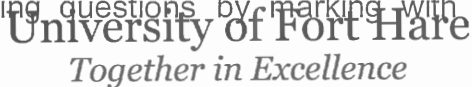
## DRIVERS AND BARRIERS TO IMMIGRANT ENTREPRENEURSHIP IN SOUTH AFRICA.

### Instructions

- For Likert scale type statements and multiple choice questions indicate your answers with an (X) in the appropriate block.
- For the open-ended questions express yourself freely.

### Section A: Demographic information of Immigrant Entrepreneurs

Please respond to the following questions by marking with an (X) in the applicable response space provided



1. Gender?

Male	
Female	

2. Age?

Below 18		18-24		25-34		35-44		45-54		55+	
----------	--	-------	--	-------	--	-------	--	-------	--	-----	--

3. What is your nationality?

Nigerian		Ghanaian		Senegalese		Somali	
----------	--	----------	--	------------	--	--------	--

4. How long have you been in South Africa?

Less than 1 year		1-5years		6-10years		11-15years		16-20years		20+ years
------------------	--	----------	--	-----------	--	------------	--	------------	--	-----------

**Section B: Characteristics and Business Profile of Immigrant Business**

5. Under which immigrant category did you move to South Africa?

Family		Skilled worker		Entrepreneur		Refugee		Investor		Other	
--------	--	----------------	--	--------------	--	---------	--	----------	--	-------	--

6. How would you rate your English skills?

Poor		Average		Good		Excellent	
------	--	---------	--	------	--	-----------	--

7. What is your highest formal educational qualification?

	Bachelors		Diploma		Certificate		High school		Primary		Non-formal	
--	-----------	--	---------	--	-------------	--	-------------	--	---------	--	------------	--



8. If your education qualification is higher than a certificate, what was your main field of study at college/university?

Commerce		Law		Education		Humanities		Science	
----------	--	-----	--	-----------	--	------------	--	---------	--

9. Did you own a business and/or work in a family business in your home country before coming to South Africa? *(If you answered Yes go to Q10)*

Yes		No	
-----	--	----	--

10. If yes, how many years of business experience do you have?

Less than 1 year		1-5years		6-10years		11-15years		16-20years		20+ years	
------------------	--	----------	--	-----------	--	------------	--	------------	--	-----------	--

11. What type of ownership does your current business belong to?

Sole Proprietorship	Partnership	Close corporation	Company	Other _____
---------------------	-------------	-------------------	---------	-------------

12. How many years have you owned this business?

0-5 years	6-10 years	11-15 years	16-20 years	20+ years
-----------	------------	-------------	-------------	-----------

13. Which economic sector would you classify your business?

<b>Retail &amp; trade</b> ( <i>curio selling, selling ethnic clothing and food retail</i> )	
<b>Service</b> ( <i>motor-car repairs/panel beating, hairdressing, operating restaurants</i> )	
<b>Production</b> ( <i>traditional clothing, wedding dresses, general tailoring</i> )	
<b>Other business sectors</b> ( <i>nightclubs, cafes, music shops, traditional healing and several import/export</i> )	



14. How many people, other than yourself, do you employ?

0 (None)	1-5 people	6-10 people	10+ people
----------	------------	-------------	------------

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15. Of these employees, how many are South Africans?

0 (None)	1-5 people	6-10 people	10+ people
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16. Of these employees, how many are immigrants?

0 (None)	1-5 people	6-10 people	10+ people
----------	------------	-------------	------------

**Section C: Drivers of Immigrant Entrepreneurship**

17. On a scale of 1 to 5, please indicate with an (X) how each of the following factors primarily resulted in you becoming a business entrepreneur? Where:

(1) = Strongly disagree, (2) = Disagree, (3) = Neutral, (4) = Agree, (5) = Strongly agree

Drivers	1	2	3	4	5
To take advantage of my creative talent					
For my own satisfaction and growth					
To provide employment					
To challenge myself					
To be my own boss					
To provide job security					
To earn a reasonable living					
I enjoy taking risks					
Utilization of skills and experience					
Entrepreneurial family culture					
Availability of support for potential entrepreneurs					
Discrimination and unfair employment practices					
To invest personal savings					
To increase my prestige and status					
Existence of opportunities in the market					
To support my family					
To have personal freedom					
To realize my dream					



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**Section D: Performance of immigrant entrepreneurs**

18. On a scale of 1 to 5, how would you describe your business's development over the last 3 years in the following areas?

(1) = Strongly disagree, (2) = Disagree, (3) = Neutral, (4) = Agree, (5) = Strongly agree

Measures	1	2	3	4	5
Increased Sales Turnover					
Increased Profit					
Increased performance relative to competitors					
Satisfied with overall business performance					

**Section E: Barriers to the Immigrant Entrepreneurs**

19. On a scale of 1 to 5, please mark with an (X) to indicate how each of the factors barred/barring you from realizing your entrepreneurial potential, where:

(1) = Strongly disagree, (2) = Disagree, (3) = Neutral, (4) = Agree, (5) = Strongly agree



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Barriers	1	2	3	4	5
Lack of social and professional networks					
Lack of business skills (managerial and financial)					
Difficulty in obtaining bank finance					
High competition					
Crime					
Weak market opportunities					
Lack of government support					
Lack of assets for collateral					
High operational costs					
Language					

**Thank you for your participation**

**DRIVERS AND BARRIERS TO IMMIGRANT ENTREPRENEURSHIP  
IN SOUTH AFRICA**

**BY**

**TILTON JAMERA PATSWAWAIRI**

**A DISSERTATION SUBMITTED IN FULFILMENT OF THE  
REQUIREMENTS FOR THE MASTER OF COMMERCE PROGRAM IN  
BUSINESS MANAGEMENT**



**DEPARTMENT OF BUSINESS MANAGEMENT**

**FACULTY OF MANAGEMENT  
University of Fort Hare  
AND COMMERCE**

**UNIVERSITY OF FORT HARE**

**SOUTH AFRICA**

**SUPERVISOR: DR O. FATOKI**