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**COPING MECHANISM OF AFRICAN IMMIGRANT ENTREPRENEURS IN  
THE SMALL BUSINESS SECTOR IN SOUTHERN AFRICA**

By

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## **DECLARATION OF ORIGINAL WORK**

I declare that the thesis,

**“COPING MECHANISM OF AFRICAN IMMIGRANT ENTREPRENEURS IN  
THE SMALL BUSINESS SECTOR IN SOUTHERN AFRICA”,**

is my own work, that all sources used or quoted have been indicated and acknowledged by means of complete references and that this thesis has not been submitted previously by me for a degree at any other university.

.....  
**CHIJOKE KINGSLEY OKERUE**

June, 2018

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## **DEDICATION**

To my late father Sir Godson M. A. Okerue

and my sister, Mrs. Chinyere E. Alozie,

who against all odds made it to the top.

## ABSTRACT

The role of immigrant entrepreneurs in the economic development of nations is worthy of some acknowledgement. This is because, like many other entrepreneurs, they contribute towards the productivity of the country. However, it is common knowledge that immigrant entrepreneurs confront many challenges, some not unrelated to their immigrant status and this makes it difficult for such businesses to survive, let alone grow.

It is against this background that the study sought to determine the components of the coping mechanism of an African immigrant entrepreneur operating in the SADC region. Based on scholarly positions gleaned from extant literature, a preliminary conceptual framework comprising human capital, economic capital and social capital constructs was developed. Each construct was made up of a number of independent variables, which according to the study's hypotheses would lend themselves to the coping ability of immigrant entrepreneurs, which was represented by the independent proxy measure of increase in employment.

This study was executed from a positivism philosophical standpoint and was largely quantitative in nature. The study population was made up of immigrants operating in the retail, service and manufacturing industry within the small business sector in South Africa (Johannesburg and Pretoria), Swaziland (Manzini and Mbabane) and Mozambique (Maputo and Boane). In the absence of a valid sampling frame, non-probability sampling method of convenience and snowball was used. The instrument for data collection was a questionnaire and 2500 of these were distributed across three countries in the SADC region. . The data was collected in a cross-sectional manner and the study realised a 33% response rate, which is not uncharacteristic of small business research.

Descriptive analysis was relied upon for discussions of the demographic characteristics of the participants. Inferential statistics formed the basis for many of the conclusions drawn by the study. CFA was utilised to validate the measurement tool to test the goodness-to-fit. Results obtained encouraged

modifications to the model to achieve a better fit. The study's findings point to the reality that the human capital, economic capital and social capital constructs are associated with the coping ability of African immigrant entrepreneurs. In effect, investments in the building of these capitals are likely to imbue the African immigrant entrepreneur with a higher capacity to cope with his/her small business.

More specifically, the study curiously found that amongst the population studied, the independent variables of previous experience, risk-taking propensity, business location, financial bootstrapping and networking had no correlation with coping ability. Conversely, the study established that managerial skills, level of education, business services and local language proficiency showed statistically significant relationships with the coping ability.

These results are instructive for African immigrant entrepreneurs and other stakeholders desirous of supporting immigrant entrepreneurship in South Africa, Swaziland and Mozambique. It draws attention to the need for investments in effort to be made in the specific areas of equipping them with managerial skills, enhancing the level of education of immigrant entrepreneurs, improving their access to business support facilities and developing their local language proficiency.

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## LIST OF ACRONYMS AND ABBREVIATIONS

<b>ANOVA</b>	Analysis of Variance
<b>BS</b>	Business Services
<b>CA</b>	Coping Ability
<b>CBS</b>	Central Bank of Swaziland
<b>CFA</b>	Confirmatory Factor Analysis
<b>CPI</b>	Consumer Price Index
<b>EC</b>	Economic Capital
<b>EU</b>	European Union
<b>FB</b>	Financial Bootstrapping
<b>GDP</b>	Gross Domestic Product
<b>GEM</b>	Global Entrepreneurship Monitor
<b>HC</b>	Human Capital
<b>HCR</b>	Human Capital Resources
<b>LA</b>	Language
<b>LE</b>	Level of Education
<b>LO</b>	Location
<b>MS</b>	Managerial Skills
<b>N-Ach</b>	Need for Achievement
<b>NSB</b>	National Small Business
<b>NT</b>	Networking
<b>OCR</b>	Organisational Capital Resources
<b>OECD</b>	Organisation of Economic Corporation and Development
<b>PCR</b>	Physical Capital Resources
<b>PD</b>	Power Distance
<b>PE</b>	Previous Experience
<b>PSSP</b>	Private Sector Support Programme
<b>RP</b>	Risk-Taking Propensity
<b>SA</b>	South Africa
<b>SADC</b>	Southern Africa Development Communities
<b>SAMP</b>	South African Migration Project
<b>SARB</b>	South African Reserve Bank

<b>SARS</b>	South African Revenue Services
<b>SBA</b>	Small Business Administration
<b>SC</b>	Social Capital
<b>SD</b>	Standard Deviation
<b>SEM</b>	Structural Equation Modelling
<b>SME</b>	Small and Medium Enterprises
<b>SMME</b>	Small Medium and Micro Enterprises
<b>TEA</b>	Total Early-Stage Entrepreneurial Activity
<b>UA</b>	Uncertainty Avoidance
<b>UK</b>	United Kingdom
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>USA</b>	United States of America

# CHAPTER 1

## INTRODUCTION

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### 1.1 BACKGROUND

Immigrants are widely perceived as being entrepreneurial and important to economic growth and innovation (Fairly & Lofstrom, 2013:1). Accordingly, many countries have established special visas and entry requirements to attract immigrant entrepreneurs (Borjas 1986:16, Schuetze & Antecol 2007:107, Mahuteau, Piracha, Tani & Vaira Lucero, 2013:53, Lofstrom, 2014:1). The special visa entry requirements have aided them to attract the type of immigrants that are needed to sustain their economic growth and to harness the other benefits that come from robust policies aimed at attracting the best immigrants into their economies

Some countries strive to attract the right immigrants into their country as immigrants increase economic efficiency by reducing labour shortages in low and high-skilled markets this position is informed by the view of Furchtgott-Roth, (2013:1) who argues that the immigrants educational backgrounds help to fill employment gaps in the local labour market.

Immigrants also have a comparative, if not absolute, advantage in gathering and conveying reliable information about foreign markets in which institutional systems (formal and informal), language and culture differ significantly from the host country. Such markets can be the migrant's home country but can also in reality include countries that are culturally very similar to the migrant's home country (Genc, Gheasi, Nijkamp & Poot, 2012:3).

In the United States, immigrant entrepreneurs are playing a major role in developing the economy and creating jobs for the locals (Jennings, 2013:2), Special preferences for admission are given to immigrants who invest US\$1m in business and create or preserve at least 10 full-time jobs for US workers. This led to a proposal in the start-up act 2.0 of 2012 to expand opportunities for immigrants that are interested in starting businesses in the United States (US department of homeland security 2012, Farlie & Lofstrom 2013:1). However, the

US\$1m investment provision has allowed only big investors to gain access to the visa and as such, the United States of America is missing the job creation ability of small businesses that includes the immigrant businesses due to the initial high capital requirements (Anderson, 2010:7).

Perhaps in realisation of this loss, the national foundation of American policy then proposed a new visa requirement to accommodate the immigrants who can invest between US\$31000 and US\$175000 towards start-ups. The new financial outlay is an average capital required to open up new businesses within the retail, manufacturing and construction businesses (Anderson, 2010:9). This underlines the importance the United States government attaches to immigrant-businesses.

The Australian immigration policy is one of the main contributors to the job-creating activities in the country (Mahuteau et al, 2013:62). The immigrant entrepreneurs operate in diverse areas of business including retail, real estate, finance, media, manufacturing and some sell ethnic products such as food, coffee and many others (Collins, 2008:51). Evidence has shown that 90% of all immigrant entrepreneurs are small scale businesses (Azmat & Zutshi 2012:66) and they play a major role in job creation since about half of the work force in Australia are employed by small businesses (Collins & Shin 2012:19).

In South Africa the government has prioritised the SME sector, to increase opportunities and reduce the high unemployment rate which is currently estimated at 27.7% (Statistics South Africa, 2017), however despite the importance of the SME sector, the failure rate of SMEs in South Africa is estimated to be between 70% and 80%, and this is arguably high (Fatoki, 2013:209). This can also be usual with immigrant owned businesses, indeed, immigrant businesses are prone to failure within the first 3 years following start-up (Tengeh, 2013:248), an occurrence that is usually a characteristic of small businesses in general.

Despite the high rate of failure of immigrant business, studies by Rogerson (1997), Hunter and Skinner (2001), Kalitanyi and Visser (2010), Fatoki and Patswawairi (2012), all agree that the immigrant entrepreneurs create jobs in South Africa for South Africans and contribute to the economic development of South Africa irrespective of the high failure rate.

## 1.2 PROBLEM STATEMENT

Immigrant business has become an important socio-economic phenomenon, as it plays a critical role in economic development of different nations (Radipere, 2012:109). As with entrepreneurial initiatives, it creates jobs through new business ventures that contribute to wealth creation in their host countries. However, many factors have been identified that hinder the growth of immigrant businesses all over the world. These factors include, legal and regulatory environments, unfavourable business environments, poor access to market, inaccessibility to finance, tax burden, lack of business management skills, lack of proper education, cultural differences, rent, language challenges, crime and xenophobia (Rogerson, 1997, Hunter & Skinner, 2001, Fatoki, 2013, Tengeh, 2013) amongst other things.

When compared with big businesses in South Africa and other countries, there is no doubt that smaller businesses face a wider range of constraints and problems and are less likely to address these problems on their own, even in effectively functioning market economies (Tengeh, 2013:350). These conditions as stated by Basu (2011:2) are similar to those faced by the immigrant entrepreneurs. However, despite the constraints and difficult conditions in which they operate, most immigrant entrepreneurs tend to be optimistic and look towards the possibilities of expanding their business enterprises in South Africa (Rogerson, 1997:14). Surviving in the perilous small business environment is technically indicative of the reality that immigrants possess the entrepreneurial quality of perseverance (Kalitanyi & Visser, 2010:382).

South Africa has experienced an influx of immigrants since their readmission into the global economic environment. These immigrants come from all over the world with different reasons for their choice of destination. Notably though, a large percentage of the immigrants to South Africa come from the African continent with more males than females being reported to be entering the country (Sibanda, 2008:1). It would seem that South Africa is seen as a preferred destination due to the perception that it is rich in minerals and can offer better opportunities and living standards. This perception is primarily responsible for the migration of people to South Africa from their home countries (Kalitanyi, 2007:3).

On arrival in South Africa, despite their education and experience, immigrants find it difficult to find jobs and even when they do, they are highly exploited

(Kalitanyi & Visser, 2010:382). In principle, they are faced with the tough economic choice of waiting and competing with the locals for limited jobs available in the market or creating jobs for themselves. This is clearly a big problem and so, frustrated by the enormous challenge to seamlessly integrate into the host society, they turn to entrepreneurship, sometimes targeting the protected niche markets in the ethnic enclaves (Salaff, Greve, Siu-Lun & Ping 2003:78).

Realistically, whichever choice the immigrants make - whether to be job seekers or job creators - puts them in direct competitions with the locals. In cases where they secure formal employment or start their own businesses, the typical interpretation tends to be that the immigrants are taking up opportunities that could have benefited the locals. This may well be the reason why violent attacks against immigrants and their businesses are near-constant occurrences in South Africa. This is supported by Khosa and Kalitanyi (2014:207) who opine that in recent years South Africa has become increasingly xenophobic, with a large percentage of South Africans believing that foreigners (especially African immigrants) are dangerous and undesirable.

Kalitanyi and Visser, (2010:376) in their submission stated that a notion although unsubstantiated that is held by many South Africans, is the belief that immigrants from north of the country's borders, essentially the rest of Africa, take jobs that belong to South Africans. Timberg (2005:3) however disagrees, maintaining that to the contrary, the immigrants actually create employment for themselves and in some cases for the unemployed South Africans.

As a matter of common logic, the unavailability of better options makes it imperative for the African immigrant entrepreneur to make a success of the new business. This sometimes comes at a great cost and with lots of challenges. Undoubtedly, to do this, the immigrants have to cope with numerous obstacles in order to make a success of their business (Oliveria, 2008; Tengeh, Ballard & Slabbert, 2011; Tengeh, 2013).

Ultimately, the satisfaction at the success of the business usually outweighs whatever pains they may have borne at the nascent stages of the business. Consistent with the growth trajectory, when businesses become stable and are ready to expand, jobs are created and in most cases people around the business, regardless of origin are likely to be employed. Indeed, in the specific South African context, research by Kalitanyi and Visser (2010) shows that

African immigrant entrepreneurs from various African countries prefer to employ South Africans.

The gains of the emergence of entrepreneurial immigrants cannot be over-emphasized, as they can become a significant driving force in the creation of new businesses (Fatoki, 2013:209). Studies by Gebre, Maharaj and Pillay, (2011), Tengeh, Ballard and Slabbert, (2012) show that immigrant entrepreneurship can create good opportunities that have far reaching effects on the host nations, but it is not very clear why the developing countries government policies are not positioned to take advantage of this.

A major issue facing small businesses including immigrant-owned businesses has been the perception that small businesses do not grow (Tengeh et al, 2012:6071), however immigrant businesses are part of the engine of economic growth and regional development (Lo & Teixeira, 2015:635). Clearly, if there were to be sufficient proof to support the perception that small businesses do not grow (including the immigrant businesses) then the whole idea that this cohort of businesses are a driving force in most developed economies may be called to question (Tengeh et al, 2012:6071).

Nonetheless, immigrants, in most cases, start small businesses as a way of providing for their families and as stated by Peixoto (2008:287), it is known that entrepreneurship remains the most secure way for immigrants and their families to gain a better standard of living. Habiyakare, Owusu, Mbare and Landy (2009:63) also state that the motivation of immigrants towards business is not imported; rather it is more likely to be reactive or situational.

This is because the immigrant has access to limited choices for making a living and consequently falls back on starting small businesses first as a means of survival. It is the view of Habiyakere et al. (2009:65) that in the case of many immigrants, discrimination, lack of access to the labour market and limited opportunities for career advancement make self-employment a more viable option to salaried employment.

In Botswana, the government developed camps for immigrants who arrive illegally to seek asylum in their country (Makhema, 2009:25). According to Mbajjorgu and Mbajjorgu (2015:369), the Botswana Immigration Act 3 of 2010 provides for visitor's permits, and work permits. The business permits are also available for those looking to invest. Most immigrants do not necessarily fit into

this mould. Mbajiorgu and Mbajiorgu (2015:369) further pointed out that the conditions attached to acquiring a business permit ensures that formal businesses are only possible for financially stable individuals. Since majority of the immigrants may not be in a position to meet with the business permit requirement mainly due to lack of funds, they are left with no choice than to engage in other types of informal trade.

Furthermore, work permits are a condition for employment in Botswana, which indirectly means that no one can work without the necessary documentation. As pointed out by Makhema, (2009:29), immigrants are not allowed to work or take part in any kind of business unless they acquire the required permits and documentations as provided by the government.

Unlike in South Africa, illegal immigrants in Botswana have limited access to the outside market due to the refugee camp system (Ngandwe, 2013:440). As a result, it is difficult to carry on informal trade especially with the stringent Botswana laws on street vending or trading (Masilo & Maundeni, 2014:16).

In a study undertaken in the United States of America, Killawi, (2014:131) found that since 1996 the rate of emergence of immigrant-businesses has increased by more than 50% while that of the native-born decreased by 10% over the same period. This suggests that the immigrants are more disposed towards starting businesses. Admirable as this may seem, rather unfortunately, due to challenges they face only a few of these immigrant-owned businesses survive beyond three years or grow (Tengeh, 2013a:248). The implication of this is that they are unable to create coping mechanisms that allow them to transit from the nascent to the established phase of small businesses.

Evidence from several European countries also suggests that 40% of immigrant business fail around the second year (OECD, 2010). This reality is therefore not restricted to the Southern Africa region alone and as such is specifically a problem as it results in a loss of income for the immigrant business owners (who will not be able to provide for the family), the employed (unemployment and no salaries) and inevitably, a loss of revenue (tax) for the government. By providing for the economic welfare of immigrants and their families, entrepreneurial ventures may also serve as a deterrent to criminal and gang activities (Dana & Morris 2007:809). This study therefore elects to investigate



this problem to ascertain why this is so. It is the belief of the researcher that pointing out the reasons behind it will be of enormous help to the immigrant entrepreneurship stakeholders within the Southern Africa region.

Against this backdrop, the gains of a thriving immigrant-business sector cannot be over-emphasised. This amplifies the need to understand why some of the immigrant entrepreneurs are able to cope and become established businesses while others are unable to cope. An expose of the condiments of the mechanism deployed by the immigrant entrepreneurs who cope and nurture their business to become established is likely to be invaluable. This, at the end, will help newly arriving immigrants to understand the necessary pre-requisites, as it were, for nurturing immigrant small businesses. It will also assist all stakeholders to better appreciate how best to support such businesses in a bid to harness their full potentials.

### **1.3 RESEARCH QUESTIONS**

In the light of the research problem and as a means of streamlining the effort to be invested in this study, it is pertinent to pose some questions that may assist in unravelling the factors that enable the immigrant-entrepreneur to cope with their small businesses. To this effect, this study will be guided by the following research questions:

- 1 How would human capital variables relate to the coping ability of African immigrant entrepreneurs in Southern Africa
- 2 To what extent would economic capital components aid the coping ability of African immigrant entrepreneurs in Southern Africa
- 3 How would the variables of the social capital construct aid the coping ability of African immigrant entrepreneurs in Southern Africa

## **1.4 RESEARCH OBJECTIVES**

Study objectives essentially express what a research sets out to achieve. This study's objectives align with its research questions whose intention is to unveil some of the factors that lend themselves to the coping ability of African immigrant-entrepreneurs in the Southern African region. Largely, the realisation of the objectives is indicative of the fact that the underlying intention of the study has been satisfied. To this end, all effort invested in the study would be directed towards achieving the objectives, which are to:

1. Identify the specific human capital factors that aid the coping ability of African immigrant entrepreneurs.
2. Determine the economic capital factors that contribute to the coping ability of the African immigrant entrepreneurs.
3. Ascertain the social capital factors that enable the coping ability among African immigrant entrepreneurs.

## **1.5 RESEARCH HYPOTHESES**

In order to find answers to the research questions and achieve the objectives of this study, it was imperative that a number of touted relationships between study variables are investigated with the aid of statistical tools. These hypotheses, stated in the alternate form (as opposed to the null form) highlight the specific independent variables that are of interest to the study and how they are associated with the independent variable of coping ability. It is important to note that the deductive approach has been followed in the formulation of these hypotheses.

As will be evident in the succeeding chapters of the study, the pathway for the creation of study hypothesis entailed the review of extant literature related to entrepreneurship and small businesses in general as well as academic discussions in the domain of immigrant entrepreneurship. Knowledge gained from the examination of the works of other scholars provided the necessary motivation for the study to hypothesise (stated in the alternate form) that:

- H1. There is a relationship between business managerial skills and the ability of African immigrant entrepreneurs to cope with their businesses*

- H2. *There is a relationship between level of education of African immigrant entrepreneurs and their ability to cope with their businesses*
- H3. *There is an association between previous experience of African immigrant entrepreneurs and their ability to cope with their businesses*
- H4. *There is an association between risk-taking propensity of African immigrant entrepreneurs and their ability to cope with their businesses*
- H5. *There is an association between business services and the ability of African immigrant entrepreneurs to cope with their businesses*
- H6. *There is an association between location and the capacity of African immigrant entrepreneurs to cope with their businesses*
- H7. *There is a relationship between financial bootstrapping and the ability of the African immigrant entrepreneur to cope with their businesses*
- H8. *There is a relationship between local language proficiency and the ability of African immigrant entrepreneurs to cope with their businesses*
- H9. *There is a relationship between networking and the ability of African immigrant entrepreneurs to cope with their businesses*

Using the data obtained from the study's respondents, each of these hypotheses will be tested in order to objectively accept or reject the professed relationship. This examination would also lend itself to the determination of specific independent variables in the personal, business and social spheres of the African immigrant entrepreneur that may enable their businesses survive the liability of newness that contributes to the failure of small businesses.

## **1.6 SIGNIFICANCE OF THE STUDY**

Southern Africa has been the most targeted region by immigrants in sub-Saharan Africa due to its relatively high level of economic and social development (Campbell, 2013:2) and most of the immigrants arriving, come from other African countries. Some of them leave their countries hoping to take advantage of the presumed opportunities in Southern Africa. They meet with the

reality on the ground on arrival and soon find themselves having to struggle for the same jobs with the locals. Chinomona and Maziriri, (2015:22) observed that though most immigrants have educational qualifications and experience, finding work is usually very difficult and in some cases when they do, are grossly exploited. This in itself serves as some kind of catalyst for the establishment of entrepreneurial ventures in the form of immigrant businesses.

Recent researches (Khosa & Kalitanyi, 2014; Fatoki, 2013, 2014; Azmat 2013; Bates & Robb, 2013; Desiderio, 2014) on immigrant entrepreneurship have tended to explore how difficult it is for immigrants to access fund to start their business and the hardship they encounter due to government regulation and harsh business environment. This is perhaps because immigrants of past decades faced similar issues as those encountered by recent day immigrants, which according to Adendorff and Halkias (2014:4), include flight from poverty, political unrest, lack of financial resources and language barriers. However, despite the challenges some of the immigrants have managed to cope and sustain their businesses. This research will explore that gap to see what they do and how they cope within the economic landscape to sustain these businesses.

Global research on immigrant entrepreneurship has mainly taken a negative (problems, failures, obstacles, inhibitors, challenges) approach towards immigrant businesses (Fatoki & Garwe, 2010, Aaltonen & Akola, 2012, Fatoki, 2013). They have largely neglected the positive attributes of immigrant entrepreneurship and have not followed a cross-country approach to studying immigrant entrepreneurship in the Southern Africa region, as this represents a distinguishing feature of this current study. Further, studies of the kaleidoscope of factors that enable immigrant entrepreneurs cope with their businesses remain largely, an unexplored terrain. This reality is even more the case as it relates to the Southern African region.

## **1.7 LIMITATIONS OF THE STUDY**

A major limitation to this study was that the field of research related to immigrant entrepreneurship in the Southern Africa region is quite scant. In order to overcome this, it was inevitable to rely on studies in the demarcated areas of entrepreneurship, small businesses as well as immigrant entrepreneurship undertaken in different areas of the world even though the effect of

geographical and cultural nuances related to immigrant entrepreneurship cannot be ignored.

Other limitations were finance and time as it was not possible for the researcher to cover all the SADC countries. Ideally, the entire SADC countries would have been the optimal population for this research, which will help to open other areas for further research.

## **1.8 DEFINITION OF TERMS**

This study utilises a number of terms, which may be defined in different subjective terms. In a bid to ensure a common understanding, this section attempts to share the definitions of the terms that are at the crux of the study.

### **1.8.1 Coping mechanism**

Cope means to manage successfully, to deal with a situation or problem. It also means to address effectively or contend successfully with a person or task. A mechanism refers to a model often comprising a number of factors that are employed for the execution of a task in pursuance of a goal.

The study is aimed at determining the coping mechanism that immigrant entrepreneurs have employed to enable them deal with situations or problems that they encounter in the course of doing their businesses. In effect, the aim is to identify the specific human, economic or social factors that enable immigrant businesses to cope.

### **1.8.2 Growth**

Growth implies an increase in size or value. Growth can be measured either by looking backward at accounting and employment data or by looking forward at the expectations of the owners (Fatoki, 2013:210). Other variables that are used to measure growth in a business include managerial competence (Hisrich & Drnovsek, 2002:182), asset size, quantity of output, market share, profits, number of employees and sales (Lavadera, 2012:2). All the measures, in order to indicate growth, have to reflect an increase in value of what used to be.

### **1.8.3 Performance**

Performance is achieved when an organisation generates the satisfactory levels of profit, given the human, economic, social capital and other resources at its disposal. It is measured in terms of increase or decrease in business income, business profits, business expenses, market share, return on income, number of employees and product lines (Radipere, 2012:12). Notably, growth and performance are generally seen as substitutes for or surrogates of each other (Dobbs & Hamilton, 2006:297). Further, a growing firm is usually considered to be a successful business that performs well (Nieman & Nieuwenhuizen, 2014:294). For the purpose of this research, firm growth and performance are used interchangeably to indicate the same event or development.

### **1.8.4 Immigration and the Immigrant**

Immigration entails movement from one place of abode to another especially in a different country. It often results in a subject becoming some kind of resident in a country other than one's own native country. An immigrant refers to the person involved in the act of immigration, which implies that the person moved for settlement reasons from a home country to another one. The African immigrant in the specific case of this study describes persons of African descent that are not citizens of Swaziland, Mozambique or South Africa but nonetheless are resident in these countries.

### **1.8.5 Entrepreneurship**

Entrepreneurship is both complex and controversial as there is no universal agreement on the definition (Radipere, 2012:13). Entrepreneurship is the way of thinking, reasoning and acting that is opportunity-obsessed, holistic in approach and leadership-balanced for the purpose of value creation (Timmons & Spinelli, 2009:101). Entrepreneurship is any attempt to start a new business, including any attempt for self-employment (GEM, 2007:80).

The African immigrant on arrival on another country and with no legal document to search for formal employment may look for other means of survival. Starting their own business and becoming self-employed may be the most attractive way judging by their circumstances. This will help them become their own masters and try to make the new venture a success. This closely resonates with the GEM definition of entrepreneurship and therefore this study will adopt the GEM

definition of entrepreneurship as it captures the true essence of how the immigrants start new businesses in an attempt at self-employment and survival

### **1.8.6 Immigrant Entrepreneur**

Immigrant entrepreneurship, although becoming more diverse, is still strongly oriented towards specific segments of the opportunity structure. Immigrants mainly operate in the sectors with low barrier to entry, which make their business highly competitive (Rath & Kloosterman, 2000:660).

When a person who immigrates starts a new business in the new country of abode that person becomes an immigrant entrepreneur and the business so started becomes an immigrant business (Dalhammar, 2004:8).

Immigrants are more likely to become self-employed than the general population and as opined by Ensign and Robinson (2011:36) this is because they are sidelined from the formal labour market. The reason for this is that the labour market fails to recognise the value of the immigrants on one hand and on the other, immigrants feel they lack credentials, language skills and cultural understanding to get the job done. Similarly, focusing on the reasons for the immigrants to opt for self-employment as opposed to seeking formal employment, Chrysostome, (2010:141) identified language barriers, lack of recognition of academic credentials and professional experience, limited knowledge of the local culture and lack of mobility due to poverty. It is instructive to acknowledge that any or a blend of these factors may lead the immigrant towards the entrepreneurial path.

Essentially, the African immigrant entrepreneur is an African national who starts a new business in a host country. While this describes those in other countries unrestricted to the African continent, for the purpose of this research the respondent population of African entrepreneurs is delimited to citizens of an African country who have a business that fits the research criteria and is operating in South Africa (Pretoria and Johannesburg), Mozambique (Maputo and Boane) and Swaziland (Mbabane and Manzini)

## **1.9 OUTLINE OF THE STUDY**

Figure 1.1 is an illustration of the chapters in the study. It depicts how all the chapters flow from one to the other, mindful of the need to go back and forth sometimes in the development of the chapters as a way of ensuring a close knit between chapters. All of this is guided of course, by the core concern of the study, which is a focus on the coping mechanism of African immigrant entrepreneurs in the small business environment in Southern Africa.

### **Chapter 1: Introduction**

This chapter serves as an introduction and offers a background to the study within the immigrant entrepreneurship environment in Southern Africa. This starts with the background that presented an overview of immigrant entrepreneurship and the achievement of immigrant entrepreneurs in some other parts of the world. The chapter next highlighted and discussed the research problem in details.

The research objectives and questions are stated, while identifying the hypotheses to be tested which will complement the research question. The significance of this research was discussed. The chapter also highlighted the limitations of the study, principally the paucity of literature in the area of immigrant entrepreneurship in Southern Africa. Some of the terms that will reoccur in this research were clearly defined. The chapter culminated in a brief outline to be followed in the study.

### **Chapter 2 Entrepreneurship and Small Business**

This chapter is a review of relevant literature surrounding entrepreneurship and small business. This chapter will draw from literature on entrepreneurship and small business from around the world while narrowing it down to entrepreneurship and small business development in Southern Africa in an effort to identify how they contribute to the region, while illuminating some of the problems that they encounter. It will also dwell on the development and strengthening of entrepreneurship and the small business sector of Southern Africa.



### **Chapter 3 Immigrant Entrepreneurship**

The chapter reviews extant literature on immigrant entrepreneurship from an international perspective. It also discusses immigrant businesses in the specific of the Southern Africa countries and pays some attention to the issue of immigration and why Africans immigrate particularly to the Southern Africa region.

This chapter also devotes some attention to the issue of survival of the African immigrant entrepreneurs. It provides a platform for the presentation of a conceptual coping cube and framework that embody the hypotheses to be tested. The hypotheses were deductively formulated from the examination of relevant literature.

### **Chapter 4 Research Methodology**

The research methodology is discussed in this chapter and was aligned with the research design. It outlines the research process followed in the execution of the study. The chapter discusses the approach and philosophical leaning of the study.

The chapter attempts to justify choices made from existing options as it pertains to issues of sampling as well as statistical techniques for the analysis of the data collected. The aim of the chapter was to share with others the scientific steps that were followed throughout the course of the study as it sought to find answers to the research questions posed in order to achieve the pre-set objectives.

### **Chapter 5 Presentation and discussion of findings**

This chapter presents and discusses the findings of the study. The results are also presented and interpreted. It articulates and presents the results of the analysis of data obtained from immigrant entrepreneurs with a particular interest on their coping ability within the Southern African small business environment. The results of the data collected and analysed were presented with due cognizance of the relevance to the research questions and objectives.

The chapter also captures research results from the quantitative statistical examination of the hypotheses that were formulated. Effort will be invested in

identifying some connections between the results obtained and the literature reviewed in the earlier chapters relating to African immigrant entrepreneurs as it concerns how they were able to cope with their businesses.

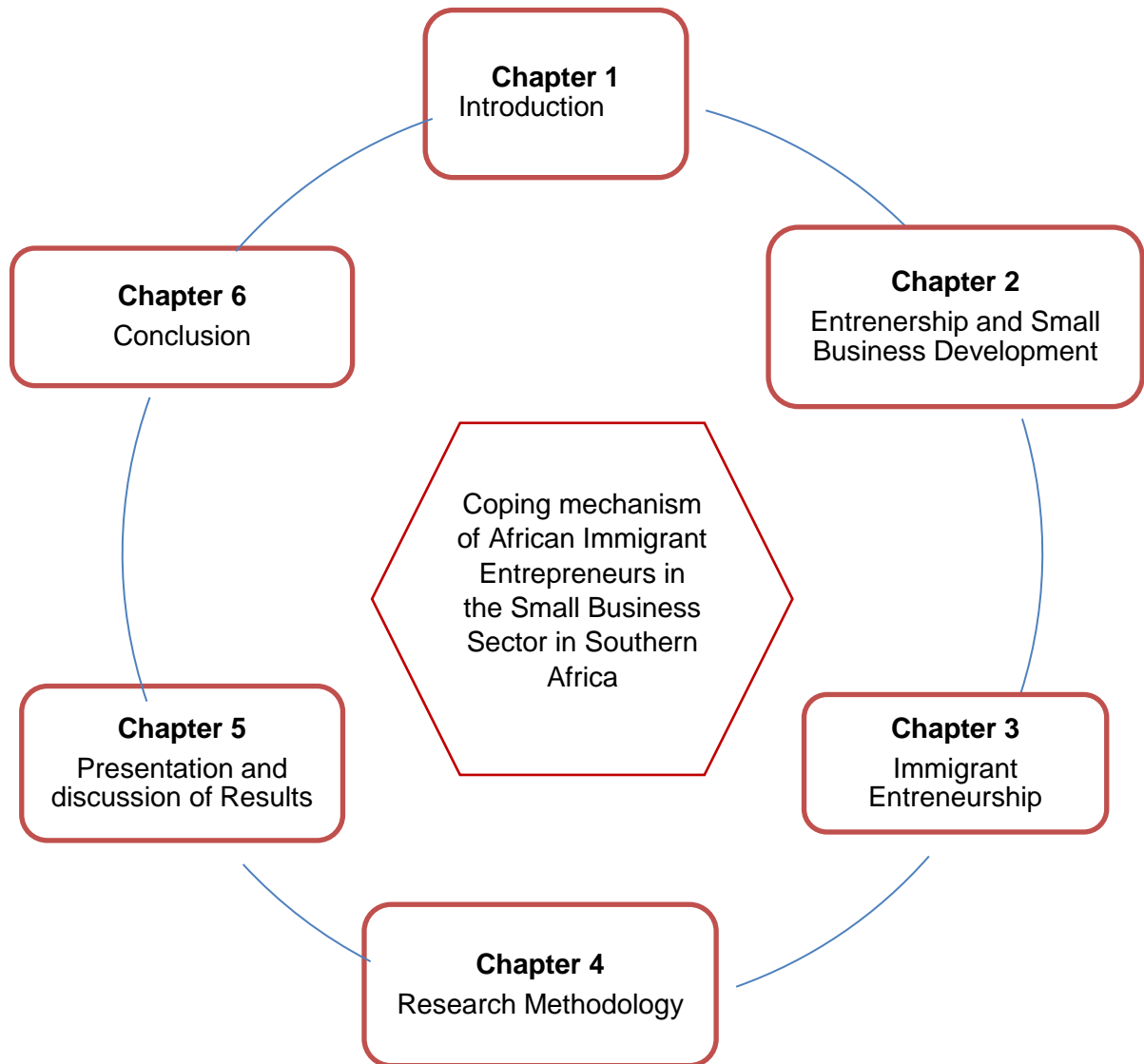


Figure 1.1: An Overview of the Chapters

## Chapter 6 Conclusion

This chapter presents the conclusions through the comparison of the actual research results with the objectives and research questions that were set out at the beginning of the study. Recommendations were made that could enhance the immigrant entrepreneurship sector and possible areas of future research

were identified. The final chapter also presents a summary of all the chapters, which helped to summarize facts, arguments, and conclusions put forward in this study.

## **1.10 CHAPTER SUMMARY**

This introductory chapter provides an overview of the research, pointing out the background on which the study is based. The study looks at the coping mechanism the immigrant entrepreneurs employed to facilitate business survival and possible growth.

Lack of employment for African immigrants leads them to self-employment but they are faced with numerous challenges and only a few of them survive. Since some of them survive the research is aimed at finding out what they do or have that enables their survival.

This chapter laid the foundation for the study. It introduced the research problems, research questions and hypotheses. Then the significance and limitations of the study were stated. Some terms were defined and a summary of the outline of the study presented. In Chapter 2 the relevant literature on entrepreneurship and small business will be covered.

## CHAPTER 2

### ENTREPRENEURSHIP AND SMALL BUSINESSES

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#### 2.1 INTRODUCTION

This chapter focuses on a review of relevant literature relating to entrepreneurship and small business. The chapter deliberates on the different approaches of entrepreneurship and the theoretical development of entrepreneurship. The characteristics, attributes and skills of the entrepreneur are then discussed. Some of the factors that encourage people to become entrepreneurs, as well as the entrepreneurial process are discussed. Entrepreneurship has been proven to contribute to economic growth of different nations, as discovered by different researches (Hisrich & Brush, 2009:23), and in line with the statement, this study then discusses entrepreneurship in the context of a nation's economy.

The second section of this chapter focuses on small business and highlights the different definitions of small business and the world historical view of the subject. It discusses the importance of small business in a nation's economy and its part in job creation. Jasra, Khan, Hunjra, Rehman & Azam, (2011:274), suggests that SMEs contribute a major portion of the GDP and economic activity of different nations and embody potentials similar to those of large businesses when the government puts in place favourable policies that target them. This chapter therefore discusses small business development with special emphasis on the small business development sector in the Southern Africa region. The chapter concludes by pointing out the failure rate of SMEs and finally the generic factors that possibly contribute to the success and performance of SMEs.

## 2.2 ENTREPRENEURSHIP

In simple terms, the entrepreneur refers to the individual with certain defined actual behaviours, attributes and skills that lend themselves to business creation, while entrepreneurship refers to a process – a process which involves specific outcomes relating to the introduction of a new economic activity (Radipere, 2013:20). For clarity therefore, this study will present different definitions of entrepreneurship to ensure a better understanding.

Entrepreneurship has been defined as a process of conceptualising, organising, launching and through innovation, nurturing a business opportunity into a potentially high growth venture in a complex and unstable environment (Nicolaides, 2011:1043). After reviewing different definitions of entrepreneurship, Dollinger (2008:28) defines entrepreneurship as the creation of an innovative economic organisation (or network of organisations) for the purpose of gain or growth under conditions of risk and uncertainty. Bhide (2000:5) views entrepreneurship as the recognition of an opportunity to create something new.

In their submission, Cornwall and Naughton (2008:38) do not directly define entrepreneurship, but base their work on the literature that views entrepreneurship in relation to wealth creation. They however pointed out that the entrepreneur's capacity to create wealth always leads to the question: for what? To some extent, it is very easy to deduce the absence of distinct harmony in the definitions of entrepreneurship. The difference in definitions and approaches may well be connected to how the authors envision the role of entrepreneurship in society. Stokes, Wilson and Mador (2010:30) believe that the non-agreement on a universal definition of entrepreneurship makes it somewhat difficult to state in reality what entrepreneurship entails.

However, this study will adopt the definition of Nicolaides, (2011) as the immigrants always go through the process of conceptualising, organising, and launching their businesses. They work hard and develop different coping

mechanism under unsatable environment to nurture the opportunity to grow the business.

Given that this study is on immigrant entrepreneurship, it is important to present the historical development and different approaches of entrepreneurship theories to gain more insight into the fundamental concept of entrepreneurship.

### **2.2.1 Historical development of entrepreneurship theories**

Entrepreneurship research is relatively new as an academic field, but it has a long tradition (Landstrom, 1999, 2005). The advancement of entrepreneurship was slowed down by the feudal system that was common in Europe in the middle Ages. However, the emergence of new European cities like Italy, France and Germany made it possible for entrepreneurship to have a platform to grow, especially among the merchant class (Carlsson, Braunerhjelm, McKelvey, Olofsson, Persson & Ylinenpaa, 2013:916). The 18th century welcomed the elimination of feudalism. Legal and institutional conditions changed with the emergence of the joint stock company and the development of a banking system (Wennekers & Thurik, 1999:38). This study will therefore include insights of authors that have researched the subject of entrepreneurship over the years.

#### **2.2.1.1 Cantillon**

The economist Richard Cantillon gave an economic meaning to the concept of entrepreneurship and gave the entrepreneur a role in economic development (Cornelius, Landstrom & Persson, 2006:380). Cantillon defined discrepancies between supply and demand as options for buying cheaply and selling at a higher price. He referred to persons who could foresee and predict this as 'entrepreneurs'. He identified their role as that of purchasing inputs at a certain price and selling outputs at an uncertain price, thereby, bringing a market system toward stability, and this set the stage for the later development of equilibrium models in classical economics by promoting the development of

economic foresight and dealing with uncertainty (Murphy, Liao & Welsch, 2006:18).

This appears to be typical of immigrant entrepreneurs given their role in the purchase of good and the uncertainty they face in the sale of same goods. Cantillon did not view the entrepreneur as a factor of production as such but as an agent that takes on risk and in the process creating equilibrium between supply and demand in the economy. In Cantillon's view, entrepreneurs buy raw materials at a certain price and then reprocess them to sell at an uncertain price and he considers entrepreneurs to be people who see and seize an opportunity with a view to making profit. In a neo-classical framework, this function resembles that of the optimising residual claimant, e.g. the business owner who rents labour and capital from workers and landowners in a world of uncertain demand or production (Bula, 2012:83).

#### 2.2.1.2 Say

Say regarded the entrepreneur as the organiser of factors of production, with additional insights reflecting on the entrepreneur as the catalyst for economic change. Say belongs to the French school of thought known as 'physiocrats' (the physical nature of the then agrarian economy) (Maritz, 2005:26).

Say was not only interested in the economy, but also in the management aspect of the enterprise, business development and business management (Nieman & Nieuwenhuizen, 2014:6). Say saw economic development as the result of venture creation, and had hoped that the industrial revolution in England would spread to France. Say regarded entrepreneurs as risk takers because they invested their own money. He distinguished between the entrepreneur, the capitalist, and their profits and in doing so associated entrepreneurs with the possession of managerial skills (Mokaya Namusonge & Sikalieh, 2012:129)

### 2.2.1.3 Schumpeter

Schumpeter looks at entrepreneurship as innovation and not an invention. While an invention can also be a part of innovation, it cannot constitute an innovation on its own. The main reason for this is that an invention constitutes a discovery with or without the potential for economic exploitation, while innovation represents a successful attempt at economic exploitation (Swedberg, 2009:80).

Schumpeter defines entrepreneurship from an economic angle focusing on the perception of new economic opportunities and the subsequent introduction of new ideas in the market. Entrepreneurs identify opportunities, assemble required resources, implement a practical action plan, and harvest the reward in a timely, flexible way (Sahlman & Stevenson, 1991:1).

Schumpeter believes that markets are the result of a dynamic process where firms interact and compete by introducing new products or processes. The main contribution of this framework is that the markets are interpreted as the field of play for heterogeneous firms and they become agents of change through their interaction. In this framework, entrepreneurial activity appears to be one of the primary drivers of industrial dynamism, economic development and growth (Audretsch, Coad & Segarra, 2014:744).

In the Schumpeterian theory, the essence of entrepreneurship lies in the perception and exploration of new opportunities in the realm of business. It always has to do with making a difference by exploiting an invention or more generally an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a source of supply, of materials or a new outlet for products by re-organising an industry, and so on (Bull & Willard, 1993:186).

While immigrant entrepreneurs may not necessarily pivot on technological breakthroughs, their ability to open up new outlets for products and services



places them within the entrepreneurial frame of Schumpeterian theory. Marz (1991:24) argues that Schumpeter hardly denied that the process of accumulation is the ladder to social power and social prestige. He however, thought that the mainspring of the exercise of entrepreneurial function is the powerful will to assert economic leadership, while the joy of carrying through innovations is the primary motive and the acquisition of social power is only a subsidiary to it.

The entrepreneur is not (necessarily) the one who invents new combinations, but the one who identifies how these new combinations can be applied in production. This line of reasoning may then imply that a business owner is considered an entrepreneur only if he is carrying out new combinations. Schumpeter's concept that the entrepreneur is someone different with the special ability to invent is very vital. This may be the reasoning behind the differentiation between an entrepreneur and those that are self-employed who just want to earn a living.

The entrepreneur creates new products or production methods through innovations and in the process renders the old systems obsolete, which helps to improve on the current economic state. This is the process of creative destruction (creating uncertainty), which Schumpeter saw as the driving force behind economic development. Schumpeter argued that anyone seeking profits must innovate and cause the different employment of an economic system's existing supplies of productive means. Schumpeter believed innovation to be an essential driver of competitiveness and economic dynamics and the centre of economic change, which causes gales of creative destruction (Sledzik, 2013:90).

#### 2.2.1.4 Kirzner

Kirzner is one of the initial Austrian school of writers who researched the characteristics of the entrepreneur and suggested that an improvement in the

technique of production or a shift in preferences leads to change (disequilibrium) in the market, where equilibrium initially existed.

If there is equilibrium in the market, there is nothing for the entrepreneur to do and no exchange and profit opportunities for them since everybody will be able to carry out his initially determined exchange plans. Entrepreneurs do not wait for shocks to create opportunities and then provide solutions, they act by creating opportunities that otherwise could not have been known without their actions and then they provide solutions to the opportunities so created (Alvarez & Barney, 2007:15). While this may not be a typical description of immigrant entrepreneurs given the notion of proactivity highlighted, the idea that entrepreneurs are opportunity seekers and takers seems to resonate with immigrant entrepreneurship.

Kirzner states that there is no room for entrepreneurial discovery and creativity. The course of market events is foreordained by the data of market situation and for the system to create profit opportunities for the entrepreneur, there is need for an exogenous shock to the system. Entrepreneurs create these shocks. Kirzner believes that the entrepreneur makes use of opportunities for trade, since the entrepreneur is alert to profitable opportunities (Maritz, 2005:26).

The entrepreneur as the agent driving the competitive-equilibrative forces of the market focuses attention on the entrepreneur not as a creator, but as being merely alert. His equilibrative role stems not from his autonomous introduction of change into existing market relationships, but from his ability to notice, earlier than others, the changes that have already occurred, which renders existing relationships inconsistent with the conditions for equilibrium. The inconsistencies that the entrepreneur sees may become an opportunity for profit. When a competitive entrepreneur takes advantage of such clear opportunities, it aids in driving the market towards the (relevant new) equilibrium configurations (Kirzner, 2009:148). The entrepreneurial progress depends on many different players in the business arena, which may suggest that immigrant entrepreneurs who are present in the economic arena of the Southern Africa

region may have helped to alter the entrepreneurial activity and progress of the region.

#### 2.2.1.5 McClelland

The psychologist David McClelland was one of the first to present empirical studies in the field of entrepreneurship that were based on behavioural science theory. McClelland attempted to understand the reasons for economic growth and decline by focusing on the role of the entrepreneur. He showed the link between a country's Need for Achievement (nACH) and its economic development (Carlsson et al, 2013:918).

McClelland (1961) suggests that individuals who score high on need for achievement (nACH) are attracted to work situations in which they have personal control over outcomes, face moderate risk of failure, and experience direct and timely feedback on their performance. McClelland surmised that high-need-for-achievement individuals would be attracted to entrepreneurship because it offers more of these conditions than most traditional forms of employment. (Zhao, Seibert & Lumpkin, 2010:384). The entry into the field of entrepreneurship by immigrants may not be dramatically different from this as the exact definition of the concept of achievement being subjective may be one of the drivers of immigrant entrepreneurship. Consequently, countries with a high need for achievement and autonomy will have high firm formation rates because their values encourage strong work ethics and risk taking (Bruton, Ahlstrom & Li, 2010:431).

McClelland's work generated a stream of research by behavioural scientists on the role of entrepreneurship in economic development, which many researchers (Rauch & Frese, 2007; Shane, 2009; Alvarez & Barney, 2010; Eisenhardt, 2013) have used in recent works in relation to entrepreneurial success.

#### 2.2.1.6 Knight

Knight, in his risk, uncertainty and profit approach, made a distinction between risk and uncertainty, where uncertainty is unique and uninsurable, and argued that the skills of the entrepreneur lie in the ability to handle the uncertainty that exists in any given society (Carlsson et. al., 2013:916). While it is a measurable unknown to which probabilities can be assigned and which can be dealt with through different types of insurance, probabilities cannot be assigned to uncertainties (York & Venkataraman, 2010:452).

The main function of the entrepreneur is to assume the uncertainty related to these events, thereby shielding all other stakeholders against the uncertainty. i.e. the entrepreneur exercises judgment over these unique situations. In fact, the understanding that entrepreneurs make decisions and subsequently act in the face of inherently uncertain even unknowable futures is one of the mostly acclaimed assumptions in entrepreneurship (McKelvie, Heynie & Gustavsson, 2011:273). This is typical of the immigrant entrepreneur, more so because of the new environment in which he/she is compelled to create and operate a business.

Knight (1921) explicitly argues that entrepreneurs are owners of companies, i.e. residual claimants, and thus receive profits. In order to earn a positive profit, the entrepreneur will engage in a range of entrepreneurial activities within a market system, including but not limited to coordination, arbitrage, ownership, speculation, innovation, and resource allocation (Hebert & Link, 1989:47).

The Knightian entrepreneur is an individual who are risk-takers that are prepared to undertake the risk of setting up their own business. This is a mould of entrepreneurship that fits the immigrant entrepreneur. It is noteworthy though that this dual risk-taking activity led to criticism of the Knightian risk, uncertainty and profit theory, despite the importance of risk-taking behaviour on modern entrepreneurial thinking. Nonetheless, the entrepreneur is seen as confident

and venturesome to make judgments about the uncertain future, with profit being the reward (Maritz, 2005:27).

#### 2.2.1.7 Casson

According to Casson (1982:9), one reason why there is no economic theory of the entrepreneur lies in the assumptions about access to perfect information, which are implicit in orthodox (neoclassical) economics. Simple neoclassical models typically assume that everyone has free access to all the information required for taking decisions. This assumption reduces decision making to the mechanical application of mathematical rules for optimisation; it trivialises decision-making and makes it impossible to analyse the role of entrepreneurs in making judgmental decisions (Casson, 1982:9).

The need for a theory of the entrepreneur is most apparent when analysing the reasons for economic success and failure. The problem of understanding, explaining and interpreting why some succeed and others fail is crucial to the study of economic development, the growth of the firm and the distribution of income. It is obvious that our markets, which are typified by environmental challenges, have reached equilibrium in our current methods of production; the time is therefore ripe for innovation (York & Venkataraman, 2010:460). This is perhaps also the case with immigrant entrepreneurship, where the stakes of success /failure are seemingly high given that the entrepreneur is operating in an environment that is foreign. The immigrant entrepreneur's ability to become innovative and adaptive to the environmental and market situation may be the difference between success and failure.

The entrepreneur is, to a large extent, an organiser of resources. Reliance on different skill sets enables the entrepreneur to make judgements and coordinate scarce resources. Casson's theory is resource based and shows that a lack of capital is regarded as a barrier to successful entrepreneurship (Maritz, 2005:28).

## **2.2.2 Approaches to entrepreneurship**

It has been difficult to explain the field of entrepreneurship, because it is a multifaceted phenomenon with approaches that encroach upon different disciplinary boundaries (Volery & Mazzarol, 2015:377). Due to this, it has been suggested that entrepreneurship research should dwell on the early-stage phenomena, such as how opportunities are detected and acted upon, or how new organisations come into being (Davidsson & Honig, 2003:303). As a result, this research will seek to use certain terms to explain different approaches to entrepreneurship.

### **2.2.2.1 Entrepreneurship as a mental act**

Entrepreneurship is considered from the point of view of the particular outcome, which the actor aims at. It seeks to change the future and as such, entrepreneurship is the comparison of the forecasted future state of the world, which the actor expects to occur in the absence of his specific action with the newly made and previously unnoticed. The entrepreneur expects that by taking a specific action it will result in his/her preferred future state of the world (Bula, 2012:82). To this effect therefore, entrepreneurs make their production plans based on the current prices of factors of production and the anticipated future prices of consumer goods (Klein, 2008:178).

### **2.2.2.2 Physical act**

Entrepreneurs are actors who initiate changes that contribute to transforming existing institutions or to creating new institutions (Schaltegger & Wagner, 2011:224). The immigrant entrepreneur qualifies as an actor on the entrepreneurship stage as he/she, for a variety of reasons, conceives of a product or a service and creates the vehicle of a small business to enable the delivery to the targeted market. The entrepreneurial component can be thought of as the result of the agent's (entrepreneur's) individual endowment, which may not be empirically measurable.

### 2.2.2.3 Human capital

Human capital analysis starts with the assumption that individuals decide on their education, training, medical care, and other additions to knowledge and health by weighing the benefits and costs (Becker, 1993:392).

Human capital theory predicts that individuals or groups who possess greater levels of knowledge, skills, and other competencies will achieve greater performance outcomes than those who possess lower levels. Common measures of human capital include level of education, work experience, upbringing by entrepreneurial parents, and other life experiences (Martin, McNally & Kay, 2013:213).

The above historical development and approaches have made useful contribution towards the development of entrepreneurship and have helped to attract contributions from other fields of management science. These contributions have led to different definitions of entrepreneurship.

### **2.2.3 Definitions of entrepreneurship**

The concept of entrepreneurship has evolved over time. Scholars from the 20th century like Schumpeter and Drucker have focused more on the creative and innovative aspects of entrepreneurship. Schumpeter's theory of creative destruction involves both creation (new firm formation) and destruction (firm exit). Schumpeter (1942) argues that entrepreneurs introduce new combinations through new firms. These innovative entrants force incumbents either to adapt to the new efficiency standard or to exit the industry. Consequently, a new situation emerges in which the productivity of the industry improves. This improvement is aided by new entrants who are innovative and more productive than the older firms who are forced to exit the market due to a better productive competitor (Bosma, Stam & Schutjens, 2011:403).

In support of Schumpeter's innovative propositions, entrepreneurship is defined as innovation in a business setting as the entrepreneur generates new capacity for wealth from limited resources (Stewart, Carland & Carland, 1996:3). Entrepreneurship is any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business by an individual, a team of individuals or an established business (Gem, 2012:8; Bosma, Wennekers & Amoros, 2012:9). The definition seem to capture the true nature of immigrant entrepreneurship that is often related to self-employment and the establishment of a business, albeit small.

Timmons and Spinelli (2009:101) define entrepreneurship as a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced for the purpose of value creation and capture. They further state that entrepreneurship results in the creation, enhancement, realisation and renewal of value not just for the owners of a business, but for all participants and stakeholders. Entrepreneurship requires a willingness to take risks – both personal and financial – but in a very calculated fashion in order to constantly shift the odds of success, balancing the risk with the potential reward.

Hisrich, Peters and Shepherd (2010:6) define entrepreneurship as the process of creating something new with value by devoting the necessary time and effort; assuming the accompanying financial, psychic and social risks and uncertainties; and receiving the resulting rewards of monetary and personal satisfaction. The definition stresses four things – creating something new of value, the devotion of the necessary time and effort, reward of being an entrepreneur and assuming the necessary risk and uncertainty. Arguably, all of these four aspects can easily be found in immigrant entrepreneurship.

Shane and Venkataraman (2000:218) define entrepreneurship as the study of how, by whom and with what effects the opportunities of future goods and services are discovered, evaluated and exploited. Oviatt and McDougall (2005:540) later added to this definition by referring to entrepreneurship as the



discovery, enactment, evaluation, and exploitation of opportunities to create future goods and services.

Volery and Schaper (2007:6) define entrepreneurship as the process brought about by individuals identifying new opportunities and converting them into marketable products or services. Factors that were cited for entrepreneurship to occur are an individual act, organisation and innovation. In harmony with this definition, it would seem inconceivable for the domain of immigrant entrepreneurship to exist without actions by the immigrants that lend themselves to the identification of opportunities and consequent establishment of businesses.

Kao (1993:69) defines entrepreneurship as the process of doing something new (creation) and/or something different (innovation) for creating wealth for the individual and adding wealth to the society. The entrepreneur is a person who undertakes a wealth-creating and value-adding process, through developing ideas, assembling resources and making things happen (Kao, 1993:69). It is important to note that the above definition recognises entrepreneurship as a process of wealth creation and value adding and this includes small businesses, the likes of which immigrants are generally known to establish.

Entrepreneurship is described as the manifest ability and willingness of individuals, who on their own, in teams within and outside existing organisations, to perceive and create new economic opportunities (new products, new production methods, new organisational schemes and new product-market combinations). They also introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions (Sanyang & Huang, 2010:319).

In the light of the many definitions of entrepreneurship that exist, Stokes et al, (2010:6) noted about eight different characteristics that usually feature in definitions of entrepreneurship. These include:

- environment within which entrepreneurship occurs;
- people involved in entrepreneurship;
- entrepreneurial behaviours displayed by entrepreneurs;
- creation of organisations by entrepreneurs;
- opportunities identified and exploited;
- innovation, whether incremental radical and/or transformative;
- assuming risk at personal, organisational and even societal levels; and
- adding value for the entrepreneur and society.

There is no gain in saying that all of these apply in the field of immigrant entrepreneurship. Commenting on the kaleidoscope of definitions of entrepreneurship, Stokes et al. (2010:6) noted that the direction of a definition depends on who is defining and the audience that is targeted. This is because there is variation in the definitions of entrepreneurship with respect to the perspective of the entrepreneurship educators, entrepreneurship policy makers, young entrepreneurs, corporate and venture capitalists. Nonetheless, three core dimensions can be deduced from these definitions and these are behaviours, processes, and outcomes (Stokes et al., 2010:7) as indicated in Figure 2.1

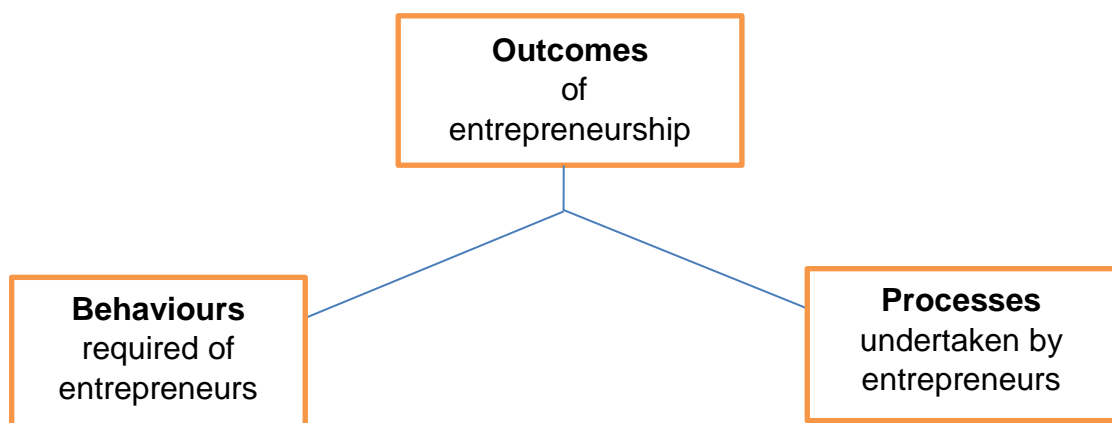


Figure 2.1: The three dimensions of entrepreneurship definitions

Source: Adapted from Stokes, Wilson and Mador, (2010:7)

According to Stokes et al (2010:7), the process dimension is normally built around development, with particular emphasis on a new business or innovation

strategy and the writing of business plans. The behavioural dimension shows the role of individuals with specific behaviours which set them apart from others. The outcome component concentrates on the results of entrepreneurship (as the process or set of behaviours). Combining these three dimensions would suggest that whatever is seen or noted as an entrepreneur is the product of certain behavioural patterns, background and processes.

#### **2.2.4 Background and personality characteristics of the entrepreneur**

Entrepreneurial identity is an essential aspect of entrepreneurship. It normally develops out of a person's background and experience (Falck, Heblich & Luedemann, 2012:42). This may well be the reason why some people would perceive entrepreneurial action as feasible or desirable, causing them to nurse entrepreneurial intents. Following this, a discussion of the background of entrepreneurs is undertaken.

##### **2.2.4.1 Background of the entrepreneur**

The background of the entrepreneurs highlights the essential attributes and experiences that are present in an entrepreneur. They help to formulate an individual's thinking towards an entrepreneurial journey. Some of these attributes include education, age childhood and work experiences.

###### **2.2.4.1.1 *Education***

Education has proven to play a key role in helping entrepreneurs cope with the problems they encounter. According to Hisrich et al. (2010:38), although formal education is not a condition for starting a new business, as was seen in the progress of high school dropouts like Andrew Carnegie, Henry Ford, William Durant and William Lear, it does, however, form a good base, especially if the venture is in a related field.

The success stories are attributable to the fact that education enhances an individual's managerial ability and in turn increases their probability of entrepreneurship (Wu & Wu, 2008:755). Indeed, Driver, Wood, Segal, and Herrington (2001:22) found that matriculation increases someone's capacity to pursue entrepreneurial activity, while tertiary education increases the sustainability of the entrepreneurial venture. The contention here seems to be that education serves as an enabler of entrepreneurial activity, though it does not discard the idea that people without education can also succeed in the field of entrepreneurship.

#### *2.2.4.1.2 Childhood experiences*

The reasoning behind why early childhood experiences are so important is that later investments in skills build on earlier laid foundations. It is in childhood that people acquire most of the human capital, which they will use to pursue a better lifestyle (White, 2011:287). Young children spend most of their time with their parents and this can explain the direct impact that their parental background has on them. Therefore, considering that identity, along with various skills, results from an individual's socialisation at home and in school (Akerlof & Kranton, 2005:12), a person can become more inclined towards entrepreneurship due to childhood experiences.

#### *2.2.4.1.3 Age*

Individual entrepreneurial activity usually takes place between the ages of 18 and 66 years, however the most entrepreneurially active age tend to fluctuate between 25 and 44 years as this age group provides 50% to 60% of the total early-stage entrepreneurial activity (GEM South Africa, 2014:28). However, according to Hisrich et al. (2010:40), an entrepreneur could start before or after these ages, as long as the requisite energy, the relevant experience, and the necessary financial support are present. They observed that while male entrepreneurs start their first significant ventures in their early 30s, women tend to do so in their middle 30s. They also stated that women are more inclined to

pursue a career in entrepreneurship later in their life when they think of what to do with their lives, especially when their children have all left home and they have less financial worries.

In South Africa, entrepreneurial activity between the ages of 18 and 24 tend to be relatively low. This is significantly lower than what is obtainable in the Sub-Saharan African region. It is important to note that the majority of secondary school leavers do not pursue tertiary education and as such form a part of the potential workforce (GEM South Africa, 2014:28).

#### *2.2.4.1.4 Work experience*

Work experience complements skills and knowledge acquired through education and helps individuals to gain experience in fields necessary for running their own business (Mueller, 2006:43). With respect to immigrants that start businesses, there is a probability that while some may have prior work experience, others may not. Regardless of their work experience situation, those that turn to entrepreneurship end up establishing businesses.

However, individuals with more experience tend to bear a greater likelihood to venture into self-employment. This is because they are not only likely to be better informed about profitable opportunities, but are also more likely to possess the necessary skills required for starting a business (Kim, Aldrich & Keister, 2006:9). The importance of this is that immigrants who have been self-employed in the past may find it easier to start new business based on their experiences.

#### *2.2.4.2 Personality characteristics of the entrepreneur*

Entrepreneurs have been linked with different entrepreneurial personality characteristics. These characteristics are usually the most influential factors in their performance and competitiveness (Gurol & Atsan, 2006:28). Many researchers have investigated why some people are able to start and grow

profitable businesses while others are not (Radipere, 2012:29). However, findings that could establish links between personality traits and entrepreneurial actions are at best inconclusive (Yan, 2010:21). According to Shepherd and Krueger (2002), the influence of personality trait on entrepreneurial action involves many factors which include perception, attitude, and interactions and as such the process of personality traits on influencing an individual's entrepreneurial decision and action is rather complex.

Wickham (2004:77) posits that no real evidence exists that there is a single entrepreneurial personality. People of all personality types become successful entrepreneurs and show drive, ambition, hard work and effort in learning to run a business, which is however in contrast with the findings of McClelland's 1961 study at Harvard University, which shows, according to Gupta and Muita (2012:87), that entrepreneurs have a higher need for achievement than others and are moderate risk takers.

Vecchio (2003:306) contends that efforts to develop profiles of entrepreneurs and small business owners have been numerous and that the literature on entrepreneurial behaviour, attitude and predisposition has been substantial. He further argues that the fruits of these efforts are a set of five attributes that are arguably at the forefront of discussions of entrepreneurial profiles. The attributes referred to as the big five personality traits comprise openness, extroversion, agreeableness, conscientiousness and neuroticism (Antonicic, 2009:361). The development of these big five personality traits allowed for a rapid convergence of views regarding the structure of the concept of personality (Digman, 1990:418) and helped to advance personality research considerably in its conceptual sophistication, reliability of measurement and predictive validity (Nicholson, 1998:530).

Two approaches, the general personality traits approach and specific personality characteristics approach, are mainly used in the analysis of personality constructs. The general personality traits approach, in particular the big five model taxonomy, arranges a variety of personality variables into a

concise personality construct (Zhao & Seibert 2006:259). To a large extent, the most accepted and used taxonomy of personality is the five-factor model (Costa, McCrae, & Dye, 1991:887). However, some researchers, (Barrick & Mount, 1991; Ones, Viswesvaran, & Schmidt, 1993) argue that for reasons of reliability and validity, the big five taxonomy is better able to identify the relevant relationships between personality and entrepreneurial processes than more specific characteristics. Others, (Hough, 1992; Mershon & Gorsuch, 1988; Murtha, Kanfer, & Ackerman, 1996) however, insist that this general traits approach is too broad for the prediction of specific aspects of entrepreneurial tasks (Dudley, Orvis, Lebiecki & Cortina, 2006:40). Despite the disagreement, the value that the big five taxonomy brings to the entrepreneurship discourse cannot be overlooked. Even within the context of immigrant entrepreneurship, the personality traits of openness, extroversion, agreeableness, conscientiousness and neuroticism are worthy of attention.

#### *2.2.4.2.1 Openness*

Openness is manifested in a liberal value system where individual intellectual curiosity and affinity towards novelty of new experiences are welcomed (Nga & Shamuganathan, 2010:267). People who are open are creative, innovative, imaginative, reflective, and untraditional, while those who are not as open are characterised as conventional, narrow in interests, and unanalytical. Openness is positively correlated with intelligence, especially aspects of intelligence related to creativity, such as divergent thinking (McCrae, 1987:1259). Openness in individuals ensures that they are not afraid of engaging in new adventures, are somewhat versatile and often display a high degree of creativity (Yong, 2007:29). However, they may also easily get bored with the current situation of things; appear to be impulsive, very inquisitive and due to these factors, may easily be misunderstood by others (Nga & Shamuganathan, 2010:267).

#### 2.2.4.2.2 *Extroversion*

Extroversion is associated with the extent to which individuals are sociable, outgoing, have positive attitudes and assertive characteristics (Ciavarella, Buchholtz, Riordan, Gatewood & Stokes, 2004:469). Extroverted individuals tend to be sociable, which invariably helps them to form social networks more easily. This in some cases leads to a strong relationship with clients and suppliers. Assertiveness, leadership and the ability to develop networks are all linked to entrepreneurial development in terms of the entry decision and entrepreneurial survival (Caliendo, Fossen & Kritikos, 2014:790). The ability of an immigrant to reach out to others through social networks may well provide a veritable base for self-employment through an entrepreneurial venture.

#### 2.2.4.2.3 *Agreeableness*

Agreeableness, like extroversion, is a type of interpersonal behaviour, however while extroversion mainly relates to a desired capacity of social stimulation, agreeableness on the other hand represents the distinctive value of interaction along a scale from compassion to antagonism (Costa & McCrae, 1985:2). Agreeableness focuses on the quality of relationships through trust and cooperation (DeNeve & Cooper, 1998:199). It may therefore suggest that a prospective immigrant entrepreneur should have a level of agreeableness in order to gain the required support to start a new business. This resonates with the opinion of Judge, Higgins, Thoresen and Barrick (1999:625) that the cooperative nature of agreeable people may lead to a more successful career in the field of entrepreneurship, especially where customer care service is of high importance.

#### 2.2.4.2.4 *Conscientiousness*

The conscientious trait relates to an individual's preference to conform to rules and regulations. Conscientious individuals are also reliable, hardworking and maintain a high level of performance (Llewellyn & Wilson, 2003:342). Individuals



who are conscientious have two main components. They are firstly achievement oriented and on the other hand hardworking, efficient, and dutiful. It indicates an individual's degree of organisation, persistence, hard work, and motivation in the pursuit of goal accomplishment (Caliendo, Fossen & Kritikos, 2014:790). Some researchers have viewed this construct as an indicator of volition or the ability to work hard (Barrick & Mount, 1991:4). Being conscientious in the daily activities of the immigrant entrepreneur may help him/her find ways of coping with the difficulties associated with his/her venture.

#### *2.2.4.2.5 Neuroticism*

Neuroticism is the degree of emotional stability of the individual (Yong, 2007:9) and neurotic individuals often display mood swings, impulsiveness, self-consciousness, low self-esteem and depression (Zhao & Seibert, 2006:260). Entrepreneurs are often faced with constant challenges emanating from the diversity of complex situations involving management of scarce resources and other pressures from stakeholders, and as such will need to exhibit a high degree of optimism and emotional intelligence (Crane & Crane, 2007:14). Emotionally stable and intelligent individuals are characterised as self-confident, relaxed, and able to tolerate stressful situations (Judge, Higgins, Thoresen & Barrick, 1999:624). They can manage day-to-day performance pressure, remain optimistic, and maintain relationships toward others (Ciavarella, et al., 2004:471). When immigrants engage in entrepreneurial activities, it is important that they are able to manage stress and uncertainty in order to cope with their businesses.

### **2.2.5 Motivating factors for becoming an entrepreneur**

Motivation is what drives people to behave in a certain way. It drives them to behave in ways that seem right under certain conditions (Radipere, 2012:80). When employees in any given organisation feel that their interests are linked to the organisation's interest they seem to work towards achieving the goals of the organisation (Smith & Cronje, 2002:344). When managers understand how their

employees are motivated, it becomes easy for them to influence their employees' work performance.

People are motivated by many factors to become entrepreneurs. Studies by Kuratko, Hornsby and Naffziger (1997) and Robichaud, McGraw and Alain (2001) that surveyed entrepreneurs from North America to determine which factors may have led to business success indicate that the motivation of entrepreneurs is largely derived from extrinsic factors, independence rewards, intrinsic rewards and family security.

In accordance with this, Carsrud and Brannback (2009:147) identified two forms of motivation as intrinsic and extrinsic motivation. The intrinsic portion comes internally from emotions one feels when launching a new company, and the extrinsic aspect is external from the venture. In essence, intrinsic motivation is linked to personal interest in the task, e.g. achievement motivation, self-development and self-actualisation, and extrinsic motivation to external reward for some behaviour. The need for competence, the need for relatedness and the need for autonomy are the three different psychological needs that are necessary for self-motivation and personal integration. Remarkably though, entrepreneurial motivation may be learned through influence by successful entrepreneurs who are role models in the family (Carsrud & Brannback, 2009:147).

Motivating factors for starting a business may also differ across countries due to differences in income levels and employment opportunities. Benzing, Chu and Kara (2009:61) studied entrepreneurs in Turkey and presented a comparative analysis on studies by different researchers on the motivating factors of entrepreneurs in different countries that revealed geographical differences.

Focusing on Vietnamese small business owners, Swierczek and Ha (2003) found that challenge and achievement were more significant motivators than necessity and security. In Romania, Benzing, Chu and Szabo (2005) found that income and job security needs were more significant motivators than self-

satisfaction and personal needs. In India, Benzing and Chu (2005) revealed that entrepreneurs were motivated by the desire for autonomy and then to increase their income. Ozsoy, Oksoy and Kozan (2001) found that entrepreneurs in Turkey were motivated to start their own businesses to provide security for themselves and their new families as well as to increase their income.

In Africa, Ugandan entrepreneurs are motivated by “making money” (Stefanovic, Prokic & Rankovic, 2010:253). In Kenya and Ghana, Chu, Benzing and McGee (2007:1) found that the strongest motivators were the desire to increase income and the need to create jobs for themselves. In West Africa specifically, Roy and Wheeler (2006:460) found that entrepreneurs were motivated by a desire to satisfy basic psychological needs – food and shelter.

Entrepreneurs have the same motivations as anyone else to fulfil their needs and wants. A survey by Edelman, Brush, Manolova and Greene (2010:178) in the United States on entrepreneurs showed that the reasons why entrepreneurs launch businesses tend to be the same across racial lines. The same may also be true of immigrants who start businesses in the SADC region.

### **2.2.6 Immigrants and self-employment**

Three theoretical schools of thought have attempted to unveil reasons why immigrants resort to self-employment as a way of survival in their host country.

The first school is the theory of “blocked opportunities” and it states that immigrants get into self-employment because of discrimination in the host country labour markets (Sanders & Nee, 1996:232; Rajzman & Tienda 1999:6; Clark & Drinkwater, 2000:2; Basu & Altinay, 2002:3; Sahin, Nijkamp & Levent, 2006:6; Levent, Nijkamp & Sahin, 2007:4; Heilbrunn & Kushnirovich, 2008:693).

According to Van Tubergen (2005:711), in countries with high local unemployment rates, immigrants are pushed out of the labour market into self-employment. It therefore becomes logical for immigrants to resort to self-employment, as they may not have the opportunity to compete for employment

with the locals that are often favoured to fill the limited job opportunities. Immigrants encounter different obstacles, which are not limited to their lack of acceptable educational credentials (Landau, 2010:72), inappropriate work experience and limited knowledge of local language (Aldrich & Waldinger, 1990:122).

For instance, Greve and Salaff (2005:7) state that the credentials of a doctor from China will not be accepted in Canada. Landau (2010:72) also noted that in South Africa, employers do not usually accept immigrants even when they have employment rights. They mostly do not recognise their certificates or professional qualifications. "Blocked opportunity" theorists argue that immigrants are forced to resort to self-employment because they have access to few job opportunities, while if they start their own business they will have the opportunity to make use of their human capital resources (Nee & Sanders, 2001:393).

Landau (2010:72) agrees with the position and argues that when immigrants in South Africa are turned away due to unrecognised credentials and they are unable to raise enough funds to pay for South African Qualifications Authority (SAQA) evaluations, they are left with no choice than to find other ways of making a living. This is why Nee and Sanders, (2001:402) also noted that in the US, immigrants whose education are not from the local academic environment and mainly from other countries are more inclined towards starting their own businesses.

Therefore, discrimination against the employment of immigrants may serve as a motivation for them to become self-employed. Guzy (2006:5) posits that discrimination can also be an obstacle at other stages, including when immigrants start their business and interact with administration, owners of business premises, suppliers, clients, banks and other stakeholders.

Sanders and Nee (1996: 232) note that an immigrant that has middle-class or elite origin has greater access to financial capital. Levent et al. (2007:4) suggest that the grip of "blocked opportunities" on the immigrant differs from one generation to another. Halkias, Harkiolakis, Abadir, Thurman, Akrivos, and

Caracatsanis, (2007:7) contend that though one generation of immigrants may have faced bias in the labour markets, as explained by the blocked opportunity theory, the next generation, mainly comprising their offspring, may not face the same biases. This is because their educational credentials will be recognised within the country (having in most cases attained the educational qualification locally). Levent et al. (2007:4) note that while first-generation entrepreneurs in general are pushed into self-employment, the second generation on the other hand may decide to become self-employed on their own accord.

When faced with a lack of employment opportunities, immigrants are usually pulled into certain business sectors in order to earn money. From the perspective of the “blocked opportunity” theory, an immigrant normally starts out as a temporary resident in a host country (Halkias et. al, 2007:4) and strives to make money quickly to sustain him/herself, send money back home or to take it with them when they return home (Zhou, 2007:279).

It is important to note that the “blocked opportunity” school of thought has been criticised for ignoring the fact that some ethnic groups may have a cultural propensity towards entrepreneurship and this may have inspired the emergence of the second school of thought (Basu & Altinay, 2002:3).

The second school of thought referred to as the “ethnic market niche” or “pull” factor theory advocates that immigrants are generally drawn into self-employment in general and certain sectors by business opportunities. The ethnic market niche theory is developed on the premise that immigrants find business start-up opportunities in market niches created by the opportunities in the society, including their own immigrant groups (Halkias et al., 2007:4). The theory seem to suggest that immigrants are drawn towards alternative forms of employment away from the normal types of employment, which they may not necessarily find attractive.

Clark and Drinkwater (2000:2) state that some of the factors that may pull immigrants into self-employment include the existence of ethnic enclaves which may provide a self-sustaining economic environment, the influence of religion

and access to informal sources of finance and labour through family ties or shared culture and language.

The third school of thought referred to as the “ethnic enclave theory” includes mainly those who are bound by ethnicity, an ethnic community’s social structures and geographical location (Zhou, 2007:280). The ethnic enclave theory state that immigrant entrepreneurs typically find business start-up opportunities within immigrant communities and neglected business sectors of the broader economy (Clark & Drinkwater, 2000:2; Greve & Salaff, 2005:9; Zhou, 2007:280). In line with this assertion, immigrants are inclined to start businesses in industries where start-up cost is relatively low, competition is minimal, capital can be quickly raised and assets can be quickly or easily liquidated and turned into cash.

Studies on self-employment with reference to immigrants in different countries show that immigrants have gained some prominence in self-employment activities in their host countries. Indeed, Pinkowski (2009:30) states that the self-employment rates among immigrants are generally higher than those among the natives/locals.

Two main factors seem to be responsible for an immigrant group’s participation in self-employment activities. On one hand, an immigrant’s country of origin contributes significantly to an immigrant group’s self-employment rate, while on the other hand the differences between immigrant groups could also engender “setting” or “community” effects which refer to properties of the combination of the country of origin and the country of destination (Van Tubergen, 2005:710).

### **2.2.7 The entrepreneurial process**

The process of starting a new venture lies within the entrepreneurial process. It involves more than solving problems in a typical management situation. The entrepreneurial process is defined as the process of establishing a business and it involves the transformation from preformation to the formation of a new business (Hung, 2006:361). Hisrich et al. (2010:7) argue that the

entrepreneurial process entails creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and uncertainty and receiving the resulting awards of monetary and personal satisfaction.

At the beginning, entrepreneurial processes are actions that involve all functions and activities that are linked with identifying and evaluating perceived opportunities and gathering the necessary resources towards the formation of the new venture to pursue the identified opportunities (Bygrave, 1994:223; Cornwall & Naughton, 2003:62). The entrepreneurial process after start-up becomes a continuous cycle of targeting opportunities and making strategic decisions in allocating limited resources in pursuit of valueadding opportunities (Glancey, 1998:18).

Different authors have identified two (Pretorius, Millard & Kruger, 2005), three (Gruber 2004), four (Bhave, 1997; Hisrich & Peters, 2002) and five (Rwigema & Venter, 2004) distinct stages of the entrepreneurial process. Pretorius et al. (2005:56) point out that literature identifies two broad dimensions of the entrepreneurial process, which are opportunity recognition and resource acquisition. Gruber (2002:193) identified three distinct stages, namely the pre-founding stage (opportunity identification and evaluation), founding stage (business plan, resource gathering, and incorporation and market entry) and early development stage (building the company and market penetration).

Rwigema and Venter (2004:28) opine that the process comprises five distinct stages, which are identifying, measuring, and refining an opportunity from multiple ideas, formulating a business plan, marshalling the resources, organising and mobilising a team and overseeing the creation of the new venture and its growth.

Bhave (1994:223) identifies four stages of the entrepreneurial process, namely opportunity identification, technology setup, organisation creation and the exchange stage. Hisrich and Peters (2002:40) corroborated this with their

position that the entrepreneurial process has four distinct stages, namely identification and evaluation of the opportunity, development of a business plan, determination of the resources required and management of the enterprise. It is evident from different author's propositions of the entrepreneurial stages, that the proposal by Hisrich and Peters (2002) largely summarises all the other entrepreneurial processes, as such this study elects to align with it.

#### 2.2.7.1 Identification and evaluation of the opportunity

To identify an opportunity is not an easy task as it results from an entrepreneurial alertness to possibilities or in some cases establishment of mechanism to identify potential opportunities (Hisrich et al., 2010:7). According to Felin and Zenger (2009:127), opportunity recognition is not equally enshrined in individuals, and Webb, Ireland, Hitt, Kistruck and Tihanyi (2011:541) posit that an entrepreneur's ability to recognise opportunities is formed by the accumulation of knowledge and experiences. The above assertions may be the reason why some individuals are able to recognise certain opportunities more than others.

According to Timmons and Spinelli (2009:11), a good idea is not always a good opportunity, a good opportunity is one that is attractive, durable, timely and archived in a product or service that creates or adds value to the buyer or end user. Once an entrepreneur identifies a pattern of opportunity ideas, they will then undertake a sense-making process by discussing ideas with others regarding the attractiveness and feasibility of the opportunity (Wood & McKinley, 2010:70). However, the conversion of ideas into opportunities may likely require proper evaluation, which may also require that the targeted customers ascertain the suitability of the end product for the targeted market.

#### 2.2.7.2 Development of a business plan

A good business plan must be developed to exploit a defined opportunity. Business plans usually claim to provide practical benefits to new organisations,



such as greater profits and other competitive advantages that may lead to a higher probability of long-term survivability (Honig & Karlsson, 2004:30). A business plan may therefore help to ensure efficiency and to improve the opportunity of gaining from the new venture. Empirical research on the effectiveness of business plans have been inconsistent, however it remains a constant feature of most entrepreneurship programmes (Chandler, DeTienne, McKelvie & Mumford, 2011:377). Brinckmann, Grichnik and Kapsa (2010:25) revealed that thousands of people participate in state-sponsored business plan competitions in Germany, perhaps because if small businesses approach professional investors, they will most likely be required to develop a business plan.

A well-written business plan does not, however equate to greater business success. While the business plan may appear to provide new businesses with some kind of legitimacy, its value is less clear, as can be seen with famous entrepreneurs like Bill Gates and Steve Jobs who did not write any business plan before starting their business (Karlsson & Honig, 2009:29). This may also be the case for the immigrant entrepreneur who may not necessarily invest any effort in the development of a business plan as a prelude to the start-up of their business especially since they source their own start-up funds.

#### 2.2.7.3 Determination of resource requirements

The decision to invest in any type of venture within an industry is usually based on the type and extent of resources that the enterprise will require. It is therefore the duty of the entrepreneur to define the resources that are of high importance and critical to the actualisation of the venture (Hisrich et al., 2010:9).

Haber and Reichel, (2007:122) categorised a firm's resources as follows: Physical capital resources (PCR), which include physical technology used, equipment and geographic location. Human capital resources (HCR), which include individuals' inherent ability, training intelligence, experience and relationships. Organisational capital resources (OCR), which include the formal

and informal planning of the firm as well as informal relations among groups within a firm, between the firm and its environment.

All these categories of resources also apply in the context of immigrant entrepreneurship. Therefore, breaking down a venture's required resources into components may be a good option for the immigrant entrepreneur, who is most likely not going to be able to gather all needed resources and will be better served to select resources that are required immediately.

#### 2.2.7.4 Management of the enterprise

All businesses require resources to start and grow (Fatoki & Garwe, 2010:731). Immigrant entrepreneurs are usually faced with limited options to raise the resources that are required for start-up as even in cases where attempts have been made to address the issue of limited resources, immigrants are marginalised and do not benefit meaningfully (Slabbert & Tengeh, 2013:119). Therefore, the resource that is gathered must be put to the most beneficial use.

Once an immigrant starts a business, operational problems like implementation of a management style, structure and determining the key variables for success are likely to become critical. A control system must be established to enable the identification and resolution of problems as quickly as possible (Hisrich et al., 2010:10).

### **2.2.8 Entrepreneurship and the economy**

Many policy makers agree that entrepreneurs, and the new businesses they establish, play a critical role in the development and well-being of their societies (GEM, 2012:12). Several studies directed at the influence of entrepreneurship on economic growth confirm that entrepreneurship contributes to economic growth (Hisrich & Brush, 2009:33; Caree & Thurik, 2003:468). Academics, business leaders and decision makers in government also support this and are largely in agreement that entrepreneurship plays a critical role in the economic

well-being of a nation and its ability to compete on a global scale (GEM, 2011:4).

One of the main policy issues of any government is creating jobs and providing employment for its citizens as employment is usually linked to the state of a country's economy. To this end, Abor and Quartey, (2010:223) opine that SMEs have been identified as the engine through which a nation's growth objectives can be achieved and they have the potential to create the much-needed employment for the citizens of these nations. This is because SMEs are thought to be well-positioned to contribute significantly to the provision of employment opportunities, the generation of income and eventually the reduction of poverty. SMEs are major contributors to private sector employment in industrialised countries. Empirical studies have shown that SMEs contribute over 65% of total employment in high-income countries, over 70% of total employment in low-income countries and about 95% of total employment in middle-income countries (Kongolo, 2010:2291).

In Ghana, SMEs represent a vast portion of businesses and contribute over 80% of the total employment (Abor & Quartey, 2010:223). Similarly, SMEs in South Africa are estimated to provide about 56% of private sector employment (Fatoki & Garwe, 2010:729). SMEs therefore have a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation, given their economic weight in different countries of the world.

The Total Early-Stage Entrepreneurial Activity (TEA) is one of the ways used by the global entrepreneurship monitor (GEM) to measure entrepreneurship activities in countries. The TEA rate indicates the prevalence of individuals engaged in entrepreneurship and new firm ownership in the adult (18 to 64 years of age) population (GEM, 2012:13). It therefore captures the dynamic early-stage entrepreneurial activity in a country.

The GEM groups its participating countries into three developmental levels, namely, factor-driven economies (those countries in the early stages of

economic development, with a large agricultural sector and the economy largely dependent on extractions of natural resources. Efficiency-driven economies, (countries with improved and development industrial sector, with higher productivity by economies of scale and better-developed financial institutions). Innovation-driven economies (countries that have shifted the emphasis towards an expanding service sector and supporting the needs of a growing affluent population) (GEM, 2012:22).

Over the past five years, Mozambique and Swaziland have not participated in GEM studies and therefore data on their entrepreneurial activities are unavailable. South Africa on the other hand has been a constant part of the study and in both the 2012 and 2015 GEM reports; South Africa was classified as an efficiency-driven economy. Since South Africa is the largest economy in the Southern African sub-region, their data on the GEM will be used more to relate to the economies of Swaziland and Mozambique.

The TEA rates in South Africa have not been static and have been fluctuating from 7.3% in 2012 to 10.6% in 2013 and 7.0% in 2014. The rate at all levels of early-stage entrepreneurial activity dropped significantly compared to 2013. The TEA rate decreased by 34% (from 10.6% in 2013 to 7.0% in 2014). The gap between South Africa and other Sub-Saharan African countries is widening. South Africa is therefore regressing when compared with the rest of the African countries (GEM Africa, 2014:22). However, Kelley, Singer and Harrington (2016:18) insist that the TEA rate of South Africa increased to 9.2% in 2016.

The established business ownerships rate (businesses that have been in operation for more than 42 months) indicates that South Africa is at 2.7%, which is below the average of Africa which stood at 13.2% and the rest of the world at 9.3%. The low rate of business ownership may explain the low rate of employment in South Africa (GEM Africa, 2014:25).

It is the established businesses that are better positioned to employ people. The low rate of entrepreneurial activity in South Africa presents a big challenge to all

stakeholders (government, the private sector and educators) in getting programmes that encourage entrepreneurship and in essence helping to reduce the gap (Gupta & Muita, 2012:87) in TEA when compared to other countries in Sub-Saharan Africa. This may also suggest the reason why immigrants start small business as they could take advantage of the opportunities that are available within the South African business environment.

## **2.3 SMALL BUSINESS**

It has been recognised all over the world that the small business sector plays an important role in the socio-economic development of a country and its development should therefore be supported (Dockel & Ligthelm 2005:58). According to Yu and Bell (2007:20), there is no universally accepted definition for small businesses. The definition and classification of small businesses seem to differ from one country to another and even between institutions within the same country (Brand, Du Preez & Schutte, 2007:189).

The South African Small Business Amendment Act 29 of 2004, defines a small business as a separate and distinct business entity (together with its branches or subsidiaries, if any), including co-operative enterprises and non-government organisations, managed by one owner or more which is predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro, very small, small, or medium enterprise. These enterprises are likely to operate from business or industrial premises, are registered for tax and meet other formal registration requirements.

### **2.3.1 The rise of small businesses – a world historical view**

Globally, the concept of small business is diverse and depends on the level of each country's economic development (Agupusi, 2007:1). However, in the last 30 years, the field of small business management and entrepreneurship has emerged as a major area of academic enquiry (Landström, Harirchi & Astrom,

2012:1156). The position that it holds today, in both the developed and developing countries, have evolved over time.

At any point in time, the economic conditions and political situations of nations have enormously influenced this evolution. Small businesses currently are seen as the medium through which economic and social development could be achieved, which is akin to the way large businesses were seen in the 1970s (Sinha, 2003:1).

Large corporations using economies of scale were seen as the driving force of growth and development during the 1960s (US Small Business Administration Report (SBA), 1998) however the introduction of computer-based technology in production, administration and information reduced this role in many sectors (Gebremariam, Gebremedhin & Jackson, 2004:3). This shift in strategy in favour of technology led to the restructuring of the large organisations with most of them having to reduce the number of their staff strength. This also gave rise to new small firms started by those who were affected by the downsizing (Tengeh, 2011:115)

In Africa, like in Europe and America, some countries at independence in the early 1960s saw industrialisation as the central way to move away from the colonial pattern of dependence on imported manufactured goods and primary exports (Hansohm, 1992:2). The oil crises in 1973 saw a collapse of the world economy and as such the system of making large enterprises the driving force of a nation's economy was called into question. This led to inflation and unemployment and eventually to a rise in small businesses (Bannock, 1981:3), the like of which dot the landscape of immigrant entrepreneurship.

Most industries shifted from higher concentration and centralisation process to less concentration and more decentralised ones. This helped to create an economic environment with an increased role for small firms. The increased roles for small firms have become the main issues in recent studies (Bannock, 1981; Audretsch & Thurik, 2003; Harvey, 2005; Agupusi, 2007), some of which

found that the increased role for small firms was as a result of shifts and changes in production technology, consumer demand, labour supply as well as the pursuit of flexibility and efficiency. These factors have contributed to restructuring and downsizing of large organisations, which has paved way for the emergence of small firms with the collateral benefit of employment generation and economic development in different countries (Gebremariam et al., 2004:4).

### **2.3.2 Small business contribution to the economy**

SMEs are accorded high value in many African countries such as Togo, Uganda, Ghana, Cote d'Ivoire, Nigeria, Kenya, Malawi, Burkina Faso and others (Smit & Watkins, 2012:6325). In Sub Saharan Africa, the SME sector is responsible for over 90% of all enterprises of which 70 to 80% are SMEs (Tadesse, 2009:16).

SMEs in Ghana represent a big portion of businesses. They represent about 92% of Ghanaian businesses and contribute about 70% to Ghana's GDP, while in South Africa SMEs make up about 91% of the formal business entities, contribute between 52 and 57 % to GDP and provide about 61% of the nation's total employment (Abor & Quartey, 2010:219). In Tanzania, more than 70% of all registered businesses are SMEs, although the private sector which is dominated by the SMEs is still fragile, yet it plays a significant role in the economic development of Tanzania as SMEs contribute about 40% to the country's GDP (Ubabuko, Kavuwo, Adjei & Shahihuzzaman, 2010:8).

In comparison with large firms, SMEs are in greater numbers in most economies of the world. In the developed countries like the USA and the UK, they play a crucial role in their economies and account for about one third of their industrial employment. In the developing countries countries the SMEs dominate economically and are considered far more important for the economic growth of the countries (Smit & Watkins, 2012:6325)

The United States small business administration (USSBA) profile 2016 shows that small firms represent 99.7% of all employer-firms and accounts for 48% of the total employed workforce (SBA, 2016:1). The small businesses also created 1.1million net new jobs in 2013 alone (USSBA, 2016:1) and produced 16 times more patents per employee than large patenting firms (USSBA, 2014:1). In addition, the small businesses also contribute to innovation, entrepreneurship, and creativity (Demishkevich, 2015:13).

In the European Union, SMEs contribute to over 99% of all enterprises and 100 million jobs, representing 67.1% of private sector employment (Blackburn & Jarvis, 2010:7). In the United Kingdom, small and medium-sized businesses make up 99% of the total firms, employed 14,424,000 persons in 2013 and accounted for Euro 473Billion or 49.8% of the UK economy (Ward & Rhodes, 2014:1), while in Germany, small businesses account for 99.95% of the total firms and 68% of the total working population (KFW, 2015:1).

These statistics show that small businesses play an important part in the economic well-being of all countries and serve as the major drivers of employment creation, income generation, and poverty reduction (Demishkevich, 2015:13). Scarborough and Zimmerer (2003:21) affirm this view by asserting that since small enterprises are labour intensive they create more jobs than big enterprises. On this basis, the role of immigrant small businesses may not necessarily be any different.

### **2.3.3 Small business development**

Small business development remains one of the key potential catalysts to create employment, reduce poverty and inequality (UNDP, 2016:3). It is the backbone of every economy (Tengeh, Ballard & Slabbart, 2011:2) and as such the fact that a healthy economy thrives on new business ventures or start-ups has been emphasised in numerous studies (Markov & Perkovska-Mircevska, 2009:598). To this effect, both developed and less-developed countries have



put policies in place aimed at promoting the SME for economic growth (Fatoki & Garwe, 2010:729).

It therefore comes as no surprise that Arogundade (2011:28) recommends that governments should provide a good business environment to encourage small businesses as this will consequently improve economic growth. While this view is hardly new and has been widely acknowledged, governments continue to fail to prioritise actions in this regard (Tengeh, 2013:142).

The promotion of small businesses is usually the duty of the national government, which will normally create a ministry or department to carry out these duties. Hallberg (2000:8) however points out that the development of an SME sector rests on the three pillars of SME development and support structures, as depicted in Figure 2.2.

#### 2.3.3.1 Access to finance

Modern development theories have pointed out the key part that access to finance plays in the economic development and growth of SMEs and suggested that a lack of finance is often the critical vehicle for generating persistent income inequality, as well as slower economic growth (Beck, Kunt & Honohan, 2009:120).

Small businesses often complain that their growth and competitiveness are reduced by the lack of access to finance and high cost of credit (Hallberg, 2000:11). Consequently, the challenge of whether business owners can access adequate and appropriate finance to grow remains a concern for policy makers (Fatoki & Garwe, 2010:731). This situation, which is almost characteristic of the small business environment, is also likely to pose a challenge for immigrant entrepreneurship.

Claessens (2006:208) mentions the following three reasons why access to financial services has gained more prominence lately and formed part of the overall development agenda:

- Evidence exists that finance with regard to financial development matters has been accumulating over the last decade.
- Based on changes in economics and economic production, finance may have moved up in ranking.
- There is an increasing perception that access to finance has been skewed for households and entrepreneurship.

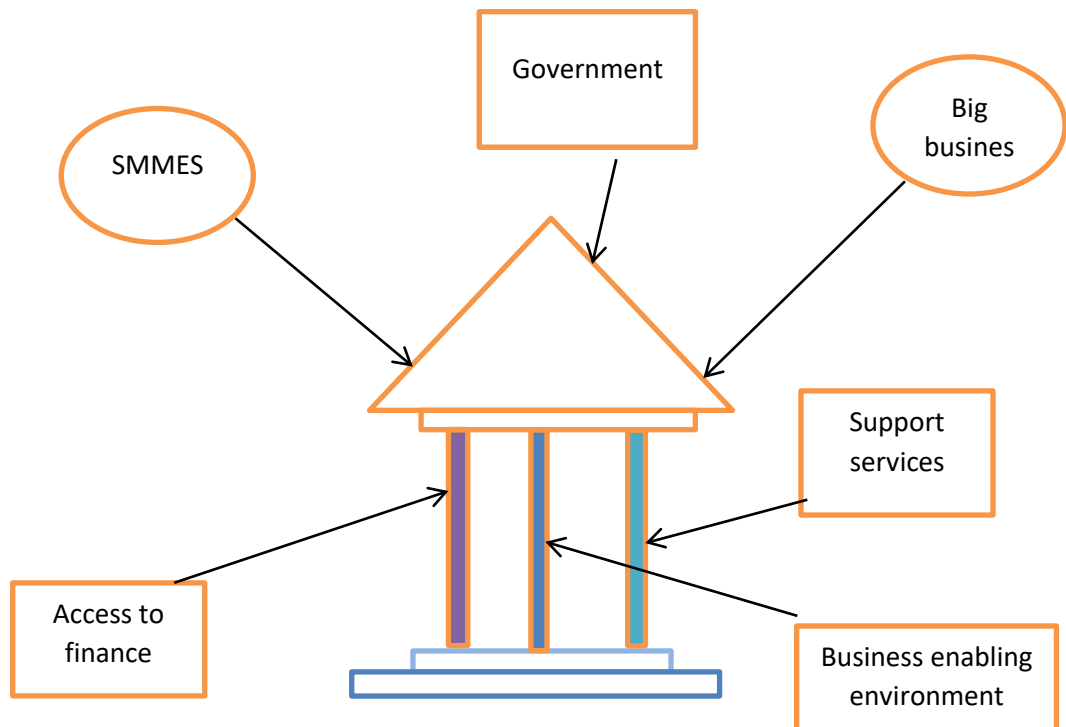


Figure 2.2 The three pillars of SME development and support structures

Source: Tengeh (2011:148)

SMEs in most developed and developing countries account for the large shares of the enterprises and as such have formed the base for a private-sector led growth (Beck & Kunt, 2006:2935). This may therefore suggest that it will be

beneficial to the economic growth of both the nations and the SMEs if the SMEs benefit from reliable access to finance.

#### 2.3.3.2 Business-enabling environment

The business environment has a significant impact on the growth of new small business enterprises (Fatoki & Garwe, 2010:730). In congruence with this opinion, Hallberg (2000:9) argues that the performance of all firms, small or large, is affected by the business environment in which they operate. An investigation of Demirguc-Kunt, Love and Maksimovic (2006:2969) of the incorporation decision suggests that firms become more established and have relatively higher growth rates in a good business-enabling environment.

This may invariably suggest that businesses, including immigrant businesses, will experience some form of growth if they operate in a business-enabling environment.

#### 2.3.3.3 Support services

Support services for businesses include non-financial services like labour and management training, extension services, consultancy, information services, and increasing access to information, which include help with marketing, management, technology, strategic planning, establishing relationships with large organisations and learning other critical business needs from them (Tengeh, 2011:144). Small business owners and managers of SMEs do make use of these support services sometimes to fill a gap in their internal resource base.

In South Africa, about 50% of all small businesses fail to grow and the average growth rate is as low as 20% in some regions (Ladzani & Van Vuuren, 2002:155). The low growth rate can be attributed partly to the lack of support offered to SMEs, which could be traced to the lack of support initially provided to the SME sector because big businesses were prioritised over SMEs

(Mbonyane & Ladzani, 2011:550). However, this has changed since the 1990s when the government initiated small business support measures aimed at developing and promoting SMEs (Bowler & Dawood, 1996:2).

#### 2.3.3.4 The government

To help in alleviating the problems faced by SMEs, especially small entrants, including immigrant entrepreneurs, several EU member states have been developing SME and entrepreneurship policies by introducing measures to facilitate the creation and growth of these firms (Schneider & Veugelers, 2010:970).

Lazear (2005:649) states that the entrepreneur is the single most important player in a modern economy and has encouraged governments to provide people who want to start new businesses with loans, subsidies, regulatory exemptions and tax benefits. Shane (2009:142) however believes that government policies that encourage more people to start businesses are bad as they will not enhance economic growth or create many jobs as start-ups are not a source of economic vitality or job creation. In harmony with this, Henrekson and Johansson (2010:240) insist that only a few fast-growing firms generate a disproportionately large share of all new net jobs compared with non-high-growth firms.

Perhaps the conflicting views have muddied the waters enough for Karlsson and Andersson (2009:112) to contend that there is no consensus in the field of entrepreneurship policy and as such the argument on whether the government should or should not make policies in support of start-up firms may go on forever. Consequently, Fatoki and Garwe (2010:732) posit that most new SMEs, including immigrant businesses, do not receive enough support from the government. Nonetheless, Kalitanyi and Visser (2010:388) assert that immigrant entrepreneurs actually create jobs and contribute to the economy of their host nations even with little or no support from the government. This may therefore suggest that government policies geared towards supporting new

SMEs, including immigrant businesses, will only enhance their ability to create more jobs which will benefit the host nation economically.

#### 2.3.3.5 Big business

The private sector, especially with regard to big business, has the responsibility to use its influence and resources to aid the development and growth of small businesses (Tengeh, 2012:146). This does not seem to be happening, but small businesses appear to be rising to the challenge. Power & Reid, (2005:418) noted that SMEs are competing for and winning more businesses than larger organisations and in so doing are providing examples of how their larger-firm counterparts need to conduct business operations.

Clearly, the private sector possesses skills and core competencies and can collaborate with SMEs, and such collaborations will be especially productive in promoting and enhancing the growth of SMEs (Hussain, Farooq & Akhtar, 2012:1584). Welbourne and Pardo-del-Va (2009:484) believe that organisations will soon pursue more collaborative relationships through a worldwide network of firms, which will help to drive continuous innovations. They further argue that SMEs will mainly act in a collaborative way with bigger businesses as they do not have the capacity to engage in continuous innovation and as such will see collaboration as an essential means of doing business. It remains to be seen if the immigrant entrepreneur can tap into this as well.

#### 2.3.3.6 SMEs

SMEs play a vital role in the development of any nation and contribute to economic growth in different ways (Kongolo, 2010:2288). This may well suggest that the development of a sound and viable SME sector may partly be dependent on the activities of the SMEs themselves.

In the early 1970s, large businesses were seen as the means of industrialisation and economic growth for any country, in the same way small

businesses are today seen by many as the means through which social and economic development can be achieved (Gebremariam et al., 2004:3). While government policies may not always favour SMEs, including immigrant businesses, their activities have been recognised to be of vital importance to the development of a nation's economy.

However, the role that SMEs play in economic development has helped to ensure that the interest in the role of SMEs in the development process of many nations continue to be at the forefront of policy debates in different countries (Abor & Quartey, 2010:218).

#### **2.3.4 Small and medium enterprise (SME) sector in the SADC region**

The SADC region is one of the economic regions of Africa made up the following countries Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe. Due to the large number of countries the potential for regional trade and development is high however, they exhibit significant differences in their level of development (Dihel, Fernandes & Mattoo, 2010:2). The level of development may therefore be responsible for the disparities in the member countries definitions of SME. From the different definition and criteria for qualification as micro, small or medium enterprise it seems every member country portrays SME to suit their level of economic development. This study will therefore focus on discussing SME as portrayed by the specific countries in this research.

##### **2.3.4.1 Swaziland**

Job creation and economic growth depend on investment in small and medium enterprises. The government of Swaziland, believing in the potential of small and medium enterprises, is facilitating different types of support ranging from bank loans, special projects, assisting with business plans, training and provision of business premises (Dlamini, Masuku & Dlamini, 2008:126). As

good as these policies seem to be, they will probably not assist in the economic development of Swaziland unless the government ensures that the majority of small businesses operating in Swaziland which these policies are targeted at are able to benefit from them.

Swaziland has a dual economy with two major sectors, the agricultural and manufacturing sectors. Like many developing countries, the agricultural sector has traditionally been the most important sector of the economy, contributing more than 40% of GDP (Magagula, 2002:16). The SME sector in Swaziland is mainly dominated by sole proprietorship which accounts for 93% of all SMEs in the country (Ministry of Commerce, Industry & Trade, Swaziland SME Census Report, 2010:23). However, there has been little evidence of the emergence of a dynamic and growth-oriented locally owned and managed private sector in the form of SMEs and as such the sector has been stagnant, operating at a subsistence level just to supplement low income rather than serving as a progressive career path towards achieving higher income levels (PSSP Report 2006:12).

There has been no agreement on the actual number of SMEs operating in Swaziland. In 2003, there were an estimated 70 000 SMEs in Swaziland, employing 100 000 people, of which 93% were owned by Swazi citizens (Arubayi, 2010:30), however by 2009, the number of people employed by SMEs had increased to 300 000, especially when smallholder farmers and street vendors were taken into consideration (Swaziland Business Yearbook, 2009:147). The parameters used to classify businesses as SMEs could however not be ascertained.

A survey conducted by the Swaziland Ministry of Commerce, Industry and Trade in 2009 put the total number of SMEs at 4 926 (Ministry of Commerce, Industry & Trade SMME Census Report, 2010:13), although the researchers stated that the survey could not cover the unregistered businesses that were operating in the country. This may be a more realistic figure going by legally

registered and operating businesses and considering the fact that the population of Swaziland is currently estimated at 1.4 million.

This study could not find any research targeted at African immigrant businesses in Swaziland and therefore the number of African immigrant-owned businesses operating under the SME sector of the country could not be estimated and remains unknown. While this research is not focused on plugging the knowledge gap pertaining to the aggregate numbers of immigrant-owned businesses in Swaziland, it contributes to the body of knowledge by investigating the nature of African immigrant businesses and how they cope with the business environment within the Swaziland economy.

The government of Swaziland revised the national policy on the development of SMME policy, which defines small business as shown in Table 2.1

Table 2.1: SME classification in Swaziland

	<b>Value of assets</b>	<b>Staff employed</b>	<b>Turnover</b>
<b>MICRO</b>	E50 000	1–3 employees	E 60 000
<b>SMALL</b>	E50 000 – E2m	4–10 employees	E3m
<b>MEDIUM</b>	E2m – E5m	11–50 employees	E8m

**Source:** Ministry of Enterprise and Employment, Swaziland (2009:5)

The number of employees is used to classify an enterprise as micro, small or medium if there is a conflict within the factors used for measurement. If for instance a business turns over E3 million but employs seven people, then the enterprise will be classified as a small rather than a medium business (Ministry of Commerce, Industry & Trade SMME Census Report, 2010:12).

#### 2.3.4.2 South Africa

In South Africa, a small business is officially defined in Section 1 of the National Small Business Act of 1996, as amended by the National Small Business Amendment Act of 2003 and 2004 (NSB act), as "...a separate and distinct



business entity, including co-operative enterprises and non-governmental organisations managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in column 1 of the schedule 14..." (NSB, 2004:3).

The act also categorised small businesses in South Africa into groups, namely survivalist, micro, very small, small and medium, hence the use of "SMME" for small, medium and micro enterprises (Mahembe, 2011:24). The terms SME and SMME are however used interchangeably within South Africa. A summary of this information is displayed in Table 2.2.

The SME definition uses the number of employees (the most common mode of definition) per enterprise size category combined with the annual turnover categories, the gross assets, excluding fixed property. This is expected as South Africa has a relatively high unemployment rate, however its rate is not the highest in the world as most Southern African countries such as Zimbabwe, Namibia and Lesotho have higher rates (Meyer, 2014:67).

The level of entrepreneurial activity is extremely low in South Africa when compared with other developing markets such as Ghana, Zambia, Brazil and Chile (UNDP, 2014:3). In 2010, South Africa ranked 35 out of 54 profiled countries in terms of total entrepreneurial activity and was below the average of all participating countries.

The National Development Plan (NDP) estimates SME contribution to GDP at 45%, one of the lowest in the world, and has set a target contribution of 90% by 2030 (UNDP, 2014:3). This target may, however, be encumbered by the dearth of empirical data on SMEs which Fatoki (2011:194) identified as one of major challenges of studying small businesses in South Africa. The lack of empirical information in the small business arena is highest in the informal sector. This is partly attributed to inadequate research and the difficulty of recording the frequent entries into and exits from the sector (Agupusi, 2007:4)

Table 2.2: Classification of SMMEs in South Africa

<b>Enterprise size</b>	<b>Number of employees</b>	<b>Annual turnover</b>	<b>Gross assets, excluding fixed property</b>
<b>Medium</b>	Fewer than 100 to 200, depending on industry	Less than R4 m to R50 m, depending upon industry	Less than R2 m to R18 m, depending on industry
<b>Small</b>	Fewer than 50	Less than R2 m to 25 m depending on industry	Less than R2 m to R4.5 m, depending on industry
<b>Very small</b>	Fewer than 10 to 20, depending on industry	Less than R200 000 to R500 000, depending on industry	Less than E150 000 to R500 000, depending on industry
<b>Micro</b>	Fewer than 5	Less than R150 000	Less than R100 000

**Source:** Falkena, Abedian, Blottnitz, Coovadia, Davel, Madungandaba, Masilela & Rees (2001:26)

#### 2.3.4.3 Mozambique

According to world development indicators for the year 2016, Mozambique was ranked 222 out of 230 countries in terms of GDP per capita. Until recently, the country had no important natural resource and 81% of the population depended on agriculture (CIA, World Fact Book, 2016). Mozambique has traditionally been dominated by grants, although a proportion of these grants have experienced a gradual fall in recent years, from 82.3% of total Official Development Assistance (ODA) in 2000 to 73.5% in 2005 (Rodríguez, 2008:4).

Crush, Peberdy and Williams, (2006:7) posit that Southern African states can be divided into migrant-sending (Mozambique, Malawi and Lesotho) and migrant-receiving states (South Africa, Namibia). Countries like Swaziland and Botswana fall into both categories. Migration movements from Mozambique were traditionally labour driven, mainly from the Southern Mozambique provinces, to South African mines and commercial firms, however most recent

immigration into South Africa has been linked to political instability (Batista, McIndeo-calder & Vicente, 2014:7).

Mozambique refers to small businesses as Micro, Small and Medium Enterprises (MSMEs) and they dominate the enterprise sector in Mozambique. The enterprise size is used to determine where an enterprise belongs. According to the Ministry of Industry and Commerce (2007), MSMEs employ between 1 to 99 employees, with enterprises employing 1 to 4 employees being classified as micro enterprises, enterprises with 5 to 9 employees classified as small enterprises and enterprises with 10 to 99 employees as medium enterprise, which are depicted in Table 2.3. MSMEs represent 98.6% of the total number of enterprises, contribute 52.1% to the GDP and employ 42.9% of employees in the formal sector in Mozambique (Ministerio da industria e comercio, 2007:34-35).

Table 2.3: Classification of MSMEs in Mozambique

<b>Enterprise size</b>	<b>Number of employees</b>
<b>Micro</b>	1–4
<b>Small</b>	5–9
<b>Medium</b>	10–99

Source: Adapted from Ministerio da industria e comercio, 2007:34-35

The economically active population of Mozambique, which is 91.82% of the population that is above 15 years, accounts for 49.9% of the total population. The educational level of the population is low, with 57% being illiterate and about 80% of the work force unskilled. The lack of any specific work experience or professional training results in weak employability (Conselho de Ministros, 2006b). This, it can be argued, represents a fertile ground for the emergence of small businesses, like those established by immigrants and locals alike.

The labour market is dominated by informal working conditions. Only 10.9% of the economically active population is employed formally, with the government

and public sector employing 4.1%, while the private sector employs 6.8% and 60.2% of the economically active population is self-employed (INE 2006:26). This goes to show how important MSMEs are to the economy of Mozambique.

### **2.3.5 Failure and success of small businesses**

According to the GEM report (2014:24), a business is assumed to be an established business if it has been in operation and meeting its obligations for 42 months. Fatoki and Garwe (2010:729) also believe that it takes a business 42 months to be well positioned to compete with other businesses in the market and as such a new SME, including immigrant businesses, is described as an SME that has been in existence for less than 42 months. Once a firm has successfully existed for more than 42 months, it becomes an established firm. However, many factors may hinder the survival of any new business, some of which are discussed below.

#### **2.3.5.1 Failure of small businesses**

The reasons advanced for small business failure can be grouped as exogenous and endogenous. As shown in Table 2.4, exogenous factors are those outside the control of the business owner, while endogenous factors are within the control of the entrepreneur (Tengha, 2012:105).

From the above table, economic factors including limited demand, economic crises and inflation and financial troubles, such as limited access to bank loans, can be classified as exogenous factors, while inexperience and neglect by the owner can be classified as endogenous factors. The endogenous factors are within the limit of the business owner to overcome (Tengha, 2011:105).

The likely impact of some of the stated factors on small business, as noted by Bygrave (1997:10), are:

- Part-time businesses are less likely to survive than those started on a full-time basis.
- Venture capitalist-funded businesses are better placed to survive due to the strict nature of the funding method applied, however only a few new businesses are likely to meet the criteria.

Table 2.4: Failure of small business

Reasons for failure		
Economic factors	47.4%	Exogenous factors
Financial troubles	38.4%	Endogenous factors
Inexperience	7.1%	
Owner neglect	3.4%	
Others	3.7%	Unknown factors

**Source:** Adapted from Timmion (1999:32)

### 2.3.5.2 Success of small businesses

The success of any business is based on a combination of both external and internal factors (Dockel & Ligthelm, 2005:55). The external factors are referred to as exogenous, environmental or contextual factors and are outside the control of the organisation and management. It covers a lot of issues depending on the type of environment in which the business operates.

The internal factors which are also referred to as endogenous factors are organisation based and cover personal and behavioural factors. They are controllable, because they cover the decisions, behaviours and actions of the entrepreneurs and the management team (Dockel & Ligthelm, 2005:56).

Table 2.5 grouped the external factors into four categories, namely macro-economic factors, political-institutional factors, sociocultural factors and market

opportunity factors. It also grouped the internal factors into four sections, namely company demographic factors, human demographic factors, previous experience factors and human capital factors.

Table 2.5: Factors affecting the performance of SMEs

<b>External/exogenous factors</b>	<b>Internal/endogenous factors</b>
<p><b>Macro-economic factors</b></p> <ul style="list-style-type: none"> <li>• Geographic area and region</li> <li>• Density</li> <li>• Inflation &amp; interest rates</li> <li>• Unemployment</li> <li>• Exchange rates</li> </ul>	<p><b>Company demographics factors</b></p> <ul style="list-style-type: none"> <li>• Size of firm</li> <li>• Age of firm</li> <li>• Organisational structure</li> <li>• Community networks</li> </ul>
<p><b>Political-institutional factors</b></p> <ul style="list-style-type: none"> <li>• Macro-economic policies</li> <li>• The business environment</li> <li>• The judiciary</li> <li>• Bureaucracy</li> <li>• Public support</li> </ul>	<p><b>Human demographics factors</b></p> <ul style="list-style-type: none"> <li>• Age</li> <li>• Gender</li> <li>• Family background</li> <li>• Exposure to role models</li> </ul>
<p><b>Socio-cultural factors</b></p> <ul style="list-style-type: none"> <li>• Access to public infrastructure</li> <li>• Access to money/capital, technology, labour and other resources</li> <li>• Crime</li> <li>• Health</li> <li>• Culture</li> </ul>	<p><b>Previous experience factors</b></p> <ul style="list-style-type: none"> <li>• Education</li> <li>• Training</li> <li>• Work experience</li> <li>• Business ownership</li> <li>• Industry specific</li> </ul>

<ul style="list-style-type: none"> <li>• Role models</li> </ul>	
<p><b>Market opportunity factors</b></p> <ul style="list-style-type: none"> <li>• Demand for supply</li> <li>• Competition</li> <li>• Access to markets</li> <li>• Location</li> </ul>	<p><b>Human capital factors</b></p> <ul style="list-style-type: none"> <li>• Personal characteristics</li> <li>• Capabilities, abilities and skills</li> </ul>

Source: Kunene, (2008:12)

#### 2.3.5.2.1 *External/exogenous factors*

External factors include socio-demographics, markets (local, international, emerging and established markets), cultural, economic, political, institutional, legal, productive, technological, infrastructure and other physical factors of that particular environment (Guzman & Santos, 2001:217). The macro-environmental factors are not controllable and the successes of SMEs are mainly dependent on the management finding ways to deal with them (Viviers, Van Eeden & Venter, 2001:4).

Perberdy and Rogerson (2000:21) assert that the success of a new venture is dependent on specific factors within the boundaries of specific nation states, including distinct economic, political and social factors. Irene (2016:55) in support states that these factors have implications for education and skills bases, level of risk, access to markets and access to resources, which include

input labour, expertise, human capital, networks, capital and finance. These then influence the SMME's chance of survival or high performance.

### Macro-economic factors

Studies (Ligthelm & Cant, 2002:5; Gurol & Atsan, 2006:28) have shown that the success of new ventures depends largely on the state of the national economy in which the business operates. Besides the important factor of the location of the business, important economic factors with ramifications for business success include inflation, interest rates, unemployment, taxation, enterprise density exchange rates and the business environment, among others.

The geographic area and region is an important factor that affects the performance of a business. Consequently, conducting an area or regional analysis is very vital to new businesses. This is to ensure that they understand the way business is done in the given area (Hisrich, Peters & Shepherd, 2010:203). The government is usually faced with the challenge of providing a good business environment that supports and produces an entrepreneurial culture (OECD, 2002:7). The reality though is that small and medium-sized businesses are set up with minimal support and guidance from the national government, which runs contrary to the duty of the national government to create an enabling economic environment (Worku, 2013:68), and small businesses may possibly have a better chance of survival.

Density refers to the number of firms in a given population at a given time in relation to the percentage of existing and possible entrepreneurs (Panco & Korn, 1999:6). According to GEM (2015:17), South Africa has a very low enterprise density, which is at 2%, which may suggest that there will be a lot of opportunity to accommodate new enterprises, including immigrant businesses.

The issue of inflation cannot be ignored. In this regard, the Consumer Price Index (CPI) and Producer Price Index (PPI) are the two primary measures of inflation in South Africa. Both indicators are published on a monthly basis. The



CPI in the fourth quarter of 2016 stood at 6.8% and has dropped to 6.6% in the first quarter of 2017. The PPI on the other hand was at 7.9 in the last quarter of 2016 and is currently at 5.9% in the first quarter of 2017 (Statistics SA, 2017). South Africa's inflation stood at 6.3% in July 2013, Swaziland at 6.9% (Central Bank of Swaziland (CBS), 2017) and Mozambique at 19.9% (World Bank, 2017), indicating higher inflation rates when compared with South Africa. The high rate of inflation in these countries caused a decrease in the value of wealth and consumer spending and likely a decrease in entrepreneurial activities. From 1968 to 2013, inflation rates in South Africa averaged at 9.5% and reached an all-time high of 20.9% in 1986 and an all-time low of 0.20% in 2004 (Irene, 2016:56).

The unemployment rate in South Africa stood at 26.5% as at the last quarter of 2016 (Statistics SA, 2017), Swaziland stood at 25.3% (World Bank, 2017) and Mozambique at 24.4% (World Bank, 2017), thus suggesting a high unemployment rate. The need for immigrant entrepreneurs who have shown to also provide jobs for locals (Kalitanyi & Visser, 2010:387) cannot be ignored as they may be one of the useful allies that the government needs to ensure that the high rate of unemployment in society is reduced.

Low interest rates ensure access to much-needed capital and to a large extent the resources required for entrepreneurship (Ligthelm & Cant, 2002:5). According to the South African Reserve Bank (SARB, 2017), the prime lending rate in the first quarter of 2017 stood at 10.5%. The rate for Mozambique was at 15.5% (Banco de Mozambique, 2017) while that of Swaziland stood at 10.75% (CBS, 2017), which may reduce both consumption and the amount of capital that can be raised in the economy.

The South African Rand has a lower exchange rate against most major currencies of the world. The Swaziland Emalangeni in terms of exchange rate is normally pegged to the rates of the South African Rand and are always at par. The weak exchange rates ensure that there are more opportunities for export and less capital for investment in local SMEs. Immigrant entrepreneurs may

benefit from these opportunities as they are able to export and make more money as opposed to only doing business within the local economy.

### Political-institutional factors

In many countries, especially developing countries, the political situation could either help or suffocate the development of small businesses (Themba, Chamme, Phambuka & Makgosa, 1999:104). In this regard, good trade, labour investment, tax policies and regulations may become responsible for the creation of an enabling environment that will encourage investment and sustainability of the small businesses as well as becoming sources of wealth and job creation in the country.

In the South African case for instance, Worku, (2013:70) argues that the national small business office of SARS is the custodian of small business tax and custom policy within SARS. The office exists to maximise compliance among small businesses. They are also expected to find ways to reduce the compliance burden faced by these small businesses in South Africa. Immigrant businesses operated by undocumented immigrants may not be monitored by SARS for such compliance and it may mean that the government may be losing vital revenue from immigrant businesses.

The role of the business environment is an important one. To put a new business venture into proper context, it is important to first conduct an environmental analysis to identify trends and changes that may affect the new business (Hisrich et al., 2010:203). The government is faced with the task of creating a business environment that is conducive to business and supports and promotes entrepreneurial culture (Gupta & Muita, 2012:87).

Government support programmes could ensure that SMEs receive ongoing support in the form of knowledge and expertise, which will aid the growth of the business beyond the initial incubation and early survival periods (Ligthelm &

Cant, 2002:5). This position is clearly applicable to all small businesses, including those owned by immigrants.

### *Sociocultural factors*

These factors indicate a country's state of development and may create environmental goodwill to benefit SMMEs (Gurol & Atsan, 2006:28). They may also present pressures that suffocate entrepreneurship (Tustin, 2001:126).

One vital consideration is the access to public infrastructure, which includes facilities like water, good roads, electricity, telephones, electronic media and postal services (Clover & Darroch, 2005:242). A lack of access to infrastructure limits the ability of SMEs to survive and grow (Tustin, 2001:126) as it limits access to the market and raw materials (Rogerson, 2001:137). Most SMEs in the urban areas of the Southern African region have access to public infrastructure, but the same may not be said about the rural areas where some immigrant businesses may be operating.

They also have limited access to money/capital. As pointed out by Chrysostome and Arcand (2009:4), a lack of capital and limited access to finance has been a hindrance to entrepreneurs. South African financial institutions are conservative and risk averse; disadvantaged communities therefore have little access to financial resources (Mughan, Lloyd-Reason & Zimmerman, 2004:424). This is particularly so for immigrant businesses as they do not have any form of collateral for loans. SMEs, including immigrant-owned SMEs, are in most cases considered too risky to assist with loans because the cost of capital is usually too high (Rwigema & Venter, 2004:19).

There is no gainsaying the fact that labour regulations affect firms differently, with the size and sector being key determinants (Tengeh, 2011:84). Small firms typically find labour regulations difficult to deal with and this affects their growth and survival (Rankin, 2006:70). Having access to a good labour force is vital to the survival of any enterprise, including immigrant businesses in Southern

Africa, however, the labour force is mainly unskilled and informal, while the available semi-skilled and skilled workers are expensive (Ahwireng-Obeng & Piaray, 1999:78).

Typically, a high crime rate increases the cost of doing business and negatively affects the investment level, sales and business success of small businesses (Strydom & Tustin, 2003:4). For example, Mbonyane and Ladzani (2011:556) found that crime is a serious threat to small businesses in Kagiso Township in South Africa. Immigrant businesses may certainly not be immune to this, particularly if they operate in townships as compared to suburbs.

Besides the issue of crime and others, entrepreneurial activity in any country is affected by its cultural norms (GEM 2010:25). A national culture that encourages achievement and social recognition for all forms of entrepreneurial success is more conducive for entrepreneurship (Rwigema & Venter, 2004:68). It is noteworthy that Hofstede's (1980) study in culture led to the development of four cultural dimensions namely power distance, uncertainty avoidance, masculinity and individualism.

These cultural dimensions have become vital in the identification of important parts of culture that are in line with entrepreneurial orientation, although the study did not specifically identify the relationship between culture and EA (entrepreneurial activities) in any given region (Mueller & Thomas, 2001:58). Different studies (Pretorius & Van Vuren, 2003; Stewart, Carland, Carland, Watson & Sweo, 2003) have been carried out by various researchers on the impact of the dimensions of power distance (PD), uncertainty avoidance (UA), masculinity, and individualism on entrepreneurship.

Power Distance (PD) refers to the level of acceptance in any society of the inequitable distribution of power and the level of tolerance of the hierarchy of that society. An existing hierarchical and normative system supports inequalities among people in high-power distance cultures. Organisations and policies reinforce differences in power and status through prestige symbols (e.g.

separate dining rooms, better parking places). People in this type of culture openly desire and accept such privileges which make them appear more powerful (Hofstede, Hofstede & Minkov, 2010:202). A high PD restricts innovation and inhibits creativity. On the other hand, a low PD encourages entrepreneurship as it encourages people to think outside the constituted authorities and to do things differently (Kunene, 2008:62).

Uncertainty Avoidance (UA) is the degree to which a society is affected by the fear of the unknown. In high uncertainty avoidance cultures, people are not encouraged to take on risky and dangerous ventures (Hofstede, Hofstede & Minkov, 2010:203). Cultures with high uncertainty avoidance embrace predictability and avoid ambiguity, while those with low uncertainty avoidance accept uncertainty more readily. They take more risks and value flexibility over the use of formal rules and explicit guidelines (Samaha, Beck & Palmatier, 2014:83). A high UA may suggest that people are averse to high risks, avoid uncertainties and in most cases, may prefer safer choices of being employed rather than taking the risk and uncertainties of entrepreneurship. The fear of failure is also a major factor in a high UA society where failure is usually associated with weakness and negligence.

The fear of failure is also a limiting factor for initiation and creativity, and increases the risk of antipathy. In a low UA culture, people are not afraid to face uncertainties and are more risk averse. They recognise achievements of pioneers regardless of success or failure (Irene, 2016:62). A low UA culture may suggest a culture that tolerates failure and recognises the achievement of past people irrespective of failure or success, which is an important tool in the promotion of entrepreneurship. The whole UA argument is more convincing in the context of the availability of a range of options for economic survival, a luxury that immigrant entrepreneurs, especially small ones, may not necessarily be privileged to have.

Individualism, with its opposite being collectivism, describes the degree to which individuals in a society are oriented to pursue personal rather than communal

interests. In an individualistic society, the ties between individuals are loose. People tend to take care of themselves and their immediate families in an individualistic society. In a collectivistic country, people tend to live within a tight social framework (Muenjohn & Armstrong, 2007:267). In a low-individualism region, collective interests are pursued, while independence, self-reliance and individual initiative is discouraged. In such societies, entrepreneurs may hide their feelings of anxiety, weakness and problems arising from their businesses out of fear of being considered weak by other members of society or fear of being considered a failure. It is different in a highly individualistic society, where individual initiatives are encouraged and recognised (Irene, 2016:62).

Masculinity represents a preference in society for achievement, heroism, assertiveness and material reward for success. A society with a high score on masculinity is more competitive (Zhang, Pablos & Xu, 2014:492) and this can be a vital ingredient for entrepreneurship. A society with low masculinity on the other hand is one with a low drive for achievements, resulting in low entrepreneurial disposition (Irene, 2016:62).

In South Africa as well as Swaziland, Mozambique and other developing countries, the PD and the UA levels are high, while masculinity and individualism remain low (Themba, et al., 1999:109). However, in developed cultures like the USA, entrepreneurship is supported and promoted. According to Pretorius and Van Vuuren (2003:524), South African culture does not support entrepreneurship due to a negative mindset with regard to entrepreneurship and failure. Some societies in South Africa see entrepreneurs as dishonest and lacking in ethics and morals (Gbadamosi, 2002:96) and this may discourage people, especially immigrants, from pursuing entrepreneurial careers.

Nevertheless, role models can inspire confidence and provide guidance, mentorship and support for emerging entrepreneurs. A society where successful entrepreneurs are willing to assist upcoming entrepreneurs usually creates a good environment for entrepreneurial success (Rwingema & Venter, 2004:70).

### Market opportunity factors

These are factors related to the specific industry in which the small business operates and include market conditions, competitors, intermediaries and suppliers (Ligthelm & Cant, 2002:5), as well as access to market and location (Kunene, 2008:12).

Market conditions certainly affect businesses. For instance, the growth potential of the industry in which an SME operates is a major factor in entrepreneurship (Gartner, Starr & Bhat, 1999:220; Andries & Debackere, 2006:81). A market segment with a potential market growth influences the success of SMEs (Shane & Venkatarman, 2000:224). The importance of this for the immigrant entrepreneur is that a high premium is attached to the decision as the choice of a market segment with good potential for growth over one that is over-saturated may bode well for business success.

A poor market selection, especially one with many market flaws, limited market size with poor growth potential, can affect the entrepreneurial process negatively (Strydom & Tustin, 2003:3). Market demand for the product and services provided by small businesses are major factors that influence the success of small businesses (Kangasharju, 2000:29). On the other hand, insufficient demand for SME products and services remain one of the major factors that are responsible for the limited growth of such businesses (Luiz, 2002:67).

Since most people, including immigrants who cannot be gainfully employed in the formal sector, are pushed into starting small businesses, it raises the competitive levels for these businesses. As pointed out by Kangasharju (2000:32), competitive concentration, along with market actions and strategies of the competitors have an impact on entrepreneurial success. In addition, access to market also affects small businesses. Indeed, Tustin (2003:37) argues that the ability to overcome barriers to entry into a specific industry is

crucial for the success of small businesses. Conversely, inadequate access to profitable markets inhibits entrepreneurship (Clover & Darroch 2005:244).

Where a business is located has its own implications for the growth of the business and influences other resources like finance, skilled labour, subcontractor distribution and transport logistics (Tustin, 2001:102). The success of small businesses also depends on neighbourhood appearance and sustained future business dealings in that location (Strydom & Tustin, 2003:7).

Dahl and Sorenson (2007:2) contend that people develop relationships and are better connected with others that live and work in the same regions as they do. They further posit that entrepreneurs cannot simply carry social capital with them, as they might with financial and human capital, but rather these connections have the greatest value in the regions in which they arise. The reason why immigrant entrepreneurs set up their businesses in any given location may not be unconnected with the opportunity of accessing the customers.

Mariotti and Glackin (2012:492) highlight the following considerations for deciding on the location of a business: access for customers; access to suppliers; climate and geography; convenience; cost of facilities (rent, construction, etc.); demographics; economic conditions and business incentives; governmental regulations and laws; labour pool; proximity to competitors; and visibility.

Fatoki and Garwe (2010:731) agree and argue that location has an impact on the market prospects and growth opportunities of new firms, insisting that geographical proximity to either critical buyers or suppliers produces a form of enhanced environmental scanning that enables new firms to more easily identify and exploit growth opportunities in the market. This argument may therefore suggest that the location of the business of the immigrant entrepreneur could be part of the determining factors for survival and growth.



#### 2.3.5.2.2 *Internal/endogenous factors*

Internal factors are all firm-specific issues that are influenced by the internal activities of the firm. These are the factors in a firm's environment that are largely controllable by the firm (Fatoki & Garwe, 2010:731).

##### *Company demographic factors*

Amongst others, the size of the firm is an important internal factor. In a hostile business environment, small businesses operate alongside big businesses and they are all affected by the conditions of the economy. However, these conditions affect them differently (Baard & Van den Berg, 2004:2). Typically, small businesses struggle to cope due to the liability of limited resources (Gruber, 2002:194). This is a point of critical importance to the case of immigrant businesses as they may also be affected by the limited availability of resources, which could possibly explain why some of them do not grow to their full potential.

The survival of any business is usually affected by the age of the firm (GEM, 2010:24). In most cases, newer businesses are more susceptible to failure. According to Wiklund, Baker and Sheperd (2010:425), there is a propensity for younger businesses to have a higher failure rate than their older counterparts and they describe this as the liability of newness. The same is true for immigrant business as they are faced with numerous obstacles at start-up. The obstacles, as summarised by Vargas (2005: 579), include lack of capital, lack of skills, lack of support, excessive compliance costs, excessive regulations, excessive tax, discrimination, language and crime; however, the obstacles could be better managed as immigrant businesses mature. Davila, Forster and Gupta (2003:700) observed that small businesses face a higher risk of failure because they do not have experience, access, links and the reputation of older firms. These lead to limited access to external resources, and immigrant businesses could typically be confronting a similar challenge.

However, businesses, including immigrant businesses, which give back to the community where they operate, ensure that the organisation is positively identified within the community. It also helps a small business to build a better customer base that can aid their survival (Besser, 1999:25). However, when the community sees the business as being only profit oriented, their survival rate diminishes (Miller, Besser, Gaskill, L.R. & Sapp, 2003:216).

### Human demographic factors

Human demographic factors of the entrepreneur include factors such as age, gender, family background, race, parental status, social values, beliefs and exposure to role models (Irene, 2016:68). Early-age entrepreneurial activity tends to be more prevalent and falls within the age bracket of 18 to 24 and peaks at the 25 to 34 age group and then declines as age increases, with the sharpest decrease after the age of 54 (GEM, 2010:24). It is however important to differentiate between entrepreneurial age (the age the entrepreneur reflects in experience) and chronological age (years of birth). Entrepreneurial age or experience is one of the predictors of success (Hisrich et al., 2010:40). Starting a business too early may mean limited abilities (Rwigema & Venter, 2004:70) and starting a business too late may mean lack of energy and resilience of youth that the business requires (Ucbasaran, Westhead & Wright, 2004:432).

Apart from age, the gender of an entrepreneur also plays a major role in understanding entrepreneurial personality. Women are now seen as a potentially vital tool for communities and regions that are aiming to improve their economies. This is despite the fact that women generally have fewer opportunities to develop relevant experience, have fewer contacts, and have greater difficulty in assembling resources such as bank loans (Westhead, Wright & Ucbasaran, 2001:339).

The human capital of women is considered low and as such they find it more difficult to gain access to resources to start any form of business (Martinez, Mora & Vila, 2007:102). In a typical African society, women are accorded a

more subordinate position in society and their roles are confined to socially accepted ones. Therefore, their needs mainly arise from that subordinate position and they hardly challenge the gender imbalance in the division of roles (Botha, 2006:131). It may be interesting to note whether this remains the case in the domain of immigrant entrepreneurship as adjudged from the gender composition of the sector.

The gender of a child that grows up in an entrepreneurial environment may not deter a child from pursuing a career in entrepreneurship as children that grow up in an entrepreneurial family are often involved in the family business and learn how to run a business and in the process, start their own business (Rwigema & Venter, 2004:475). This learning helps to prepare the youth for a life of entrepreneurship. A youth whose environment instils confidence in entrepreneurial success is more likely to choose an entrepreneurial career (McCline, Bhat & Baj, 2000:89).

#### *Previous experience factors*

The prior experience of an entrepreneur is a critical factor for the survival of their businesses (Vinogradov & Elam, 2010:55). Essentially, the prior experience of individuals facilitates entrepreneurial choices (Quan, 2012:947). Prior experience refers to work experience, business ownership experience, education, training and industry-specific experience (Rauch & Frese, 2000:8; Guzman & Santos, 2001:217).

The ability of an organisation to compete in the business environment is directly linked with the knowledge, problem-solving skills, discipline, motivation and behaviour of the entrepreneurs which allow them to identify market opportunities and gather the resources required to set up the business (Martinez, Mora & Vila, 2007:104). Wanigasekara and Surangi (2011:1) emphasise that there is a strong link between education and business success. The same sentiment is also echoed by Chiliya and Roberts-Lombard (2012:462) who state that the likelihood of failure of a new small business is

associated with the level of education of the owner prior to launching the business and so people with four or more years of university education are less likely to fail. Whether this position duly applies in an entrepreneurship context might be interesting to note.

An important part of the entrepreneurial process is accumulating knowledge based on practical experience and observation. The ability, interest and the decision to become self-employed is in itself a long-term process in which institutional training (such as training system and organisational features) structures the path to self-employment (Barreira, 2004:38).

Apart from educational training, the kind of work experience an individual has, also influences the decision to launch a new entrepreneurial venture and can also play a vital role in the growth and success of the new venture (Histrich et al., 2010 :40). Most new firms are started by people who have worked in other jobs that gave them the relevant experience to identify business opportunities and the technical ability to produce the product (Rwigema & Venter, 2004:19). Entrepreneurs with limited experience may use very simplified decision models to guide a search, while the opposite will be done by experienced entrepreneurs (Barreira, 2004:43). This may be the reason why most immigrant entrepreneurs are mainly attracted to businesses that require no previous experience to start.

Industry-specific experience is an essential way of acquiring abilities and expertise to respond to a perceived market need, along with gaining important business insights and contacts about the business (Barreira, 2004:42). The knowledge is normally gained tacitly and is in most cases costly to build (Bygrave, 1997:4). This resonates with immigrants who may have been employed by other immigrants and may soon open up a business similar to the one they worked in, thereby putting the industry-specific experience they may have garnered into good use.

Educational training, work experience and specific industry experience may help an entrepreneur become better, however having an entrepreneurial

experience may be seen as a major contributor to entrepreneurial human capital as it can translate into valuable knowledge developed through direct experience (Tustin, 2001:88). Individuals that do not start their business with prior business experience usually go through implementing their entrepreneurial idea while gaining entrepreneurial skills (Tustin, 2001:126). This may also be the case with immigrant entrepreneurs who start new businesses even when they may not have the required previous experience for their chosen entrepreneurial venture.

### Human capital factors

Human capital can be defined as the attitudes, commitment, values, knowledge, experience, education, capabilities, skills, and abilities that help the entrepreneur in the task of starting, managing and growing a business (Rauch & Frese, 2000:2; Markman & Baron, 2003:284). Past research (Ucbasaran, Westhead & Wright, 2004:430; Man, Lau & Chan, 2002:130) suggests that the human capital of the entrepreneur is the most important factor towards the development, management, survival and the competitiveness of the new business. The human capital of an immigrant entrepreneur is made up of factors that can have a positive or negative effect on the success and growth of the business (Markman & Baron, 2003:287; Simpson, Tuck & Bellamy, 2004:484).

Personal characteristics which include traits, values, attitudes of the entrepreneur, are often seen as the most influential factors in relation to the performance and competitiveness of SMEs (Man, Lau & Chan, 2002:125; Simpson et al., 2004:484; Gurol & Atsan, 2006:28). It may not be possible to find an all-inclusive personality profile for the entrepreneur; however it is widely believed that there are certain characteristics that are needed to meet the challenges of starting and running a new business. The closer a prospective entrepreneur is to these characteristics, the higher the chances of survival of the new business (Cornwall & Naughton, 2003:71; Morris & Zahra, 2000:93).

One of the requirements for a successful SME is competent management skill (OECD, 2002:24). Management competences are normally linked with the success of businesses. They enable the entrepreneur to carry out their roles properly and effectively in a range of possible future circumstances (Ibrahim & Soufani, 2002:427; Wasilczuk, 2000:88).

Capabilities can stem from acquired knowledge that inform certain behaviour and actions that enable entrepreneurs to identify and evaluate market opportunities, set up realistic goals and gather resources to pursue these goals and to achieve the overall industrial efficiency as well as effectiveness that lead to the growth of their businesses (Gundry & Welsch, 2001:463; Miller et al., 2003:219).

A higher level of performance by SMEs becomes possible if resources, traits and capabilities are properly synchronised with other strategic industry factors (Thornhill & Amit, 2003:498; Lowe & Marriott, 2006:11). This can ensure that a competitive advantage is derived from the firm's capabilities to the extent that they are valuable, and always ready to be exploited (Van Vuuren & Nieman, 1999:4; Man et al., 2002:135; Erikson, 2002:277).

## **2.4 CHAPTER SUMMARY**

This chapter highlighted the importance of entrepreneurship and small business in the economic development of nations. It focused on the definitions and theoretical issues surrounding entrepreneurship and small business in some developed countries, with a special emphasis on the Southern African region, especially South Africa, Mozambique and Swaziland, which are the countries of focus of this research.

This chapter was divided into two main sections. The first section covered entrepreneurship. The literature reviewed the definitions of entrepreneurship, different approaches and theoretical development of entrepreneurship. It looked

at the background, characteristics, attributes, personality and essential skills of the entrepreneur. It also deliberated on the motivating factors for becoming an entrepreneur, the entrepreneurial process, the impact of entrepreneurship on a country's economy and a model for entrepreneurial development.

The second section covered small business. It started with the definitions of a small business and a brief historical view of small business. The chapter assessed the small business contribution to economic development of some nations. It also looked at the organisation and development of small business in the Southern African region. This chapter finally discussed the failure rates and some of the factors that contribute to the success of small businesses.

The next chapter will discuss immigrant entrepreneurship.

## CHAPTER 3

### IMMIGRANT ENTREPRENEURSHIP

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#### 3.1 INTRODUCTION

This chapter introduces the concept of immigrant entrepreneurship and explores some reasons that lead immigrants to pursue entrepreneurship careers. This chapter explains migration and why people migrate. It also discusses immigrant entrepreneurship and highlights their importance to the economies of selected countries.

The history of migration in Southern Africa has been applauded as one of the best-documented academic fields in the region (Posel, 2003:2). The same cannot be said of immigrant-owned businesses in Southern Africa; as such this chapter discussed immigrant-owned businesses with more emphasis on South Africa. The research hypotheses that this study will test are also presented.

In line with the above, the theoretical foundation underpinning the study through which the hypotheses were derived is explained. It also discussed the three major types of capital resources that are vital to the survival of the immigrants' ventures.

#### 3.2 MIGRATION

Migration has become an unavoidable component of global economic development. In line with the assertions of Kerr & Kerr, (2011:1), over 175m people, accounting for 3% of world's population, live permanently and work outside their countries of birth. There is no doubt that some of these migrants may have arrived their new host country as illegal immigrant before working towards legalising their stay.



There is no universally accepted definition of migration and depending on the circumstance; the term can be used for both humans and animals. Clark (1986:33), in his report stated that some researchers define migration as occurring wherever the distance involved in a residential move (change in homes) is so large that it is no longer possible for the mover to commute to the previous place of abode. Kalitanyi and Visser (2010:337) define migration as the movement of people across country (and States) lines within the African continent for the purpose of establishing a new place or seeking peace and stability. Indeed this definition encapsulates the main subjects of this study as it touches on African immigrants' movement from their country of origin into the Southern Africa region. This study therefore adopts the definition of migration by Kalitanyi and Visser (2010).

The choice of the destination country is usually influenced by the perceived level of acceptance of the immigrants by the intended country of visit. Indeed, the receiving countries immigration policies and laws and the nature of their enforcement normally affect the numbers of immigrants they receive (Serrie, 1998:216; Helton, 2003:5).

If the immigration laws of a nation are liberal and can easily be exploited, immigrants tend to take advantage of that nation and flock to it. Only five nations in the world encourage immigrants to settle permanently and obtain citizenships and naturalization; Australia, Canada, Israel, New Zealand and the United States of America (Katilanya & Visser, 2010:377). These countries found a way of attracting skilled workers to their countries, though, those that are not particularly skilled also find ways to go in.

According to the (UN International Migration Report (2016:5)

- The number of international migrants worldwide has continually grown over the last fifteen years reaching 244 million in 2015, up from 222 million, in 2010, 191 million in 2005 and 173 million in 2000.

- The international migrant stock grew by an average of 2 per cent per year between 2000 and 2005.
- The annual growth rate increased during the period 2005-2010, reaching 3 per cent but it slowed to 1.9 per cent during the period 2010-2015.

Borjas (2009:4) state that economic theories most prominently highlighted the international labour mobility that descends from wage differences across countries. In addition, many students from developing economies migrate to advanced countries for either short or long duration to study in schools and universities. Most of these students who may have acquired educational qualifications that suit the host countries tend to stay to seek employment and in most cases continue to stay having become used to a better life style with opportunities of professional growth (Kerr & Kerr 2011:5).

Nonetheless, the reasons why people move should not necessarily be the issue but what may perhaps be more instructive could be how they can be effectively resettled in their new environment in order to help in the development of the new country. The focus should be on the multi-dimensional aspect of international immigration to identify appropriate ways and means of maximizing developments and benefits and minimizing negative impacts (Crush, 2001:1; Mapisa-Nqakula, 2006:2).

Kerr and Kerr (2011:4) argue that the reason why people migrate include higher income levels, better personal safety, short distance to home countries and established immigration networks. According to the researchers, migration typically involves those who are forced to leave and those who choose to leave their country of origin for a perceived better life in another country.

Krishnakumar and Indumathi, (2014:9) pointed out that peoples' migration could be attributed to push factors (factors that force the individual to move) such as poor economic activity and lack of job opportunities and pull factors (where factors in the destination country attract the individual or group) which include, better economic opportunities, more jobs, and the promise of a better life. They

go on to state that in some cases individuals have ideas and perceptions about places that are not necessarily correct, but these perceptions and ideas form very strong pull factors towards the individuals decision to migrate. This may also be the case for some immigrants moving into the Southern Africa region.

### **3.3 MIGRATION IN SOUTHERN AFRICA**

Southern Africa has a long history of intra-regional migration, which dates back to the mid nineteenth century. Migration was probably the single most important factor that tied together all of the various colonies and countries of the sub-continent into a single regional labour market during the twentieth century (Crush, Williams & Perbedy, 2005:1).

A 2005 Southern African Migration Project (SAMP) survey of 30,000 migrants from five SADC countries showed that 23% of migrants had grandparents who had gone to work in another country, and 57% had parents who had done so. Lesotho's figures were the highest (44% of grandparents and 76% of parents) but all of the other country's migrants showed significant numbers of grandparents, and particularly parents, who had also migrated for work across borders (Crush & Williams 2010:4).

Over the last century, Southern Africa which is one of the five sub-regions in Africa has been the subject of a sustained study of international migration and as a geo-political cum economic entity, the sub-region has become best known for its regional integration (Oucho, 2007:1)

In South Africa the causes of migration have taken economic, political, social and demographic dimensions (Adepoju, 1998:387; Akokpari, 1999:77). The discovery of gold and diamond in South Africa led to large volumes of immigrant labour into the country from neighbouring countries like Botswana, Malawi, Lesotho, Mozambique, Swaziland and Zimbabwe.

The study by Hunter and Skinner in (2001) on African foreign street traders working in the inner city of Durban found that 47% of them left their home countries because of political reasons (civil war, political violence and instability or ethnic or religious problems) and as such do have a right to live and work in South Africa. Another 47% gave economic reasons (economic push/poverty or economic pull) for leaving their countries. The final 6% of the respondents gave other reasons like wanting to see South Africa, having family in South Africa amongst other things.

Similarly Kalitanyi and Visser (2010:384) found that in a population of African migrants who manage their business in certain suburbs of Cape Town, about 53% came to South Africa due to political reasons, 19% due to perceived business opportunities, 15% due to economic reasons, 6% came on visit and the other 5% came for other reasons:

South Africa seems to be the only country that actively recruits foreign labour thus heightening the sense of regional dependency (Sibanda, 2008:18). In line with the same thinking, Rogerson, (1997:1) maintains that there has been a growing movement of foreign migrants and refugees into South Africa since 1990. These migrants have mainly come from the traditional supply area which is the SADC region. Some however came from other regions in Africa and from further afield and they do not come in as labour migrants but as migrants who settle and work permanently in their new place of abode (Posel, 2003:5).

Unlike the temporary workers who come to work in the mines and agricultural sectors, less is known about migrants who come from places with established informal and small business economy experience (Timberg, 2005:4). These immigrants faced with less opportunities of formal employment seek other opportunities and take advantage of them to survive. The fact that they may have experience from home on how to run small businesses may well give them an advantage and a greater opportunity for success.

The composition of the immigrant population is different from that of the indigenous population. They differ in the types of resource or capital available to them (human, financial and social capital) when compared with that of the indigenes (Kloosterman & Ruth 2001:191). Guzy, (2006:8) posit that it is the combination of strong dynamics and strong limiting factors for enterprising immigrants that drives immigrants to concentrate in sectors with low entry barriers in terms of qualifications and capital. They are mainly involved in areas like trade, personal services, construction, catering and clothing industry.

The immigrants do not go into competitive sectors instead they go into less competitive sectors which are work intensive and are able to rely on family and community members for help (Levernt, Njikamp & Sahin, 2007:3). This decision is vital to the nature of products they sell and even where they locate their businesses.

### **3.4 IMMIGRANT ENTREPRENEURSHIP**

Entrepreneurship or self-employment normally involves setting up a new business or buying an existing business (Basu & Altinay, 2002:371), however when the process of entrepreneurship is undertaken by an immigrant, it is referred to as immigrant entrepreneurship (Sahin, Nijikam & Baycan-Levent, 2006:2). Serrie (1998:212) argues that entrepreneurship is a strong tool for immigrants' economic and social integration into a new society and is especially a way through which immigrants with little or no education escape poverty and elevate their economic level.

Immigrant entrepreneurship refers to the practice of entrepreneurial activities that immigrants engage in on arrival in a new host country. These activities can be carried out personally or through others from their country of origin or within the host country. Immigrant entrepreneurship is also referred to as ethnic entrepreneurship, immigrant entrepreneurship or minority entrepreneurship (Tengeh, 2013:250)

Immigrant entrepreneurs' are helping to develop small business in the United States of America as they are playing a major role in developing the economy and creating jobs for the locals (Jennings, 2013:2). The Fiscal Policy Institute (2012:1) report revealed that 18% of small business owners in the United States were immigrants and this was higher than the immigrants 13% share of the population. The report also stated that between 1990 and 2010, the number of small business owners grew from 3.1 to 4.9 million and immigrants accounted for 30% of that growth given that there were 539,000 more immigrant small business owners in 2010 than in 1990. This clearly shows a significant growth in immigrant businesses in the United States, which may suggest that the immigrants may have found a favourable economic environment where their businesses can thrive and are taking advantage of the opportunities to start and grow new businesses.

Fairly (2012:8) found that in the United States of America, the rate at which immigrants start new businesses grew by more than 50% between 1996 and 2011. During the same period, business formation rate for the native-born declined by 10%. Fairly also noted that in 2011, the immigrants' business formation rate was 550 new businesses per month for every 100,000 immigrants. However, for the native-born records showed only 270 new businesses per month for every 100,000. The immigrants owned firms generated more than US\$775 billion in revenue, US\$ 125 billion in payroll and US\$100 billion in income, employing one out of every 10 workers along the way.

The findings above clearly highlight the important role immigrants play in the United States economy, which is one of the most developed economies in the world. It may also suggest that though the immigrant entrepreneur may be faced with obstacles while setting up new businesses, the zeal for survival may push them to take advantage of the opportunities they see.

Australia has had its fair share of immigrants' influx. They have a long history of immigrant entrepreneurs with substantial contribution to their economy dating more than a century in the case of Chinese, Greeks, Italians (Collins, Gibson, Alcorso, Tait & Castles, 1995:39) and a few decades ago for Indians, Thais, Malaysians and other minority groups (Lever-Tracy, Ip, Kitay, Philips & Tracy 1999:84). Immigrants have continually grown in Australia with more than seven million people admitted into the country as new settlers, which made up about one-third of Australia's population of 21.6 million in December 2008 (Azmat & Zutshi, 2012:63). Immigrants accordingly have influenced the social, cultural and demographic make-up of the country, they have also become involved in a range of entrepreneurial activities and play a vital part in the economic growth of the country (Collins, 2003:138), thus contributing to many aspects of the economy.

Immigrant entrepreneurs contribute to the economy of Australia by providing jobs, exports, social capital development, better integration into the society, expanding consumer choices and the growth of certain sectors (Kloosterman & Rath, 2002:27). The immigrants however face many challenges due to different social, cultural, political and regulatory orientation, which is likely to be more applicable to immigrants coming from the developing countries (Azmat, 2010:378) such as those in Africa. The composition of the immigration programme of Australia has considerably changed in recent years as they prioritize skilled and professional immigration with a growing importance for immigrants from African countries in their annual immigration intake (Collins 2011: 237).

Since the 1980s, consecutive governments of the Netherlands made policies to promoted self-employment with particular emphasis on immigrant self-employment and two white papers published in 1995 and 1999 both set out policies aimed at promoting small and medium enterprises especially immigrant entrepreneurship (Kloosterman, 2003:168). Due to the policy support, the number of immigrant entrepreneurs in the Netherlands increased and in fewer than 15 years between 1989 and 2002 the number of non-western immigrant

entrepreneurs tripled (Rusinovic, 2008:435). This helped to reduce unemployment among the immigrants from less developed countries as they directly created employment for themselves and indirectly employed other immigrants (Kloosterman & van der Leun, 1999:665)

Most immigrants into the Netherlands originate from non-western countries, from which Turkey, Morocco, Suriname and the Antilles constitute the largest donor countries. The immigrants from these countries account for almost 75% of the immigrants included in the Dutch integration policy (Jansen, de Kok, van Spronsen, Willemsen & Zoetermeer, 2003:7). They also stated that these immigrants have a history of more than three decades, yet they often find themselves in marginal economic positions.

In general, self-employment in the Netherlands have relatively remained constant, while self-employment among non-Western migrants is consistently on the increase (Beckers & Blumberg, 2013:655). Among the non-Western immigrant entrepreneurs, there is an important group of second-generation immigrants, who were born in the Netherlands with one of their parents from a non-Western country (Rusinovic, 2008:435), who may not see themselves as immigrants but more as Dutch citizens. They may have acquired their education locally, speak the language and imbibed most of the cultural orientation. Therefore choosing to become an entrepreneur may not be out of necessity but in this case, because they see entrepreneurial opportunities they can explore.

South Africa has experienced a higher level of influx of immigrants in the last two decades (Simalane, 1999:3). A majority of these immigrants especially from African countries hope for better lives once in South Africa (Landau & Jacobsen, 2004:44). On arrival in South Africa, the reality of limited job opportunities pushes the immigrants into starting their own businesses (Tengeh, Ballard & Slabbert, 2011:5).

According to Statistics South Africa, (2013) immigrant businesses make up about 2.5% of the total number of business in South Africa and the immigrants'



population is about 3% of the total population. Immigrant businesses are also estimated to account for about 2% of new business start-ups. This clearly indicates that the number of immigrant business start-up is higher in the US when compared with that of South Africa. This may suggest that the economic conditions and policies in the US are better-suited for immigrant entrepreneurship.

Immigrant entrepreneurs tend to be concentrated more on retail and the services sectors of the economy. This resonates with the position that African immigrants are involved in different types of clothing production, which includes tailoring, dressmaking, specialized embroidering, and men and women's garments most often in West African styles (Peberdy, 2000:128). According to Habiyakare, Owusu, Mbare, Landy, (2009: 63), the immigrants desire to start a business is because of the situation they find themselves. Immigrants see business as a way of survival since it may be the only way they can make a living especially when faced with few alternatives.

In his study of immigrant entrepreneurs in Johannesburg, Rogerson, (1997:19) found that:

- Immigrant entrepreneurs' in South Africa are visible in a narrow band of activities of SMME's production. Their activities involve selling curios, retailing ethnic clothes and foods, motorcar repairs/panel beating, hair dressing; other activities include operating restaurants, nightclubs, cafes, music shops, several import-export businesses and traditional healing practices.
- Within the group of production SMMEs, many immigrants are clustered in the clothing sector where they are involved in making traditional African clothes, wedding dresses and carrying out general tailoring activities.
- Generally, single, young, male entrepreneurs', who work long hours, run these immigrant businesses. They put in about 64 hours per week or six days a week and if they have employees, they work similar hours.

- The entrepreneurs endure considerable hostility because of xenophobic sentiments and actions.
- Distinct clusters emerged in the kinds of businesses operated by immigrants from particular countries. Malawian immigrants tend to be involved in cloth production or curio selling; Zimbabwean and Mozambicans are into motorcar repairs or curio selling, West Africans are into ethnic businesses, related to clothing, food retailing and operating restaurants.

### **3.5 THEORETICAL FOUNDATION UNDERPINNING THE STUDY**

The performance of a new venture is not only determined by the founders' talent and good luck but are also determined by the human, social and economic capital invested in the venture (Bosma, van Praag, Thurik & de Wit, 2004:228). Mandviwalla and Watson, (2014:98) agree and submit that a business normally begins with a mixture of human capital (entrepreneurs), social capital (networks and connections), and economic capital (investors).

A similar sentiment is shared by Fatoki (2011:193) who contends that there are three basic categories of capital resources that contribute to the success of an entrepreneurial venture and these are human, financial, and social capital though most SMEs in South Africa do not engage in networking (social capital) which contributes to their failure. Herrington, Kew and Kew, (2010:31) also identified the lack of education and training (human capital) as a contributory cause of failure of SMEs in South Africa.

In an investigation of the determinants of successful entrepreneurship, Bosma, Acs, Autio, Coduras and Levie, (2009:10) identified variables relating to human, economic and social capital as influential to the success of businesses. Kamitewoko (2013:114) argues that for any successful venture, the amount of human capital is important in determining duration, survival and profit level of the business, economic capital is important for type of employment and the

social capital is important for retrieving relevant information for running and sustaining the business.

There has been a widely acclaimed importance of entrepreneurship in the economic system of different countries, however our knowledge about specific entrepreneurship issues (e.g. capital) remain very limited (Wennekers & Thurik, 1999:29). Despite the important part capital resource plays in entrepreneurial ventures, only a few studies have examined different types of resources and their roles in the development and growth of small businesses (Greene, Brush & Brown, 1997:26). Some studies combine all resource types (e.g. social, human, economic) together and relate these to performance (Bates, 1985:549), while Robinson and Sexton (1994:153) recognize the relationship among types (education and experience) of resources independently

According to the resources based view (RBV) theory, firms have a combination of distinctive resources and skills that are valuable, rare, inimitable and non-substitutable through which they are able to leverage a viable competitive advantage (Laosirihongthong, Prajogo & Adebajo, 2014:1233). These resources may come in different capital forms. Klyver and Schenkel (2013:540) also pointed out that it is available resources, rather than product-market position, that generate an entrepreneur's competitive advantages. Typically, therefore, it would not be unexpected that the African immigrant entrepreneur may leverage off resources in the form of human, economic and social capital to cope with business operations and grow his/her business. Interestingly however, Davidsson and Honig, (2003:304) opine that not much is known of the specific resources (social, human or financial capital) and processes that may enhance the ability to recognize or exploit entrepreneurial opportunities.

Researchers identified three types of resources that are vital to the survival of immigrant ventures, Knowledge (Antio, Sapienza & Almeida, 2000) financial (Bate, 1990) and environmental (Venkataraman, Van de van, Buckeye & Hudson 1990). These resources closely match the forms of capital identified by Bourdieu (1986:247) as fuelling economic activities – economic capital, human

capital and social capital. He further argues that in a new venture, the entrepreneur's knowledge resource represents the human capital; the new venture financial resource represents the economic capital and the resources a venture can access from the environment (e.g. network connection) represent social capital.

These fundamental capital types are of interest to this study especially with respect to how they constitute the coping mechanism of immigrant entrepreneurs. Based on the foregoing this study will discuss these different forms of capital

### **3.5.1 HUMAN CAPITAL**

Human capital is defined as a stock of personal skills that economic agents have at their disposal (Piazza-Georgi, 2002:463). Unger, Rauch, Frese and Rosenbusch, (2011:343) define human capital as skills and knowledge that an individual acquires through investment in schooling, on-the-job-training and other types of training. They also state that human capital investment include such experiences such as education and work experience that may or may not lead to knowledge or skill. This study will adopt the definition of Unger et al, (2011) as it encompasses skills and knowledge, education and experience, which form the focus of the human capital, construct that the study projects as essential to aiding the coping ability African immigrant entrepreneurs.

In line with the the definition of human capital adopted by this study, Rauch, Frese and Utsch (2005:683) identified three types of human capital (an individual's education, experiences and skills), as being instrumental towards getting a job accomplished. Other researchers (Florin, Lubatkin & Schulze, 2003:374; Pfeffer, 1994:16) suggest that human capital attributes such as experience, education, knowledge and skills are critical resources for success in entrepreneurial firms. In support Jamak, Ali and Ghazali (2014:575) state that human capital is directly related to business profitability and involves education

level, previous experience in doing business and business skills. Martin, McNally and Kay (2013:213) corroborates this by stating that common measures of human capital include level of education, work experience, upbringing by entrepreneurial parents, and other life experiences.

Human capital has been central in explaining the difference in earnings of individual (Nerdrum & Erikson, 2001:129). The investment made in education and training will ensure individuals raise their skill level and be more productive than those less skilled and so can justify higher earnings because of their investment in human capital (Stiles & Kulvisaechana, 2003:9). Along the same lines Ployhart and Moliterno, (2011:136) insist that individuals or groups who possess greater levels of human capital such as knowledge, skills, and other competencies will achieve greater performance outcomes than those who possess lower levels. Santarelli and Tran (2013:436) also believe that entrepreneurs' that possess higher human capital are more efficient in running their business than those with less human capital.

Human capital has had a long but discontinuous history. However, it was formally introduced in the 1950s. Scholars at Chicago School of Economics such as, Theodore Schultz and Gary Becker (Tan, 2014:412) mostly developed the analytical framework for human capital. The human capital theory was at first designed to understand and estimate employees' income distribution from their investment in human capital (Unger, Ranch, Frese & Rosenbusch, 2011:342). Researchers who were in the field of entrepreneurship and have yielded a number of related researches (Chandler & Hanks, 1998:354) later adapted human capital.

Human capital is made up of skills and knowledge achieved through formal and informal learning by people; it also includes the inter-generational transmission of knowledge and behaviours (Jayawarna, Jones & Macpherson 2014:918). Some researchers (Mosey & Wright, 2007; Serneels, 2008; Shrader & Siegel, 2007) are of the opinion that the potential a new business gains from an

entrepreneur is mainly dependant on the resources gained through their education and experience.

The human capital theory proposes that individuals with certain abilities achieve better performances in executing the same task at a higher capacity (Gibbons & Waldman, 2004:205). Therefore human capital literature highlights the importance of knowledge, skills, and abilities, which are useful to a specific task but have few applications outside the area of the specific task (Gimeno, Folta, Cooper & Woo, 1997:755).

Dess and Picken (2000:28) also agree that human capital generally consists of the individual's capabilities, knowledge, skills and experience as they are relevant to the task at hand and also include the individual's ability to improve on that capacity through learning. However, there is evidence to support the belief that entrepreneurs who acquire higher levels of human capital resources (knowledge, skills, and abilities with general applicability) are more likely to discover new opportunities (Haynie, Shepherd & McMullen, 2009:342). On an individual level, Vingradov and Klovereid (2007:364) maintain that the more a person is educated the more information and skills they will acquire and are more likely to exploit entrepreneurial opportunities. They believe that education helps to improve entrepreneurial judgement by providing people with analytic ability and understanding of the entrepreneurial process

Human capital such as education improves the ability of the individual to understand the business environment, perform tasks, deal with the stakeholders make informed decisions and allow for the application of technical knowledge to operational and business functions (Cassar, 2006:613). Human Capital is normally within the individual and is acquired through investment in education (usually formal education), work experience and skills. The building of human capital takes time, effort and personal investment, (Ndofor & Priem, 2011:795). It is however very vital to the success of businesses since it provides invaluable knowledge that can give an entrepreneur the ability to apprehend and use

relationships within critical factors in such a way as to achieve the required results (Autio, Sapienza, & Almeida, 2000:911).

Studies on human capital have shown that experience influences an individual's choice to become an entrepreneur (Gompers, Lerner & Scharfstein, 2005:578) and their choices of industry (Klepper & Sleeper 2005:1292). The human capital theory assumes that acquiring more human capital is better, but social system may also make individuals to either over-invest or under-utilize their investment in human capital. Invariably the amount invested in the past in human capital may influence career-choices including interest towards entrepreneurship in many ways. Overinvestment, leading to high level of certification may discourage risk-taking, while under-investment may encourage it (Davidson & Honig 2003: 305).

When immigrants with more human capital acquired from formal education and experience choose self-employment, they are actually forgoing a large variety of jobs with higher expected earnings than immigrants with less human capital (Ndofor & Priem, 2011: 795). Immigrants with low level of educational qualification who have attained new educational levels in the host country have a higher chance of becoming self-employed. They have an advantage of knowledge of the host-country, which was acquired during their study (Beaujot, Maxim & Zhao, 1994:82).

In harmony with this opinion, Kanas, Tubergen and Lippe, (2009:182) suggest that immigrants whose education and work experience were acquired from their country of origin are more likely to be self-employed than salary-employed as the education and work experience from their country of origin are often seen as inferior. Immigrants with higher educational level from their home country, but have not received any form of education in the host country also have a high chance of becoming self-employed since they possess certificates that are not recognised by the country of settlement and may not be able to find any befitting job. Such immigrants are therefore pushed into self-employment (Vinogradov & Kolvereid, 2007:365). All of these points to the reality that

education and work experience acquired in the host country are more suitable for host country labour market and so employers are more open and interested in the home country certificate for possible employment opportunities.

Immigrants equipped only with an abundance of human capital, which in most cases are not recognised in the host nations (Sanders & Nee, 1996:232; Clark & Drinkwater, 2000:2), having been discriminated against in the formal labour market, (Simelane, 1999:3), turn to business, especially self-employment, as the major economic activity in their host countries. This provides some hint that immigrants may not always be well placed to choose a business that is in line with their personal competences.

Becker (1994:15) sees human capital as similar to physical means of production such as factories and machines. Their human capital may be the only means of production relied upon by immigrants to start and run any business venture. The human initiative ensures that a good part of growth for the business is charted and without this human element, the growth of any business is limited.

Since most immigrants do not have access to employment opportunities that are commensurate with their skills, those with higher educational qualification view self-employment as a way towards upward mobility (Chand & Ghorbani 2011: 596). This could explain why most African immigrants who are in possession of higher qualification and may not be considered for employment resort to entrepreneurship as a way of moving up the ladder in the society.

This view is also supported by Davidson and Honig, (2003:305) as they submit that the main reason why migrants are mostly engaged in entrepreneurial activities is to seek adequate reward from the previous human capital investment since they reside in a new social structure that may not recognise their previous human investments. Ensuing from the review of literature on human capital theory, this study will further elaborate by discussing human capital based on:

- Managerial skill



- Level of education
- Previous experience
- Risk-taking propensity

### **3.5.1.1 Managerial Skill**

Human capital resources are viewed as strategic assets and the possession of competent managerial skills are often identified as the key sources of competitive advantage (Tonidandel, Braddy & Fleenor, 2012:636). Managerial competencies therefore are very important to the survival and growth of new SME's which may invariably imply that the lack of managerial skill could be partly responsible for the failure of most new SMEs.

Managerial skills are a set of knowledge, skills, behaviours and attitudes that contribute to personal effectiveness (Smith & Kruger, 2008:124). Jamaka, A.B.S.A, Alib and Ghazalic, (2014:578) refer to managerial skills as the ability to develop and effect good business plans, to obtain and employ resources effectively and to balance obligations with business demands. This may suggest that the ability of the immigrant to run and sustain a business may be enhanced if they possess these skills as Mooney (2002: 2) insist that the ability of business owners to achieve set goals in an effective and efficient manner, through planning, organising, controlling and directing organisational resources is dependent on their managerial skill.

As observed by Fatoki and Garwa (2010:731), the lack of managerial experience and skills are the main reasons why new firms fail. Thaimuta and Moronge (2014:7) argue that managerial skills help managers to solve issues that are associated with the current fast shifting business environment; as managing today requires the full breadth of managerial skills and capabilities.

Eresia-Eke (2016:576) hints that there are no known existing studies that suggest a negative association between managerial experience and organisational performance. However, Sandberg and Hofer (1987), failed to

establish any significant relationship between the two variables. This position finds an ally in the findings of Eresia-Eke (2016), that reveal the non-existence of a statistical significant relationship between managerial skills and organisational performance in the SMME sector.

Nevertheless, Ahmad, Halim and Zainal (2010:68) agree that the critical resource for SMEs are most likely held by the individual entrepreneurs which reflects on their skills, knowledge, competences, experience and education. Bosma, Van Praag, Thurik and De wit (2004:229) posit that the entrepreneur's specific competence positively influences firm performance. It could therefore imply that the level of growth of any business including immigrant businesses may depend on the managerial competence of the immigrant business owner.

Among obstacles to the growth of immigrant business that include legal and regulatory environments, unfavourable business environment, access to market, access to finance, tax burden, lack of managerial skills, lack of proper education, cultural difference, crime, xenophobia as identified by Fatoki, (2013:211), the position of managerial skills may be prominent.

This is because good managerial skills are important for creating sustainable competitive advantage and having this skill can help an entrepreneur to be innovative. Indeed Fakoti, (2014:142) singles out lack of managerial experiences, skills and personal qualities as the main reasons why new small businesses fail, because the distinguishing features of high growth and low growth small firms are the education, training and experience of senior managers. Managerial skills therefore seem to embody the potential to catalyse growth and sustainability of an immigrant business.

Management skills or the lack of it, may also affect the acquisition of a critical resource like finance. Indeed, the process of obtaining a loan for the business may be stalled, as managerial skill is one of the skills that banks consider before granting loans. Nguyen and Ramachandran, (2006:207) specifically argue that managerial competence is one of the key criteria for banks to grant

loans particularly when the banks do not have good and accurate information about the borrowing firm. The banks are usually interested in how loans will be paid back should the business fail and having the kind of managerial skills that ensure continued earnings if the firm fails may help them in making favourable decision towards the small business.

Against the background of the position of prior studies, that managerial skill is vital for the growth of any business. It can be inferred that the case will be similar for immigrant businesses. If growth is important to the business, then the managerial skills of the entrepreneur may prove to be a vital component of coping mechanism that enables the immigrant to overcome the challenges of the business and so this study hypothesises that:

*There is a relationship between managerial skills and the ability of African immigrant entrepreneurs to cope with their businesses*

### **3.5.1.2 Level of Education**

Level of education is a widely studied variable related to human capital and is usually correlated with the ability of the entrepreneur to successfully discover and exploit business opportunities. Wanigasekara and Surangi (2011:1) who found a strong link between education and business success corroborate this. The human capital theory assumes that people who have invested in higher education will seek to be rewarded for their investments in such human capital development (Unger et al 2011:343). Therefore people with higher levels of education may not choose to become entrepreneurs as this may reduce their income when compared to being employed (Cassar, 2006:614).

Successful entrepreneurship has been linked to education (Tengeh 2011:247). Education is important to the up bringing of the entrepreneur and even plays a more vital role if the education is related to the field of the venture (Hisrich, Peters & Shepherd 2010:38). The importance of education is not only reflected

by the level of education obtained but also by the fact that it continues to play a major role in assisting entrepreneurs to cope with the problems they face.

Chrysostome (2010:146) states that education helps the immigrant entrepreneur understand the challenges faced in the host country and the best approaches for tackling them. The composition of the immigrant entrepreneur is normally different from that of the indigenous population. They tend to differ in the type of resources (human, economic and social) available to them. Immigrants are usually more interested in the business segments that have better opportunities though requiring small capital outlays and relatively low-levels of education to set-up (Kloosterman & Rath, 2001:191).

Thompson, Jones-Evans and Kwong, (2010:148) found that the level of education can have either a positive or a negative influence on the desire of the immigrant to become an entrepreneur. Curiously Clark and Drinkwater (2010:139) opine that the decline in entrepreneurship among immigrants can be attributed to increase in educational attainment. On the contrary, Robinson and Sexton (1994:150) are of the opinion that higher education attainment can lead to greater recognition of a variety of business opportunities and that the higher education level could provide the individual with the skills required to exploit them.

Verheul, Thurik, Hessels and Van Der Zwan (2010:8), argue that individuals with higher levels of education have more opportunities in the employment market. This may lower their chances of earning if they become entrepreneurs. However, people with lower level of education may find it hard getting jobs and would easily be drawn to self-employment as a means of survival. It may be instructive to note that the human capital of the opportunity entrepreneur is different from that of the necessity-entrepreneur because primarily, necessity entrepreneurs are less likely to be educated in the field that they start and run their business in (Block & Sanders, 2009:122). Higher levels of education may be important for opportunity-entrepreneurial ventures (Bergmann & Sternberg 2007:207) but may not be so for the necessity-based ventures. As Wagner

(2005:42) states, the level of education is significantly associated with being an opportunity-entrepreneur while it has no effect on being a necessity-entrepreneur.

Gimeno, Folta, Cooper and Woo, (1997:754) state that potential entrepreneurs with higher levels of education only select entrepreneurship if their expected satisfaction levels exceed what they would get in terms of salary from paid employment. Higher education levels, most times, lead to increased earnings through paid employment, which tend to deter people from becoming entrepreneurs (Lofstrom, Bates & Parker 2014:236). Further, they elaborated that it is only when entrepreneurship can offer significantly higher returns that individuals with higher level of education will venture into it.

Christopher (1998:65) posits that low-level education is in fact one of the barriers to business performance and viability in the black minority community in the United States and this conforms to an earlier study by Bates (1994:686) who found that survival and growth of minority businesses are directly related to the level of education of the owner.

Cooper, Gimeo-Gascon and Woo (1994) study indicate that while 10 out of 17 earlier studies found positive relationships between level of education and business performance, the other seven studies could not clearly establish any significant relationship between level of education and the dependent variable of business performance. This later position is corroborated by the findings of Eresia-Eke's (2013) study on level of education of small business owners and loan default, which is an integral part of business performance that found no statistical significant relationship between the two variables for all categories of small businesses.

Nonetheless, researchers such as, Blackburn, Hart and Wainwright, 2013; Gartner and Frid, 2012; Dunkelberg and Cooper, 1982; Roper, 1999 and van Praag and de Wit, 2001, all found that a positive relationship exists between education and business performance. The predomination of studies that hint at

a positive relationship between level of education and business performance may have motivated Cooper et al, (1994) to prematurely declare that no known studies have reported negative relationships between both variables. Noteworthy, Westhead (1995) found a negative association between both variables and submitted that higher educational levels tended to inhibit business performance.

Since according to Hunter and Skinner, (2001:13) the educational level of the African immigrant entrepreneur on arrival in South Africa is normally higher than that of the locals, it is expected that they will be in a good position to use their acquired education in growing their business. Against this backdrop, the study projects that:

*There is a relationship between level of education of African immigrant entrepreneurs and their ability to cope with their businesses*

### **3.5.1.3 Previous Experience**

Toohy (2009:13) states that experience comes in different forms such as industry experience, start-up experience etc. and is arguably an important factor in driving the performance of businesses. Previous job experiences positively correlate with new firm performances (Marvel & Lumpkin 2007:810, Chilya & Roberts-Lombard, 2012:462). It is important to note that new businesses typically lack history and as such, whatever abilities they possess are more easily linked to the previous experiences of the owner(s) of the business (Chrisma, McMullan & Hall 2005:776).

The previous business experience of an entrepreneur will significantly influence a ventures ability to survive and grow (Bird, 1988:443). Invariably it may also mean that lack of previous experience may be one of the reasons for the high failure rates of start-ups and as such, the previous experience of the immigrant entrepreneur is a critical factor in the survival of their business (Shepherd, Douglas & Shanley, 2000:395).

Interestingly, Khan and Butt (2002:65) identified a negative relationship between the experience acquired before starting the business and performance of the new venture. They tried to explain this curious finding by suggesting that the business owners may have learned incorrectly or applied knowledge from previous experience rigidly in their new business environment.

In a South African study, Chiliya and Roberts-Lormabard (2012:465) concluded that previous experiences of the SME owner have a significant impact on the performance of the business. Similarly, Shane (2000:459) argues that prior knowledge about markets and customers will influence an individual's discovery of opportunities and as such their entrepreneurial behaviour and choices. Quan (2012:947) opines that this kind of knowledge is mainly gained through an individual previous working experience. The type of jobs an individual have undertaken may influence their entrepreneurial decision. Most importantly, job experiences can provide easy access to resources and therefore contribute to the person's judgment about the feasibility of starting a new business (Quan, 2012:947)

Boden & Nucci (2000:354) found that a longer work experience of the business owner is positively associated with business survival. Christopher (1998:65) also supports this finding and posits that there is a significant effect of previous work experience on business survival, insisting that previous managerial, executive or supervisory experience is positively related to a firm's survival.

The previous job experience of the immigrant entrepreneur or previous business ownership experience is a critical factor for the survival of their business (Vinogradov & Elam, 2010:120). This could imply that the nature of the previous job experience of an immigrant may influence their entrepreneurial intention.

The above arguments by different authors may suggest that the survival of most immigrant businesses may be linked to experience they garner by working for

other immigrant entrepreneurs before starting their own business. The experience gained during this working period may become useful in the later stages of their business. Therefore, this study hypothesises that:

*There is an association between previous experience of African immigrant entrepreneurs and their ability to cope with their businesses*

#### **3.5.1.4 Risk-Taking propensity**

Risk is usually seen as reflecting variation in the distribution of possible outcomes, their likelihood and their subjective values (March & Shapira 1987:1404). There has been a notion that entrepreneurs are willing to take higher risks than employees are and that being an entrepreneur means making risky decisions. Risk-averse individuals are therefore less likely to become entrepreneurs (Caliendo, Fossen & Kritikos, 2009:153). They also posit that a person's risk attitude is one of the crucial variables in their choice between entrepreneurship and a salaried job. A logical consequence therefore is that individuals with a relatively low degree of risk-aversion are more likely to opt for entrepreneurship as opposed to wage employment (Cramer, Hartog, Jonker & Van Praag, 2002:29).

Raising resources through networks, family members or personal loan is only a step towards economic freedom for the immigrant, it is more important that the business so started is sustained. Managing a business also includes dealing with the risk associated with the business. Levie and Autio (2013:9), show that there is a direct relationship between growth intentions and risk-taking propensity. Neneh and Vanzyl, (2014:175) points out that entrepreneurs that are risk-tolerant are more likely to have an ambition to grow their businesses.

Entrepreneurial activities represent one of the few options for survival available to the immigrant and once a business is started the immigrant entrepreneur uses all possible means to ensure the survival of the business. The failure of the business means the failure of the endeavours and that is why Chrysostome,



(2010:141) opines that immigrant entrepreneurs work very hard and use all possible resources accessible to them to keep their business on track.

Berger and Gabriel (1991:315) studied the relationship between risk aversion and earnings among US immigrants and found that the higher the degree of risk aversion, the lower the earnings. In Germany risk aversion is a serious impediment to entrepreneurship in general (Van Praag and Cramer, 2001:57) and this may also be the case with immigrant entrepreneurs in particular given their similar circumstances. Schneider and Lopez (1986:536), March and Shapira (1987:1411) all agree that immigrant entrepreneurs who have high risk-aversion tend to overestimate the probability of loss resulting from strategic choices that have uncertain results, while immigrant entrepreneurs that have low risk-aversion tend to overestimate the probability of gains.

Chrysostome and Arcand, (2009:14) suggest that if an immigrant entrepreneur reduces exposure to risk, the chance of success is being reduced since they will not be taking advantage of business opportunities they could have exploited and as such low risk aversion is a critical factor for the survival of the immigrant business.

Risk aversion as the above discussions may suggest is an integral part of the immigrant business, however, it may also be important for the immigrant entrepreneur to find a balance between taking too much risk especially due to the circumstances surrounding their business. This position informs the opinion of this study that:

*There is an association between risk-taking propensity of African immigrant entrepreneurs and their ability to cope with their businesses*

### 3.5.2 ECONOMIC CAPITAL

Economic capital is defined as the minimum amount of capital that can be set aside by a business to help cushion the effects of losses and help sustain its operations without going out of business (Al Janabi, 2011:2220). Bourdieu (1986:147) describes economic capital, as including all the resources a venture can readily turn into cash, which are very vital to its survival. Mollegaard and Jaeger, (2015:12) also refer to economic capital as monetary assets such as income, wealth, property and other material possessions, that may be used to finance direct or indirect costs.

Economic capital is defined as the command over economic resources, which commonly is understood as exchange values like income and assets that can be easily transformed into cash (Caro, Sandoval-Hernández & Ludtke, 2014:437), and as such they believe that economic capital is a resource that can easily be translated into income. This study therefore adopts the economic capital definition of Caro, et al, (2014), as it resonates with the ability of the immigrant entrepreneur to turn any economic resources in their possession into capital for starting a business. It can therefore, also be assumed that an immigrant who has high economic capital may be better placed to become an entrepreneur since they may be well equipped to raise the required resources for a new venture

Vershinina, Barrett and Meyer, (2011:103) describe economic capital as a profitable asset sometimes inherited or in some other cases acquired and can be stored and converted into monetary form whenever the need arises. In line with this, Smallbone, Ram, Deakins and Baldock, (2003:304) observed that immigrants who lack money or cannot convert assets into value in their new host country may not be able to access resources from the mainstream financial institutions since they would not have collaterals or securities against which they can access these resources.

This may explain why most immigrants are not able to source the required financial resources from the host country mainstream financial markets. This could also be the reason behind immigrant entrepreneurs' preference for business ventures with low capital outlay, where minimal financial resources are required.

Economic capital mostly appears as financial assets and other tangible and intangible business assets (Pret, Shaw & Dodd, 2016:1006). Entrepreneurs therefore, can generate income, when they turn other types of capital (human and social) into economic capital (Jonsson & Lindbergh, 2013:662).

Economic capital can be immediately and directly converted into cash as in the forms of property rights. Although human capital can be converted under certain conditions into economic capital (e.g. educational qualification) and social capital mainly made up of social connections can be converted into economic capital through networks and nobility (Vershina, Barrett & Meyer, 2011:103). Also according to Pluss, (2011:84), social capital can be converted into economic capital (money or resources directly convertible into capital), but converting economic capital to the other types of capital is more complex and time consuming (Jayawarna, Jones & Macpherson, 2014:920). However, entrepreneurs can perform such conversions by investing in an elite education to develop their skills, networks and reputation (Randle, Forson & Calveley, 2014:597).

The main source of economic capital for the entrepreneur including the immigrant entrepreneur is personal wealth or finance that they can obtain from outside sources as finance is not always readily available for the immigrant entrepreneur (Ndofor & Prien, 2011:794). This may encourage the immigrant entrepreneurs to seek other cost-saving methods of raising finance to ensure the survival of their business.

These cost saving methods range from employing financial boot strapping methods ensuring that their office space and location of business is at a minimal

cost or at no cost at all. These methods are all in the bid to save scarce resources, which is helpful in supporting the new venture (Winborg & Landstrom, 2000:238).

Based on the ongoing discussion this study will discuss economic capital based on the following:

- Business services
- Location
- Financial bootstrapping

### **3.5.2.1 Business Services**

Business support services include a wide range of non-financial services like management training, consultancy, mentoring, counselling and information services. Business advisors and immigrant entrepreneurs all confirm the need for support, although sometimes their views diverge on what type of support may be appropriate (Guzy 2006: 40). When proper business support is provided it may increase the survival rate of the immigrant business.

In France, the national agency for enterprise creation finds that immigrant entrepreneurs mostly start up their businesses without using prior business advice and training (Guzy 2006:50)

A Foro Nantik Lum De Microfinanzas study in 2006, on microcredit and immigrants in Spain, emphasised the need to invest in microbusiness training. It also underscored the need to search for potential beneficiaries as the immigrant businesses who benefit from the business support services are only those that are able to present good business plans and not the most vulnerable of the immigrant population who may need more business service support (Vigil & Navarro, 2007:104).

Government and donor agencies have provided business services through public institutions and non-government organisations, often free or at subsidized

rates. Public authorities and private stakeholders may participate in the design, funding and delivery of these programmes in addition to mainstream business services. Many OECD countries have support programmes that specifically target immigrant entrepreneurs (Desiderio, 2014:8). The countries in the SADC region targeted by the study may not be any different.

The business support programmes as stated by Desiderio (2014:6) are aimed at helping immigrants overcome specific challenges that they may face when setting up and expanding their business. They may be offered to all immigrants or to specific groups such as newly arrived immigrants, immigrant women or refugees. The business support programmes targeted at immigrant entrepreneurs may include;

- Knowledge-based services to help develop country-specific human capital and business skills
- Mentoring and network - building initiatives to facilitate the acquisition of country specific business skills and social capital
- Tailored counseling and assistance
- Targeted measures to facilitate access to credit

Immigrant businesses in South Africa fall within the SME sector and perhaps the government policies aimed at promoting SMEs would also apply to the immigrant-owned businesses. Unfortunately, immigrant-owned businesses directly or indirectly are discriminated against (Tengeh, 2011:148). Against this backdrop, it would seem reasonable to argue that providing business support services that will target specific needs of the immigrant entrepreneurs will invariably contribute to their business survival.

From a business support standpoint, Guzy (2006:40) states that immigrant businesses have the following common problems, among others;

- Insufficient management skills and access to business support
- Limited knowledge of markets and marketing

While highlighting other business support needs Guzy (2006:41) emphasised that the following are important-

- Access to information – immigrants are often unaware of business support services since they rely mainly on community networks for information instead of institutional platforms.
- Content of support – formal business planning and administrative requirement are not so important to immigrant entrepreneurs. They mainly focus on finding clients and keeping their business running.

Tengeh (2011:151) argues for the adoption of pro-active strategies, which may include:

- Creating information brochures and dedicated websites for immigrants and the organisations they work with.
- Being present in areas with high concentration of immigrant populations
- Using community and local networks and word of mouth
- Using immigrants own language

In the light of a conviction that formal support extended to immigrants by host governments could assist the immigrant entrepreneur to settle and become more productive in their new environment, this study hypothesises that:

There is an association between business services and the ability of African immigrant entrepreneurs to cope with their businesses

### **3.5.2.2 Location**

Location has an impact on market potential and growth opportunities of a new firm (Fatoki & Garwe 2010:731). As observed by Mariotti and Glackin (2012:491), the selection of a business location can be the difference between success and failure. The survival of any business depends on the relative volume of its customers and as such, it becomes useful for entrepreneurs to

locate their new business ventures in places that are easily accessible to their customers. In agreement Dahl and Sorenson, (2007:3) suggest that entrepreneurs often open businesses in places where they are known as it aids the success of their new ventures.

According to Mugobo and Ukpere (2012:832), most SME's struggle with scarcity of business premises such as offices, warehouses and factories. Although it may not be easy to identify a suitable location, the need for prospective entrepreneurs to consider factors like power supply, accessibility to both suppliers and customers and cost of rent before settling for a location are very necessary. .

However, the main considerations for choosing a location are often dependent on the nature of the business and customers, as traditionally the location of a business is attributed to the availability of resources and customers (Dahl & Sorenson, 2007:1). Immigrants in some cases choose the location to set up their own markets (Gebre, Maharaj & Pillay, 2011:25), so the location may be associated with the type of business and the target market of the immigrant businesses.

The United Nations Office on Drugs and Crime (2013:13) reports that crime is an important issue in South Africa. The country has managed to reduce its murder rate, but remains one of the most violent countries in the world for homicide. The South African's official crime statistics for 2013/2014 reports that business burglary recorded 73,600 incidents. This means that each day, on average, 202 businesses were burgled and most business robberies are on small business premises.

The small businesses have resorted to fighting crime by investing in security. The investment increases the cost of running businesses and reduces their chances of growth. An investigation by Isaacs and Friedrich, (2007:7) on the impact of crime on performance of SME's in South Africa showed that crime negatively affects the SME sector. Crime according to Fatoki and Garwe,

(2014:732) has ensured that owners of SME's are not aggressively looking for avenues to grow their market share instead they are focusing on operational matters.

This therefore may mean that the type of business an immigrant entrepreneur ventures into will mainly depend on the type of finance available at the start of the business. It could also imply that the location chosen to start the business may be determined by the proximity of relatives and friends from whom the funds were sourced, especially if the resources generated also came in the form of stock. Much of the discussion in this regard leads this study to hypothesise that:

*There is an association between location and the capacity of African immigrant entrepreneurs to cope with their businesses*

### **3.5.2.3 Financial Bootstrapping**

According to Van Praag (2003:1), it is increasingly acknowledged that an effective policy to decrease unemployment is to stimulate the number of new businesses. Many Governments are therefore engaged in promoting small business start-ups. This is usually important to Governments who in most cases have long-term economic growth and employment creation as their central objective. However, since the financial resources of most nations are usually over-stretched, it becomes difficult for small businesses including immigrant businesses to gain access to the much-needed financial resources (Tengeh, Ballard, & Slabbert, 2011:2).

Although in some cases, there are measures being taken to address lack of financial resource, however, it remains a major obstacle towards starting new businesses (Beyene 2002:143, Rogerson 2008:62) particularly for immigrant entrepreneurs. Entrepreneurship can be very challenging for immigrants given the various obstacles they face especially that of access to finance (Fakoti, 2013: 211). Faced with these obstacles, the immigrant entrepreneur source for



alternative means of raising capital for their businesses and financial bootstrapping becomes an option

Ebben and Johnson (2006:853) define financial bootstrapping as the use of resourceful and innovative methods that minimizes the amount of finance a firms need to raise with traditional financiers. It allows firms to secure resources owned by others at little or no cost. Winborg and Landstrom (2000:236) identifies six financial bootstrapping methods and these include, delaying payments, minimizing accounts receivable, minimizing investments, private owner financing, sharing resources with other businesses and use of government subsidies.

In the specific South African case, Fatoki, (2013a:93), identified six most widely used bootstrapping method by immigrant entrepreneurs as sharing premises with others, withholding owners salaries, obtaining loans from family and friends, employing relatives and friends at non-market salary, seeking out the best conditions possible with suppliers and buying on consignment from suppliers.

The immigrant entrepreneur who is able to use one or a combination of these financial bootstrapping methods might be able to face the challenges associated with starting and growing a business and to a very large extent avoid the pit falls that lack of financial resources often presents to the immigrant entrepreneurs. This thinking motivated the study to argue that

*There is a relationship between financial bootstrapping and the ability of the African immigrant entrepreneur to cope with their businesses*

### **3.5.2 SOCIAL CAPITAL**

Social capital concept has been inhibited by multifaceted abstract definitions, differing theoretical perspectives, and inconsistent operationalization (Payne,

Moore, Griffis & Autry, 2011:492). Generally, it seems that the concept of social capital cannot empirically be differentiated in relationship in terms of resources and the nature of the relationships that make up the resources, which likely exists because social capital is not open to independent measurement (Gedajlovic, Honig, Moore, Paynen & Wright, 2013:459).

Adler and Kwon's (2002:20) review of social capital listed 23 distinct definitions within management literature, suggesting that scholars are pursuing this research using various perspectives that include micro, macro conceptualizations or both.

Burt (2009:9) sees social capital at the individual level as the friends, colleagues and more general contacts through which one receives opportunities to use ones financial and human capital. Putnam (1995:67) on the other hand argue that social capital at a macro level has the features of a social organization such as networks, norms and social trust that assist in coordination and cooperation for the benefit of all.

Lin, (1999:30) defines social capital as investment in social relations with expected returns in the market place. Lin further insists that social capital is created through social relationship and the expectations of the future social resources they can generate. This research adopts the definition of Lin (1999) as it is in line with the studys view on immigrant entrepreneur's ability to raise capital through their social connection. The same idea is also reinforced by Nahapiet and Ghoshal, (1998:243) who views social capital as the sum of actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or a social unit. Social capital relationships understood to be goodwill can therefore be organised to create resources, which, enables action. (Adler & Kwon, 2002:17). This is usually achieved through gratitude, respect and friendship (Bourdieu, 1986:52).

Social capital has been researched at multiple levels mainly to ascertain its impact on particular and general outcomes on specific endeavours (Payne, Moore, Griffis & Autry, 2011:492). The studies have concentrated on outcomes such as knowledge creation (McFadyen & Cannella, 2004) compensation (Burt, 1997; Seibert, Kraimer, & Liden, 2001) directors' placement on a board (Lester, Hillman, Zardkoohi, & Cannella, 2008) and entrepreneurship (Baron & Markman, 2003).

On a general level, the analysis of social capital has included creativity (Perry-Smith & Shalley, 2003), firm competitiveness (Wu, 2008), entrepreneurship (Shane & Stuart, 2002) and access to financial resources (Florin, Lubatkin, & Schulze, 2003; Gopalakrishnan, Scillitoe & Santoro, 2008). Social capital have also been researched at individual (Seibert, Kraimer & Liden, 2001), team (Tsai, 2000), and organizational (Stam & Elfring, 2008) levels.

In their submission, Adler and Kwon, (2002:18) insists that though research in social capital has been at multiple levels, researchers have mainly conducted their studies at a single level of analysis and in the process have failed to appreciate that social capital can have alternative meanings and outcomes at other levels

Immigrants normally draw on ethnic resources, which include solidarity, social networks and social capital (Light & Rosenstein, 1995:25). Social capital is strongest when one is entrenched within a particular community (Uzzi, 1997:37). The immigrants' social capital mainly originates from goodwill within their community and the goodwill then influences the flow of information, helps to develop relationships and provides an important avenue for vital resource acquisition (Ndofor & Prien, 2011:795).

As immigrant entrepreneurs gather experience and capital through goodwill from their community they will strive to go into businesses that are more capital demanding thereby leaving room for the newer immigrants to occupy the businesses left by the older immigrants (Lee, 1999:1404).

Social capital encompasses relationships of trust and reciprocity, inherent within social networks (Slotte-Kock & Coviello, 2010:33). Contribution of social capital to entrepreneurship including immigrant entrepreneurship is usually the assets that may be mobilized through networks, which are developed from mutual trust and reciprocity doctrine (Galbraith, Rodriguez & Stiles, 2007:38, Nahapiet, 2009:208).

It is worthy to note that there is no consensus as it relates to the contribution of social capital to business performance. Infact social capital does not promote entrepreneurship because it reduces knowledge and objectivity (Locke, 1999:8) and imposes mental conformity on whole groups (Aldrich & Kim, 2007:160). More so, social capital can suppress entrepreneurship when a dominant group excludes subordinates from reciprocal advantages that it enjoys (Crow, 2004:12). Contrasting positions make it unclear when social capital is a catalyst, an obstacle and when it is not a part of entrepreneurship (Light & Dana, 2013:604).

Social capital is useful in improving internal organisation first by bringing individuals together and by helping them to access the external network resources (Putnam, 2000:224). Major factors in enhancing the strength of social capital include trust, obligation and exchange (Davidson & Honig, 2011:308).

Social capital theories suggest that a host society's networking, trust (both interpersonal and institutional) and trustworthiness norm, access to information and ability to acquire essential resources is instrumental to the entrepreneurial success of an immigrant's entrepreneurial business (Turkina & Thai, 2013:111).

Social capital mainly works through the identification of networks and network relationships, which may also include informal gatherings, social activities and social and family relationships and from an entrepreneurial perspective it may provide networks that facilitate the discovery of opportunities as well as the identification, collection and allocation of scarce resources (Greene & Brown

1997:164). Consistent with the discussion, Nahapiet and Ghoshal (1998:252) maintain that social capital conceptualized to include network ties, network configuration and network appropriation is likely to be a source of competitive advantage for a business. This may suggest that the networks they are able to associate with may enhance immigrant entrepreneurs' social capital.

Social networks work as the medium through which individuals generate social capital and once accumulated, it can be used when the need arises (Boisjoly, Duncan & Hofferth, 1995:609). Social network could therefore be a very vital resource for the immigrant entrepreneur. Other studies in Australia (Giorgas, 2000) and in the USA (Amuedo-Dorantes & Mundra, 2004) found that social capital has a significant effect on immigrant economic performance especially in the initial years. However, Turkina and Thai (2013:111) maintain that there is a limited knowledge of social capital at the entrepreneurship level across countries and that the effects of social capital on immigrant entrepreneurship have been largely under-explored in literature.

Due to some host societies hostilities toward immigrants, the immigrants are sometimes reluctant to assimilate into these societies but, rather prefer to stick to their status as strangers. This has led them to create networks of concentrated ethnic businesses or employ transnational networks to circulate resources between their home countries and receiving countries (Marger, 2006:883, Rusinovic, 2008:442).

Entrepreneurs including immigrant entrepreneurs make use of information, capital, skills, and labour to start their businesses and while they have some of the resources themselves, they often complement their resources by accessing their social network contact (Greve & Salaff, 2003:3). This therefore could explain why the immigrant entrepreneurs are able to raise resources for the start-ups from the informal sectors as opposed to the formal sectors where they may not meet the requirement that is normally needed to access those resources.

Bolino, Turnley and Bloodgood, (2002:511) insist that social capital includes possession of common language and shared narratives and believes that knowledge of common language will help the business and employees to develop and understand common myths and stories. The on-going development therefore leads this study to further discuss social capital by elaborating on two sub headings, which are:

- Language
- Networking

### **3.5.3.1 Language**

Hisrich (2010:46) states that language, sometimes considered as the mirror of culture, is composed of verbal and non-verbal components. Messages and ideas are converted by spoken words employed, the voice tone and the non-verbal actions like body position, eye contacts and gestures.

Gebre, Maharaj and Pillay's (2011:31) study of Ethiopian immigrant entrepreneurs in Durban, South Africa revealed that the inability of some Ethiopians to speak English or any other local language have compelled them to live a segregated life. They are deterred from participating in any other aspect of social life except within their communities. They further state that the Ethiopians provide services to members of their community and their ability to find any formal job is reduced drastically. However, some of the Ethiopian immigrants have learnt the local language and this has made conducting business with the locals easier.

Speaking the local language tends to bring improved economic benefits. As pointed out by Fairlie and Lofstrom (2015:20) limited English may make it difficult to communicate with potential customers and suppliers. It also makes it difficult to learn and understand regulations. It would seem ideal therefore to think that a lack of fluency in English language limits opportunities in the wage salary sector, which in turn results in an increased desire for self-employment.

Habiyakare, Owusu, Mbawe and Landy's (2009:61) study on immigrant businesses in Finland show that Finish language emerged as an obstacle in doing business, as it was difficult to navigate the Finish terrain without it, which causes major delays in negotiating businesses by the immigrants.

Cain and Spoonley (2013:17) suggest that Chinese and Korean immigrant entrepreneurs in New Zealand prefer to use suppliers from their countries because they find it easier to communicate with them. The same research however pointed out that immigrants from South Africa, India and Britain are not concerned about the language because they all speak English and make use of the local suppliers. This shows the importance of speaking and understanding the local language of business and how it helps immigrants to properly integrate into the economic and social setting of their new country.

A business transaction could easily be carried out smoothly if all parties involved understand the language used. Since English language is the main language of communication in New Zealand, speaking and understanding it may invariably help to broaden the customer base of the immigrant entrepreneurs. The immigrants that speak English as a second language and as such not proficient in it will rely heavily on employees to communicate effectively within the business environment (Cain & Spoonley, 2013:20). This may increase the running cost of the business, however if the immigrant could speak and understand a local language, it may give some advantage to the immigrant entrepreneur in doing business.

To conduct any business in a certain area, the immigrant might require a relatively good understanding of the language used in doing business. The immigrant entrepreneur or someone working for the immigrant therefore, should have a good command of the local language (Khosa & Kalitanyi, 2014:208).

A good knowledge and proficiency in the host country's main language is arguably an important determinant of both earnings and employment. This is more so given the importance of good communication skills in modern

economies, which have increasingly become service and knowledge based (Clark & Drinkwater, 2000:498). Evidence of research findings from different countries on the importance of language skills for the immigrants by Dustmann and van Soest (2001:671) show that in Germany speaking the host language fluently has a positive and significant effect on earnings for the immigrants.

In Israel, Berman, Lang and Siniver, (2003:288) found that in high skill jobs immigrants with host-language fluency earn more than other immigrants with low host-language fluency. They however, found no difference in earnings in the low skill jobs amongst immigrants due to the host language fluency. In the United Kingdom, Dustmann and Fabbri (2003:713) found sizeable effects in two data sets containing information on immigrants, which shows that English-language fluency increases employment and earning probabilities of the immigrants. Leslie and Lindley (2001:604) also find that poor English-language skills make an important contribution to the higher unemployment rates and lower economic-activity rates experienced respectively by migrants in Britain

Like in most African countries, Mozambique is a multilingual and multicultural country. Portuguese is the official language however there are other languages spoken in Mozambique, which belong to the Bantu language group. They are indigenous languages and constitute the major language stratum, both with regard to number of speakers and in terms of language distribution (Lopes, 1998:441). The post-apartheid constitution of South Africa officially recognises eleven languages (nine local African languages, English and Afrikaans), however English remains the language of the government and economic exchange and therefore the language of access and power (Setati & Adler, 2000:247). Swaziland has two official languages (Siswati and English). English is however associated with employment opportunities and command more prestige both locally and internationally. It is also the language of government and administration (Kamwangamalu, 2013:162).

This may therefore suggest that immigrants who speak English may find it easy to adapt to the business environment in both South Africa and Swaziland but



may be disadvantaged in Mozambique since they may have to learn the official language, which is Portuguese.

Even when the immigrant is able to fairly understand and speak the official language, learning and understanding a local dialect, which may be predominant, may also give the immigrant an advantage in conducting their business especially during business negotiations as hiring a person with knowledge of the local language definitely raises the cost of operation for their business. In line with the above discussions therefore, this study hypothesises that:

*There is a relationship between local language proficiency and the ability of African immigrant entrepreneurs to cope with their businesses*

### **3.5.3.2                      Networking**

Networking is the process of meeting people, building relationships that can benefit all those involved, sharing information and ideas and getting one's business on the map (Burke & Segaloe 2003:7).

Spenelli and Adams, (2012:148) opine that networks can be a stimulant and source of new ideas, as well as a source of valuable contact with people. This may well suggest that the network around people with similar experience helps to encourage the immigrant entrepreneur. Johannisson, (1990:41) argues that the personal networks of the entrepreneur is the most strategically significant resource available to them, which may confirm that the network of people play a big role in the business world.

In a foreign land where the immigrant is new, getting any resource at all may only be possible through such networks. Entrepreneurs need information, capital, skills and labour to start business activities. Entrepreneurs own some of their resources but often have to complement these resources by accessing their contacts (Fatoki & Oni, 2014:284). The networks developed by an entrepreneur are always a good avenue to acquire the needed resources.

Networks have been classified into three main types, general/official networks (network with government officials), managerial (business networks, network with suppliers, customers and business associates) and social networks (network with relatives, friends, members of social organisations and clubs), (Ngoc, Le & Nguyen 2009:870, Machirori & Fatoki 2013:100).

Sequeira and Rasheed (2006:361) showed that immigrant entrepreneurs acquire resources from two major sources, which are own families and social networks in their ethnic's enclave. Fatoki and Oni (2014:287) support this finding by alluding to the fact that in the respondent population for their study, none of the new immigrant entrepreneurs interviewed was able to obtain resources from the official networks. The prevalent trend was that resources were obtained through social networks, friends, relatives and family. However, they were able to get resources from the business/managerial networks (suppliers, business associations) at a later stage or at a more established stage of their businesses. This discussion seen to fertilize the idea that networking can enable rather than disable a business and so this study proposes the following hypothesis that:

*There is a relationship between networking and the ability of African immigrant entrepreneurs to cope with their businesses*

### **3.6 COPING ABILITY AND BUSINESS GROWTH**

While the idea of coping ability may not be commonplace in entrepreneurship literature, rational thinking would suggest that an entrepreneur who has coped with his/her business is likely to witness some form of business growth. This is because the idea of coping is inextricably linked to the ability to undertake a task successfully. For the purpose of this study, therefore, the projection is that coping ability would engender business growth.

Choto, Tengeh and Iwu (2014:98) in their South African study to ascertain if survivalist entrepreneurs strive to grow or to survive in their businesses found that a greater number of them intentionally work towards growth and have a long term focus for their business. Dutta and Thornhill (2008:310) define growth intentions as being the entrepreneur's desires for the growth path they would like the business to follow.

Sadler-Smith, Hampson, Chaston and Badger (2003:49) argue that an important feature of entrepreneurial behaviour is the intention to grow their business. (Gundry & Welsch, 2001:455) observed that entrepreneurs vary considerably in their intentions to grow their business and that if the decision to start a business is a choice made by the founder, it may also be assumed that the decision to grow the business is a choice made by the same person.

A study by Choto, Tengeh and Iwu (2014) revealed that 90% of the entrepreneurs, who had access and enrolled in business incubation programs, indicated that the desire to grow their businesses was the main motivator. The other ten per cent (10%) specified that they were motivated by lack of skills

According to Fatoki and Garwe (2010:730), business growth is defined and measured using absolute or relative changes in sales, assets, employment, productivity, profits and profit margins. Shepard and Wuklund, (2009:110) revealed five common growth indicators as sales, employees, profit, assets and equity. Information from annual reports of sales, number of employees, profit after depreciation and financial expenses, total assets, and total equity, respectively were used to determine the growth achieved.

In a review of the different indicators and formulas used when measuring growth empirically, Weinzimmer, Nystrom, and Freeman (1998:238) found that 83% and 17% of the studies respectively used sales (or revenues) and employment numbers to measure growth. Similarly prior studies (Shepherd and Wiklund 2009; Isaga, 2012; Achtenhagen, Naldi & Melin, 2010) have indicated that most entrepreneurs measure their firm growth in terms of the growth in

sales. This, therefore, indicates that the intentions to grow the business are likely to be supported by strategies that will ensure higher sales turnover of the business. Janssen (2009:23) argues that an increase in sales makes it possible for businesses to invest in additional factors of production such as equipment and employee, resulting in higher profits for the business. They also indicate that it would be possible to replace workers if capital increases, which may likely be achieved by a higher sales turnover

Cooney and Malinen (2004:4) suggests however that employment approach is more appropriate to measure a firm's growth since employment figures are usually not affected by inflationary fluctuations. Asset is another important aspect of growth but is considered problematic to measure in some sectors (service sectors). While assets may grow in an expanding service firm, not all of it is normally captured in the firm's balance sheet. The problem mainly is related to the difficulty in collecting data rather than relevance (Davidsson, Delmar & Wiklund, 2006:53).

Barreira (2004:26) argues that growth is a more accurate and easily accessible performance indicator than any other accounting measure and hence superior to indicators of financial performance. Lumpkin and Dess (1996:153) suggest that it is advantageous to integrate different dimensions of performance in empirical studies. It is possible to use financial performance and sales as different variables with each bringing out important and unique informations.

Isaga (2012:23) however point out that there is no agreement on the best way to measure the growth of small businesses and so researchers normally choose one indicator, create a multiple indicator index or use alternative measures separately. This therefore allows researchers to choose indicators that will ensure easy access to information instead of considering other important variables.

Various styles have been used to measure the growth of businesses which may include increase in the market share, growth in revenue, number of customers,

(Tengeh, Ballard & Slabbert, 2012:6072), number of people employed (Feizpour & Jamali, 2009:323) and employment and sales growth (Janssen, 2009:41). However, for the purpose of this study, growth indicators will be measured using increase in employment.

### 3.7 CONCEPTUAL COPING CUBE AND MODEL

From the evidence available through literature, a conceptual cube and framework was developed. The cube in Figure 3.1 proffers the thinking that the ability of an immigrant entrepreneur to cope and possibly grow his/her business is premised on the strength of human capital, economic capital and social capital (Bosma, van Praag, Thurik & de Wit, 2004:228, Bosma, Acs, Autio, Coduras & Levie, 2009:10 Fatoki, 2011:193 and Mandviwalla & Watson, 2014:98). The position of the study is that the dimensions of capital are hinged together to provide a 'life-boat' of some sort that enables the immigrant entrepreneur 'stay afloat' and cope with the characteristic turbulence of the seas of immigrant entrepreneurship in the small business sector.

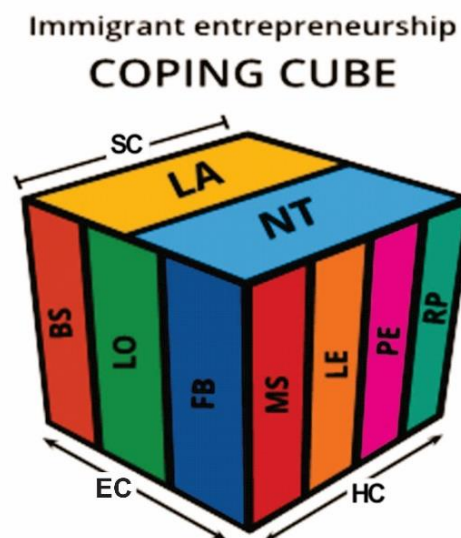


Figure 3.1: A conceptual (coping mechanism) cube for African immigrant entrepreneurs

The cube also prominently displays all of the variables in each capital segment that is considered by this study as possible constituents of the coping ability of an immigrant entrepreneur. The coping mechanism (cube) for purposes of ease of the statistical investigation can be transformed into a conceptual framework for the study (see Figure 3.2). The framework illustrates the existence of independent variables that make up the human, economic and social capital constructs. These variables, which are taken from literature by different scholars, are namely managerial skill (MS) (Tonidandel, Braddy & Fleenor, 2012:636 and Fatoki, 2013:211), level of education (LE) (Chrysostome (2010:146 and Kloosterman & Rath, 2001:191), previous experience (PE) (Vinogradov & Elam, 2010:120) and risk-taking propensity (RP) (Berger & Gabriel 1991:315) for the human capital construct.

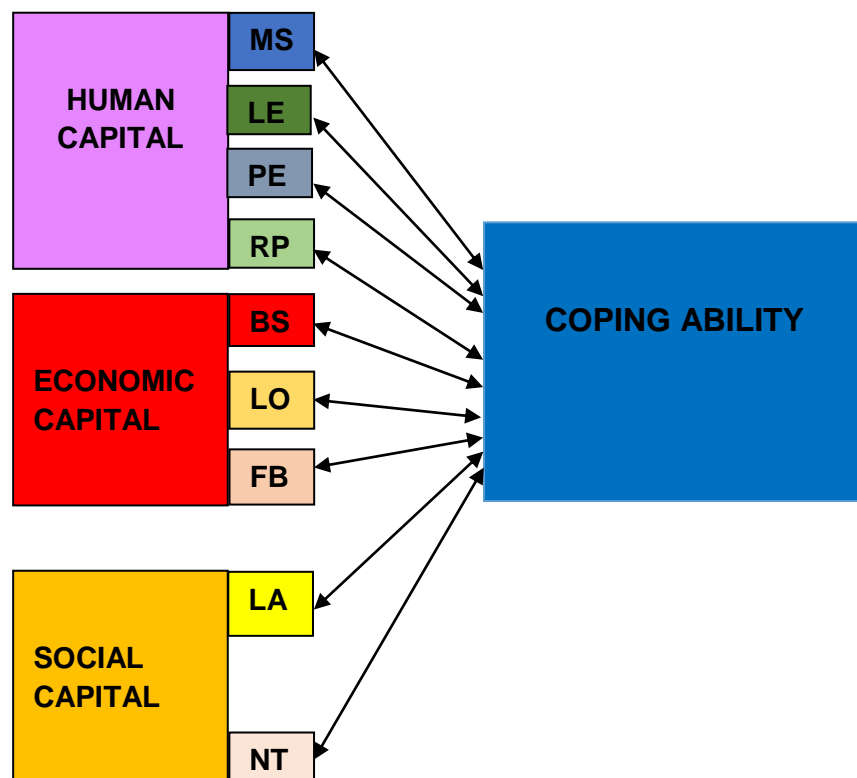


Figure 3.2 Conceptual framework of African immigrant entrepreneurs

The economic capital construct include business services (BS) (Desiderio, 2014:6), location (LO) (Gebre, Maharaj & Pillay, 2011:25) and financial bootstrapping (FB) (Winborg & Landstrom 2000:236), while the social capital

construct include language (LA) (Gebre, Maharaj & Pillay, 2011:31 and Habiyakare, Owusu, Mbawe & Landy's 2009:61) and networking (NT) (Sequeira & Rasheed, 2006:361 and Fatoki & Oni (2014:287).

These variables are expected to have some kind of relationship with the coping ability of an immigrant entrepreneur, which the study estimates using increase in employment. Further, it is the projection of this study that the growth of the immigrant small business is linked to some extent to its potential to transit from the nascent to the established phase.

### **3.8 CHAPTER SUMMARY**

Chapter 3 probed issues that are critical to the study through the review of relevant literature on immigrant entrepreneurship. It started by looking at migration and the reasons why people migrate. It explored reasons for the sudden influx of migrants into Southern Africa and the reasons why they normally opt for self-employment instead of searching for paid employment. It goes on to highlight the impact of immigrants in other advanced world economies like the United States of America and Australia.

This chapter also introduced and explained the theoretical foundation underpinning the study and in the process deductively derived the study hypotheses from extant literature. The conceptual coping cube and conceptual framework for the study were also presented.

The next chapter will look at the research methodology.

## CHAPTER 4

### RESEARCH METHODOLOGY

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#### 4.1 INTRODUCTION

Research is simply a technique for collecting data (Bryman & Bell 2007:410). According to Leedy and Ormrod (2005:2), research is a “systematic process of collecting, analysing and interpreting information (data) in order to increase our understanding of the phenomena about which we are interested or concerned”.

This chapter outlines the process of collecting, analysing and interpreting data in order to enable increased understanding of the coping mechanism of African immigrant entrepreneurs in the small business sector in Southern Africa. This study focuses on African immigrant entrepreneurs who do their business in Johannesburg or Pretoria (South Africa), Manzini or Mbabane (Swaziland) and Maputo or Boane (Mozambique).

This chapter outlined the research process used. It also restated the research problems, objectives, purpose and hypotheses. It discussed different research types and the ones that were chosen for this study. The research paradigms and approaches were outlined next and justifications for following a particular approach and paradigm were provided. This chapter also explained and justified the research design for the study. It explained the measures used to ensure the validity and reliability of the research and included evidence used to test the validity and reliability of the findings.

The respondent population was delineated by clearly stating criteria for qualifying to be a participant in the survey. It also stated and explained the data-gathering instrument, and in the process explained why the questionnaire



method was used. The methods used to analyse the data through the Structural Equation Modelling (SEM) and Confirmatory Factor Analysis (CFA) are also discussed. Ethical issues that protect the rights of the research participants were discussed and finally a conclusion was presented.

## **4.2 RESTATEMENT OF RESEARCH PURPOSE AND OBJECTIVES**

### **4.2.1 The purpose of the research**

According to Hussey and Hussey (1997:2), research may have one or more of the following seven purposes:

- To review and synthesise existing knowledge
- To investigate some existing situation or problem
- To provide solutions to a problem
- To explore and analyse more general issues
- To construct or create a new procedure or system
- To explain a new phenomenon
- To generate new knowledge

The purpose of this research is to explore and analyse how African immigrant entrepreneurs cope with their businesses.

### **4.2.2 The research objectives**

- To identify the specific human capital factors that aid the coping ability of African immigrant entrepreneurs
- To determine the economic capital factors that contribute to the coping ability of African immigrant entrepreneurs
- To ascertain the social capital factors that enable coping ability among African immigrant entrepreneurs

### **4.2.3 Research assumptions**

The following assumptions guided this study:

- Human, financial and social capitals are hypothetical but measurable constructs. They can be measured in the form of scales that have been employed in previously recognised research studies, notably that of Bux (2016), Mandengenda (2016), Botha (2006) and Morallane (2016).
- Various statistical approaches can be employed to investigate and confirm the relationships between the various constructs.

## **4.3 TYPES OF RESEARCH**

According to Berglund (2007:79), methodology is made up of two things, which are the assumptions and justifications guiding the choice of methods and the technical aspects of the methods themselves, including the procedures and means for analysing data and dealing with other issues that may arise.

The type of research question posed for the purpose of the research usually influences the research design. In support, Bryman and Bell (2007:410) argue that a research design provides a framework for the collection and analysis of data. This research is a formal study as it led to testing the hypotheses that were derived from literature.

There are different types of research, for example: explanatory, predictive, exploratory and descriptive research types (Cooper & Schindler, 2011:18).

### **4.3.1 Explanatory research**

Explanatory research extends beyond the mere description of the characteristics observed during the descriptive research. It attempts to explain

the reasons (why and how) for the phenomenon by discovering and measuring causal relations among variables (Cooper & Schindler 2011:19; Hussey & Hussey 1997:11).

The ability to explain the critical variables and causal links is an essential element of explanatory research in order to identify or control the variables. A variable is an attribute of an entity that can assume different values that can be observed or measured (Hussey & Hussey 1997:11).

#### **4.3.2 Predictive research**

Whereas explanatory research explains what happens in a particular situation, predictive research (equally rooted in theory) “aims to generalise from the analysis by predicting certain phenomena on the basis of hypothesized general relationships” (Hussey & Hussey 1997:13); it provides “how”, “why” and “where” answers to current events and to similar events in the future. Predictive research is used essentially for forecasting purposes.

#### **4.3.3 Exploratory research**

Exploratory research is conducted in cases where there are very few or no earlier studies that can be referred to for information about the research problem of interest (Hussey & Hussey 1997:10). The researcher found no earlier study that addressed the problem surrounding the coping mechanism of African immigrant entrepreneurs in the small business sector in Southern Africa. Prior to writing the research proposal, an extensive review of relevant literature was carried out, which helped to develop ideas that contributed to the problem statement and the formulation of the research hypotheses. The literature review assisted in outlining and linking the constructs to the conceptual cube and model. The coping cube, model and hypotheses that were derived from the extensive exploratory study formed the basis for the research proposal.

#### **4.3.4 Descriptive research**

Cooper and Schindler (2011:18) states that descriptive research “tries to discover answers to the questions who, what, when, and where and sometimes how”. They also pointed out that descriptive investigations have a broad appeal to the administrator and policy analysts for planning, monitoring and evaluation and as such are interested in the “how” questions. Such studies can be based on qualitative, quantitative or the mixed research method. A descriptive research design attempts to describe and explain conditions of the present by using many subjects and questionnaires to fully describe the issue. A survey research design is one of the most popular research designs for descriptive studies. In descriptive studies, the whole process followed to conduct the research is described so that it can be replicated by others. This study is designed to fit into the descriptive research classification.

### **4.4 RESEARCH PARADIGMS**

Two different research paradigms (positivistic and phenomenological) and two different approaches (qualitative and quantitative) to research exist. A researcher can adopt one of two research paradigms – either the positivistic/experimental paradigm or the phenomenological/interpretive/constructivist paradigm. These paradigms form the extreme points on a continuum.

#### **4.4.1 Positivistic paradigms**

According to Kusumawardhani (2013:54), the positivist paradigm approach seeks to find the universal laws that can assist in the prediction of human actions. This paradigm emphasises the objective use of science and is in most cases linked with the quantitative research method. The positivist paradigm is also referred to as the scientific paradigm as its emphasis is on proving or disproving a hypothesis with the use of scientific methods, statistical analysis and generalisable findings (Mack, 2010:132). The positivistic paradigm relies on

the researcher’s strength to gather numerical data to support the research question and to analyse the data to answer the research question (Bux, 2016:130). Deductive reasoning is often associated with the positivist research paradigm.

#### 4.4.2 Phenomenological/interpretivist paradigms

The interpretivist paradigm is sometimes referred to as constructivism, because it emphasises the ability of the individual to construct meanings or an “anti-positivist” paradigm because it was developed as a reaction to positivism (Mack, 2010:7). Ernest (1994:25) opines that the paradigm is strongly influenced by the philosophical movement and phenomenology that advocate the need to consider human beings’ subjective interpretations and their perceptions of the world (their life-worlds) as a starting point for understanding social phenomena.

The features of the two paradigms are summarised in Table 4.1.

Table 4.1: Features of the two main research paradigms

<b>Positivistic paradigm</b>	<b>Phenomenological paradigm</b>
Quantitative data tend to be produced.	Qualitative data tend to be produced.
Large samples are used.	Small samples are used.
The concern is with hypothesis testing.	The concern is with generating theories.
Data are highly specific and precise.	Data are rich and subjective.
The location is artificial.	The location is natural.
Reliability is high.	Reliability is low.
Validity is low.	Validity is high
Generalisation is from sample to population.	Generalisation is from one setting to another.

**Source:** Hussey & Hussey (1997:54)

Kusumawardhani (2013:65) states that the study of human behaviour cannot be undertaken in the same way as the study of non-human behaviour and emphasises that the social world has a social make-up that makes subjectivity unavoidable. The interpretivist paradigm believes that research can only be objectively understood from the outside without any influence rather than the inside where direct experience with the subjects may become inevitable (Mack, 2010:8). Consequently, the role of the researcher in the interpretivist paradigm is to understand, explain and interpret social realities through the eyes of different participants (Cohen, Manion & Morrison, 2007:19).

The interpretivist paradigm is usually associated with the use of qualitative and inductive methods. As argued by Bux (2016:130), the paradigm requires skills and knowledge in the process of acquiring and processing qualitative data to develop the hypotheses to be examined.

For this study, the positivist research philosophy was adopted. In operating under the features of a positivistic paradigm the study collected a relatively large quantity of data from a sample of 829 respondents. To test the several hypotheses stated, the researcher ensured that the data were highly specific questions and objectives of interest. This helped to ensure that the researcher was independent of and was neither affected by the subject of the research.

The relationships investigated were relied upon to draw conclusions about the state of affairs in the studied immigrant entrepreneurship population. The research strategy employed the survey method because surveys allow for the collection of a large amount of data from a sizeable population in an economic way.

The population of immigrant entrepreneurs is large and as such self-administered questionnaires were used as the primary data collection instrument and the method was mono method since only a quantitative method was applied. The time dimension of the study was cross-sectional because the research was carried out once and represents a particular point in time.

### **4.4.3 Deductive versus inductive reasoning**

Trochim (2006:56) recognises two broad approaches of reasoning as inductive and deductive approaches. Cooper and Schindler (2011:72) confirm that deductive reasoning purports to be conclusive, a conclusion that must follow from the reasons given, while in inductive reasoning a conclusion is drawn from one or more pieces of evidence, and as such the conclusion explains the facts and the facts support the conclusion. Bux (2016:131) also argues that deduction begins with the general and ends with the specific, while induction moves from the specific to the general.

Arguments that are hinged on observation or experience are in most cases better expressed through inductive reasoning, while arguments that are specific and based on laws, rules or established procedures are often better expressed through deductive reasoning. According to Creswell and Clark (2007:87), deductive research works from the top down, which means deductive research works from a theory to hypothesis to data to add to or contradict the theory. However, by contrast, the inductive research works from the bottom up, using the participants' views to build broader themes and generate the theory that connects the themes. The research approach was deductive as hypotheses were deduced from existing literature.

## **4.5 THE RESEARCH APPROACH**

Quantitative and qualitative approaches are two major approaches used in research. These research approaches clearly differ in the way that data is collected and analysed. While quantitative research reduces every phenomenon to numerical values so as to carry out a statistical analysis, qualitative research on the other hand favours the collection of data in a non-numerical form, i.e. texts, pictures, videos, etc. (Gelo, Braakmann & Benetka, 2008:268).

Quantitative research methods were initially designed for natural science researchers to study natural phenomena, while qualitative research methods were developed to study social and cultural phenomena (Bux, 2016:134); however, in the study of immigrant entrepreneurship both methods have been used independently and jointly. Studies conducted by Vinogradov (2008), Tengha, Ballart and Slabbert (2011), Yavuz (2011) as well as Khosa and Kalitanyi (2014) employed mixed design, the work of Aaltonen and Akola (2012) Hungwe (2013) utilised a qualitative method approach, while research by Fatoki and Patswawairi (2012), Garg and Phayane (2014) was based on quantitative methods. Therefore, the suitable method or methods employed depend on what the researcher intends to achieve.

Quantitative research views all research as an objective reality that is independent of the subjects being studied, i.e. the researcher and the subjects are seen as independent individuals who do not influence each other. Subjects are typically studied objectively by researchers, who should put a distance between themselves and what is being studied (Yilmaz, 2013:311). However, by contrast, qualitative approaches consider reality as socially and psychologically constructed. The aim of a qualitative scientific investigation is to understand the behaviour and the culture of humans and their groups from the point of view of those being studied (Bryman, 1988:46).

According to Cooper and Schindler (2011:161), quantitative studies attempt to achieve a precise measurement of some constructs of interest and are often used for the purpose of theory testing. The quantitative approach allows the researcher to answer questions about relationships among variables and to determine cause-and-effect interactions between variables (Leedy & Ormrod, 2005:94), if any. From a quantitative approach, the objective of this study is to validate relationships between variables in order to ascertain how African immigrant entrepreneurs cope with their businesses in the Southern Africa business environment.



Table 4.2. Attributes of quantitative and qualitative research approaches

<b>QUANTITATIVE APPROACHES</b>	<b>QUALITATIVE APPROACHES</b>
<b>Nomothetic</b> Extensive Generalising	<b>Idiographic</b> Intensive Individualising
<b>Explanation</b> Prediction Generalisation	<b>Comprehension</b> Interpretation Contextualising
<b>Deduction</b> Theory driven Hypotheses testing Verification oriented (confirmatory)	<b>Induction</b> Data driven Hypotheses generating Discovery oriented (exploratory)
<b>Experimental</b> True experiments Quasi experiments	<b>Naturalistic</b> Case study (narrative) Discourse analysis Conversation analysis Focus group Grounded theory Ethnographic
<b>Internal validity</b> Statistical conclusion validity  <b>Construct validity</b> Causal validity	<b>Internal Validity</b> Descriptive validity Interpretative validity Explanatory validity
<b>Generalisability</b> External validity	<b>Generalisability</b> Transferability

Source: Gelo, Braakmann & Benetka, (2008:271)

A researcher can use either of the two research methods or a mixed method (Pellissier, 2008:57), however any choice between these two methods or even a

combination of the two is usually best determined by the nature, context and purpose of the research study in question. Table 4.2 provides the major attributes of quantitative and qualitative research approaches.

Amongst others, while quantitative approaches are theory driven and are hinged on statistical conclusion validity, qualitative studies are often premised on descriptive, interpretative or explanatory validity. While the aim of a quantitative study may be to create generalisations, qualitative studies are inextricably linked to contexts. This study however will use the quantitative research approach.

#### **4.5.1 Rationale for choosing quantitative research**

This research aims to ascertain the mechanism used by African immigrant entrepreneurs in coping with their businesses in the Southern African region and the research followed the provisions of a quantitative research approach.

Quantitative data was collected using a non-probability sampling method, which can be rearranged into numbers in a formal, objective and systematic process to obtain information and describe variables and their relationships. According to Brink and Wood (1998:5) amongst others, some characteristics of quantitative methods are that:

- Statistical analysis is conducted to reduce and organise data, determine significant relationships and identify differences and/or similarities between different categories of data;
- Reliability and validity of the instruments have to be determined;
- Hypotheses can be tested;
- Researchers maintain objectivity throughout the research;
- It can reduce and restructure a complex problem to a limited number of variables; and
- It provides an accurate account of the characteristics of individuals, situations or groups.

Being a quantitative study, this research is in line with studies on similar subjects conducted by Kunene (2008), Bux (2016), Sirkissoo (2016) and Mandengenda (2016) that also used a quantitative approach. Furthermore, the study's use of the quantitative research approach is justified on the basis of the following reasons, as outlined by (Mack, 2010: 67):

- The quantitative research approach allows for a systematic formulation of hypotheses and empirical testing. The hypotheses for this research were formulated after extensive exploration and review of literature that centred on African immigrant entrepreneurs and their survival tactics. A funnel approach was deployed that helped to explore relevant literature from other parts of the world before narrowing it down to Southern Africa. The quantitative research approach allows data to be collected and analysed in numerical form for testing.
- Definition of key terms/words used in the research helped to ensure that the meanings were not confused and during measurement there is absolute clarity of what is being measured.

#### **4.6 RESEARCH METHOD**

This study is a formal one; however, an exploratory study was undertaken to develop the constructs of the study. According to Cooper and Schindler (2008:150), the exploratory formal study dichotomy is less precise than some other classifications as all studies have elements of exploration in them, and few studies are completely uncharted. Therefore, the initial exploratory aspect was an effort aimed at determining the concepts to be investigated in the study.

The literature exploration focused on scholarly works published in academic journals, academic books and annual conference proceedings in such disciplines as immigration, African immigrants, entrepreneurship, small

business development, economic capital, human and social capital resource theories. In effect, the explorative component of the study helped in the:

- Clarification of definitions, concepts and constructs employed in the study.
- Formulation and development of the study hypotheses.
- Refinement of the research design.

The initial exploration therefore formed a very important base for the beginning of the formal study. This is in line with the thoughts of Cooper and Schindler (2011:140) to the effect that the formal study begins at the terminal point of the exploration effort and often starts with the hypotheses or research questions while adhering to specific scientific processes and data requirements.

## **4.7 RESPONDENT POPULATION AND DATA**

### **4.7.1 Research population**

The population of the study is African immigrant entrepreneurs operating in the small business sector in Johannesburg or Pretoria (South Africa), Mbabane or Manzini (Swaziland) as well as Maputo or Boane (Mozambique). These cities have been selected because they are arguably commercial centres in their respective countries.

The lack of reliable data on immigrant entrepreneurs in the Southern African region makes it difficult to estimate the accurate number of immigrant entrepreneurs. According to Van Dijk, Foeken and Van Til (2001:15), most African countries have failed to provide accurate and reliable immigration figures, but nonetheless researchers tend to rely on administrative sources (population registers, registers for foreigners, visa application forms, residence permits and work permits), border statistics and household-based inquiries (census forms and other surveys) to glean numbers related to migration

phenomena. Typically, the administrative sources and border statistics are the main sources as the household-based inquiries normally show the data for intra-national migration, but all these should be considered with some caution because as Shea (2008:33) argues, census figures do not reflect the accurate and correct state of the trend of temporary and return migration.

It is against this background possibly that Tengeh (2011:19) posits that limited information is available regarding immigrant entrepreneurs in South Africa. According to Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam and Van Seventer (2002:13), this may be one of the biggest challenges encountered by scholars involved with statistical studies of SMEs in South Africa.

#### 4.7.1.1 The target population

A target population refers to those people, events or records that have the required information that would assist in answering research questions (Cooper & Schindler, 2011:88). The targeted population for this study is African immigrant entrepreneurs operating in the retail, service and manufacturing industries within the small business sector in South Africa (Johannesburg and Pretoria), Swaziland (Manzini and Mbabane) and Mozambique (Maputo and Boane). It is not clear how many African immigrant entrepreneurs are in South Africa, Swaziland and Mozambique, however the researcher got a sufficient number of participants who willingly agreed to take part in the study.

#### 4.7.2 Sampling

Through sampling one examines a portion of the target population and the portion must be chosen in such a way so as to ensure that it is representative of that population (Cooper & Schindler 2011:88). Nachmias and Nachmias, (1996:194) also argue that a sample is a cohort of subject units drawn from a population.

There are two main sampling methods, namely probability and non-probability sampling methods. Probability samples are those in which the members of the population have a known and equal chance of being selected (Tustin, Ligthelm, Martins & Van Wyk, 2005:344) as sample members. The probability sampling techniques as stated by Cooper and Schindler (2011:383) include simple random, systematic, stratified, cluster and double sampling methods.

Non-probability sampling methods relate to instances where all members of the population do not have an equal chance of being selected as sample members. Membership of the sample is usually at the discretion of the researcher. The non-probability sampling techniques include convenience, purposive (judgement, quota), snowball sampling methods (Cooper & Schindler, 2011:384). For this study, the non-probability sampling technique of convenience and snowball sampling were used.

Cooper and Schindler (2011:385) assert that convenience sampling is a non-probability sampling technique where researchers or field workers are free to choose anyone they find who fits the research criteria. They further state that the snowball sampling method has found a niche in recent years in applications where respondents are difficult to identify and are best located through referral networks.

#### 4.7.2.1 Sample frame

One of the main challenges in determining a sample frame for studies on immigrant entrepreneurs is that the sampling frames that truly represent the population of interest are not available (Tengeh, 2011:19). Most immigrants are usually still in the process of regularising their papers and as such may not be found in the formal immigrant records.

However, they tend to be found in social associations, like national associations where they can connect with people from their countries for socio-cultural affiliations. These social organisations have members that immigrants identify

with and in some cases, they are able to provide needed advice and support when required.

In order to identify potential respondents for the study, the national association of different African countries in South Africa, Swaziland and Mozambique were approached for a possible list of members from which immigrants with small businesses were identified. The executives of the social associations were selected as key informants and volunteered information about members who were entrepreneurs. Due to the difficulty in getting a dedicated and comprehensive list of immigrant entrepreneurs from the associations, the study had to resort to the use of a non-probability sampling method that relied on the use of convenience and snowball sampling techniques.

In the initial stage of snowball sampling, individuals who may or may not be selected are identified and then this group is used to identify others who possess similar characters and who in turn identify others. As the sample builds up, enough data is gathered to be useful for the research. For this study, executive council members of these unions were first identified and they were consequently used to find other possibly qualified participants for the survey. As more people were identified, more data was collected that was used for analysis. In a sense, the use of the snowball technique reduces the necessity and value of a sampling frame for studies like the current one on immigrant entrepreneurs.

#### 4.7.2.2 Sample elements

The respondents targeted included owners, owner-managers and managers of businesses in the manufacturing, retail and services industry within the small business sector of the economy. The targeted respondents were expected to meet the following criteria:

- They must be African immigrant entrepreneurs.

- They must operate in the geographic area of Pretoria or Johannesburg (South Africa), Mbabane or Manzini (Swaziland) as well as Maputo or Boane (Mozambique).
- Their businesses must be within the manufacturing, retail or service sectors.
- They should actively run their business.

#### 4.7.2.3 Sample size

Due to the difficulties associated with studies like this where no comprehensive list of the population is available, it becomes extremely difficult to decide on an appropriate sample size. It is often a rule of thumb that when conducting a quantitative research, the larger the sample the better (Babbie, 2007:189). In five immigrant entrepreneurship studies (Khosa & Kalitanyi, 2016; Fatoki & Patswawairi, 2012; Tengeh, Ballard & Slabbert, 2011; Kalitanyi & Visser, 2010; Rogerson, 1997) conducted in the continent of Africa, the average sample size was found to be 114. However, it is important to point out that while all used a mixed method of qualitative and quantitative research methods, their studies only covered a city or a region in South Africa at the most.

This research is a cross-country study and covers six cities and three countries in the SADC region, which had never been attempted before. There is no comprehensive information on the population of immigrant owned businesses in the SADC region. However as stated by Leedy and Ormrod (2005:207), if the population size goes beyond 5 000 (which may well be the case with the African immigrant businesses in the SADC region), then a sample size of 400 should be adequate. In spite of this assertion this study elected to use a sample size of 829, which is more than 100% higher than the suggested size. This ensured rich and large data were available for statistical analysis.



## **4.8 DATA COLLECTION**

Primary data was collected for the study. Getting the primary data collection method right is an important consideration for this research and the study elected to use questionnaires for this purpose.

### **4.8.1 Questionnaire**

The questionnaire method is preferred, due to the fact that it provides a good way of collecting responses from a large sample before quantitative analysis (Saunders, Lewis & Thornhill, 2003:281).

Self-administered questionnaires are preferred as survey instruments because they have the advantage of facilitating a wider geographic contact and constraints emanating from logistics, practicality and time are averted. They maintain anonymity and ensure uniformity from one unit of measurement to another, thereby enhancing reliability (Powell & Silipigni, 2004:125).

This study used a self-administered survey (questionnaire) method. The researcher issued some of the questionnaires and others were distributed through research assistants who were briefed on how to conduct themselves when delivering questionnaires to respondents.

The questionnaire that was utilised covered all the constructs, research questions and hypotheses that were of interest to the study. Variables were predominantly measured using a five-point Likert scale ranging from 1 (Strongly disagree) to 5 (Strongly agree). Likert scales produce interval data and they are the most frequently used variation of the summated rating scale. Summated rating scales consist of statements that express either a favourable or an unfavourable attitude towards the object of interest (Cooper & Schindler, 2011:299).

Each response is given a numerical score to reflect its degree of attitudinal favourableness. The scores of the respondents from a well-defined sample or population can be compared. Likert scales are more reliable than the other types of rating scales and provide a larger volume of data.

According to Cooper and Schindler (2011:406), closed questions are favoured by researchers over open-ended questions for their efficiency and specificity. Bryman and Bell (2007:261) also support the statement and submit that closed questions enhance the comparability of answers, making it easier to show the relationship between variables and to make comparisons between respondents or types of respondents. Since the data gathered was relatively large, the use of the closed questions helped in coding the information gathered for proper analysis.

The questionnaire however had an open-ended question part, which was used to elicit information from participants on any additional thoughts related to how they were able to cope with their businesses. The information gathered from this source helped to enrich the researcher's knowledge on other ways used by the African immigrants to cope with their business, which otherwise could not be found in existing literature.

#### **4.8.2 Validity and reliability**

Validity and reliability are important issues in research. According to Noble and Smith (2015:34), validity is the precision in which the findings accurately reflect the data, while reliability is the consistency of the analytical procedures, including accounting for personal and research method biases that may have influenced the findings. Therefore, validity is the extent to which a test measures what it actually wishes to measure. It is used to reflect true differences in the same individual or group rather than constant or random errors.

From a quantitative research perspective, measures of validity are often concerned with ascertaining internal validity, external validity or construct validity (Powell & Silipigni, 2004:44). Internal validity considers the ability of a research instrument to measure what it is purported to measure (Cooper & Schindler, 2011:280).

External validity is the extent to which research findings can be generalised beyond the immediate research sample or setting in which the research was conducted (Nachmais & Nachmias, 2007:113). Construct validity is a measure of the extent to which an instrument measures the construct or concept it intends to measure (Robson, 2002:102). In this study, the research questionnaire measured specific constructs covering all areas that this research tends to address. Since this study adopted the quantitative research method, the above measures were considered so as to ensure the internal and external validity of the quantitative data.

Reliability has to do with the accuracy and precision of a measurement procedure (Cooper & Schindler, 2011:280). Mouton and Marais (1990:79) explain that an important consideration when collecting data is the reliability of the research instrument. Reliability refers to the degree of low variation between the results of different samples of the same population. Saunders et al., (2003:101) suggest that reliability can be assessed by posing three questions:

- Will the measures yield the same results on other occasions?
- Will similar observations be reached by other observers?
- Is there transparency in how sense was made from the raw data?

According to Robson (2002:102), unreliability may be caused by participant error, participant bias, observer error and observer bias. This study took steps to reduce the likelihood of occurrence of these errors or indeed completely avoid them.

- Participant error. This was avoided by ensuring that the questionnaires were administered at a natural time when the participants are in normal working conditions.
- Participant bias. This was countered by assuring the participants that the data collected was not for the government, but only for academic purposes. This helped to ensure that they completed the questionnaires without fear of giving information that would haunt them later.
- Observer error. The observer error was avoided by ensuring that the questionnaire was structured and contained similar questions and that the instrument itself was administered to respondents in the same manner.
- Observer bias. This was also avoided by ensuring that all the questions were checked for completeness before coding and analysis.

#### **4.8.3 Pilot testing**

It is always desirable, if possible, to conduct a pilot study before actual administration of a self-completion questionnaire (Bryman & Bell, 2007:273). Pilot testing does not only help to ensure that survey questions work well, but also it helps to validate the research method and provide an opportunity for the questionnaire to be tested.

The study had planned to run a pilot test of the instrument on 5% of the intended sample size of 500 people, which is on 25 people. To ensure that the number intended was achieved, the researcher distributed 50 questionnaires and received 36 of them back, which was higher than the initially planned 25.

The questions were tested for clarity, reliability and validity and this necessitated some adjustments. For instance, after the pilot study:

- Codes were added to the instrument to facilitate easy capturing of participants responses.
- Question 1.6 & 1.7 – the word 'employee' was changed to 'worker'.

- Question 1.8 – the word ‘yearly’ was changed to ‘monthly’ turnover.
- Section 2 – All scale ranges were reversed to read from 1 = Strongly disagree to 5 = Strongly agree.

After the adjustments necessitated by the pilot study, the questionnaire was distributed among a few senior members of the department for their input if any to the questionnaire items, the structure and the sequence of the questions. Their assessment of the whole questionnaire was positive, which gave a final approval for its use.

Both processes contributed towards assessing and enhancing aspects of validity and reliability of the research instrument.

#### **4.8.4 Ethical consideration**

According to Saunders et al., (2003:129), ethics are concerned with the appropriateness of behaviour as pertaining to the rights of those who become subjects of or are affected by research. The study considered and covered all ethical issues as they may affect the participants and as is required by the University of Pretoria. The following ethical issues were addressed:

##### **4.8.4.1 Access**

Participants were made to understand that this study was purely an academic exercise and would not be used to victimise them. The protection of their privacy was assured.

According to Saunders et al. (2003:114), physical access or entry is normally the first level of access and could be problematic to achieve since organisations or individuals may not be prepared to engage in additional voluntary activities due to time and resources constraints. The data was collected using self-administered questionnaires and as such the participants were given enough time to fill them at their convenience.

#### 4.8.4.2 Participation

Participation in the study was entirely voluntary. The identities of participants were not revealed in any form, which ensured their privacy and safety. The participants also had the option to opt out of the process at any point if they did not wish to continue.

#### 4.8.4.3 Harms and benefits

There was no identifiable harm associated with participation in this study. The participants who took part in this study contributed by ensuring that African immigrant entrepreneurs were assisted in finding ways they can use to cope with their businesses. The study, however, ensured that the participants are not exposed to any harm by being part of the survey.

#### 4.8.4.4 Confidentiality and anonymity

The participants were assured of confidentiality with regard to the data collected. Their identities and names were not required in any part of the questionnaire since it was strictly for academic purposes.

#### 4.8.4.5 Incentive

No incentives were offered to the participants. Participation was purely voluntary. This helped to eliminate participants' bias. If incentives were offered, some participants may have tried to fill in more questionnaires.

### **4.9 DATA ANALYSIS**

In readiness for statistical analysis, the data was checked for completeness after they were collected. The data was arranged and grouped according to particular research questions. Data was analysed using different statistical tools

to ultimately determine the (non-) existence and strengths of the relationships between hypothesised variables primarily through multivariate analysis.

There were two units of analysis employed for this study. The first one is the individual/African immigrant entrepreneurs who were analysed using human capital (HC), economic capital (EC) and social capital (SC). The second unit of analysis is the business/small medium enterprises. This was analysed using coping ability (CA) and employment growth.

#### **4.9.1 Data cleaning and treatment of missing data**

Missing data is the information that was not availed by the participants in a research. A typical missing data scenario in a survey study occurs when participants unknowingly skip a question or in a situation where the participants do not have an answer to the item in the questionnaire (Cooper & Schindler, 2011:415).

According to Morallane (2016:171), a data-cleaning process is normally carried out to find and eliminate any errors and inconsistencies from the data in order to improve integrity or quality and to produce better results. This was done for this study and it helped to identify the data that did not qualify to be used in the data analysis procedure.

This study did not include cases with missing values or data with errors in the final data. After the pilot study, which helped to refine some items in the questionnaire, a total of 2 500 questionnaires were distributed. One thousand five hundred and twenty-four (1 524) were not returned and a total of 976 questionnaires were returned. This shows a 39% return rate, however 147 of the returned questionnaires were found to have missing values.

All questions were mandatory to ensure that errors were avoided. Only clean and completed questionnaires were used. After cleaning the questionnaires, 829 were found to be complete and with no missing values. This therefore gave

a return rate of 33%. This rate is acceptable for studies of this nature, which corresponds with a 33.3% response rate achieved by Watt, Simpson, Mckillop and Nunn (2002:333) in their study. The total distribution and return rate is shown in Table 4.3.

Table 4.3: Return rate of questionnaires

	Swaziland			South Africa			Mozambique			G/Total (1+2+3)
	Mzn	Mba	Total (1)	Pta	Jhb	Total (2)	Mpt	Boa	Total (3)	
Distributed	300	300	<b>600</b>	600	400	<b>1000</b>	600	300	<b>900</b>	<b>2500</b>
Unreturned	188	163	<b>351</b>	347	272	<b>619</b>	357	197	<b>554</b>	<b>1324</b>
Returned	112	137	<b>249</b>	253	128	<b>381</b>	243	103	<b>346</b>	<b>976</b>
Missing data	13	18	<b>31</b>	41	27	<b>68</b>	26	22	<b>48</b>	<b>147</b>
Complete	99	119	<b>218</b>	212	101	<b>313</b>	217	81	<b>298</b>	<b>829</b>
Percentage of valid questionnaires	33	40	<b>36</b>	36	25	<b>31</b>	36	27	<b>33</b>	<b>100</b>

#### 4.9.2 Descriptive analysis

Descriptive analysis helps to transform raw data into a form that can easily be understood and interpreted and allows for the calculation of averages, means, standard deviations, frequency distributions, percentage distribution and also allows for the data to be summarised (Mack, 2010:166). In this study, descriptive analysis helped to compute and analyse the demographic characteristics of the participants and included items such as age, gender, level of education, type of business, year business was started, the number of workers employed by the business and the monthly turnover of the business.

#### 4.9.3 Inferential analysis

Inferential analysis goes beyond just the description of observations to the estimation of population values and to testing of hypotheses (Mandengenda,



2016:121). According to Babbie (2010:467), inferences can be made about a larger population from which the sample observations were made, thereby making conclusions about the population. Nachmias and Nachmias (2007:355) observed that inferential statistics allows a researcher to make decisions by interpreting data patterns and determining if an expected pattern designated by the theory and hypotheses is actually present in the observation.

For this study, the techniques used to perform the inferential analysis were confirmatory factor analysis (CFA), structural equation modelling (SEM) and multiple regression analysis.

#### 4.9.3.1 Confirmatory factor analysis

Confirmatory factor analysis (CFA) is a multivariate statistical technique used to test if measures of a construct are consistent with the researcher's understanding of the nature of that construct (or factor). It allows the researcher to point out the number of factors required in the data collection process, the relationship between measurements and hypothesised latent variables (Little, 2013:816).

CFA examines the nature of relationships between constructs based on simple correlations (Hair, Black, Barbin & Anderson, 2010:726) and according to Levine (2005:335), it helps to test if a set of data fits a hypothesised measurement model.

CFA provides evidence of construct validity such as the model's overall fit and makes it possible and useful to test a measurement theory (Hair et al., 2010:727). However, Asparouhov and Muthen, (2009:397) observed that CFA has a zero cross-loading stringent requirement, which makes it often susceptible to model modification in order to find a well-fitting model. According to Bux (2016:160), CFA permits the researcher to test the measurement model and if satisfied, the structural model may then be conceptualised. Due to this fact, CFA was found to be most suitable for this research.

#### 4.9.3.2 Structural equation modelling

Cooper and Schindler (2011:539) suggest that structural equation modelling (SEM) implies a structure for the covariance between observed variables and accordingly is also called covariance structure modelling. They further state that it is a powerful alternative to the other multivariate techniques limited to only representing a single relationship between the dependent and independent variables. In this study, structural equation modelling was used to test the goodness of fit of the model and the hypotheses.

According to Hair et al. (2010:627), SEM describes a large number of statistical models used to empirically evaluate the validity of substantive theories and is considered the most appropriate multivariate technique to test both construct validity and the theoretical relationship between a set of concepts represented by variables measured by multiple items.

Kline (2010:7) argues that SEM is a multivariate technique that combines the features of multiple regression analysis (examining dependent relationship) and factor analysis (representing unmeasured concepts with multiple variables) to estimate a number of interrelated dependency relationships. As such, the SEM methodology uses the confirmatory (hypothesis testing) approach in analysing structural theories.

The main advantages of SEM as stated by Cooper and Schindler (2011:539) are that multiple interrelated dependence relationships can be estimated simultaneously, that unobserved concepts/latent variables can be represented in these relationships and that measurement error can be accounted for in the estimation process.

According to Saleh (2006:94), SEM is a quantitative data analytical technique used in estimating and testing theoretical relationships between latent and/or observed variables. Kline (2011:11) opines that SEM is a large sample technique ( $N \geq 200$ ) and as such using smaller samples may likely result in

technical problems during the analysis, as some statistical estimates, like standard errors, may be inaccurate. This study used a sample of 829, thus fulfilling a fundamental requirement for SEM.

#### 4.9.3.3 Multiple regression analysis

Multiple regression analysis can be used to address a variety of research questions. It can tell you how well a set of variables is able to predict a particular outcome. According to Pallant (2011:148), it is not just one technique, but a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables. As in the case of this study, the relationships between the dependent variable CA will be explored with the independent variables, which are MS, LE, PE, RT, BS, LO, FB, LA and NT. Multiple regression techniques will be used to establish statistical significances, strength and the direction of each path coefficient.

### **4.10 CHAPTER SUMMARY**

This chapter describes the research problem and hypotheses that were derived from an exploratory endeavour. This chapter also described the research design strategy, which is a formal study. The measuring instrument, the research questions, the pilot testing procedure, the target population and how the sample size were determined were all discussed. This chapter finally described the method of collection and preparation of the data, which is followed by the explanation of the methods used to describe, test and analyse the data obtained from the field.

The next chapter (5) focuses on the presentation of the findings of the study.

## CHAPTER 5

### PRESENTATION OF FINDINGS

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#### 5.1 INTRODUCTION

The study focused on investigating the relationship between human, economic and social factors with regard to the coping ability of immigrant entrepreneurs. In this chapter, the statistical results pertaining to three specific research objectives are reported, namely:

- To identify the specific human factors that aid the coping ability of African immigrant entrepreneurs.
- To determine the economic factors that contribute to the coping ability of African immigrant entrepreneurs.
- To ascertain the social factors that enable the coping ability among African immigrant entrepreneurs.

This study employed a survey strategy, collecting quantitative data from a sample of African immigrant entrepreneurs operating in South Africa, Swaziland and Mozambique. A total of 829 immigrant entrepreneurs participated in the study. A structured questionnaire served as the data collection tool and basis of measurement.

In line with the various stages of the statistical analyses, the results are reported in the following sequence:

- Presentation of a sample profile highlighting the relevant demographic characteristics of respondents as well as associated business characteristics (see Section 5.2).
- Case screening – This involved the identification and statistical assessment of missing values as well as the identification and assessment of potential unresponsive respondents that was excluded from further analysis (see Section 5.3).
- Confirmatory factor analysis – This presents results obtained from assessing the reliability and validity of the various scale measures and hypothesised measurement model (see Section 5.4).
- Descriptive statistics – This provides the means and standard deviations for the various scale measures. Summary statistics are reported for the total sample. A breakdown is also provided by selective entrepreneurial demographic characteristics (gender, age and level of formal education) and business-related factors (country, industry, size and increase in employment). The results obtained from t-tests and ANOVA are reported – this helped to identify statistically significant differences in groups (see Section 5.5).
- Bivariate correlations – This focused on Pearson product-moment correlations between the various scale measures (see Section 5.6).
- Regression analysis – This includes multiple regression analyses in order to assess whether the hypothesised independent variables (human, economic and social capital) significantly and positively explain the variation in coping ability premised on increase in employment (see Section 5.7).
- Qualitative data – This section focused on respondents' general comments regarding the open-ended question, which was used to elicit

further information from them. It helped to highlight other issues that contributed to their ability to cope with their business, which may have been ignored during the design of the questionnaire (see Section 5.8).

## **5.2 SAMPLE PROFILE**

A total of 829 immigrant entrepreneurs participated in the study. The numbers of respondents per country are as follows:

- South Africa (313)
- Swaziland (218)
- Mozambique (298)

### **5.2.1 Demographic characteristics of respondents**

The demographic profiles of the respondents that took part in this study are presented in this section and they indicate the demographic diversity of the immigrant entrepreneurs who participated in the study. The profile covers the countries from where the respondents were drawn, the respondents' gender, their grouped ages, their level of education, the types of industry in which they operated, their number of years in business operation, the number of workers employed (at start and currently) and their monthly business turnover.

#### **5.2.1.1 Gender profile**

The distribution for gender by country, grouped age and highest level of education is presented in Table 5.1.

The result shows that 62.7% of the respondents were male and 37.3% female. Differences in the distribution by country are evident. The total respondents from South Africa were 313, of which 55% were male. Swaziland recorded 218 respondents in total, of which 55% were male. There were 298 respondents from Mozambique and 76.5% of them were male. The results show that more

male immigrant entrepreneurs responded across countries, but Mozambique at 76.5% recorded a relatively higher percentage of male respondents.

Table 5.1: Gender profile (n = 829)

		Gender	
		Male	Female
Total Sample	n %	520 62.7%	309 37.3%
Country	South Africa 313	55.0%	45.0%
	Swaziland 218	55.0%	45.0%
	Mozambique 298	76.5%	23.5%
Grouped age	18 – 29	55.5%	44.5%
	30 – 39	60.3%	39.8%
	40 – 49	72.6%	27.4%
	50+	73.2%	26.8%
Highest level of formal education	Some schooling	65.5%	34.5%
	Completed secondary school	68.9%	31.1%
	Vocational Certificate: Diploma	57.4%	42.6%
	Vocational Certificate: Certificate	37.7%	62.3%
	Vocational Certificate: Artisan	76.7%	23.3%
	Degree	61.9%	38.1%
	Postgraduate	66.0%	34.0%

#### 5.2.1.2 Grouped age

The distribution for grouped age by country, gender and highest level of education is presented in Table 5.2.

The data show a higher number of immigrant entrepreneurs within the age group of 30-39 years. This finding is in line with the age distribution of early entrepreneurial activity that according to GEM (2015:26) takes place among individuals in the age bracket of 25-44 years. This age group is considered to be in their early and mid-career stages. A total of 400 immigrant entrepreneurs were recorded within the 30-39 age group.

Table 5.2: Grouped age (n = 829)

		Grouped age			
		18-29	30-39	40-49	50+
Total sample	n %	191 23.0%	400 49.3%	197 23.8%	41 4.9%
Country	South Africa 313	29.1%	47.6%	19.1%	4.2%
	Swaziland 218	35.3%	42.2%	18.3%	4.1%
	Mozambique 298	7.7%	53.4%	32.6%	6.4%
Gender	Male	20.4%	46.3%	27.5%	5.8%
	Female	27.5%	51.5%	17.5%	3.6%
Highest level of formal education	Some schooling	41.4%	46.0%	8.0%	4.6%
	Completed secondary school	26.5%	53.3%	16.7%	3.5%
	Vocational certificate: Diploma	22.5%	48.8%	25.6%	3.1%
	Vocational certificate: Certificate	23.2%	47.8%	26.1%	2.9%
	Vocational certificate: Artisan	20.9%	34.9%	37.2%	7.0%
	Degree	14.2%	47.2%	31.0%	7.7%
	Postgraduate	10.6%	40.4%	40.4%	8.5%

Of the 313 immigrant entrepreneurs in South Africa, 47.6% were from this group, 42.2% of the 218 respondents from Swaziland were from the same group and 53.4% of 298 immigrant entrepreneurs who responded in Mozambique also fall into the same group. The results also showed that the grouped age of 30-39 had more female immigrant entrepreneurs at 51.5%, while the balance of 46.3% were males.

#### 5.2.1.2.1 Descriptive statistics for age by country

Table 5.3 reports descriptive statistics based on the respondents' actual reported age per country. For the total sample an average age of 35.6 years (SD=7.94) is reported. The minimum age reported is 18 years and the maximum age 75 years. The median age of respondents corresponded with the average age.

The mean ages for the countries are 34.5 years (SD=7.78) for South Africa, 33.9 years (SD=8.36) for Swaziland and 38.1 years (SD=7.20) for Mozambique, which is a bit higher than the mean ages of other countries.



Table 5.3: Descriptive statistics for age by country (n = 829)

	Country			Total sample
	South Africa	Swaziland	Mozambique	
Mean	34.5	33.9	38.1	<b>35.6</b>
Median	34.0	31.0	38.0	<b>35.0</b>
Standard Deviation	7.78	8.36	7.20	<b>7.94</b>
Minimum	22	18	20	<b>18</b>
Maximum	71	75	70	<b>75</b>
Valid n	313	218	298	<b>829</b>

### 5.2.1.3 The level of education of respondents

The distribution for the highest level of education obtained by the immigrant entrepreneurs by country, grouped age and gender of respondents is presented in Table 5.4.

Table 5.4: Educational level (n = 829)

		Highest level of education						
		Some schooling	Completed secondary school	Vocational certificate: Diploma	Vocational certificate: certificate	Vocational certificate: Artisan	Degree	Post graduate
Total sample	n          %	87 10.5%	257 31.0%	129 15.6%	69 8.3%	43 5.2%	197 23.8%	47 5.7%
Country	South Africa 313	14.7%	24.9%	15.7%	7.3%	8.3%	22.4%	6.7%
	Swaziland 218	15.1%	26.1%	18.3%	15.6%	4.1%	16.1%	4.6%
	Mozambique 298	2.7%	40.9%	13.4%	4.0%	2.7%	30.9%	5.4%
Gender	Male	11.0%	34.0%	14.2%	5.0%	6.3%	23.5%	6.0%
	Female	9.7%	25.9%	17.8%	13.9%	3.2%	24.3%	5.2%
Grouped age	18 -29	18,8%	35,6%	15,2%	8,4%	4,7%	14,7%	2,6%
	30-39	10,0%	34,3%	15,8%	8,3%	3,8%	23,3%	4,8%
	40-49	3,6%	21,8%	16,8%	9,1%	8,1%	31,0%	9,6%
	50+	9,8%	22,0%	9,8%	4,9%	7,3%	36,6%	9,8%

The profile of the respondents shows that 31% (257) of the immigrant entrepreneurs only completed secondary school, while 23.8% (197) of them had a degree as their highest educational qualification. Furthermore, the table shows that of the 298 immigrant entrepreneurs from Mozambique that responded, 40.9% of them reported having completed secondary school as their highest level of education, and this represents the largest single percentage for any group relative to the level of education for the immigrant entrepreneurs across the countries. Of the 313 immigrant entrepreneurs in South Africa, 24.9% and of the 218 respondents in Swaziland 26.1% had at best a secondary school education.

Similar numbers were recorded for the cohort of immigrant entrepreneurs with a degree as their highest qualification: Mozambique had 30.9% of 298 respondents, South Africa had 22.4% of 313 respondents and Swaziland had 16.1% of 218 respondents. Results show that for Swaziland, 18.3% had vocational diploma and this is higher than the 16.1% that had successfully obtained degrees. Overall, within the gender group, it is evident that more males (34%) and females (25.9%) completed a secondary school education when compared with 23.5% of males and 24.3% of females that had degrees.

The percentage figures as they relate to immigrant entrepreneurs with postgraduate qualifications are remarkably lower. Indeed, regardless of the groups considered, the percentage of immigrant entrepreneurs with postgraduate qualifications is in the single digit percentages. If these figures are anything to go by, then they seem to suggest that highly qualified immigrants barely play in the entrepreneurship space. It may also be that such immigrants are considered to be highly skilled and so are possibly gainfully employed in the corporate world. Alternatively, it could be that very few foreigners with postgraduate qualifications immigrate to the region.

## 5.2.2 Business-related factors

The profile of the respondents with regard to the nature of their business operations is presented in this section.

### 5.2.2.1 Industry-specific characteristics

The specific industry categories for this study are manufacturing, service and retail, and the profile is presented in Table 5.5.

Table 5.5: Industry (n = 829)

		Industry		
		Manufacturing	Services	Retail
Total sample	n %	93 11.2%	386 46.6%	350 42.2%
Country	South Africa 313	11.2%	51.4%	37.4%
	Swaziland 218	21.1%	49.5%	29.4%
	Mozambique 298	4.0%	39.3%	56.7%
Years in operation	<4yrs	14.8%	47.3%	37.9%
	4yrs +	7.4%	45.8%	46.8%
Workforce at start-up	1	8.0%	42.5%	49.5%
	2	12.3%	50.6%	37.0%
	3-4	13.5%	52.3%	34.2%
	5+	28,6%	49.0%	22.4%
Current size of workforce	1	5,3%	44.4%	50.2%
	2	3.1%	45.1%	51.8%
	3-4	12.1%	51.8%	36.2%
	5+	27.9%	45.3%	26.8%
Monthly business turnover	<R8000	7.8%	50,6%	41.6%
	R25001-R75000	10.7%	44.6%	44.6%
	R8001-R25000	13.5%	45.8%	40.6%
	>R75000	21.7%	45.0%	33.3%

The industry profiles of respondents indicate that 46.6% of the total immigrant entrepreneur respondents in this study were operating in the service industry – 42.2% in the retail industry and 11.2% in the manufacturing industry. The explanation for the low numbers in the manufacturing industry may well be due to the high cost of machinery needed to set up most manufacturing outfits.

Small businesses, including immigrant businesses, are often not serviced by venture capitalists and the formal financial institutions and as such their transaction costs translate to higher financial costs (Schinck & Sarkar, 2012:2), causing them to create ventures that require minimal start-up capital.

Table 5.5 also revealed that in South Africa, 51.4% of the total respondents of 313 operate in the service industry, in Swaziland 49.5% of the total respondents of 218 operate in the service industry and 39.3% of all respondents in Mozambique also operate in the service industry.

#### 5.2.2.2 Grouped years in operation

The specific grouped years in operation for this study are represented by the immigrant entrepreneurs who are yet to be established (<4years) and those who are established (>4years), and the profile is presented in Table 5.6

The reports show that 51.3% of immigrant entrepreneurs are yet to be established (<4 years), while 48.7% have established their business (>4years). The results also show that 51.8% of 313 immigrant entrepreneurs in South Africa and 59.7% of 298 immigrant entrepreneurs in Mozambique have established businesses (>4years). However, only 29.4% of 218 immigrant entrepreneurs who responded in Swaziland have established businesses (>4years). Across countries, 47.9% of immigrant entrepreneurs in the service industry have established businesses, and 54% of immigrant entrepreneurs across countries operating in the retail industry also have established businesses. Only 32.3% of those in the manufacturing industry across the countries have established businesses.

Table 5.6: Years in operation (n = 829)

		Years in operation	
		<4yrs	>4yrs
Total sample	n %	425 51.3%	404 48.7%
Country	South Africa 313	48.2%	51.8%
	Swaziland 218	70.6%	29.4%
	Mozambique 298	40.3%	59.7%
Industry	Manufacturing	67.7%	32.3%
	Services	52.1%	47.9%
	Retail	46.0%	54.0%
Workforce at start-up	1	55.4%	44.6%
	2	48.1%	51.9%
	3-4	44.1%	55.9%
	5+	46.9%	53.1%
Current size of workforce	1	55.1%	44.9%
	2	51.8%	48.2%
	3-4	45.2%	54.8%
	5+	52.5%	47.5%
Monthly business turnover	<R8000	63.6%	36.4%
	R8001-R25000	48.8%	51.2%
	R25001-R75000	42.6%	57.4%
	>R75000	41.7%	58.3%

The reports show that of all immigrant entrepreneurs that started operation with three or four workers, 55.9% of them are established; also of all immigrant entrepreneurs that started with one worker, 55.4% of them are established. Of all the immigrant entrepreneurs that started with two workers, 48% are yet to be established, while 53% of those that started with five workers have established businesses.

The results also show that of the immigrant entrepreneurs that currently employ one worker, 55.1% of them are yet to be established, while 54.8% of immigrant entrepreneurs that currently employ three or four workers have established businesses. The results further reveal that 52.5% of immigrant entrepreneur businesses that currently employ five or more workers are yet to be established,

while 47.5% of immigrant entrepreneur businesses that currently employ five or more workers are established.

Beside this, 63.6% of immigrant entrepreneur businesses with a monthly turnover of <R8 000 are yet to be established, and also 41.7% of immigrant entrepreneur businesses with a monthly turnover of R75 000 and above are yet to be established. This shows a decreasing percentage with regard to increasing turnover of immigrant entrepreneurs that have yet-to-be-established businesses. The reverse is however the case for immigrant entrepreneur businesses that have established businesses. This may be because most of them realistically cannot make high monthly turnover until their businesses stabilise and they are able to reinvest their profit in the business.

As expected, the result show that 51.2% of immigrant entrepreneurs that reported a monthly turnover of between R8 001 and R25 000 have established businesses, and the same is the case for immigrant entrepreneurs that posted monthly turnover of between R25 001 and R75 000 as the result reveals that 57.4% of them have established businesses. The same trend is also evident in businesses that recorded R75 000 and above as monthly turnover, given that 58.3% of them have established businesses. This shows that higher monthly turnover may be related to stability in business.

#### 5.2.2.3 Workforce at start-up

The specific number of workers that the immigrant entrepreneurs started their businesses with is 1, 2, 3-4 or 5+, and the profile is presented in Table 5.7.

The data show that out of the total immigrant businesses that participated in the study, 426 (51.4%) started their business with one worker, 243 (29.3%) started with two workers, 111 (13.4%) started with three to four workers, while 49 (5.9%) started with five or more workers. This could be due to the scant financial resources of the immigrant entrepreneur, who in most cases may not have enough funds to hire a large number of people at start-up.

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Table 5.7: Workforce at start-up (n = 829)

		Workforce at start-up			
		1	2	3 – 4	5+
Total sample	n	426	243	111	49
	%	51.4%	29.3%	13.4%	5.9%
Country	South Africa 313	68.1%	18.8%	9.3%	3.8%
	Swaziland 218	53.7%	23.4%	11.9%	11.0%
	Mozambique 298	32.2%	44.6%	18.8%	4.4%
Industry	Manufacturing	36.6%	32.3%	16.1%	15.1%
	Services	46.9%	31.9%	15.0%	6.2%
	Retail	60.3%	25.7%	10.9%	3.1%
Years in operation	<4yrs	55.5%	27.5%	11.5%	5.4%
	4yrs +	47.0%	31.2%	15.3%	6.4%
Current size of workforce	1	89.8%	8.4%	1.8%	0.0%
	2	47.8%	41.2%	9.3%	1.8%
	3-4	39.2%	37.7%	19.1%	4.0%
	5+	21.2%	31.3%	26.8%	20.7%
Monthly business turnover	<R8000	76.6%	16.5%	5.2%	1.7%
	R8001-R25000	43.6%	37.6%	15.1%	3.7%
	R25001-R75000	43.2%	27.1%	16.8%	12.9%
	>R75000	25.0%	27.7%	25.0%	18.3%

The profile also shows that 68.1% of immigrant entrepreneurs in South Africa, 53.7% in Swaziland and 32.2% in Mozambique started their businesses with one worker. From the industry profile of the businesses, it is evident that the percentage of immigrant entrepreneur businesses decreased as the number of employees at start-up increased. The breakdown according to industry shows that in the manufacturing sector, 15.1% of immigrant entrepreneurs started their operation with five or more workers as opposed to 36.6% that started with one worker. In the service industry, 46.9% of immigrant entrepreneurs started with one worker, as opposed to only 6.2% that started with five or more workers. In the retail industry, 60% started with one worker, as opposed to 3.1% that started with five or more workers.

The data also show that of all the immigrant entrepreneurs that started with one worker, 89.8% of them still have one worker at the time of this research, 8.4% of



them have increased to two workers, while only 1.8% of them have increased to three or four workers, and none have increased to five or more workers.

The data further show that 76.6% of immigrant entrepreneurs that started with one worker recorded a monthly turnover of less than R8 000, however 25.0% of the immigrant entrepreneurs that started with one worker and 18.3% of the businesses that started with five or more workers recorded a monthly turnover of R75 001 or more. It can therefore be deduced from the results that more businesses that made a monthly turnover of R8 000 or less are found in the businesses that started with one worker, as is the case with all turnover categories except for the R75 000 or more category, where the highest percentage relates to immigrant businesses that started with two workers.

#### 5.2.2.4 Current size of workforce

The specific number of workers that immigrant businesses currently employ are in the following categories: 1, 2, 3-4 and 5+, and the profile is presented in Table 5.8.

The profile of the current size of the workforce employed shows that over half of all respondents in this study currently have one (27.1%) or two (27.3%) workers. This may also not be unconnected to the immigrant entrepreneurs' cost-containment disposition in order to sustain their businesses until they are better positioned to employ more people. However, a further 24% and 21.6% currently employ three or four and five or more workers respectively.

The result shows that 35.5% of immigrant business in South Africa, 29.8% in Swaziland and 16.4% in Mozambique currently employ one worker. The result also reveals that 17.6% of immigrant businesses in South Africa, 17.4% in Swaziland and 44.6% in Mozambique currently employ two workers. In each specific country more than half of the immigrant entrepreneurs currently employ one or two workers.

Table 5.8: Current size of workforce (n = 829)

		Current size of workforce			
		1	2	3-4	5+
Total sample	n %	225 27.1%	226 27.3%	199 24.0%	179 21.6%
Country	South Africa 313	35.5%	17.6%	21.7%	25.2%
	Swaziland 218	29.8%	17.4%	22.9%	29.8%
	Mozambique 298	16.4%	44.6%	27.25	11.7%
Industry	Manufacturing	12.9%	7.5%	25.8%	53.8%
	Services	25.9%	26.4%	26.7%	21.0%
	Retail	32.3%	33.4%	20.6%	13.7%
Years in operation	<4yrs	29.2%	27.5%	21.2%	22.1%
	4yrs +	25.0%	27.0%	27.0%	21.0%
Workforce at Start-up	1	47.4%	25.4%	18.3%	8.9%
	2	7.8%	38.3%	30.9%	23.0%
	3-4	3.6%	18.9%	34.2%	43.2%
	5+	0.0%	8.2%	16.3%	75.5%
Monthly business turnover	<R8000	56.3%	23.8%	14.7%	5.2%
	R8001-R25000	16.2%	38.6%	28.5%	16.7%
	R25001-R75000	19.4%	11.6%	29.0%	40.0%
	>R75000	5.0%	8.3%	18.3%	68.3%

As expected, in the industry profile more workers are currently employed in the manufacturing sector, arguably because most manufacturing businesses need more people to operate. Of the businesses in the manufacturing industry, 53.8% have five or more workers, as opposed to only 13.7% of businesses in the retail industry and 21% of businesses in the service industry.

The current size of workforce for immigrant entrepreneur businesses is closely distributed between the businesses that are yet to be established and the ones that are established. The results show that 29.2% of the immigrant entrepreneurs that have businesses that are yet to be established employ one worker, 27.5% currently employ two workers, 21.2% currently employ three or four workers and 22.1% currently employ five or more workers. On the other hand, 25% of the businesses that are established employ one worker, 27% currently employ two workers, 27% also currently employ three or four workers, while 21% currently employ five or more workers.

The results also show that 68.3% of immigrant entrepreneurs that employ five or more workers recorded a monthly business turnover of R75 000 and above, while 58% of immigrant entrepreneurs that currently employ one worker recorded a business turnover of R8 000 or less. This may mean that businesses that employ more people are able to post higher monthly turnover.

#### 5.2.2.5 Monthly business turnover

The monthly turnover for immigrant businesses ranges from less than R8 000 to R75 000 and above and the profile is presented in Table 5.9.

Table 5.9: Monthly business turnover (n = 829)

		Monthly business turnover			
		<R8000	R8001- R25000	R25001- R75000	>R75001
Total sample	n %	231 27.9%	383 46.2%	155 18.7%	60 7.2%
Country	South Africa 313	26.85	34.2%	29.7%	9.3%
	Swaziland 218	41.3%	36.7%	17.0%	5.0%
	Mozambique 298	19.1%	65.8%	8.4%	6.7%
Industry	Manufacturing	19.4%	44.1%	22.6%	14.0%
	Services	30.3%	44.3%	18.4%	7.0%
	Retail	27.4%	48.9%	18.0%	5.7%
Years in operation	<4yrs	34.6%	44.0%	15.5%	5.9%
	4yrs +	20.8%	48.5%	22.0%	8.7%
Workforce at start-up	1	41.5%	39.2%	15.7%	3.5%
	2	15.6%	59.3%	17.3%	7.8%
	3-4	18.8%	52.3%	23.4%	13.5%
	5+	8.2%	28.6%	40.8%	22.4%
Current size of workforce	1	57.8%	27.6%	13.3%	1.3%
	2	24.3%	65.5%	8.0%	2.2%
	3-4	17.1%	54.8%	22.6%	5.5%
	5+	6.7%	35.8%	34.6%	22.9%

The profile of the monthly business turnover for immigrant entrepreneurs shows that 614 of the total businesses surveyed posted monthly business turnover ranging from less than R8 000 to R25 000. This therefore accounted for about 74.1% of the total immigrant entrepreneurs that responded to the study.

Similar results were recorded across countries as results show that 61% of the immigrant entrepreneurs operating in South Africa, 78% of those operating in Swaziland and 84.9% of the immigrant entrepreneurs operating in Mozambique recorded monthly turnover ranging from less than R8 000 to R25 000. However, about a quarter of the immigrant businesses across countries in the retail (23.7%) and service (25.4%) industries posted monthly turnover ranging from R25 001 to more than R75 000.

The data also show that 21.4% of the all immigrant entrepreneurs businesses that are yet to be established reported monthly turnover ranging from R25 001 to R75 000 and above, while 30.7% of immigrant entrepreneurs that have been established reported monthly turnover ranging from R25 001 to R75000 and above.

The records show that 80.7% of immigrant entrepreneurs that recorded a monthly turnover ranging from less than R8 000 to R25 000 started business with one worker, 74.9% started with two workers and 63.1% of them started with three or four. However, 63.2% of immigrant entrepreneurs that started their business operation with five or more workers reported monthly turnover ranging from R25 001 to more than R75 000.

The same trend is evident in businesses that currently employ five or more workers as 57.5% of them posted monthly turnover ranging from R25 000 to more than R75 000. 98.1% of immigrant entrepreneurs that posted monthly turnover ranging from less than R8 000 to R25 000 currently employ one worker, while 97.8% currently employ two workers and 94.5% of them employ three or four workers.

### 5.3 CASE SCREENING

Some databases may include missing values in particular scale measures. It was therefore important to ascertain before the statistical analysis if the statistical database contained any missing values per variable for the 829 cases included in the sample. A missing values analysis revealed that all cases were complete for all variables measured.

Furthermore, the rating of items across the scale measures were assessed for variation for each case ( $n = 829$ ). A five-point agreement Likert scale was used as part of the scale (i.e. construct) measurements, where 1 = Strongly disagree; 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly agree. From a construct measurement perspective, it is typically expected that respondents would not provide exactly the same level of agreement for all items, but that variations in agreement would be evident.

However, to ascertain the validity of this part of measurement, if respondents in the database record a standard deviation of zero ( $SD = 0$ ) across all items, then the respondents might have been insensitive to the measurement or disengaged from the completion of the questionnaire. Typically, such cases are then excluded from further statistical analysis. Therefore, these cases, as a rule, were identified during the fieldwork phase as part of quality control and were already excluded.

Table 5.10: Descriptive summary statistics of average standard deviation across scale items ( $n = 829$ )

	<b>Summary statistics</b>
Mean SD	<b>0.902</b>
Median SD	<b>0.871</b>
Minimum SD	<b>0.38</b>
Maximum SD	<b>7.14</b>

Table 5.10 shows the average, mean, median, minimum and maximum standard deviations recorded for the sample across cases for the scale measures. No cases reported a standard deviation of zero. A minimum standard deviation (SD) of 0.38 was obtained. Therefore, all cases were included for further analysis.

#### **5.4 VALIDATION OF THE HYPOTHESISED MEASUREMENT MODEL**

The next phase of the statistical analysis was to assess the fit of the data against the hypothesised measurement model. For this phase of the analysis, Confirmatory Factor Analysis (CFA) was employed.

Confirmatory Factor Analysis (CFA) is a form of factor analysis that is employed to test if there is consistency with the measures of a construct and a researcher's understanding of the nature of that construct. The CFA procedure replaces the older systems used to determine construct validity (Awang, 2014:63). According to Garson (2015:24), the purpose of CFA is to validate or confirm the way the researcher measured the latent variables (factors) in the model as well as the convergent and discriminant validity in the proposed model. Consequently, if the CFA upholds the measurement model, the structural model can then be tested.

CFA allows methods of analysis to affect the measures of a construct to varying degrees and to freely correlate amongst itself. This in turn produces important information about the psychometric properties of instruments. There are different tests that can be used in the process of CFA. They include CMIN (normed Chi-Squared/df), GFI (Goodness-of-fit Index), AGFI (Adjusted Goodness-of-fit Index), TLI (Tucker-Lewis Index) CFI (Comparative Fir Index), RMSEA (Root Mean Square Error of Approximation) and SRMR (Standardised Root Mean square Residual) and the size of the factor loadings present in the

constructs that will help to estimate convergent and discriminant validity tests more accurately.

According to Cooper and Schindler (2011:282), convergent validity is the degree of correlation between different scales designed to measure the same construct. They also described discriminant validity as the degree to which scores from scales designed to measure different constructs do not correlate with each other. According to Gefan and Straub (2005:93), established thresholds do not yet exist for loadings to establish convergent and discriminant validity. They, however, suggest that all the loadings of the measurement items on their assigned latent variables should be an order of magnitude larger than any other loading.

According to Ockey and Choi (2015:307), the model should be reasonably fit for the data for validations about the relationships amongst the variables to be made. Brown (2006) believes that there are outright rules for what constitutes an acceptable model fit because of a number of factors that may be present, which include the sample size, model complexity, estimation method, type of misspecification, normality of data and type of data. Therefore, to ascertain the fitness of the measurement model, the suggested various fit indices are presented in Table 5.11.

Table 5.11: Model fit thresholds (Hair et al., 2010; Kline, 2011)

Chi-square p-value	>0.05
CMIN/Df	<3
GFI	>0.90
AGFI	>0.80
TLI	>0.90
CFI	>0.90
RMSEA	<0.05
SRMR	<0.08

### 5.4.1 Assessment of the initial measurement model

CFA was employed to assess the model fit of the following scale measures: Independent Variables (Human Capital, Economic Capital and Social Capital) and Dependent Variable (Coping Ability) measured by Increase in Employment. These variables, their components and specific questionnaire items are shown in Table 5.12.

Table 5.12: Construct variables and questionnaire items

<b>INDEPENDENT VARIABLES</b>		
<b>Human Capital (HC)</b>	<b>MS</b> Managerial skill	2.1, 2.2, 2.3, 2.4, 2.5, 2.6
	<b>LE</b> Level of Education	2.7,2.8, 2.9, 2.10, 2.11
	<b>PE</b> Previous Experience	2.12, 2.13, 2.14, 2.15, 2.16
	<b>RP</b> Risk Taking Propensity	2.17, 2.18, 2.19, 2.20
<b>Economic Capital (EC)</b>	<b>BS</b> Business Support	3.1, 3.2, 3.3, 3.4, 3.5,
	<b>LO</b> Location	3.6, 3.7, 3.8, 3.9, 3.10, 3.11
	<b>FB</b> Financial Bootstrapping	3.12, 3.13, 3.14, 3.15, 3.16, 3.17
<b>Social Capital (SC)</b>	<b>LA</b> Language	4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8
	<b>NT</b> Networking	4.9, 4.10, 4.11, 4.12, 4.13, 4.14, 4.15
<b>DEPENDENT VARIABLE</b>		
<b>Coping Ability (CA)</b> (Increase in Employment)		

The Human Capital (HC) is made up of four component variables – managerial skills (MS), level of education (LE), previous experience (PE) and risk-taking propensity (RP) – and 20 questionnaire items. Besides this, the Economic Capital (EC) is made up of three component variables, business support (BS), location (LO), financial bootstrapping (FB) and 17 questionnaire items, while the Social Capital (SC) consists of two component variables, language (LA), networking (NT) and 15 questionnaire items.



#### 5.4.1.1 Initial Measurement Model

The initial measurement model is depicted in Figure 5.1. It comprises 52 items. The model showed poor fit against the data. The following fit statistics are reported for the model: Chi-square (df) = 6 123.094 (1 238),  $p < 0,000$ ; CMIN/df = 4.946; GFI = 0.722; AGFI = 0.691; TLI = 0.710; CFI = 0.729; RMSEA = 0.069; SRMR = 0.0831. When these figures were assessed against the thresholds recommended in Table 5.11, it became evident that the fit statistics did not meet the minimum threshold criteria.

Convergent validity was judged based on the correlation between the scores of different items measuring the same construct. High correlation scores between the items will mean high convergent validity, while a low score will suggest low convergent validity. The correlation scores for the items measuring the variables for the Economic Capital construct (BS, LO and FB) range from .01 to .84, which do not support a reasonable level of convergent validity as some scores were high and others low.

Discriminant validity was also assessed by comparing the correlation scores of items measuring different constructs. Low correlation score between the scores of items measuring different constructs will suggest high level of discriminant validity. The correlation scores for the items measuring the variables for the Economic Capital construct (BS, LO and FB) and the correlation scores for the items measuring the variables for the Social Capital Construct (LA and NT) range from .36 to .54, which do not conform to a reasonable level of discriminant validity.

Consequently, modifications to the model were therefore necessary.

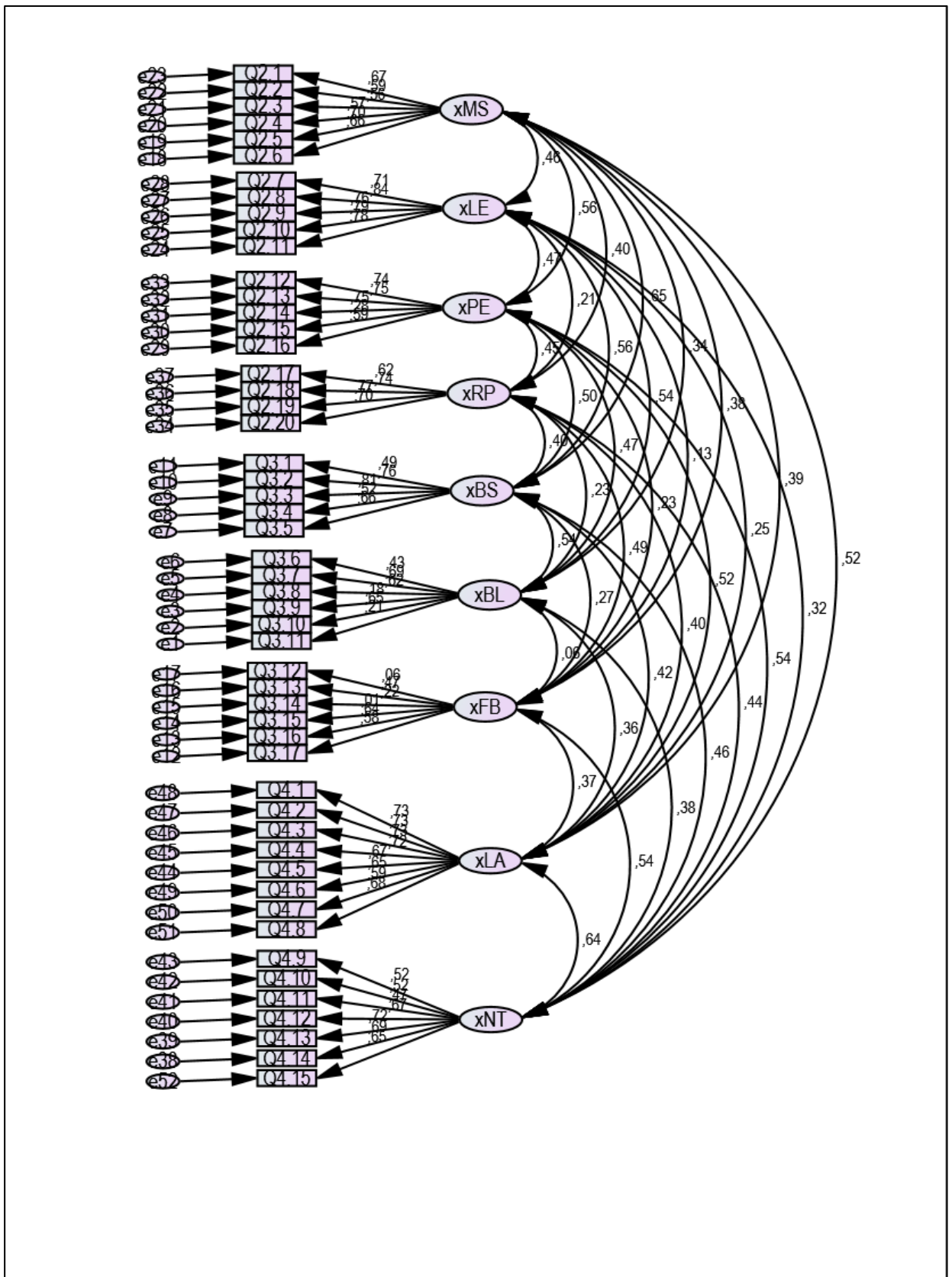


Figure 5.1: Initial measurement model

#### 5.4.2 Common method variance

According to Podsakoff, Mackenzie, Lee and Podsakoff (2003:884), common methods variance in the predictor and outcome variables inflate the empirical relationship among variables. For the assessment of the original scale measures for common method variances, a Harmon's single-factor test was employed.

The Harman's single-factor test is one of the widely used techniques by researchers to address the issue of common method variance (Podsakoff et al., 2003:889). The test involves the loading of all items in a scale into an exploratory factor analysis and examining the un-rotated factor solution to ascertain the number of factors that are essential to account for the variance in the items. Its basic assumption is that if a substantial amount of common method variance is present, either a single factor will emerge from the factor analysis or one general factor will account for the majority of the covariance among the measures.

Table 5.13: Common method variance assessment results

<b>Scale</b>	<b>Number of proposed factors</b>	<b>Harman's one factor test: Percentage variance explained by a single factor</b>
Human Capital (HC)	4	26,49%
Economic Capital (EC)	3	18,68%
Social Capital (SC)	2	35,52%

Table 5.13 shows that a single-factor solution accounted for 26.49% of the total variance in the Human Capital (HC) construct. A single-factor solution also accounted for 18.68% of the total variance in the Economic Capital (EC) construct and 35.52% in the total variance of the Social Capital (SC) construct. These are all less than the 50% threshold, which supports the hypothesis that

more than one sub-factor underlies the three constructs and therefore justifies the inclusion of all the measurement items in the study.

### 5.4.3 Model modification

Improvement to the model was done in two phases. First, modification indices produced were assessed and item errors correlated. Following this, the standardised residual covariances were assessed. These residual values provide an indication of the standardised difference between the proposed covariances based on the model and the observed covariance matrix computed from the data. High values affect the overall fit of the model and should be assessed for exclusion from measurement. In addition, the model should also be assessed for items showing low loadings. For this assessment, loadings below 0.5 were considered to be dissatisfactory and so given that, this was the case for items Q2.1, Q2.4, Q2.9, Q2.17, Q3.4, Q3.5, Q3.6, Q3.9, Q3.10, Q3.11, Q3.12, Q3.14, Q3.15, Q4.4, Q4.6, Q4.7, Q4.8, Q4.9, Q4.10 and Q4.11, and these items were subsequently removed from the final measurement model.

Table 5.14 presents the final overall model fit statistics after the removal of items with loadings less than 0.5. The composite reliability (CR) and Cronbach alpha (CA) values subsequently ranged from 0.6 to 0.9. These indicators of internal consistency and reliability are above the minimum recommended value of 0.6 (Pallant, 2011:100).

Table 5.14: Final measurement model statistics

<b>C</b>	<b>I</b>	<b>IM (SD)*</b>	<b>CM (SD)</b>	<b>ITC</b>	<b>CA</b>	<b>CR</b>	<b>AVE</b>	<b>MSV</b>	<b>FL</b>
MS	Q2.2	4.11 (0.704)	4.07 (0.563)	0.562	0.754	0.727	0.405	0.258	0.534
	Q2.3	4.09 (0.788)		0.555					0.530
	Q2.5	3.96 (0.768)		0.513					0.727

	Q2.6	4.12 (0.706)		0.579					0.721
LE	Q2.7	3.54 (1.061)	3.45 (0.914)	0.629	0.857	0.849	0.586	0.362	0.737
	Q2.8	3.54 (1.063)		0.767					0.889
	Q2.10	3.34 (1.123)		0.693					0.691
	Q2.11	3.38 (1.123)		0.718					0.728
PE	Q2.12	3.85 (0.915)	3.97 (0.746)	0.540	0.650	0.771	0.422	0.246	0.743
	Q2.13	3.83 (0.919)		0.551					0.747
	Q2.14	4.00 (0.819)		0.577					0.752
	Q2.15	4.15 (1.915)		0.261					0.290
	Q2.16	4.02 (0.810)		0.453					0.589
RP	Q2.18	3.95 (0.728)	3.94 (0.633)	0.620	0.786	0.788	0.554	0.206	0.734
	Q2.19	3.94 (0.763)		0.655					0.788
	Q2.20	3.93 (0.777)		0.604					0.708
BS	Q3.1	3.84 (1.727)	3.68 (1.043)	0.446	0.683	0.741	0.503	0.362	0.493
	Q3.2	3.69 (0.963)		0.613					0.755
	Q3.3	3.51 (1.193)		0.547					0.838
LO	Q3.7	3.11 (1.144)	3.25 (1.063)	0.429	0.594	0.601	0.430	0.346	0.625
	Q3.8	3.39 (1.368)		0.429					0.687
FB	Q3.13	3.98 (0.760)	4.17 (0.535)	0.322	0.569	0.590	0.331	0.312	0.455
	Q3.16	4.27 (0.711)		0.465					0.679
	Q3.17	4.25 (0.717)		0.356					0.562
LA	Q4.1	4.15 (0.820)	4.08 (0.659)	0.686	0.835	0.824	0.542	0.294	0.720
	Q4.2	4.10 (0.802)		0.718					0.748

	Q4.3	4.00 (0.830)		0.686					0.820
	Q4.5	4.09 (0.770)		0.571					0.643
NT	Q4.12	4.12 (0.632)	4.11 (0.529)	0.633	0.816	0.819	0.532	0.312	0.733
	Q4.13	4.12 (0.661)		0.668					0.766
	Q4.14	4.09 (0.626)		0.659					0.746
	Q4.15	4.11 (0.714)		0.590					0.667

C = Construct; I = Items; IM = Item Mean; CM = Construct Mean; SD = Standard deviation; ITC = Inter Total Correlation; CA = Cronbach Alpha; CR = Composite Reliability; AVE = Average Variance Extracted; MSV = Maximum Shared Variance; FL = Factor Loading. \*Scores: 1 = Strongly disagree, 2 = Disagree; 3 = Neither agree nor disagree; 4 = Agree; 5 = Strongly agree. \*CFA measurement model fit: Chi-square (df) = 1 108,609 (425),  $p < 0,000$ ; Cmin/df = 2,608; GFI = 0,921; AGFI = 0,902; TLI = 0,919; CFI = 0,930; RMSEA = 0,044; SRMR = 0,039

The overall model fit statistics of the final measurement model are (See Table 5.11) Cmin/df < 3 (2.608); GFI > 0.9 (0.921); AGFI = > 0.08 (0.902); TLI > 0.09 (0.919); CFI > 0.09 (0.930); RMSEA < 0.05 (0.044); SRMR < 0.08 (0.039). All the figures met the minimum threshold values. They therefore signify an acceptable model fit.

#### 5.4.4 Final measurement model

The final measurement model is depicted in Figure 5.2 and comprises 32 items as compared to 52 items in the initial model. Irrespective of the reduction in items, the nine independent variables are retained.

After the model modification, the new correlation scores of the measurement items for the constructs showed a high level of convergent validity. For example, the new correlation scores for the items measuring the Economic Capital construct (BS, LO and FB) range from .50 to .88 as opposed to correlation scores ranging from .01 to .84. The new correlation scores show an acceptable level of convergent validity. Also in comparison, the scores for the measurement items between the constructs were checked for discriminant validity. The

correlation scores of the measurement items for the Human Capital construct (MS, LE, PE and RP) and the correlation scores for the measurement item for the Social Capital construct range from .27 to .44. The new correlation scores show evidence of a high level of discriminant validity.

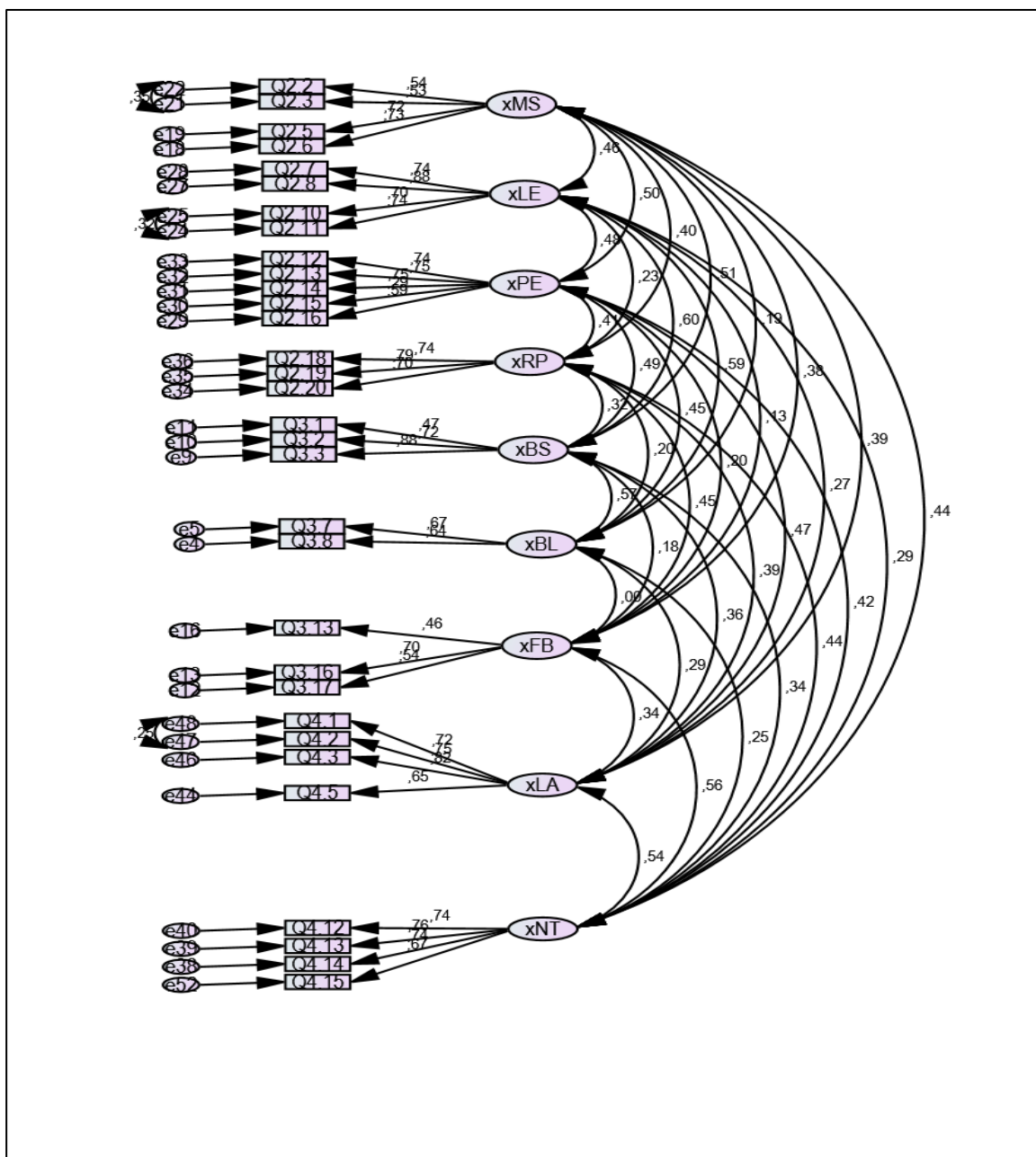


Figure 5.2. Final measurement model

Since the reliability of the overall construct has been established, the construct mean can then be interpreted. While in question 2.15 where the inter-item correlation score was 0.26 and the individual factor loading was 0.290, both less than 0.5, the individual items remain strong indicators of the construct being measured, as initially suggested by a panel of experts established by peer evaluations during the questionnaire development phase. Moreover, the CR and CA were above 0.6. The average factor loadings were also above the recommended threshold of 0.5. This therefore made it possible for the construct to be retained.

Managerial skills are a set of knowledge skills, behaviours and attitudes that contribute to effectiveness in management. The construct mean was calculated by averaging the individual item means and it equated to 4.07 (SD = 0.563). This average when considered on a five-point Likert scale shows that the mean score was above the mid-point of 3, indicating that the immigrant entrepreneurs generally agree that managerial skills play a part in their ability to cope with their businesses. The factor loading for the construct that was calculated by averaging the item factor loadings was 0.628, which is above the 0.5 threshold.

The importance of education is not only reflected by the level of education achieved, but by the fact that it helps individuals, including immigrant entrepreneurs, to cope with their business. Studies by Thompson, Jones-Evans and Kwong (2010) and Clark and Drinkwater (2010) found a significant relationship between the level of education and entrepreneurship. A higher level of education tends to ensure that an entrepreneur is well positioned to see business opportunities and exploit them. Any high score on this construct will suggest that immigrant entrepreneurs do perceive a higher level of education as instrumental towards their ability to cope with their business. The construct mean for level of education revealed an average mean of 3.45 (SD = 0.914). Although this is above the mid-mark of 3, it however indicates that immigrant entrepreneurs neither agree nor disagree on the impact that level of education



has on their ability to cope with their businesses. The average factor loading equalled 0.761, which is above the acceptable minimum.

The previous business experience of an entrepreneur will significantly influence a venture's ability to survive and grow (Bird, 1988:443). This also implies that the lack of previous experience may be one of the reasons for the high failure rate of start-ups. The previous experience of the immigrant entrepreneur is a critical factor in the survival of their business (Shepherd et al., 2000:395). Any high score on this construct will therefore signal an agreement by the immigrant entrepreneurs on the positive perception of the degree to which previous experience assists them in coping with their business. The average construct mean for previous experience equalled 3.97 (SD= 0.746) and this exceeds the mid mark of 3 and tends towards reflecting an agreement in the perception that previous experience lends itself favourably to the ability of immigrant entrepreneurs to cope with their businesses. The average factor loading 0.624 was also above the required minimum benchmark.

Entrepreneurial activities are usually one of the few survival options available to the immigrant entrepreneur and when they manage to start any business, the immigrant entrepreneur tends to do everything possible to ensure the survival of the business unlimited to the taking of risk. This led Chrysostome and Arcand (2009:14) to suggest that if an immigrant entrepreneur reduces exposure to risk, the chance of success is being reduced since they will not be taking advantage of business opportunities they could have exploited. Against this background, risk taking appears to be a critical factor for the survival of immigrant businesses. The average construct mean for risk-taking propensity of 3.94 (SD= 0.633) exceeds the mid-mark of 3 on a five-point Likert scale, which tends towards agreement that the immigrant entrepreneurs perceive risk-taking propensity as being an enabler towards their ability to cope with their business. The average factor loading for the risk-taking variable (0.743) also exceeds the minimum benchmark.

Business support services include a wide range of non-financial services like management training, consultancy, mentoring, counselling and information services. Government and donor agencies have seen the importance of business services and are providing it through public institutions and non-government organisations, often free or at subsidised rates (Desiderio, 2014:8). Much of this action is premised on the conviction that when proper business support is provided, it may increase the chances of survival of the immigrant business. A high score on the construct will therefore suggest a fair acknowledgement of the importance of business services to the coping ability of immigrant entrepreneurs. Business services average construct mean of 3.68 (SD = 1.043) was calculated by averaging the individual item means. The average which is above the mid-point of 3 neither agrees nor disagrees that the immigrant entrepreneurs perceive business services as being helpful to their ability to cope with their business. The average factor-loading value of the construct, which is 0.695, exceeds the minimum acceptable factor-loading threshold.

Securing good business premises can often be a challenge for small businesses, including immigrant businesses. Things such as accessible roads, power and water supply, rent, suppliers and customers all contribute to this important challenge. The location construct returned an average mean value of 3.25 (SD = 1.063) and similar to other constructs, given that 3.25 is higher than 3.00 on the five-point Likert scale, the result shows that immigrant entrepreneurs neither agree nor disagree that location is instrumental in their ability to cope with their business. The average factor loading of 0.656 also exceeds the required minimum figure.

Fatoki (2013:93) identified the six most widely used bootstrapping methods by immigrant entrepreneurs as sharing premises with others, withholding owners' salaries, obtaining loans from family and friends, employing relatives and friends at non-market salary, seeking out the best conditions possible with suppliers and buying on consignment from suppliers. This recourse in the case of the

immigrant entrepreneur may be associated with the difficulty of accessing funds through the formal financial institutions, which inevitably makes the idea of financial bootstrapping attractive. The average construct mean of financial bootstrapping as shown in Table 5.14 was found to be 4.17 (SD = 0.535). The result based on a five-point Likert scale indicates that the immigrant entrepreneurs perceive financial bootstrapping as helpful to their ability to cope with their business. In addition, the factor loading for the construct was 0.565 and this exceeds the minimum required figure.

The ability to communicate in the local language of a country could enable business transactions. Fairlie and Lofstrom (2015:20) contend, for instance, that a limited ability to use the English language may make it difficult to communicate with potential customers and suppliers and to learn about business regulations. It would seem ideal therefore to think that a lack of fluency in a local language may limit the propensity to exploit business opportunities. For example, an African immigrant entrepreneur whose home language is not Portuguese may find it difficult to operate in a Portuguese-speaking country like Mozambique. Language may therefore be important to the survival of immigrant businesses. The average language mean was determined to be 4.08 (SD = 0.659) and this score indicates that immigrant entrepreneurs agree that language is helpful to their ability to cope with their businesses. The factor loading of 0.732 for this variable is also higher than the required minimum requirement for relevance of factor loadings.

According to Spenelli and Adams, (2012:148), networks can be a useful source of new ideas, as well as a source of valuable contact with people. Moving around people with similar experience may help to encourage the immigrant entrepreneur. Johannisson (1990:41) argues that the personal networks of the entrepreneur are the most strategically significant resource available to them, which may confirm that the network of people play a big role in the business world. The people that the immigrant entrepreneur chooses to relate with may become instrumental in their ability to cope with their business. The mean for

networking was found to be 4.11 (SD = 0.529), based upon the averaging of the individual item means, and this result indicates that immigrant entrepreneurs perceive networking as being crucial to their ability to cope with their business. The factor loading of 0.728 being above the required benchmark is also noteworthy.

## **5.5 GROUP DIFFERENCE**

A report of the group differences helps to provide insight into the variation reflected by data that was collected. Cooper and Schindler (2011:486) believe that it is almost certain that samples will somewhat vary from their population. As such, it becomes imperative to ascertain whether these differences are statistically significant or insignificant.

Analysis of variance (ANOVA) and independent samples t-tests were conducted to ascertain the existence of statistically significant differences with regard to how the components of Human, Economic and Social capitals are perceived by different groups. The central limit theorem was assumed given the large sample that allowed for the use of selected parametric tests.

### **5.5.1. One-way ANOVA**

The one-way analysis of variance (ANOVA) was used to compare the mean scores obtained for the human, economic and social capital construct measures across industry and country. According to Babbie (2010:493), ANOVA first combines cases into groups based upon a selected independent variable, which in this specific case is the type of industry (manufacturing, retail and service) and country (South Africa, Swaziland and Mozambique) of the business. This study also made use of a post hoc comparison test, which helped to identify where differences occur in the groups.

According to Pallant et al. (2011:209), post hoc comparisons (also known as a posteriori) are used when there is an intention to conduct a whole set of comparisons, exploring the differences between each of the groups or conditions in a study. Two types of post hoc tests were employed in this study, namely the Tukey HSD (Honestly Significant Difference) test (where equal variances are assumed) and Game-Howell test (where equal variances are not assumed). These tests help to analyse the extent to which the groups differ as it pertains to the variables being examined. In the specific case of this test in the context of the study, the variables include management skills (MS), level of education (LE), previous experience (PE), risk-taking propensity (RP), business services (BS), location (LO), financial bootstrapping (FB), language (LA) and networking (NT).

#### 5.5.1.1 Industry-specific ANOVA results

The results for the component variables in the human capital (HC) construct are reported in Table 5.15.

All the means in the Human Capital (HC) construct were above 3, measured on a scale ranging from 1 to 5, with the following options (1) Strongly disagree, (2) Disagree (3), Neither agree nor disagree (4) Agree and (5) Strongly agree. However, a closer look at different variables measuring the construct revealed some level of difference in the way immigrant entrepreneurs perceive these variables to be helping their ability to cope with their business.

The result revealed that all means for HC\_MS were above 4, indicating that across the industries, immigrant entrepreneurs agree in their perception that management skills help in their ability to cope with their business. This is also true for both HC\_PE and HC\_RP where their means were above 4 or approximately 4 suggesting that the immigrant entrepreneurs across industries do fairly agree in their perception that the variables are instrumental in their ability to cope with their business. The same cannot be said of HC\_LE where

even though their means were above the mid-mark of 3, the results show that the immigrant entrepreneurs operating in the manufacturing industry do fairly agree in their perception that level of education is helpful towards their ability to cope with their business. However, the immigrant entrepreneurs operating in the service and retail industries neither agree nor disagree about their perception that level of education lends itself towards their ability to cope with their business.

Table 5.15: Industry-specific ANOVA results for components of the Human Capital (HC) construct

<b>Variables</b>	<b>Industry</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F (df)</b>	<b>P-value</b>
Management Skill (MS)	Manufacturing	93	4.32	0.558	11.486 (2;826)	0.000
	Services	386	4.06	0.574		
	Retail	350	4.01	0.535		
Level of Education (LE)	Manufacturing	93	3.78	0.834	8.963 (2;826)	0.000
	Services	386	3.47	0.949		
	Retail	350	3.34	0.875		
Previous Experience (PE)	Manufacturing	93	4.11	0.667	2.811 (2;826)	0.061
	Services	386	3.99	0.806		
	Retail	350	3.91	0.692		
Risk-taking Propensity (RP)	Manufacturing	93	3.98	0.720	0.328 (2;826)	0.721
	Services	386	3.94	0.634		
	Retail	350	3.92	0.608		

Significant differences in the mean ratings across industry are evident for HC\_MS and HC\_LE. The result shows that the HC\_MS mean score for manufacturing is 4.32, service is 4.06 and retail is 4.01. The result also shows that the HC\_LE mean score for manufacturing is 3.78, service is 3.47 and retail is 3.34. Though the differences show a statistical significance, the actual difference in mean scores between the groups was quite small. The effect size, calculated using eta squared, was .03 for HC\_MS and .02 for HC\_LE. This

warranted a further test using post hoc comparison tests, which is depicted in Table 5.16.

Table 5.16: Post-hoc tests for Human Capital

<b>Variables</b>				<b>Sig</b>
HC_MS	Tukey HSD	Manufacturing	Services	0.000
			Retail	0.000
		Services	Manufacturing	0.000
			Retail	0.376
		Retail	Manufacturing	0.000
			Services	0.376
	Games-Howell	Manufacturing	Services	0.000
			Retail	0.000
		Service	Manufacturing	0.000
			Retail	0.373
		Retail	Manufacturing	0.000
			Services	0.373
HC_LE	Tukey HSD	Manufacturing	Services	0.009
			Retail	0.000
		Service	Manufacturing	0.009
			Retail	0.116
		Retail	Manufacturing	0.000
			Services	0.116
	Games-Howell	Manufacturing	Services	0.006
			Retail	0.000
		Service	Manufacturing	0.006
			Retail	0.119
		Retail	Manufacturing	0.000
			Services	0.119

Post hoc comparisons using Tukey HSD test revealed that there is a significant difference between the perceptions of the immigrant entrepreneurs in the manufacturing industry and the immigrant entrepreneurs in both the service and the retail industries with regard to managerial skills and level of education. However, no such differences exist between the perceptions of the immigrant entrepreneurs in the service and retail industries.

There were no significant differences in the perceptions of immigrant entrepreneurs across industry for HC\_PE and HC\_RP. HC\_PE, reported a manufacturing mean score of 4.11, service mean score of 3.99 and retail mean score of 3.99. HC\_RP mean scores were reported as follows: manufacturing 3.98, service 3.94 and retail mean 3.92.

The test results for the component variables in the Economic Capital (EC) construct are reported in Table 5.17.

Table 5.17: Industry-specific ANOVA results for the Economic Capital (EC) construct

<b>Variables</b>	<b>Industry</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F (df)</b>	<b>P-value</b>
Business Services (BS)	Manufacturing	93	4.08	0.779	8.036 (2;826)	0.000
	Services	386	3.67	0.882		
	Retail	350	3.59	1.230		
Location (LO)	Manufacturing	93	3.51	1.055	3.453 (2;826)	0.032
	Services	386	3.19	1.031		
	Retail	350	3.24	1.093		
Financial Bootstrapping (FB)	Manufacturing	93	4.27	0.497	2.527 (2;826)	0.081
	Services	386	4.13	0.558		
	Retail	350	4.18	0.515		

All the means in the Economic Capital (EC) construct range from 3.19 to 4.27, indicating that African immigrant entrepreneurs' perception vary on the role that



economic capital plays in their ability to cope with their business. Significant differences were evident for both the EC\_BS and EC\_LO variables. The following mean scores were reported across the industries for the EC\_BS variable: manufacturing 4.08, service 3.67 and retail 3.59. This shows that the immigrant entrepreneurs operating under the manufacturing industry do agree in their perception that business service is instrumental in their ability to cope with their business. However, immigrant entrepreneurs in the service and retail industries neither agree nor disagree that business service lends itself towards their ability to cope with their business. The mean scores for the EC\_LO are as follows: manufacturing 3.51, service 3.19 and retail 3.24, thus indicating that immigrant entrepreneurs neither agree nor disagree in their perception that location lends itself towards their ability to cope with their business. Despite showing statistical significance, the actual difference in mean scores between the groups was quite small. The effect size, calculated using eta squared, was .02 for EC\_BS and .01 for EC\_LO. However, the differences in both the mean scores EC\_BS and EC\_LO prompted a further probe through a post hoc test, which is shown in Table 5.18.

A Tukey HSD test revealed that significant differences exist between the perceptions of immigrant entrepreneurs operating in the manufacturing industry and those that operate in both the service and the retail industries on how business service lends itself towards their ability to cope with their business. The test also revealed that there is no significant difference between the perception of the immigrant entrepreneurs operating in the service and the retail industries with regard to business services and its contribution to their ability to cope with their business. Further Games-Howell tests also confirmed these results.

A Tukey HSD test also revealed that there is a significant difference in the perception of immigrant entrepreneurs in the manufacturing industry compared to those in the service industry with regard to location and its assistance in their ability to cope with their business. The test also revealed that no significant difference exists in the perception of the immigrant entrepreneurs in both the

service and the retail industries with regard to the role of location aiding their ability to cope with their business. A Games Howell test also confirmed the results.

Table 5.18: Post hoc tests for Economic Capital

<b>Variables</b>				<b>Sig</b>
EC_BS	Tukey HSD	Manufacturing	Services	0.002
			Retail	0.000
		Services	Manufacturing	0.002
			Retail	0.573
		Retail	Manufacturing	0.000
			Services	0.573
	Games-Howell	Manufacturing	Services	0.000
			Retail	0.000
		Service	Manufacturing	0.000
			Retail	0.600
		Retail	Manufacturing	0.000
			Services	0.600
EC_BL	Tukey HSD	Manufacturing	Services	0.024
			Retail	0.080
		Service	Manufacturing	0.024
			Retail	0.761
		Retail	Manufacturing	0.080
			Services	0.761
	Games-Howell	Manufacturing	Services	0.024
			Retail	0.084
		Service	Manufacturing	0.024
			Retail	0.762
		Retail	Manufacturing	0.084
			Services	0.762

No significant differences are evident across industries for EC\_FB. The following mean scores were reported across industries: manufacturing 4.27, service 4.13 and retail 4.18. The results indicate that immigrant entrepreneurs agree on their perception that financial bootstrapping is instrumental to their ability to cope with their business.

The test results for the component variables in the Social Capital (SC) construct are reported in Table 5.19.

Table 5.19: Industry-specific ANOVA results for the variables in the Social Capital (SC) construct

<b>Variables</b>	<b>Industry</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F (df)</b>	<b>P-value</b>
Language (LA)	Manufacturing	93	4.20	0.787	1.712 (2;826)	0.181
	Services	386	4.06	0.673		
	Retail	350	4.09	0.603		
Networking (NT)	Manufacturing	93	4.28	0.538	6.382 (2;826)	0.002
	Services	386	4.12	0.495		
	Retail	350	4.06	0.554		

All the means in the Social Capital (SC) construct were above 4, measured on a scale of 1 to 5. This therefore indicates that African immigrant entrepreneurs across industry do firmly agree on their perception that social capital plays a contributory role in their ability to cope with their businesses.

Interestingly, there are no significant differences in the means across industries for the SC\_LA. The following means are reported: manufacturing 4.20, service 4.06 and retail 4.09.

Significant differences were, however, evident across industries for the SC\_NT. The following means are reported: manufacturing 4.28, service 4.12 and retail 4.06. The results show that immigrant entrepreneurs do agree on their

perception that networking plays a contributory role in their ability to cope with their business. Despite showing statistical significance, the actual difference in mean scores between the groups was quite small. The effect size, calculated using eta squared, was .02. However, the significant difference prompted further analysis through post hoc tests shown in Table 5.21.

Table 5.21 Post hoc tests for Social Capital

<b>Variable</b>				<b>Sig</b>
SC_NT	Tukey HSD	Manufacturing	Services	0.023
			Retail	0.001
		Services	Manufacturing	0.023
			Retail	0.297
		Retail	Manufacturing	0.001
			Services	0.297
	Games-Howell	Manufacturing	Services	0.026
			Retail	0.002
		Services	Manufacturing	0.026
			Retail	0.299
		Retail	Manufacturing	0.002
			Services	0.299

The post hoc comparison using a Tukey HSD test revealed that there is a statistically significant difference in the way the immigrant entrepreneurs in the manufacturing industry perceive networking and the way it is perceived by the immigrant entrepreneurs' operation in both the service and retail industries. However, the results also revealed that there are no significant differences in the way networking is perceived as an enabler in the coping ability of immigrant entrepreneurs operating in both the service and the retail industry. A Games-Howell test also confirmed the results.

ANOVA was also employed to compare the mean scores obtained for the component variables of the human, economic and social capital constructs based upon another selected independent variable. In this case, the specific countries (South Africa, Swaziland and Mozambique) that were involved in the

study were used. The test results for the component variables in the Human Capital (HC) construct are reported in Table 5.22.

Table 5.22: Country-specific ANOVA results for the variables in the Human Capital (HC) construct

<b>Variables</b>	<b>Country</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F (df)</b>	<b>P-value</b>
Managerial Skills (MS)	South Africa	313	3.93	0.596	36.348 (2;826)	0.000
	Swaziland	218	4.33	0.559		
	Mozambique	298	4.03	0.460		
Level of Education (LE)	South Africa	313	3.59	0.720	69.104 (2;826)	0.000
	Swaziland	218	3.87	0.938		
	Mozambique	298	3.02	0.900		
Previous Experience (PE)	South Africa	313	3.82	0.630	24.130 (2;826)	0.000
	Swaziland	218	4.26	0.958		
	Mozambique	298	3.91	0.616		
Risk-taking Propensity (RP)	South Africa	313	3.78	0.669	15.743 (2;826)	0.000
	Swaziland	218	4.05	0.729		
	Mozambique	298	4.02	0.467		

All the means in the Human Capital (HC) construct range from 3.02 to 4.33, measured on a scale ranging from 1 to 5. This therefore, indicates that some African immigrant entrepreneurs across the countries involved in this study neither agree nor disagree on their perception of the importance of some variables in the human capital construct in aiding their ability to cope with their business. Some immigrant entrepreneurs across countries however, do agree on their perception that some variables in the human capital construct aid their ability to cope in their business.

A statistically significant difference is evident for mean scores across countries for all the variables (MS, LE, PE and RP) under the Human Capital construct.

The HC\_MS mean scores for South Africa 3.93, Swaziland 4.33 and Mozambique 4.03 show that the immigrant entrepreneurs across countries are in agreement in their perception that management skills are instrumental in their ability to cope with their business.

A statistically significant difference is also evident in the perception of immigrant entrepreneurs with regard to the importance of level of education towards their ability to cope with their business. The following means for HC\_LE were reported for the countries: South Africa 3.59, Swaziland 3.87 and Mozambique 3.02. While, it is evident that the immigrant entrepreneurs in both South Africa and Swaziland do fairly agree that level of education plays a pivotal role in their ability to cope with their business. The same is not true for the immigrant entrepreneurs in Mozambique as they neither agree nor disagree on the importance of level of education in their ability to cope with their business.

Despite showing statistical significance, the actual difference in mean scores between the groups was quite small. The effect size, calculated using eta squared, was .01 for HC\_MS and 0.2 for HC\_LE. The differences in the perception of immigrant entrepreneurs across countries on the importance of both management skills and level of education in aiding their ability to cope with their business therefore prompted further investigation through post hoc tests, to ascertain where these differences occurred.

The post hoc test also revealed that, while the immigrant entrepreneurs in South Africa and Swaziland with HC\_LE mean scores of 3.59 and 3.87 respectively do fairly agree that level of education is key to their ability to cope with their business. The same cannot be said of immigrant entrepreneurs in Mozambique with HC\_LE mean score of 3.02, indicating that they neither agree nor disagree that level of education assists them in coping with their business.

Significant differences were also reported for HC\_PE and HC\_RP means across countries. The HC\_PE means reported across countries are as follows: South

Africa 3.82, Swaziland 4.26 and Mozambique 3.91, all agreeing in their perception of previous experience as an enabler towards their ability to cope with their business. The HC\_RP means across countries are as follows: South Africa 3.78, Swaziland 4.05 and Mozambique 4.02, showing that all immigrant entrepreneurs across countries agree in their perception that risk-taking propensity is instrumental in their ability to cope with their business. Although statistical significance exists, the actual difference in mean scores between the groups was quite small. The effect size, calculated using eta squared, was .01 for HC\_PE and .04 for HC\_RP. Significant differences present in the perceptions of the immigrant entrepreneurs across countries on both HC\_PE and HC\_RP as enablers in their ability to cope with their business prompted a post hoc comparison test, which is shown in Table 5.23.

A Tukey HSD test revealed that there is a significant difference between the perceptions of immigrant entrepreneurs in South Africa when compared with those in Swaziland with regard to the importance of previous experience towards aiding their coping ability. A significant difference also exists in the perceptions of immigrant entrepreneurs in Swaziland when compared to those in Mozambique with regard to the importance of previous experience in aiding their ability to cope with their business. However, no significant difference exists between the perceptions of immigrant entrepreneurs in South Africa and Mozambique.

A Tukey HSD test also revealed that significant differences exist in the perceptions of immigrant entrepreneurs in South Africa when compared with those in Swaziland and Mozambique with regard to the importance of risk-taking propensity in enabling their ability to cope with their business. However, no significant difference is evident in the perceptions of immigrant entrepreneurs in Swaziland with regard to risk-taking propensity and its importance in aiding their ability to cope with their business when compared with the perceptions of immigrant entrepreneurs in Mozambique. A Games-Howell test also confirmed the results.

Table 5.23 Post hoc tests for Human Capital

<b>Variables</b>				<b>Sig.</b>
HC_MS	Tukey HSD	South Africa	Swaziland	0.000
			Mozambique	0.043
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.043
			Swaziland	0.000
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.038
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.038
			Swaziland	0.000
HC_LE	Tukey HSD	South Africa	Swaziland	0.000
			Mozambique	0.000
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.000
			Swaziland	0.000
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.000
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.000
			Swaziland	0.000
HC_PE	Tukey HSD	South Africa	Swaziland	0.000
			Mozambique	0.279
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.279
			Swaziland	0.000
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.177



		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.177
			Swaziland	0.000
HC_RP	Tukey HSD	South Africa	Swaziland	0.000
			Mozambique	0.000
		Swaziland	South Africa	0.000
			Mozambique	0.852
		Mozambique	South Africa	0.000
			Swaziland	0.852
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.000
		Swaziland	South Africa	0.000
			Mozambique	0.856
		Mozambique	South Africa	0.000
			Swaziland	0.856

The results for the component variables in the Economic Capital (EC) construct are reported in Table 5.24.

Table 5.24: Country-specific ANOVA results for the variables in the Economic Capital (EC) construct

<b>Variables</b>	<b>Country</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F (df)</b>	<b>P-value</b>
Business Services (BS)	South Africa	313	3.54	0.912	47.219 (2;826)	0.000
	Swaziland	218	4.24	0.254		
	Mozambique	298	3.43	0.835		
Location (LO)	South Africa	313	3.48	0.900	116.257 (2;826)	0.000
	Swaziland	218	3.79	0.866		
	Mozambique	298	2.60	1.030		
Financial Bootstrapping (FB)	South Africa	313	4.05	0.598	14.908 (2;826)	0.000
	Swaziland	218	4.30	0.533		
	Mozambique	298	4.19	0.432		

All the mean scores for the Economic Capital Construct (EC) range from 2.60 to 4.30 when measured on a scale of 1 to 5. This therefore indicates that some African immigrant entrepreneurs across the countries differ in their perceptions of the variables that make up the Economic Capital construct and the way they lend themselves in aiding their ability to cope with their business. The results show statistical differences in the mean scores across the countries for the EC\_BS, EC\_LO and EC\_FB variables. The reported mean scores for EC\_BS across the countries are as follows: South Africa 3.54, Swaziland 4.42 and Mozambique 3.43. The EC\_BS mean scores across countries indicate that the immigrant entrepreneurs in Swaziland agree that business services are instrumental in aiding their ability to cope with their business, while those in South Africa and Mozambique neither agree nor disagree that business services enable their ability to cope with their business.

The mean scores for EC\_LO across countries are as follows: South Africa 3.48, Swaziland 3.79 and Mozambique 2.60. This result shows that the immigrant entrepreneurs across all countries differ in their perception of location as an enabler in their ability to cope with their business. It is interesting to note that while immigrant entrepreneurs in Swaziland fairly agree that location is helpful in their ability to cope with their business, immigrant entrepreneurs in South Africa neither agree nor disagree that location enables their ability to cope with their business. Interestingly however, immigrant entrepreneurs in Mozambique disagree that location is an enabler of their ability to cope with their business.

The report also shows that the mean scores reported for the EC\_FB variable are as follows: South Africa 4.05, Swaziland 4.30 and Mozambique 4.19, all indicating that the immigrant entrepreneurs across the countries agree in their perception that financial bootstrapping is vital to their ability to cope with their business.

The statistical differences in the mean score for all variables within the Economic Capital construct, as earlier stated, therefore warranted a further test

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to ascertain where the differences occur. Despite showing statistical significance, the actual difference in mean scores between the groups was quite small for EC\_BS and EC\_FB. The effect size, calculated using eta squared, was .01 for EC\_BS and .03 for EC\_FB. The effect size for EC\_BS was, however, very large. The effect size, calculated using eta squared, was .10. Post hoc comparison tests shown in Table 5.25 were conducted to point out these differences.

A Tukey HSD test for BS shows that the perceptions of the immigrant entrepreneurs in South Africa with regard to the contribution of business services towards their ability to cope with their business differ significantly with the way it is perceived by immigrants in Swaziland. However, no significant difference is evident in the perceptions of immigrant entrepreneurs in South Africa with regard to business services as it lends itself to their ability to cope with their business with that of the perceptions of the immigrant entrepreneurs operating in Mozambique. Significant differences are also evident in the perceptions of the immigrant entrepreneurs on the importance of business services in Swaziland when compared with those in Mozambique.

A Tukey HSD test also shows that there are significant differences in the perceptions of immigrant entrepreneurs across countries on the part that location plays in the ability to cope with their business. It means that the immigrant entrepreneurs across countries perceive location and its role in their ability to cope with the business differently. This may be connected to the economic environment that is prevalent in these countries.

A Tukey HSD test was also carried out for the EC\_FB variable and the results show that significant differences exist in the perceptions of immigrant entrepreneurs in South Africa on the role financial bootstrapping plays in their ability to cope with their business when compared with the perception of immigrant entrepreneurs in both Swaziland and Mozambique. No significant difference exists in the perception of immigrant entrepreneurs in Swaziland on

the importance of financial bootstrapping towards their ability to cope with their business when compared to the perceptions of the immigrant entrepreneurs in Mozambique, also on the effects of financial bootstrapping. A Games-Howell test also confirmed these results.

Table 5.25: Post hoc tests for Economic Capital

<b>Variables</b>				<b>Sig</b>
EC_BS	Tukey HSD	South Africa	Swaziland	0.000
			Mozambique	0.297
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.297
			Swaziland	0.000
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.212
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.212
			Swaziland	0.000
EC_LO	Tukey HSD	South Africa	Swaziland	0.001
			Mozambique	0.000
		Swaziland	South Africa	0.001
			Mozambique	0.000
		Mozambique	South Africa	0.000
			Swaziland	0.000
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.000
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.000
			Swaziland	0.000
EC_FB	Tukey HSD	South Africa	Swaziland	0.000
			Mozambique	0.002
		Swaziland	South Africa	0.000
			Mozambique	0.076

		Mozambique	South Africa	0.002
			Swaziland	0.076
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.002
		Swaziland	South Africa	0.000
			Mozambique	0.054
		Mozambique	South Africa	0.002
			Swaziland	0.054

The results for the component variables in the Social Capital (SC) construct are reported in Table 5.26.

Table 5.26: Country-specific ANOVA results for the variables in the Social Capital (SC) construct

<b>Variables</b>	<b>Country</b>	<b>N</b>	<b>Mean</b>	<b>SD</b>	<b>F (df)</b>	<b>P-value</b>
Language (LA)	South Africa	313	3.87	0.710	386.115 (2;826)	0.000
	Swaziland	218	4.35	0.630		
	Mozambique	298	4.12	0.537		
Networking (NT)	South Africa	313	4.05	0.508	20.793 (2;826)	0.000
	Swaziland	218	4.31	0.536		
	Mozambique	298	4.04	0.512		

All the means for different variables in the Social Capital (SC) construct were above 4, except the SC\_LA mean score for immigrant entrepreneurs in South Africa, which recorded a mean score of 3.87. The result therefore indicate that immigrant entrepreneurs across countries do agree that the variables that make up the Social Capital construct are instrumental in their ability to cope with their business.

Statistical significant differences are evident across countries for all variables. The following mean scores across countries for the SC\_LA are reported: South Africa 3.87, Swaziland 4.35 and Mozambique 4.12. The mean score for the SC\_NT variable across countries are as follows: South Africa 4.05, Swaziland 4.31 and Mozambique 4.04. Despite showing statistical significance, the actual difference in mean scores between the groups was quite small for SC\_NT. The effect size, calculated using eta squared, was .01 for NT. However, the effect size for SC\_LA was very large, calculated using eta squared, and was .10 for LA. The significant differences therefore required further investigation to find out where these differences occurred. This was also done through post hoc comparison tests.

The Tukey HSD test as depicted in Table 5.27 shows that significant differences are evident across countries for the LA variable as the results indicate that the perceptions of immigrant entrepreneurs on the importance of language in aiding their ability to cope with their businesses differ when compared across countries. This may be connected to the type of language used for business in the countries. It may be important to state that while English is the official language in both Swaziland and South Africa, the Portuguese language is the official language in Mozambique. It may also be instructive to note that while the official languages are widely used as a medium of business exchange, other local languages exist in these countries and proficiency in any of the local languages may become an added advantage to the immigrant entrepreneur. This may also have been instrumental in moulding their perceptions of language as an enabler in their ability to cope.

Post hoc tests also revealed statistical differences in the perceptions of immigrant entrepreneurs in South Africa with regard to networking as an enabler towards their ability to cope with their business when compared with the perceptions of immigrant entrepreneurs in Swaziland, but no significant difference is evident when compared with the perceptions of immigrant entrepreneurs in Mozambique. Statistical differences are also evident in the

perceptions of immigrant entrepreneurs in Swaziland with regard to networking as an enabler for their ability to cope with their business when compared with the perceptions of immigrant entrepreneurs in Mozambique. A Games-Howell test also confirmed the results.

Table 5.27: Post hoc tests for Social Capital

<b>Variable</b>				<b>Sig.</b>
SC_LA	Tukey HSD	South Africa	Swaziland	0.000
			Mozambique	0.000
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.000
			Swaziland	0.000
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.000
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.000
			Swaziland	0.000
SC_NT	Tukey HSD	South Africa	Swaziland	0.000
			Mozambique	0.916
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.916
			Swaziland	0.000
	Games-Howell	South Africa	Swaziland	0.000
			Mozambique	0.914
		Swaziland	South Africa	0.000
			Mozambique	0.000
		Mozambique	South Africa	0.914
			Swaziland	0.000

### 5.5.2 T- tests

It was instructive to determine the perception of the respondents as this relates to each of the study's independent variables and the possible contribution they made to the coping ability of immigrant entrepreneurs. Towards this end, t-tests were conducted. The t-test looks at the difference in means between two groups. The groups are the immigrant entrepreneur businesses that are yet to be established (< 4years) and those that are established (> 4years).

According to GEM Africa (2014:25), businesses are assumed to be established at 42 months (3.5yrs). It then means that established businesses are businesses in their fourth year of operation. This study therefore assumes that any immigrant entrepreneur business that is less than 4years (< 4years) has yet to be established, while those that are > 4years are established. This is depicted in Figure 5.3.

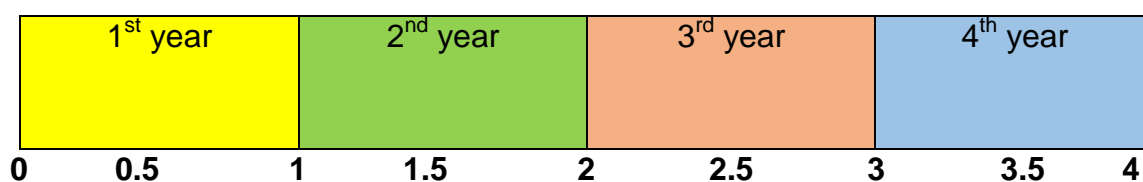


Figure 5.3: Establishment status of a business according to years of operation

T-test results for human, economic and social capital constructs for businesses that are yet to be established (< 4years) and those that are established (> 4 years) are shown in Table 5.28.

The mean scores for HC\_MS and HC\_RP obtained from immigrant entrepreneurs that are yet to be established (< 4 years) were compared with the ratings obtained from those that are established (> 4 years). Significant differences for a HC\_MS ( $p=0.001 < 0.05$ ) and a HC\_RP ( $p=0.035 < 0.05$ ) are reported in the mean scores of the two groups. Those that are yet to be established (< 4 years) reported a HC\_MS mean score of 4.13 (SD = 0.574) and



Table 5.28: T-test results

Dependent Variable	Years	N	Mean	SD	T (df)	Sig.	Eta squared	r (p-value)
<b>HUMAN CAPITAL CONSTRUCTS</b>								
MS	<4 yrs	425	4.13	0.574	3.373 (826.99)	0.001	0.01	-0.116 (0.001)
	4 yrs +	404	4.00	0.545				
LE	<4 yrs	425	3.51	0.951	1.918 (825.81)	0.056	0.00	-0.066 (0.056)
	4 yrs +	404	3.39	0.870				
PE	<4 yrs	425	4.01	0.855	1.793 (827)	0.073	0.00	-0.062 (0.073)
	4 yrs +	404	3.92	0.609				
RP	<4 yrs	425	3.98	0.650	2.107 (827)	0.035	0.01	-0.073 (0.035)
	4 yrs +	404	3.89	0.612				
<b>ECONOMIC CAPITAL CONSTRUCTS</b>								
BS	<4 yrs	425	3.77	1.202	2.426 (758.83)	0.015	0.01	-0.083 (0.015)
	4 yrs +	404	3.59	0.836				
LO	<4 yrs	425	3,35	1.058	2.715 (827)	0.007	0.01	-0.094 (0.007)
	4 yrs +	404	3.15	1.061				
FB	<4 yrs	425	4.20	0.549	1.811 (827)	0.071	0.00	-0.063 (0.071)
	4 yrs +	404	4.13	0.517				
<b>SOCIAL CAPITAL CONSTRUCTS</b>								
LA	<4 yrs	425	4.15	0.696	2.814 (821.78)	0.005	0.01	-0.097 (0.005)
	4 yrs +	404	4.02	0.611				
NT	<4 yrs	425	4.17	0.541	3.016 (826.97)	0.003	0.01	-0.104 (0.003)
	4 yrs +	404	4.06	0.511				

HC\_RP mean score of 3.98 (SD = 0.650). Those that are established (> 4 years) reported a HC\_MS mean score of 4.00 (SD = 0.545) and a HC\_RP mean score of 3.89 (SD = 0.612). However, the magnitude of the difference in the means for both variables is considered very small (eta squared = 0.01).

This relationship is further explained by the small negative correlation coefficient for HC\_MS ( $r = -0.116$ ,  $p < 0.05$ ) and for HC\_RP ( $r = -0.073$ ,  $P < 0.05$ ). The results therefore suggest that immigrant entrepreneur businesses that are established tend to put a little less emphasis on the contributory role of management skills and risk-taking propensity to coping ability when compared with immigrant entrepreneurs whose businesses are yet to be established.

The study was also interested in exploring the extent to which level of education and previous experience are perceived by immigrant entrepreneurs whose businesses are established and the perceptions of those whose businesses are yet to be established.

The mean scoring for HC\_LE and HC\_PE obtained from the group with yet-to-be-established businesses was compared with the ratings obtained from those that are established and no significant difference in the mean scores was reported between the groups. The immigrant entrepreneurs with yet-to-be-established businesses had a HC\_LE mean score of 3.51 (SD = 0.951) and HC\_PE mean score of 4.01 (SD = 0.855), while those that are established had a HC\_LE mean score of 3.39 (SD = 0.870) and a HC\_PE mean score of 3.92 (SD = 0.609). This result suggests that there are no differences in the group's perception of the importance of level of education and previous education and their contribution towards their ability to cope with their business.

A t-test was also carried out to ascertain if differences exist in the perceptions of immigrant entrepreneurs in the two groups with regard to the variables in the economic capital construct. The results show that significant differences exist for the EC\_BS and EC\_LO variables for the groups. The immigrant entrepreneurs whose businesses are yet to be established returned a mean score for EC\_BS

of 3.77 (SD = 1.202) and a mean score for EC\_LO of 3.35 (SD = 1.058). For the group of immigrant entrepreneurs with established businesses, results showed a mean for EC\_BS of 3.59 (SD = 0.836) and a mean score for EC\_LO of 3.15 (SD = 1.061). The magnitude of the difference in the means of both variables is however considered very small (eta squared = 0.01). This relationship is further explained by the small negative correlation coefficient for EC\_BS of ( $r = -0.083$ ,  $p < 0.05$ ) and for EC\_LO of ( $r = -0.094$ ,  $P < 0.05$ ). The results therefore suggest that immigrant entrepreneurs whose businesses are established do not attach a lot of premium to business services and location and their effects on their ability to cope with their business when compared with immigrant entrepreneurs whose businesses are yet to be established.

No significant difference exists in the mean scores of the groups with regard to financial bootstrapping. The immigrant entrepreneurs whose businesses are yet to be established had an EC\_FB mean score of 4.20 (SD = 0.549), while the immigrant entrepreneurs whose businesses are established reported an EC\_FB mean score of 4.13 (SD = 0.517). This result shows that there are no differences in the groups' perception of financial bootstrapping as it lends itself towards their ability to cope.

This study also investigated if any differences exist between the groups with regard to the variables that make up the social capital construct. Significant differences are reported between the groups for the SC\_LA and SC\_NT variables. The immigrant entrepreneurs whose businesses are yet to be established reported SC\_LA mean score of 4.15 (SD = 0.696) and SC\_NT mean score of 4.17 (SD = 0.541). The result also shows that the immigrant entrepreneurs whose businesses are established reported SC\_LA mean score of 4.02 (SD = 0.611) and SC\_NT mean score of 4.06 (SD = 0.511). The magnitude of the difference in the means for both variables is considered very small (eta squared = 0.01). This relationship is further explained by the reporting of a small negative correlation coefficient for SC\_LA ( $r = -0.097$ ,  $p < 0.05$ ) and for SC\_NT ( $r = -0.104$ ,  $P < 0.05$ ). The results therefore suggest that immigrant entrepreneurs whose businesses are established do not place a high premium

on language and networking with respect to their contributory effect on their coping ability when compared with immigrant entrepreneurs whose businesses are yet to be established.

## 5.6 BI-VARIATE CORRELATION ANALYSIS

The study sought to establish if any relationship(s) exist(s) between the variable that makes up the constructs measures (HC, EC and SC) and the dependent variable of increase in employment that served to indicate coping ability of the immigrant entrepreneur. This section therefore reports on the bi-variate correlation between the construct measures and the dependent variables (see Table 5.29).

Table 5.29: Correlation analysis results of the constructs

		Increase in Employment	
HC – MS	Pearson Correlation	.136	Positive small
	Sig. (2 tailed)	0.000	Significant
HC – LE	Pearson Correlation	.171	Positive small
	Sig. (2 tailed)	0.000	Significant
HC – PE	Pearson Correlation	0.016	
	Sig. (2 tailed)	0.637	Non-significant
HC – RP	Pearson Correlation	0.048	
	Sig. (2 tailed)	0.166	Non-significant
EC – BS	Pearson Correlation	.146	Positive small
	Sig. (2 tailed)	0.000	Significant
EC – LO	Pearson Correlation	0.030	
	Sig. (2 tailed)	0.385	Non-significant
EC – FB	Pearson Correlation	0.040	
	Sig. (2 tailed)	0.253	Non-significant
SC – LA	Pearson Correlation	-0.028	
	Sig. (2 tailed)	0.418	Non-significant
SC – NT	Pearson Correlation	0.059	
	Sig. (2 tailed)	0.087	Non-significant

The study results reflect the fact that a statistically significant relationship exists between HC\_MS, HC\_LE, EC\_BS and increase in employment. This conclusion is based on the fact that the p-value associated with these relationship tests is 0.000, which shows a correlation at a 95% confidence level between each of these independent variables of interest and the dependent variable. However, it ought to be noted that while the nature of the correlation is positive, the strengths of the relationship between HC\_MS, HC\_LE, EC\_BS and increase in employment are quite small.

A positive correlation coefficient means that as the rating of one variable increases so too does the rating of the other variable. The correlation results in Table 5.29 therefore mean that an increase in the ratings of HC\_MS, HC\_LE and EC\_BS by the immigrant entrepreneurs corresponds with an increase in employment in immigrant-owned businesses. In other words, high ratings of HC\_MS, for instance, are coincident with those respondents that also reported an increase in employment.

The result juxtaposed against the first objective of this study that sought to find out what personal factors aid African immigrant entrepreneurs to cope with their businesses signals that the human capital factors that are perceived by the respondents as helpful to their ability to cope with their businesses are management skills (MS) and level of education (LE). The second objective of this study sought to find out the economic factors that aid the ability of African immigrant entrepreneurs to cope with their businesses. The results revealed that that business services (BS) is the only economic capital (EC) variable that aids the coping ability given the existence of a positive correlation between high EC\_BS scores and Increase in employment.

## 5.7 REGRESSION ANALYSIS

The next level of analysis focused on identifying those factors that could be considered to have relationships with the dependent variable of coping ability (as measured by increase in employment) when all of the effects of the independent variables on the dependent variables are concurrently considered. For this, a regression analysis was employed and the consequent results are presented in Table 5.30.

Table 5.30: Regression analysis results of the constructs

Hypothesised relationship	Hypothesis	Coefficients (r) (p-value)	r <sup>2</sup>	Rejected/ Supported
HC_MS↔Coping Ability (CA)	H1	0.52 (p=0.022)	0.27	Supported
HC_LE↔CA	H2	0.54 (p=0.000)	0.29	Supported
HC_PE↔CA	H3	-0.30 (p=0.075)	0.09	Rejected
HC_RP↔CA	H4	0.07 (p=0.715)	0.01	Rejected
EC_BS↔CA	H5	0.31 (p=0.012)	0.10	Supported
EC_LO↔CA	H6	-0.14 (p=0.231)	0.02	Rejected
EC_FB↔CA	H7	0.06 (p=0.787)	0.00	Rejected
SC_LA↔CA	H8	-0.47 (p=0.015)	0.22	Supported
SC_NT↔CA	H9	0.22 (p=0.379)	0.05	Rejected

It may be instructive to state that when the independent variables were subjected to a bi-variate correlation analysis, significant relationships were reported for coping ability (CA) and the independent variables of HC\_MS, HC\_LE and EC\_BS. Surprisingly, when the independent variables were

subjected to a regression analysis, another variable SC\_LA showed a statistical significant relationship with CA.

The study hypothesised the existence of relationships between the independent variables in the human, economic and social capital domains and the dependent variable of coping ability. Each of the formulated hypotheses was put to test in the context of a regression analysis.

With respect to the Human Capital (HC) construct, management skills ( $r = 0.52$ ,  $p = 0.022$ ) showed a statistically significant association with CA. This study projected that a statistical relationship between management skills and coping ability would be in existence. This was because management skills are a set of knowledge, skills, behaviours and attitudes that contribute to personal effectiveness (Smith & Kruger, 2008:124). Though, the application of academic managerial skills may not be very relevant due to the size and nature of the businesses operated by African immigrant entrepreneurs. Most immigrant businesses are, however, somewhat a copy of those owned by friends or relations, and there could be a higher reliance or copied practices for purposes of coping without necessarily acknowledging that they emanate from the management domain. In line with this study's hypothesis that *there is a relationship between management skills and the ability of African immigrant entrepreneurs to cope with their businesses (H1)* and as supported by the regression results the hypothesis (H1) is therefore accepted.

The results show that a statistically significant relationship exists between level of education ( $r = 0.54$ ,  $p = 0.000$ ) and coping. According to Silva, Cerqueira and Brandao (2016:12), level of education is usually correlated with the ability of entrepreneurs to successfully discover and exploit a business opportunity, solve problems, stay motivated and develop self-confidence.

The level of education of immigrant entrepreneurs may also be instrumental in carrying out business transactions, which invariably is instrumental in sustaining

the business. This study predicted a relationship between level of education and coping ability and therefore hypothesised that *there is a relationship between level of education of African immigrant entrepreneurs and their ability to cope with their businesses (H2)*. This projection was supported by the regression analysis and so the hypothesis (H2) is therefore accepted.

Previous experience ( $r = -0.30$ ,  $p = 0.075$ ) did not show any statistically significant association with coping ability. Rational thinking may suggest that previous experience could help entrepreneurs starting similar business to the ones they had owned before or have worked for. This may not however be the case with immigrant entrepreneurs, who may not have worked for any previous organisation on arrival in their new country of abode. In a situation where they have previous experience from their country of origin, they may not be fortunate enough to own a business similar to the ones they gained their experiences from. In such a case, it then becomes arduous for the immigrant entrepreneur to leverage off their previous experience.

In line with the thoughts of Shepherd, Douglas and Shanley (2000:395) that the previous experience of the immigrant entrepreneur is a critical factor in the survival of their business, the position of this study was that a relationship exists between previous experience and coping. Based on that position, this study hypothesised that *there is an association between previous experience of African immigrant entrepreneurs and their ability to cope with their businesses (H3)*. In deference to the results of the regression analysis that suggests that no statistically significant relationship exists between the two variables in focus, the hypothesis (H3) is therefore rejected.

Surprisingly, risk-taking propensity ( $r = 0.07$ ,  $p = 0.715$ ) did not show any statistically significant association with coping ability. This does not resonate with the usual expectations that the immigrant entrepreneur's ability to take business risks will help them cope with their business. Chrysostome and Arcand (2009:14) suggest that if an immigrant entrepreneur reduces exposure to risk,

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the chances of success are being reduced since they will not be taking advantage of the business opportunities that they could have exploited. In consonance with the position of the authors, it was anticipated that the ability of an immigrant entrepreneur to take some business risks may give them an edge over other business and a better chance of survival. This therefore led this study to hypothesise that *there is an association between risk-taking propensity of African immigrant entrepreneurs and their ability to cope with their businesses (H4)*. On the contrary, the results from the regression analysis however did not identify any statistically significant relationship and therefore the hypothesis (H4) is rejected.

The relationships between the variables of Economic Capital (EC) and coping ability were investigated. The results revealed that business support ( $r = 0.31$ ,  $p = 0.012$ ) showed a statistically significant relationship with CA. Desiderio (2014:6) states that business support programmes that include consultancy, mentoring, counselling and information services are aimed at helping immigrants overcome specific challenges they may face when setting up and expanding their business. These types of support may help immigrant entrepreneurs to cope with their business.

Among others, studies by Vigil & Navarro (2007) and Guzy (2006) find that business support plays a contributory role in the success of entrepreneurs. These findings led this study to hypothesise that *there is an association between business services and the ability of African immigrant entrepreneurs to cope with their businesses (H5)*. The results of the regression analysis vindicated this assertion and consequently the hypothesis that links business services to coping ability of immigrant entrepreneurs (H5) is accepted.

The study's results revealed that location ( $r = -0.14$ ,  $p = 0.231$ ) did not display any statistically significant association with coping ability. According to Gebre, Maharaj and Pillay (2010:25), immigrants, in some cases, choose the location to set up their own markets. This may not be unconnected with the fact that such

locations are known for a specific type of business, possibly due to the proximity of the target market of the immigrant businesses. Typically, new immigrants tend to co-habit with other immigrants while seizing the opportunity to learn a new business. Subsequently it becomes more attractive for the new immigrant to start his/her business in the place they are familiar with. Since the immigrants are likely to cluster in the same area, business location may not provide any special advantage toward their ability to cope with their business. Although this study hypothesised that *there is an association between location and the capacity of African immigrant entrepreneurs to cope with their businesses (H6)*, the regression analysis found that no such relationship exists and therefore the hypothesis (H6) is rejected.

Financial bootstrapping ( $r = 0.06$ ,  $p = 0.787$ ) did not show any relationship of statistical significance with coping ability. Entrepreneurship can be very challenging for immigrants given the various obstacles they face, especially that of access to finance (Fakoti, 2014:184). Faced with this obstacle, the immigrant entrepreneur finds alternative means of raising capital for their businesses and financial bootstrapping is usually an option. Fatoki, (2013:93) identified the six most widely used bootstrapping methods by immigrant entrepreneurs as sharing premises with others, withholding owners' salaries, obtaining loans from family and friends, employing relatives and friends at non-market-related salary rates, seeking out the best conditions possible with suppliers and buying on consignment from suppliers.

Recourse to financial bootstrapping provides an easier route for immigrant entrepreneurs to raise enough resources to start and sustain their business. Against this backdrop, this study hypothesised that *there is a relationship between financial bootstrapping and the ability of the African immigrant entrepreneur to cope with their businesses (H7)*. Surprisingly, the regression analysis could not establish that any such statistically significant relationship was in existence. Due to this, the hypothesis (H7) is therefore rejected.

For the variables in the Social Capital (SC) construct, the regression analysis results show the existence of a statistically significant relationship between language ( $r = -0.47$ ,  $p = 0.015$ ) and coping. A study by Gebre, Maharaj and Pillay (2011:31) of immigrant entrepreneurs in South Africa revealed that the inability of some immigrants to speak English or any other local language has compelled them to live a segregated life. This is more so for immigrants that arrive from countries where English language is not the official language. Fluency in the local language may also become vital for immigrant entrepreneurs, especially during business negotiations. For instance, an immigrant entrepreneur operating in Mozambique may have to learn the Portuguese language (the lingua franca) as it may become vital for business transactions.

The touted importance of language to the survival of immigrant business led this study to hypothesise that *there is a relationship between local language proficiency and the ability of African immigrant entrepreneurs to cope with their businesses (H8)*. The results of the regression analysis corroborate this position and so the hypothesis (H8) that links language proficiency to coping ability of the immigrant entrepreneur is therefore accepted.

Networking ( $r = 0.22$ ,  $p = 0.232$ ), another variable in the Social Capital construct, did not show any statistically significant relationship with coping ability. According to Johannisson (1990:41), the personal networks of the entrepreneur are the most strategically significant resources available to them. This confirms that networks play a vital role in the business world. In a foreign land, where the immigrant is new, getting any resource at all may only be possible through such networks. Immigrant entrepreneurs need information, capital, skills and labour to start their business activities.

Some immigrant entrepreneurs own some of their resources, but often have to complement the resources with others that are accessed through their contacts (Fatoki & Oni, 2014:284). This may well suggest that networks may play a big

role in the coping ability of the immigrant entrepreneur. Based on this, this study hypothesised that *there is a relationship between networking and the ability of African immigrant entrepreneurs to cope with their businesses (H9)*. It is however, of interest to note that the regression analysis could not establish if any such relationship of statistical significance was in existence. Consequently, the hypothesis (H9) is rejected.

Table 5.30 presents the r-squared values for the hypothesised values that fall in the range of 0.00 and 0.29 corresponding to percentage value of 0% - 29%. While these values are not high, the imperfection associated with relationships in the human and behavioural sciences often makes it relatively difficult to obtain r-squared figures in excess of 50% (Frost, 2013). Interestingly however, the highest r-squared figures realised were those associated with the hypothesised relationships with statistical significance (MS-CA, LE-CA, BS-CA and LA-CA). The results reveal that 27%, 29%, 10% and 22% of the variation in the coping ability of African immigrant entrepreneurs can be explained by the variations in the independent variables of MS, LE, BS and LA respectively. This also means that the residual portion unexplained by these independent variables may be due to others that were not considered by the study but which nonetheless could have some bearing on the coping ability of the African immigrant entrepreneurs.

## **5.8 GENERAL COMMENTS OF RESPONDENTS**

This researcher did not investigate all variables that could play a role in the ability of African immigrant entrepreneurs to cope with their businesses. To this end, an open-ended question was introduced at the end of the questionnaire. The respondents were asked to point out other variables that may have been instrumental in their ability to cope with their business, which was not addressed in the questionnaire.

From the records, 41% (342) of the population made further contributions through the open-ended question. The majority of respondents across the countries cited customer-related issues as being helpful in their ability to cope with their businesses. Koellinger and Minniti (2006:60) argue that one of the constraints encountered by entrepreneurs is lack of customer support. This seems to suggest that customers are very vital to the survival of immigrant entrepreneur businesses. In this regard, a respondent opined that *'I do a lot of favours for my customers and advertised myself in the process'*.

Similarly, the belief of another respondent was that because *'I respect my clients and make sure that my staff does the same'*, it has enhanced their coping ability. Similar thoughts by other respondents with regard to what could have enhanced their coping ability include the following: *'I wake up earlier to be able to open my shop for my clients'*, *'I treat my customers very well and I buy them gifts at the end of the year'*; *'I monitor people that I work with and see how they communicate with customers'* and *'I try to have varieties of products that customers need'*.

As expected, some of the respondents cited different bootstrapping methods that aided them in coping with their business, e.g. sharing offices, living in the same room with two or more people, residing in the shop, neighbours helping to sell your goods while you are not in your shop, eating once a day. Since the bootstrapping variable was part of the questionnaire items, the researcher did not see any need to elaborate on it.

Another variable highlighted by some of the respondents as an enabler towards their coping ability was good treatment of employees. The following are opinions of respondent with regard to coping: *'I coped by teaching my employee how to treat my customers and paying salaries on time'*; *'I coped by treating my employees with love and care'*; *'Being nice to my workers'*; *'Hiring experienced workers improved my business a lot'* and *'Treating workers nicely and paying them early'*.

## 5.9 CHAPTER SUMMARY

Chapter 5 presented the findings and used different tests to establish if relationships exist between the study variables. This chapter first presented a sample profile that showed the demographic characteristics of the respondents and the business make-up of the study.

The chapter carried out case screening that helped to identify unresponsive respondents for possible exclusion from the study. However, the results showed no missing values and as such all data were included for further analysis. The chapter also conducted a confirmatory factor analysis and in the process assessed the reliability and validity of the scale measures and the hypothesised measurement model. The initial model was found to be unfit and after adjustment a fit model that met the overall model fit statistics achieving the recommended minimum threshold values was realised.

Descriptive statistics (means and standard deviations) for the various scale measures were presented along with summary statistics for the total sample and selected entrepreneurial demographic characteristics (gender, age and level of formal education) and business-related factors (country, industry and years in operation). The results obtained from t-tests and ANOVA are reported – this helped to identify statistical significant group differences.

The chapter also presented results of the bivariate correlations (Pearson product-moment correlations) undertaken for the study's variables of interest. Beyond this, the results of the multivariate analysis in the form of a regression analysis were provided. The analysis was used to assess whether the independent variables bore any statistical significance with the coping ability of African immigrant entrepreneurs (dependent variable) as measured by increase in employment. The chapter also discussed the general comments made by the respondents on other variables that may have played a role in their ability to

cope, which may have been missed during the design of the questionnaire. The results of the study were also integrated with the literature.

The next chapter will cover the conclusion of this study.

## CHAPTER 6

### CONCLUSION

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#### 6.1 INTRODUCTION

The previous chapter presented the results of the data analysis and a discussion of the results. This chapter serves as the ultimate chapter of the study and therefore provides its conclusion.

While research in the area of immigrant entrepreneurship appears to be growing, not much has been done to understand factors that enable African immigrants to cope with their businesses, especially within the Southern African region. This study therefore explores this area and presents a framework of factors that African immigrants typically rely upon to cope with their business within the SADC region. This thesis is made up of six chapters as shown in Figure 6.1

Chapter 1 deals with the introduction of the study highlighting the research problems, the research questions, objectives and the hypotheses. It concludes with the outline and structure of the whole study. Chapters 2 and 3 deal with the literature review. While Chapter 2 is on entrepreneurship and small business development, Chapter 3 focuses on immigrant entrepreneurship. Chapter 4 covers the research methodology, Chapter 5 discusses the research result and findings and Chapter 6 presents the conclusion of the study.



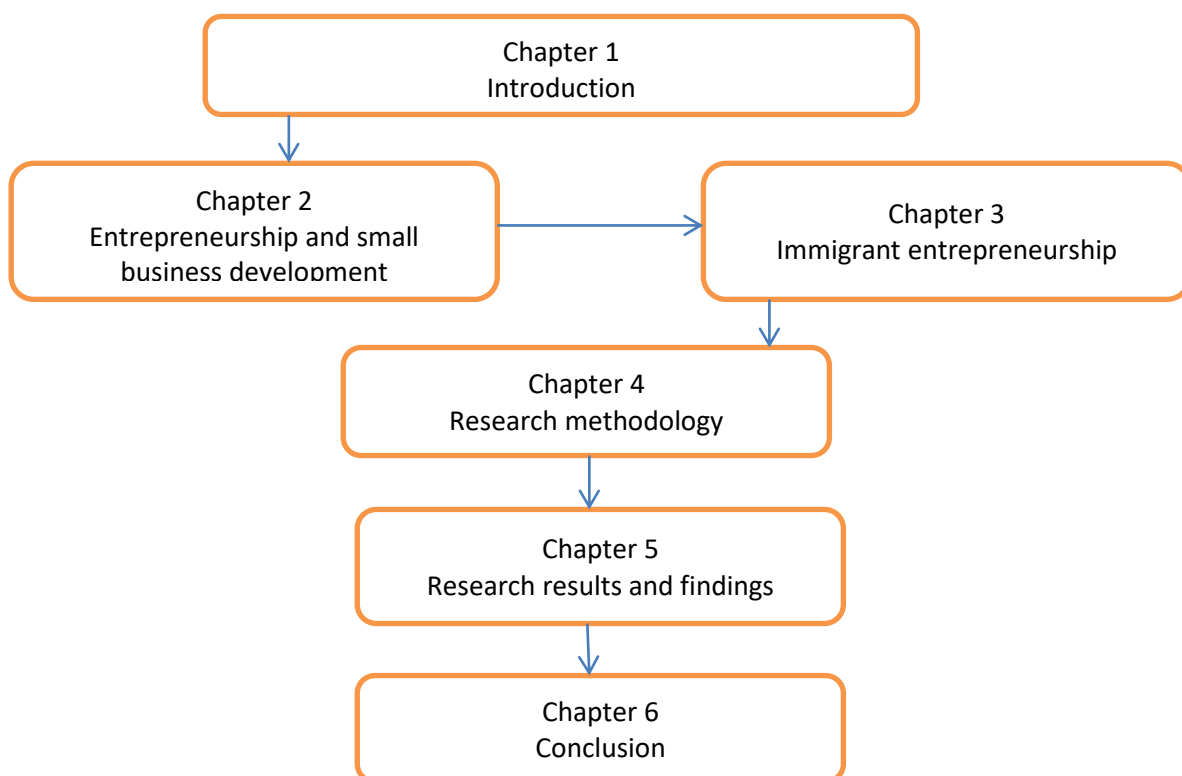


Figure 6.1: Thesis structure

## 6.2 OVERVIEW OF LITERATURE STUDY

The literature reviews were essentially covered in chapters 2 and 3, though some aspects were also contained in Chapter 1. Exploratory research was carried out that helped to provide ideas of logical expectations in terms of the research hypotheses. The questions designed for the research instrument were informed by extant literature. The following is a short overview of the chapters.

The literature began by providing a background to the study. It highlighted the importance of immigrants to economic growth and innovation in a country. This is partly why different countries have developed special visas to attract the right immigrants to their economy. It also asserts that immigrants have a special ability to identify foreign markets that can become trading partners with the immigrants' host country. Such markets can be the migrants' home country, but

can also in reality, include countries that are culturally very similar to the migrants' home countries. There is evidence also to show that entrepreneurship is a major tool for an immigrant's economic and social integration in any society (Serrie, 1998:213).

Chapter 1 discusses the effects of immigrant entrepreneurship in the United States of America, Australia and South Africa. The research problem, questions and hypotheses guiding this research are introduced next. This is followed by stating the significance and limitations of this study. The chapter also covers the definition of terms used in this study.

Chapter 2 focuses on the subject of entrepreneurship and small businesses. The literature defines entrepreneurship and elaborates on the historical development and theories surrounding the subject of entrepreneurship. In the process, the literature highlights some of the major contributors to the advancement of entrepreneurship theory. Chapter 2 also looks at the background, personality characteristics and motivation factors of entrepreneurs.

The literature next looks at the entrepreneurial process and shows that according to different authors, the entrepreneurial process could comprise between two and five stages. However, this study elaborates on the four-stage process propounded by Hisrich and Peters (2002:40), which includes identification and evaluation of the opportunity, development of a business plan, determination of the resources requirement and management of the enterprise.

The literature in Chapter 2 also covers a world historical view of the development of small businesses and the contributory role they play in the economies of different countries. Demishkevich (2015:13) argues that small businesses play an important part in the economic well-being of all countries and serve as the major drivers of employment creation, income generation, and poverty reduction. The literature review dovetails into the small- and medium-enterprise sector in the Southern African region. In the process, matters related

to the classification, definition and categories of small and medium enterprises in Swaziland, South Africa and Mozambique are discussed. Finally, the reasons for success and failure of small and medium enterprises, as advanced in literature, is explored.

The literature review in Chapter 3 covers the spine of this study, which is immigrant entrepreneurship. It starts by defining migration and further discusses migration into the Southern African region. The third chapter of the study explains the theoretical foundation underpinning this study and highlights three types of capital that could play a vital role in the ability of immigrant entrepreneurs to cope with their businesses.

The three types of capital that are identified are Human, Economic and Social capital. The capital constructs provides the premise upon which the study's research hypotheses were formulated. The chapter concludes with the presentation of a conceptual framework and model that practically depicts the study's hypotheses. The conceptual framework and model highlights the variables that the study projects will aid the coping ability of immigrant entrepreneurs.

### **6.3 OVERVIEW OF DESCRIPTIVE STATISTICS**

This is a cross-sectional, ex post facto, formal empirical study. It involved 829 respondents across three countries – South Africa, Swaziland and Mozambique. The instrument for gathering data was a questionnaire. The descriptive statistics profile analysis was divided into personal and business demographic profiles.

### 6.3.1 Summary of personal demographic profile

The personal demographic profile covered gender, grouped age and level of education. As shown in Table 6.1, results show that there were 520 male respondents and 309 female respondents across countries, indicating a higher percentage of male gender in the population of the study. There were four group age categories, which are 18-29, 30-39, 40-49 and 50 and above. There were 400 respondents from the 30-39 group age categories indicating that a greater number of immigrant entrepreneurs that responded to this study are in that age bracket. The respondents' level of education revealed that only 5.7% of the immigrant entrepreneurs have postgraduate degrees, while the majority at 257 (31%) finished secondary school.

Table 6.1: Personal demographic profile

Personal demographic	
Gender	A total sample of 829 responded to the study. There were 520 (62.7%) males and 309 (37.3%) females. There were 313 respondents from South Africa and 55% of them were males, while 45% were females. The same trend was evident in Swaziland where 218 respondents participated in the study – 55% were males and 45% were females. In Mozambique 298 respondents participated and while 76.5% were males, only 23.5% were females.
Grouped age	The respondents were categorised into four age groups: 18-29, 30-39, 40-49

	<p>and 50+. Out of the total sample of 829, 191 (23%) were in the age group of 18-29; 400 (49.3%) were in the group age of 30-39; and 197 (23.8%) of the total respondents fall within the age group of 40-49, while only 41 (4.9%) were 50 and above.</p>
<p>Level of education</p>	<p>The level of education profile revealed that 87 (10.5%) of the 829 total respondents had some schooling. 257 (31%) of them completed secondary school, 129 (15.6%) of them have a vocational diploma, 69 (8.3%) of them have vocational certificates, 43 (5.2%) have certificates that qualify them as artisans, 197 (23.8%) of them have degrees, while 47 (5.7%) of them have postgraduate degrees.</p>

### 6.3.2. Summary of business demographic profile

The business demographic profile is made up of types of industry, number of years in business operation, number of workers employed (at start and currently) and the monthly business turnover. As presented in Table 6.2 data revealed that the largest number (350) of immigrant entrepreneurs that responded to this study operates in the retail industry. However, 67% of immigrant businesses across countries are yet to be established. A total of 426 immigrant business stated their business with one worker while 225 (27.1%) of the whole business across countries currently employ 2 workers.

Table 6.2: Business demographic profile

<b>Business demographic profile</b>	
Industry	93 (11.2%) of the total respondents operate in the manufacturing industry, 386 (46.6%) belong to the service industry, while 350 (42.2%) operate in the retail industry.
Years in operation	425 (51.3%) of the total respondents have businesses that have been in existence for less than four years, while 404 (48.7%) have businesses that have been operational for more than four years. 67% of the businesses that are yet to be established are in the manufacturing industry, while 54% of those that are established operate in the retail industry.
Workforce at start-up	The workforce at start-up is grouped into four as follows: 1, 2, 3-4 and 5+ worker groups. 426 (51.4%) started their business operation with one worker, 243 (29.3%) started with two workers, 111 (13.4%) started with three to four workers and 49 (5.9%) started with five or more workers.
Current size of workforce	The current size of workforce is also grouped into four as follows: 1, 2, 3-4 and 5+. 225 (27.1%) of the total

	respondents currently employ one worker, 226 (27.3%) currently employ two workers, 199 (24%) currently employ three to four workers while 179 (21.6%) currently employ five or more workers.
Monthly business turnover	The categories for monthly business turnover are as follows: <R8 000, R8 001- R25 000, R25 001-R75 000 and R7 5001+. 231 (27.9%) of the total respondents made monthly turnover of <R8 000, 383 (46.2%) made monthly turnover ranging from R8 001 to R25 000. The monthly turnover of 155 (18.7%) of all respondents ranged from R25 001 – R75 000, while that of 60 (7.2%) was R75 000 and above.

## **6.4 CONCEPTUAL FRAMEWORK AND RESEARCH OBJECTIVES REVISITED**

After the analysis, it has become important to revisit the conceptual framework and research objectives proposed for this study.

### **6.4.1 Conceptual coping cube and framework**

The initial coping cube and framework proposed for this study are represented in Figures 6.2 and 6.3.

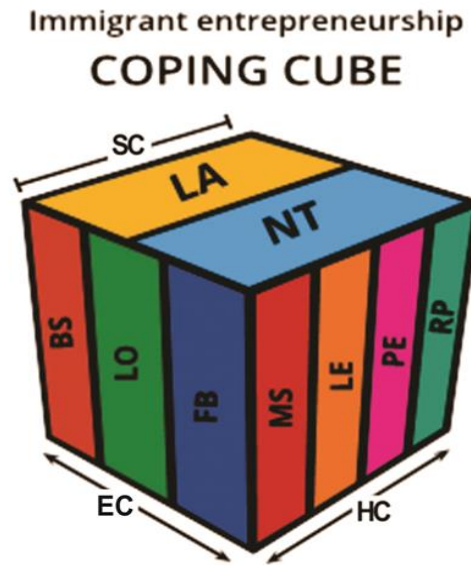


Figure 6.2: Initial conceptual coping cube for African immigrant entrepreneurs

Bourdieu (1986) identified three fundamental forms of capital that enable economic activity to include human, economic and social capital. In contrast to this position, the conceptual coping cube shown in Figure 6.2 has three sides, covering all constructs and variables that guided this study. The items that are also depicted in Figure 6.3 for easier identification and understanding include the human capital (HC) construct shown on one side and is made up of managerial skills (MS), level of education (LE), previous experience (PE) and risk-taking propensity (PR). The second side constitutes the economic capital (EC) construct, which includes business services (BS), location (LO) and financial bootstrapping (FB). The third side shows the social capital (SC) construct made up of language (LA) and networking (NT).

Human capital is believed to be one of the main enablers of entrepreneurial success, as it helps to increase the entrepreneur's ability to perform entrepreneurial tasks, discover and take advantage of business opportunities (Shane & Venkataraman, 2000:222). Santarelli and Tran (2013:436) believe that



human capital helps owners to plan for future goals and acquire other resources such as financial and physical capital.

Davidsson and Honig (2003:306) insist that human capital is not only the result of formal education, it also includes experience and practical learning that takes place on the job, as well as non-formal education. They also suggest that previous knowledge plays a critical role in intellectual performance. Davidsson and Honig (2003:309) state that social capital is influential in the discovery of networks and network relationships and from an entrepreneurial perspective, social capital provides networks that facilitate the discovery of opportunities.

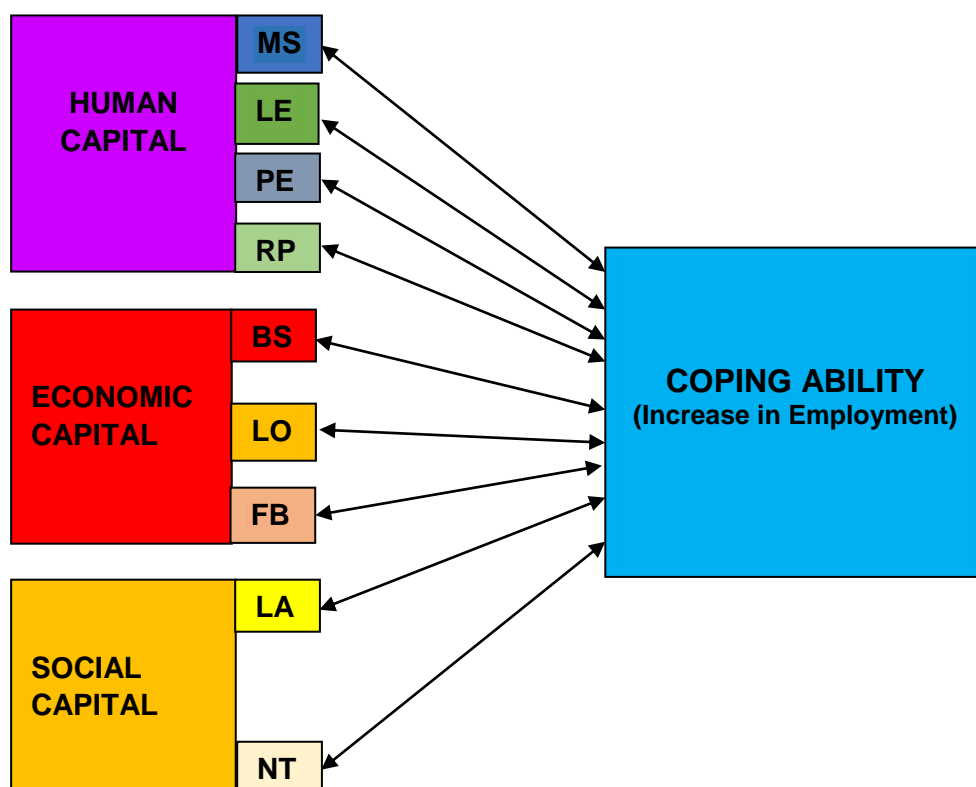


Figure 6.3: Initial conceptual framework for African immigrant entrepreneurs

A look at the submissions of different authors led this study to estimate that the human, economic and social capital construct shown in Figures 6.2 and 6.3 play a role in the small business terrain in which immigrant entrepreneurs operate. Therefore, the variables that constitute the constructs that are also shown in Figures 6.2 and 6.3 are believed to be the specific underlying factors that lend

themselves to the ability of the immigrant entrepreneurs to cope with their businesses.

#### **6.4.2 Research objectives revisited**

The study sought to answer the following research questions

- How would human capital variables relate to the coping ability of African immigrant entrepreneurs in Southern Africa
- To what extent would economic capital components aid the coping ability of African immigrant entrepreneurs in Southern Africa
- How would the variables of the social capital construct aid the coping ability of African immigrant entrepreneurs in Southern Africa

Study objectives essentially express what the research sets out to achieve. This study's objectives align with its research questions that have the intention to unveil some of the factors that lend themselves to the coping ability of African immigrant-entrepreneurs in the Southern African region. To a large extent, the realisation of the objectives is indicative of the fact that the underlying intention of the study has been satisfied.

##### **6.4.2.1 Objective 1**

- Identify the specific Human capital factors that are associated with the coping ability of African immigrant entrepreneurs.

The empirical study asked the immigrant entrepreneurs to rate the importance of each of a set of factors (MS, LE, PE and RP) that make up the human capital construct and how they aid them in their ability to cope with their business. Questions 2.1 to 2.20 in the research instrument were created to address Objective 1.

A confirmatory factor analysis, however, discountenanced some of the questions due to their low factor loadings. Questions Q2.1, Q2.4, Q2.9 and Q2.17, which recorded factor loadings below 0.5, were eliminated for purposes of further statistical analysis. Table 6.3 shows the questionnaire items retained for the HC construct and the variables that are measured by each question.

Table 6.3: Human Capital (HC) construct variables and questionnaire items

<b>CONSRUCT</b>	<b>INDEPENDENT VARIABLES</b>	<b>QUESTIONS</b>
<b>Human Capital (HC)</b>	<b>MS</b> Managerial Skill	2.2, 2.3, 2.5, 2.6
	<b>LE</b> Level of Education	2.7, 2.8, 2.10, 2.11
	<b>PE</b> Previous Experience	2.12, 2.13, 2.14, 2.15, 2.16
	<b>RP</b> Risk-taking Propensity	2.18, 2.19, 2.20
<b>DEPENDENT VARIABLE</b>		
<b>Coping Ability (CA)</b> (increase in employment)		

After meeting the minimum requirement thresholds, the data was subjected to further analysis to establish the existence or otherwise of a statistically significant relationship between the variables of MS, LE, PE and RP and coping ability (CA) of immigrant entrepreneurs. This study used the ANOVA test and bivariate analysis to explore these relationships.

The ANOVA test was used to compare the mean scores obtained for variables in the Human Capital construct for respondents across industry and country. The mean scores for managerial skills for country and industry ranged from 3.93 to 4.33. This indicated that immigrant entrepreneurs agree that managerial skills contribute positively to their ability to cope with their business.

Bivariate analysis further showed that there is a statistically significant relationship between both managerial skills and level of education with an increase in employment, which served as a measure of coping ability. The p-values reported for both MS and LE were 0.000. There were no statistically significant relationships for the variables of previous experience (PE) and risk-

taking propensity (RP) with coping ability. The p-values reported for PE was 0.637 and for RP, 0.166.

The result of the bivariate analysis was supported by the multi-regression analysis that also showed the existence of a statistically significant relationship between the HC variables of MS ( $r = 0.52$ ,  $p = 0.022$ ), LE ( $r = 0.54$ ,  $p = 0.000$ ) and increase in employment, which is a proxy measure for coping ability (CA). The result therefore affirms the study's Hypothesis H1, which states that: *there is a relationship between managerial skills and the ability of African immigrant entrepreneurs to cope with their businesses* and Hypothesis H2 that states that: *there is a relationship between the level of education of African immigrant entrepreneurs and their ability to cope with their businesses*.

Managerial skills are a set of knowledge, skills, behaviours and attitudes that contribute to personal effectiveness (Smith & Kruger, 2008:124). In other words, managerial skill does not only refer to the business operation, but also to attitudes and behaviour of the individual operating the business.

Chrysostome (2010:146) argues that education helps the immigrant entrepreneur to understand the challenges faced in the host country and the best approaches for tackling them. This means that an understanding of the challenges faced by a host country could unlock business opportunities. Most immigrants do not have access to the employment market of host countries, even when they are qualified. This therefore causes them to turn to entrepreneurship. In doing so, it is logical to expect that they would deploy their arsenal of tools, including their education, to amongst others access better deals with customers and suppliers. This invariably highlights the essential role of education in enabling better prosecution of the business, thereby reflecting an ability to cope.

The results also showed no statistically significant relationship between both PE ( $r = -0.30$ ,  $p = 0.075$ ) and RP ( $r = 0.07$ ,  $p = 0.715$ ) with CA. The findings of this

study in this respect were not in agreement with hypotheses H3 and H4 and as such the Ha 3 and Ha 4 hypotheses were rejected. This is shown in Table 6.4.

Table 6.4: Decisions made for HC construct hypotheses

<b>HYPOTHESES</b>		<b>RESULTS</b>
H1	There is a relationship between business managerial skills and the ability of African immigrant entrepreneurs to cope with their businesses.	The result shows a statistically significant correlation between managerial skills and coping ability. P = 0.022. H1 is accepted.
H2	There is a relationship between level of education of African immigrant entrepreneurs and their ability to cope with their businesses.	There is a statistically significant correlation between level of education and coping ability. P = 0.000. H2 is accepted.
H3	There is an association between previous experience of African immigrant entrepreneurs and their ability to cope with their businesses.	No statistically significant correlation. P = 0.075. H3 is rejected.
H4	There is an association between risk-taking propensity of African immigrant entrepreneurs and their ability to cope with their businesses.	No statistically significant correlation. P = 0.715. H4 is rejected.

In the light of the findings, it became important to revisit the conceptual framework to show the variables that were supported by the analysis. The new conceptual framework representing the HC construct is shown in Figure 6.4.

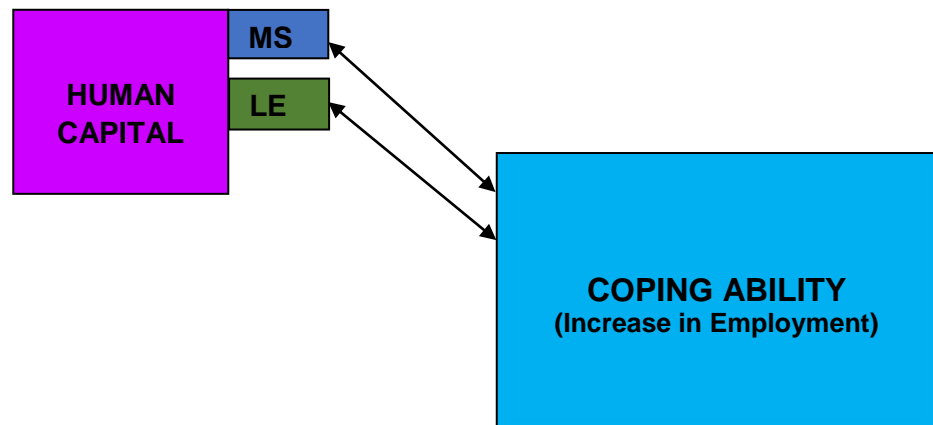


Figure 6.4: HC construct portion for the final conceptual framework

A study by Fatoki and Patswawairi (2012) on immigrant entrepreneurs in South Africa found that a lack of managerial skills is one of the barriers to the performance of immigrant entrepreneurs. This thought resonates with the finding of this study that asserts that African immigrant entrepreneurs perceive managerial skills to be instrumental in their ability to cope with their business.

Management typically lends itself to the achievement of objectives of a business through the use of human and other resources. To this end, it would seem logical to appreciate the usefulness of managerial skills. Fundamentally, these include the skills of planning, organising, controlling and directing. The ability of immigrant entrepreneurs to use all or a combination of these managerial skills will no doubt give immigrants a competitive advantage over their contemporaries.

The planning skill for instance will help the immigrant entrepreneur to forecast better and develop the ability to create better courses of action to follow. The organising skill will help him/her to arrange proper and more effective ways of

carrying out the work in the business. Leadership skills are unarguably useful for relating with others and possibly inspiring higher employee contribution in the business, while control skills enable the tracking and remedying (where necessary) of performance in a bid to actualise pre-set objectives. It is therefore rational to see, based upon the findings of the study, that immigrant entrepreneurs with an increase in employment figures appear to perceive managerial skills as instrumental to their coping ability. In other words, these managerial skills may play a partial role in the ability of immigrant entrepreneurs to hold onto their workers or even employ more.

A study by Habiyakere, Owusu, Mbare and Landy (2009:65) on African immigrants in Finland finds that the level of education of African immigrants does not play a significant role in the success of immigrant businesses. This finding is rather curious as the results of the current study point to the fact that the level of education of African immigrant entrepreneurs plays a significant role in their ability to cope with their businesses. In the SADC region, the seeming competitive advantage derived by immigrant entrepreneurs from their level of education may be because they operate in the lower-end or bottom-of-the-pyramid markets where their local counterparts are often less educated.

With reference to a developed country like Finland where the extent of education, in comparison to that in Africa, is arguably higher, African immigrant entrepreneurs will be faced with competition from locals who may even have higher education than they do. This may well be the background against which the results from Finland become rational, as the competitive edge that could have been derived from higher education levels becomes eroded.

The position of this study is that a higher level of education helps the immigrant entrepreneur grapple and articulate situations better than those with lower levels of education. A higher level of education enhances the decision-making ability of the immigrant entrepreneur due to exposure garnered in the cause of acquiring the education. Clearly, it would be easier for someone with a higher level of

education to deal with business correspondence or financial records. Indeed, he/she would also have the confidence to meet prospective clients and suppliers as well as deal with the bank and other funding agencies. A higher level of education provides the knowledge base and the analytical and problem-solving skill that the immigrant entrepreneur requires in the cause of doing business.

The immigrant entrepreneur with a higher level of education is able to deal with business documentations faster without recourse to a third party. This also helps to save time and to keep business dealings as confidential as required. The ability of the immigrant entrepreneur to correspond directly with business partners also saves costs as the employment of a third party to deal with business correspondence would have been eliminated. This cost saving translates to an advantage for any new business, especially an immigrant one.

Against this backdrop, the study's finding that level of education is associated with the coping ability of immigrant entrepreneurs in the SADC region appears rational. Furthermore, given that immigrants tend to operate in business sectors that do not ordinarily require high levels of education, their application of superior knowledge and thinking earns them some advantage that enables them to cope well with their businesses.

Objective 1 was aligned with the first research question that sought to ascertain the human capital variables that are related to the ability of African immigrant entrepreneurs to cope with their businesses. The analysis and findings show that managerial skills (MS) and level of education (LE) rather than risk-taking propensity (RP) and previous education (PE) bore a significant association with immigrant entrepreneurs' ability to cope with their businesses. This means that the answer to Research question 1 has been determined and so the first objective of the study is therefore achieved.



### 6.4.2.2. Objective 2

- Determine the economic capital factors that relate to the coping ability of African immigrant entrepreneurs.

The second objective that was motivated by the study's second research question sought to determine the specific business factors that are associated with the coping ability of immigrant entrepreneurs. The study sought to establish the extent to which respondents adjudged the economic capital variables (BS, LO and FB) to be linked with their ability to cope with their businesses. Responses in this regard were gathered with questions 3.1 to 3.17 in the research instrument.

In the course of statistical analysis, the questionnaire items that had factor loadings less than 0.05 were eliminated from further analysis. As shown in Table 6.5, it was the case with questions Q3.4, Q3.5, Q3.6, Q3.9, Q3.10, Q3.11, Q3.12, Q3.14, Q3.15.

Table 6.5: Economic Capital (EC) construct variables and questionnaire items

<b>CONSTRUCT</b>	<b>INDEPENDENT VARIABLES</b>	<b>QUESTIONS</b>
<b>Economic Capital (EC)</b>	<b>BS</b> Business Services	3.1, 3.2, 3.3
	<b>LO</b> Location	3.7, 3.8,
	<b>FB</b> Financial Bootstrapping	3.13, 3.16, 3.17
<b>DEPENDENT VARIABLE</b>		
<b>Coping Ability (CA)</b> (increase in employment)		

Different types of analysis were carried out to interrogate the variables of the economic capital constructs (BS, BL and FB) and any possible relationship they may have with the dependent variable of the coping ability (CA) of immigrant entrepreneurs as determined by the proxy measure of increase in employment.

The ANOVA test was used to compare the mean scores of the economic capital construct variables across industry and country. The specific industry mean score for business service (BS) was in the range of 3.59 to 4.08, indicating that immigrant entrepreneurs agree that BS lends itself towards their ability to cope with their business. Across the countries, the BS means for South Africa, Swaziland and Mozambique were 3.54, 4.24 and 3.43 respectively, which tends to affirm that BS is considered as useful for the purpose of coping, since all the means were above the mid mark of 3.

The bivariate test for the EC construct variables shows that a statistically significant relationship exists between BS and increase in employment as it reported a p-value of 0.000. In essence, immigrant entrepreneurs with high BS scores also experienced an increase in employment. Conversely, there were no statistically significant relationships between LO or FB and coping ability, given the respective p-values of 0.385 and 0.253 obtained when possible relationships were examined.

The regression analysis revealed that no statistically significant relationship exists between either BL ( $r = -0.14$ ,  $p = 0.231$ ) or FB ( $r = 0.06$ ,  $p = 0.787$ ) and coping ability. Therefore, the hypotheses H6 and H7 were rejected. However, results showed the existence of a statistically significant relationship between the EC variable of BS ( $r = 0.31$ ,  $p = 0.012$ ) and coping ability (CA). This result of the regression analysis is in agreement with the position of this study that stated in hypothesis H5 that *there is an association between business services and the ability of African immigrant entrepreneurs to cope with their businesses*. The finding of the regression analysis therefore validates the hypothesis, as shown in Table 6.6, and so H5 is accepted.

Business services include a wide range of non-financial services like business training, consultancy, mentoring, counselling and information services. These services are provided by government agencies or NGOs, often for free. The immigrant entrepreneur who can access them can utilise the assistance to

support his/her business, thereby making it easier to cope with the business. This could be because such services can enable the making of better decisions, in addition to providing invaluable exposure to other players in the SMME environment that might help the immigrant entrepreneur.

Table 6.6: Decisions made for EC construct hypotheses

<b>HYPOTHESES</b>		<b>RESULTS</b>
H5	There is an association between business services and the ability of African immigrant entrepreneurs to cope with their businesses.	There is a statistically significant correlation between business services and coping P = 0.012. H5 is accepted.
H6	There is an association between location and the capacity of African immigrant entrepreneurs to cope with their businesses.	No statistically significant correlation. P = 0.231. H6 is rejected.
H7	There is a relationship between financial bootstrapping and the ability of African immigrant entrepreneurs to cope with their businesses.	No statistically significant correlation. P = 0.787. H7 is rejected.

The conceptual framework was represented to reflect the variables supported by the analysis. The new conceptual framework as it pertains to the EC construct is shown in Figure 6.5.

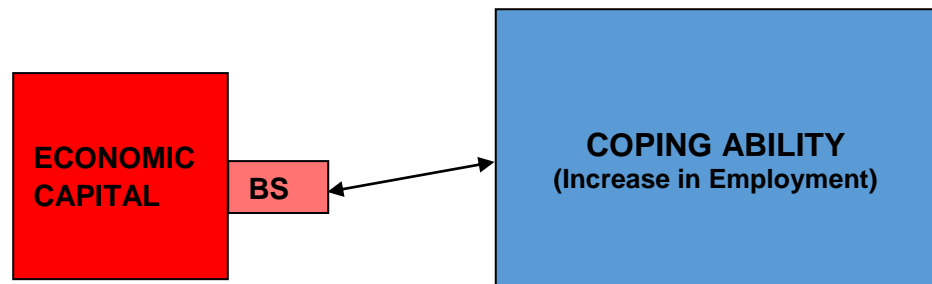


Figure 6.5: EC construct portion for the final conceptual framework

A study undertaken in Bangladesh by Islam (2013) found that business services have a significant positive impact on the growth of small businesses. This view support the finding of this study as results indicate that immigrant entrepreneurs agree that business services play a role in their ability to cope with their businesses.

It would be logical to project that access to business services would enable the immigrant entrepreneur to better cope with the business he/she owns. For the immigrant entrepreneur, such services constitute a physical or virtual hub to seek advice on issues that are problematic. In cases where the advice or assonance received enables the resolution of thorny issues, immigrant entrepreneurs are likely to be better positioned to cope with their businesses. A fitting analogy may be the case of someone who visits a hospital when sick and gets some reprieve. Such an individual is likely to cope better with life in comparison to another who is sick, but cannot access the hospitals.

Furthermore, business services constitute conduits through which small business meet suppliers and contemporaries that often have useful experiences to share with new immigrant entrepreneurs that would equip them to cope better with their businesses. In addition, immigrant entrepreneurs through some of these business services may become aware of business opportunities. Immigrant entrepreneurs who take advantage of these opportunities could embody a higher propensity to keep afloat and cope with their business. Some

of these thoughts may have matured the perception of immigrant entrepreneurs who believe that business services actually aid coping ability.

Objective 2 was related to the second research question and it sought to determine the economic capital variables that contribute to the coping ability of immigrant entrepreneurs. The findings show that business services (BS) rather than location (LO) and financial bootstrapping (FB) is the only variable that is significantly associated with immigrant entrepreneurs' ability to cope with their businesses. This result therefore indicates that the answer to research question 2 has been determined and so the second objective has been achieved.

#### 6.4.2.3. Objective 3

- Ascertain the social capital factors that coincide with the coping ability of African immigrant entrepreneurs.

The third objective responds to the third research question. Its aim was to ascertain the specific social factors that coincide with immigrant entrepreneurs' ability to cope with their businesses, and this was achieved. Questions 4.1 to 4.15 were designed to elicit information from the respondents with respect to how the social capital variables (LA and NT) were related to coping ability.

Table 6.7: Social Capital (SC) construct variables and questionnaire items

CONSTRUCT	INDEPENDENT VARIABLES	QUESTIONS
Social Capital (SC)	LA Language	4.1, 4.2, 4.3, 4.5
	NT Networking	4.12, 4.13, 4.14, 4.15
<b>DEPENDENT VARIABLE</b>		
Coping Ability (CA) (increase in employment)		

As a precursor to further statistical analysis, it became important to revisit the measurement scale. The effort culminated in the elimination of some

questionnaire items that had low factor loadings. The questionnaire items that reported factor loadings lower than 0.5 are Q4.4, Q4.6, Q4.7, Q4.8, Q4.9, Q4.10 and Q4.11. As shown in Table 6.7, they were therefore, excluded from further statistical analysis

To determine the existence or otherwise of statistically significant relationships between the variables of the social capital constructs (LA and NT) and dependent variable of coping ability (CA) of immigrant entrepreneurs, different statistical tests were used. The tests included ANOVA, bivariate and regression analysis.

The ANOVA test was used to compare the mean scores of the social capital construct variables across industry and country. The specific industry and country mean scores for language (LA) and networking (NT) ranged from 3.87 to 4.35, indicating that immigrant entrepreneurs agree that LA and NT play a contributory role in their ability to cope with their businesses. The results invariably suggest that immigrant entrepreneurs across industry and country view the variables in the social capital construct as important for their coping ability.

Results of bivariate analysis showed that no statistically significant associations exist between variables of the social capital construct and coping ability. The regression analysis, however, returned different results as it shows that LA ( $r = -0.47$ ,  $p = 0.015$ ) has a statistically significant relationship with coping ability (CA). This finding is in line with Hypothesis H8 that states that *there is a relationship between local language proficiency and the ability of African immigrant entrepreneurs to cope with their businesses*. To this effect, Hypothesis H8 is therefore accepted. As shown in Table 6.8, the results also revealed that no statistically significant relationship exists between NT ( $r = 0.22$ ,  $p = 0.379$ ) and CA and as such Hypothesis H9 is rejected.

Table 6.8: Decisions made for SC construct hypotheses

HYPOTHESES		RESULTS
H8	There is a relationship between local language proficiency and the ability of African immigrant entrepreneurs to cope with their businesses.	There is a statistically significant correlation between language proficiency and coping. P = 0.015. H8 is accepted.
H9	There is a relationship between networking and the ability of African immigrant entrepreneurs to cope with their businesses.	No statistically significant correlation. P = 0.379. H9 is rejected.

The study findings prompted a revisit to the social capital portion of the original conceptual framework in order to bring the framework in line with the new findings. The results show that LA is the only variable in the social capital construct that lends itself to the coping ability of immigrant entrepreneurs. This therefore eliminates NT from the final conceptual framework, as shown in Figure 6.6.

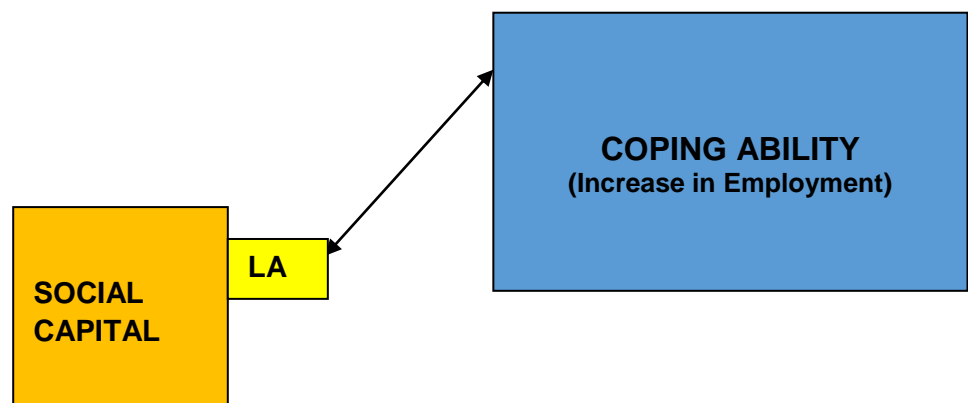


Figure 6.6: SC construct portion for the final conceptual framework

A similar study on immigrant entrepreneurs in Spain by Rueda-Armengot and Peris-Ortiz (2012) found a significant relationship between language proficiency and the competitive strategy adopted by immigrant entrepreneurs. The study stated that immigrant entrepreneurs tend to focus more on customer care when they have sound knowledge of the Spanish language, but adopt a lower-pricing approach when their ability to communicate in Spanish is limited. These findings resonate with those of the current study as results show that the studied African immigrants in the Southern African region recognise the role played by understanding and speaking a local language in their coping ability.

In the business world, communication is important to the success of any business. In the SADC region, different languages apart from the official languages are spoken. For an immigrant entrepreneur operating in Mozambique, the knowledge of the Portuguese language is vital in doing business. However, other local languages are commonly used, especially if the immigrant business is situated in a location where a particular local language is predominant.

In Swaziland, the knowledge of SiSwati, the local language, is vital for immigrants as it is the language spoken by the majority of Swazis. A knowledge of the local language helps to endear the immigrant to the customers as it is easier to deal with someone who speaks your language. Moreover, speaking a local language will also aid the immigrants' assimilation of the culture and way of life of the host community. This usually helps the immigrant entrepreneur to forge better relationships that translate into increased business patronage, amongst others.

In addition, when people speak the same language, business disputes can easily be settled. Such disputes can however, escalate beyond settlement in the face of communication difficulties created by language disparities. The recourse of some immigrant entrepreneurs is often to employ someone who can speak a local language. While this eases the language tension, it inevitably adds to the



cost of running the business as the additional employee increases the wage bill and the overall cost of business operations. In the very competitive environment in which most immigrant businesses operate, where profit margins are relatively slim, increases in cost can have severe consequences for the business. It is against this background that the association of local language proficiency to the coping ability of immigrant entrepreneurs appears rational.

Objective 3, which is aligned to research question 3, sought to determine social capital variables that contribute to the coping ability of African immigrant entrepreneurs. The findings show that LA rather than NT is the only variable that showed a significant relationship with the coping ability of African immigrant entrepreneurs. This result therefore means that the answer to research question 3 has been determined and so the third research objective has been achieved.

## **6.5 FINAL CONCEPTUAL COPING CUBE AND FRAMEWORK**

Based on the achievement of the study objectives and the rejection or acceptance of the study hypotheses, changes were made from the initial framework to accommodate the new position of the findings. In the light of this, adjustments were made for the conceptual coping cube and framework. The final conceptual coping cube and framework for immigrant entrepreneurs are shown in Figures 6.7 and 6.8.

The statistical analysis and results clearly returned a slightly different composition of the initially proposed conceptual cube and framework. However, it is worthy to note that all the proposed constructs (HC, EC and SC) have at least one variable in the final coping cube. This implies that these three constructs are indeed important considerations for purposes of developing coping ability on the part of the immigrant entrepreneur.

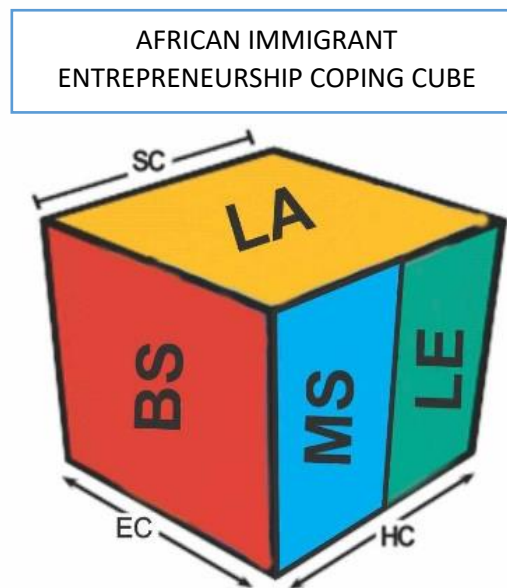


Figure 6.7: The final coping cube model for African immigrant entrepreneurs

The final coping cube and framework indicates that for the human capital (HC) construct, managerial skills (MS) and level of education (LE) variables were retained. Hormiga, Batista-Canino and Sánchez-Medina (2011), find that managerial competencies have a positive influence on the performance of SMEs. An immigrant entrepreneur's managerial capability is critical to the success of his/her business and can create sustained competitive advantage. This view is in line with the finding of this study and justifies the reason behind the agreement by immigrant entrepreneurs that managerial skills are instrumental in their ability to cope with their business.

In another study, Thapa (2008) also found a positive association between education and small business success. In their contribution, Wanigasekara and Surangi (2011:1) insist that most of the researchers have found a strong link between education and business success. This is in agreement with the finding of this study, which shows that education plays a role in aiding immigrant entrepreneurs to cope with their businesses. Simply expressed, a higher level of

education of African immigrant entrepreneurs serves as an advantage when they go into business.

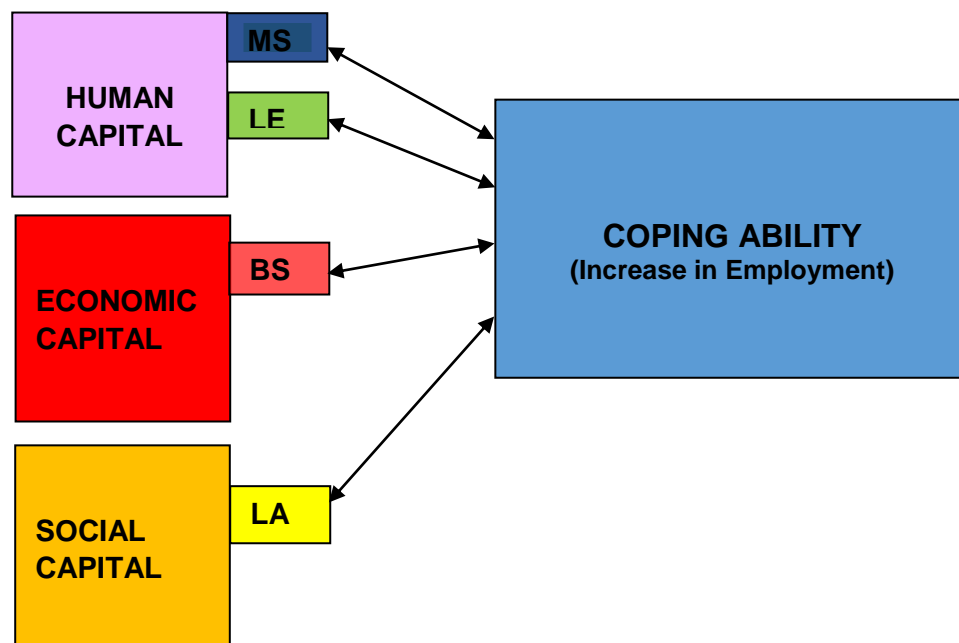


Figure 6.8: The final coping framework for African immigrant entrepreneurs

For the economic capital (EC) construct, the business services (BS), variable was retained. The importance of business services to the immigrant entrepreneur cannot be overemphasised as it acts as a place where they can easily get the required information concerning businesses. Guzy (2006) pointed out that in France, the national agency for enterprise creation found that immigrant entrepreneurs typically start their businesses without prior business advice and training. However, as stated by Desiderio (2014:8), many OECD countries have support programmes that specifically target immigrant entrepreneurs. This scenario in the OECD countries tends to support the findings of this study that show that African immigrant entrepreneurs perceive business services as an enabling factor towards their ability to cope with their businesses.

For the social capital (SC) construct, the language (LA) variable was retained. African immigrants' perception of language as an aiding factor towards their ability to cope with their business is in line with the position of Khosa and Kalitanyi (2014:208) where, they stated that to conduct business in an area, the immigrant should have a good understanding of the language in which business is conducted. This means that the immigrant entrepreneur or someone working for the immigrant should have a good command of the local language. Indeed, speaking the local language enhances communication with customers, employees and suppliers thereby lending itself to better business transactions.

At the beginning of the study, the central problem articulated was that immigrant businesses fail within their second year of operation. The study also identified lack of growth as a major issue facing small businesses including immigrant-owned businesses in the SADC region. Factors like lack of business management skills, lack of proper education, cultural differences, location, lack of business support services and language challenges, were identified as being the main causes of these problems.

Based on the findings of this study therefore, that managerial skills, level of education, business services and language lend themselves to the ability of immigrant entrepreneurs to cope with their business. It is the opinion of this study that if the necessary provisions made to support the development or enhancement of the identified variables, then it will contribute to the amelioration of the problems identified.

## **6.6 CONTRIBUTIONS OF THE STUDY**

The contributions of this study, being a study on the coping mechanism of African immigrant entrepreneurs in the Southern African region, can be viewed from theoretical and practical dimensions.

### **6.6.1 Theoretical contribution**

This study contributes to the body of knowledge in the field of entrepreneurship and adds to the ongoing research about immigrant entrepreneurs. This study's contribution is unique in that it is the first known study that attempted to look at the coping mechanism of immigrant entrepreneurs in the SADC region of an African descent. It is also noteworthy, given that it employed a cross-country survey approach for the gathering of data on African immigrant entrepreneurs and so it was able to provide more insight about selected variables from a country-specific perspective while engendering ease of comparison of aggregate positions across the studied countries in the SADC region.

As part of the study, it was imperative to source and review a substantial amount of extant literature on immigrant entrepreneurship. This consequently enabled an analysis and consequent synthesis of the literature related to immigrant entrepreneurs in Africa and beyond. This study therefore makes a contribution in the field of immigrant entrepreneurship by pooling literature together and making it easy for views, thoughts, positions canvassed by different scholars to be accessed. This outcome can be beneficial to future researchers in the field of immigrant entrepreneurship.

In the academic space, this study has also made a contribution by developing and validating a survey instrument (questionnaire) focused on the constructs of HC, EC and SC that is easily understood by African immigrant entrepreneurs. While this cohort of entrepreneurs was at the heart of the development of the research instrument, its use by other intending researchers in the field of immigrant entrepreneurship is clearly possible. This is especially so as the questionnaire is amenable to adaptation for use in other parts of the African continent and possibly beyond.

It is also relevant to highlight the contribution of the coping cube to the field as the idea of immigrant entrepreneurs getting on with the businesses that they are

involved with has never been conceptualised with a cube. The coping cube presents a simplistic image reflecting different variables on each face and this is likely to appeal to scholars and practitioners alike who are interested in the study area of immigrant entrepreneurship.

The study contributed to current academic discourse by exposing the fact that the coping ability of African immigrant entrepreneurs rests upon the presence of some form of Human capital, Economic capital and Social capital. In a sense, this triangle of capitals correlates with the ability of African immigrant entrepreneurs to cope with their businesses. More specifically, it is the contention and contribution of this study that an association exists between the coping ability of African immigrant entrepreneurs and their levels of managerial skill and education, their utilisation of available business services and their development of communication ability in the pre-eminent language spoken in the locality in which they operate a business.

Finally, contrary to the dominating opinion about the contributions of immigrant entrepreneurship to employment, especially in the SADC region, this study showed that immigrant entrepreneurs actually create employment, as evidenced by the figures for increase in employment found in the data obtained from respondents. This finding possibly challenges the thought that most immigrant entrepreneurs are merely of the survivalist type and therefore do not contribute to local employment.

### **6.6.2 Practical contribution**

The SADC region is a preferred destination for immigrants from other parts of Africa and as such the number of arrivals overwhelms the economic environment of the region. This research therefore has offered a framework specifically pointing out the factors that may help intending immigrant entrepreneurs to cope with their businesses.

Knowledge of the fact that the issues of managerial skills, level of education, business services and local language proficiency are associated with the coping ability of the immigrant entrepreneur could prove invaluable for the performance of the African immigrant entrepreneur. The importance of this is that prospective African immigrant entrepreneurs have to place some premium on managerial skills. The study's respondents recognised this factor of the human capital construct as they agree that managerial skills play a role in their coping ability. Beyond this, the established existent relationship between managerial skills and coping ability emphasises the need for budding immigrant entrepreneurs to invest substantial effort in the acquisition of managerial skills and to deploy them for the benefit of their businesses. This may be achieved through the attendance of training interventions that are created for developing entrepreneurs.

A high level of education has also been shown to be related to coping ability. The relevance of education is reinforced by the fact that descriptive statistics revealed that the respondent population deemed education to be important to coping ability. Education broadens the acumen and equips individuals with the capacity to respond better to situations, guided by their reliance on knowledge acquired over time. The value placed on education in the scheme of African immigrant entrepreneurship, through the findings of this study, has important practical implications for current or future African immigrant entrepreneurs.

Essentially, these entrepreneurs should strive to move up the ladder of education by formal schooling or continuing education courses, when possible. Indeed, policy-makers intent on supporting immigrant entrepreneurship should spare some thought for the creation of mechanisms that incentivise educational development amongst immigrant entrepreneurs in the SADC region.

The study highlighted the relationship between access to business services and coping ability. Such business services help to provide the necessary guidance and support that entrepreneurs require to perform better. African immigrant

entrepreneurs fall within this population, but whether or not they can access these services easily in a foreign country remains a matter of personal conjecture. In recognising the relationship between the use of business services and the coping ability of immigrant entrepreneurs, it is imperative that government establishments like the department of trade and industry pave the route for easier access to such services by immigrants. This is especially an attractive proposal on the back of the acknowledgement of the reality that it lends itself to an increase in employment numbers, as has been shown in this study.

It has also been demonstrated by the findings of this study that local language proficiency bears an association with the coping ability of immigrant entrepreneurs. This means that immigrant entrepreneurs have to kindle a will to learn the local languages in areas where their businesses are located. The central benefit derived is the fact that it eases communication with members of the immigrant entrepreneur's target market, enables the creation of better relationships and deepens the integration of the immigrant entrepreneur with his/her host community.

Furthermore, if the immigrant entrepreneur develops the ability to communicate in the local language, which is also likely to be the common business language in the area, it lends itself to better business performance. Consequently, organisations that are interested in developing immigrant entrepreneurship could create language learning interventions specifically targeting the cohort of immigrant entrepreneurs.

## **6.7 LIMITATIONS OF THE STUDY**

This study aimed to ascertain the factors that aid the coping ability of African immigrant entrepreneurs. However, it is not without its fair share of limitations. Cooper and Schindler (2011:569) pointed out that all research studies have their

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limitations and that it is important that researchers recognise that readers need assistance to enable them to judge a study's validity. Given the nature of this research, the reader should be aware of these limitations.

The study focused only on immigrant entrepreneurs and collected data for a particular period. The cross-sectional survey methodology has inherent weaknesses as any relationships determined can only be correlational (Gurol & Atsan, 2006:35). As different elements can determine the progress of an immigrant entrepreneur over time, it is possible that different results may have been realised with the use of a longitudinal approach that will capture progress over a longer period of time.

This study's research design relies on the perspective of immigrant entrepreneurs, who are the respondents. This may pose a validity problem as the perceptual measure of one's ability to cope through self-evaluation could be inherently biased. In addition, respondents may not be willing to supply researchers with the necessary information needed for objective measures because of their suspicion of academic research and its motives (Miller et al., 2003:215; Rauch & Frese, 2000:15).

The study was also based on a sample drawn up through non-probability techniques. In effect, while the desire may have been to establish the nature of the study variables in the broad African immigrant entrepreneur population in the SADC region, this could not be achieved. It is therefore important to caution that the results of this study, owing to the limitation imposed by the chosen sampling technique, cannot be generalised.

In addition, it would have been better to increase the sample size of the countries involved in this survey, which will help to fully explain the location-specific characteristics of the countries. This was not possible due to time and limited resources. Ideally, this study would have covered every country in the

SADC region, however due to time and resource limitations it became necessary to adjust to what is feasible within the limited resources available.

Some businesses also had a decrease in employment, but may have coped. Since the measure of coping for this study was increase in employment, it became difficult to ascertain how they were able to cope.

## **6.8 RECOMMENDATIONS FOR FUTURE RESEARCH**

The field of entrepreneurship, especially in the Southern African region, is relatively new and has a few scholars that are researching it (Markman & Baron, 2003:287). Therefore, the finding of this study is expected to encourage other researchers to delve into the field of entrepreneurship. As a fallout of the current study, in future, researchers may wish to:

- closely examine specific industries (manufacturing, retail, service etc) with an intent to identify which industry-specific factors aid immigrant entrepreneurs in a particular sector to cope with their businesses;
- consider measuring coping ability of immigrant entrepreneurs from an emotional perspective while investigating its contribution to business performance
- investigate issues such as customer care and relationships with their employees play a part in their ability to cope with their businesses;
- investigate how immigrant entrepreneurs based in other countries in other African regions cope with their businesses; and

- adopt a longitudinal study approach to determine if the coping ability of immigrant entrepreneurs lends itself to better business performance, measured by revenues generated by the businesses.

## **6.9 CHAPTER SUMMARY**

Research on African immigrant entrepreneurship is still very young, especially in the Southern African region. Studies like this one help to understand and appreciate the importance of immigrants in the society. This study highlighted the factors that contribute towards the ability of African immigrant entrepreneurs to cope with their businesses.

The objectives were revisited in this chapter and evidence indicated that the objectives were met. The study hypotheses were also revisited and it was shown that they were either accepted or rejected.

This chapter highlighted the study's contribution to the science of entrepreneurship with the important analysis of how immigrant entrepreneurs cope with their businesses. This chapter showed the final conceptual framework, which is also depicted in a model showing that the vital variables of managerial skills, level of education, business service and language aid the coping ability of immigrant entrepreneurs.

The chapter concludes with a discussion on the limitations that the study faced and recommendations for future research related to this study in the domain of immigrant entrepreneurship, especially in the African context.

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## **Annexure A: Research questionnaire**



**Dept. of Business Management**

Coping mechanism of African immigrant entrepreneurs in the small business sector in Southern Africa

Research conducted by:  
Mr C. K. Okerue (13294611)  
Cell: +278033505354

Dear Participant

You are invited to participate in an academic research study conducted by Chijioke Okerue, Doctoral student from the Department of Business Management at the University of Pretoria.

The purpose of the study is to identify the mechanism employed by African immigrant entrepreneurs in coping with their business in the small business sector in Southern Africa.

Please note the following:

- This is an anonymous study survey as your name will not appear on the questionnaire. The answers you give will be treated as strictly confidential as you cannot be identified in person based on the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 30 minutes of your time.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my study leader, Dr Eresie-Eke, +27124205295, chuks.eresie-eke@up.ac.za, if you have any questions or comments regarding the study.

Please sign the letter to indicate that:

- You have read and understood the information provided above.
- You give your consent to participate in the study on a voluntary basis.

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**Participant's signature**

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**Date**



**RESEARCH QUESTIONNAIRE**

Coping mechanisms of African immigrant entrepreneurs in the small business sector  
in Southern Africa

Please circle (0) where appropriate

**1 DEMOGRAPHICS**

1.1 What is your gender	Male	1	Female	2		
1.2 What is your age?						
1.3 What is your highest level of formal education?	Primary or no schooling	Some secondary schooling	Completed secondary school	Vocational Certificate	Degree	Post Graduate
	1	2	3	Diploma	4	7
				Certificate	5	
				Artisan	6	
1.4 What Industry does your business belong?	manufacturing	1	services	2	retail	3
1.5 Which year was your business started?						
1.6 How many workers did you have when you started your business?						
1.7 How many workers do you have now?						
1.8 How much is your business turnover every month?						

V 1.1	
V 1.2	
V 1.3	
V 1.4	
V 1.5	
V 1.6	
V 1.7	
V 1.8	

**2.HUMAN CAPITAL**

		Strongly disagree 1	Disagree 2	Niether agree nor disagree 3	Agree 4	Strongly agree 5
2.1	Managerial skills training will help a business owner secure assistance from other organisations	1	2	3	4	5
2.2	Training in managerial skills will help a business owner transact better with customers	1	2	3	4	5
2.3	A business owner with managerial skills will attract more customers	1	2	3	4	5

V 2.1	
V 2.2	
V 2.3	

		Strongly disagree 1	Disagree 2	Neither agree nor disagree 3	Agree 4	Strongly agree 5
2.4	The knowledge and use of information technology will help a business owner in business dealings	1	2	3	4	5
2.5	Managerial skills helps to settle business conflicts quickly	1	2	3	4	5
2.6	A business owner with managerial skills will negotiate better terms with suppliers	1	2	3	4	5
2.7	A high level of education of a business owner will help secure business assistance from other organisations	1	2	3	4	5
2.8	A high level of education of a business owner is important to communicate properly with customers and suppliers	1	2	3	4	5
2.9	A business owner needs a high level of education to read and understand business documents	1	2	3	4	5
2.10	A business owner needs a high level of education to understand the business environment better	1	2	3	4	5
2.11	Identifying new business opportunities increases with the level of education of the business owner	1	2	3	4	5
2.12	Previous experience will help a business owner secure business assistance from other organisations	1	2	3	4	5
2.13	A business owner will need previous experience to know the type of business to do	1	2	3	4	5
2.14	Previous experience will assist a business owner in knowing where to get stock	1	2	3	4	5
2.15	Previous experience will assist the business owner to overcome some business challenges	1	2	3	4	5
2.16	Understanding what the customers need is improved with the nature of the business owners previous experience	1	2	3	4	5
2.17	The business owners risk taking ability will help them reflect better on situations through past experiences	1	2	3	4	5
2.18	The business owners risk taking ability will help to explore new business opportunities	1	2	3	4	5
2.19	Risk taking ability will help the business owner see risk taking as a vital part of business	1	2	3	4	5
2.20	Risk taking ability helps the business owner concentrate on making any venture a success	1	2	3	4	5

V 2.4	
V 2.5	
V 2.6	
V 2.7	
V 2.8	
V 2.9	
V 2.10	
V 2.11	
V 2.12	
V 2.13	
V 2.14	
V 2.15	
V 2.16	
V 2.17	
V 2.18	
V 2.19	
V 2.20	

### 3. ECONOMIC CAPITAL

		Strongly disagree 1	Disagree 2	Neither agree nor disagree 3	Agree 4	Strongly agree 5
3.1	Business support groups help business owners get mentorship services	1	2	3	4	5
3.2	Business skills training can easily be accessed through business support groups	1	2	3	4	5
3.3	Business support services assist business owners to access loans from financial institutions	1	2	3	4	5

V 3.1	
V 3.2	
V 3.3	

		Strongly disagree 1	Disagree 2	Neither agree nor disagree 3	Agree 4	Strongly agree 5
3.4	A business owner can learn of new business opportunities from business support groups	1	2	3	4	5
3.5	Business support groups give information about business forums within the area	5	2	3	4	5
3.6	Most business owners share their first business premises	1	2	3	4	5
3.7	It is not necessary to rent business premises	1	2	3	4	5
3.8	Using a free open space can help you save money	1	2	3	4	5
3.9	A good business location does not guarantee success	1	2	3	4	5
3.10	A business owner who uses his house as his shop will do better in business	1	2	3	4	5
3.11	A location will determine if security is necessary for the business	1	2	3	4	5
3.12	Delaying salaries will help the business owner to make more profits	1	2	3	4	5
3.13	Negotiating best payment terms with suppliers helps the business	1	2	3	4	5
3.14	The business owner may delay payment to suppliers to increase working capital	1	2	3	4	5
3.15	To employ relatives/ friends at a lower cost will help to improve the business	1	2	3	4	5
3.16	Keeping a track record of business transactions helps the business	1	2	3	4	5
3.17	Buying stock in bulk with others helps to reduce cost	1	2	3	4	5

V 3.4	
V 3.5	
V 3.6	
V 3.7	
V 3.8	
V 3.9	
V 3.10	
V 3.11	
V 3.12	
V 3.13	
V 3.14	
V 3.15	
V 3.16	
V 3.17	

### 3. SOCIAL CAPITAL

		Strongly disagree 1	Disagree 2	Neither agree nor disagree 3	Agree 4	Strongly agree 5
4.1	Speaking and understanding the local language helps to gain the customers trust	1	2	3	4	5
4.2	A good Knowledge of the local language helps to attract more customers	1	2	3	4	5
4.3	A good knowledge of the local language helps to better resolve conflicts	1	2	3	4	5
4.4	Understanding the local language helps to know my competitors more	1	2	3	4	5
4.5	Conducting transactions in the customers preferred language helps the business	1	2	3	4	5
4.6	To negotiate with suppliers the business owner needs to have a good knowledge of the local language	1	2	3	4	5
4.7	Good knowledge of the local language helps the business owner to better deal with law enforcement agents	1	2	3	4	5
4.8	To gain favours from the indigenes a business owner needs a good knowledge of the local language	1	2	3	4	5
4.9	Business owners who are known in the social circle are bound to do better in business	1	2	3	4	5

V 4.1	
V 4.2	
V 4.3	
V 4.4	
V 4.5	
V 4.6	
V 4.7	
V 4.8	
V 4.9	



## **Annexure B: Ethical clearance**

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30 June 2016

**Strictly confidential**

Dr CE Eresia-Eke

Department of Business Management

Dear Doctor Eresia-Eke

**Project:** Coping mechanism of African immigrant entrepreneurs in the small business sector in Southern Africa

**Researcher:** Okerue CK

**Student No:** 13294611

**Supervisor:** Dr CE Eresia-Eke

**Department:** Business Management

Thank you for the application you submitted to the Committee for Research Ethics, Faculty of Economic and Management Sciences. I have pleasure in informing you that the Committee formally approved the above study on 29 June 2016. The approval is subject to the candidate abiding by the principles and parameters set out in the application and research proposal in the actual execution of the research.

The approval does not imply that the researcher, student or lecturer is relieved of any accountability in terms of the Codes of Research Ethics of the University of Pretoria if action is taken beyond the approved proposal.

The Committee requests that you convey this approval to the researcher.

We wish you success with the project.

Sincerely



pp PROF RS RENSBURG  
CHAIR: COMMITTEE FOR RESEARCH ETHICS  
cc: Prof AF Grobler  
Student Administration