

**THE ROLE OF SOCIAL EMBEDDEDNESS AND COOPETITION IN CREATING  
COMPETITIVE ADVANTAGE BETWEEN MIGRANT ENTREPRENEURS IN  
URBAN AREAS**

**MOHAMED SHAHEER ESSA**

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**Student No:** 23133555

**Email address:** [23133555@mygibs.co.za](mailto:23133555@mygibs.co.za) or [Shaheer.essa@yahoo.com](mailto:Shaheer.essa@yahoo.com)

**Contact No:** 082 840 6020

## **ABSTRACT**

Foreign owned businesses are reportedly more successful than local owned businesses in South Africa within the SMME sector, which is said to be attributed to the use of their social networks and the practice of coopetition. This study thus aimed to understand how migrant owned SMMEs in South Africa make use of their social embeddedness and coopetition as a means of gaining competitive advantage.

The study adopted a qualitative, exploratory approach to understand how foreign owned businesses in urban areas of South Africa make use of their social embeddedness and coopetition strategies in order to gain competitive advantage. Fourteen interviews were conducted with Pakistani, Indian, and Bangladeshi migrants in the Gauteng area, using semi-structured interviews. Each interview was sorted in terms of codes, which were then grouped into categories from which key themes emerged.

This study found that foreign owned businesses in South Africa seldom make use of social embeddedness and coopetition to gain competitive advantage. Their social embeddedness is limited to personal matters and does not feature in business related matters unless mutual benefit is to be obtained. Business tactics such as hard work, low prices, and customer satisfaction were found to be the key drivers in obtaining competitive advantage. Interventions designed to facilitate and promote business start-up and success for South African entrepreneurs should therefore consider education on business tactics and an emphasis on hard work.

**Keywords:** Migrant entrepreneur, social embeddedness, coopetition, trust, SMME

## **DECLARATION**

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

**Name:** Mohamed Shaheer Essa

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# TABLE OF CONTENTS

ABSTRACT.....	ii
DECLARATION.....	iii
LIST OF TABLES .....	vi
LIST OF FIGURES .....	vi
<b>CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM .....</b>	<b>1</b>
<b>1.1 Introduction .....</b>	<b>1</b>
<b>1.2 Problem Statement .....</b>	<b>1</b>
<b>1.3 Context of the study .....</b>	<b>2</b>
<b>1.4 Purpose of the study .....</b>	<b>4</b>
<b>1.5 Conclusion.....</b>	<b>6</b>
<b>CHAPTER 2: LITERATURE REVIEW .....</b>	<b>7</b>
<b>2.1 Introduction .....</b>	<b>7</b>
<b>2.2 Migrant Entrepreneurs .....</b>	<b>7</b>
<i>2.2.1 Motivations towards entrepreneurship.....</i>	<i>8</i>
<i>2.2.2 Challenges faced by migrant entrepreneurs.....</i>	<i>9</i>
<i>2.2.3 Impact of migrant entrepreneurship on host country.....</i>	<i>10</i>
<i>2.2.4 Conclusion.....</i>	<i>11</i>
<b>2.3 Social embeddedness .....</b>	<b>11</b>
<i>2.3.1 Social embeddedness and entrepreneurship.....</i>	<i>12</i>
<i>2.3.2 Social embeddedness amongst migrant entrepreneurs.....</i>	<i>13</i>
<i>2.3.3 Negative effects of social embeddedness.....</i>	<i>18</i>
<i>2.3.4 Conclusion.....</i>	<i>19</i>
<b>2.4 Coopetition .....</b>	<b>19</b>
<i>2.4.1 Benefits of coopetition.....</i>	<i>21</i>
<i>2.4.2 Migrant entrepreneurs' use of coopetition .....</i>	<i>22</i>
<i>2.4.3 Drivers of Coopetition.....</i>	<i>22</i>
<i>2.4.4 Challenges in making use of Coopetition .....</i>	<i>23</i>
<b>2.5 Conclusion.....</b>	<b>25</b>
<b>CHAPTER 3: RESEARCH QUESTIONS .....</b>	<b>27</b>
<b>3.1 Introduction .....</b>	<b>27</b>
<b>3.2 Main research question.....</b>	<b>27</b>
<b>3.3 Research sub-questions .....</b>	<b>27</b>
<b>CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN .....</b>	<b>29</b>
<b>4.1 Introduction .....</b>	<b>29</b>

4.2 Research methodology and design.....	29
4.3 Population.....	31
4.4 Sampling method and size .....	31
4.5 Unit of analysis.....	32
4.6 Measurement instrument .....	32
4.7 Data gathering process .....	33
4.8 Method of analysis.....	35
4.9 Data validity and reliability .....	36
4.10 Limitations .....	37
<b>CHAPTER 5: RESULTS .....</b>	<b>39</b>
5.1 Introduction .....	39
5.2 Sample Description .....	39
5.3 Coding Groups .....	40
5.4 Results .....	42
5.4.1 Background to Migrant behaviours and beliefs .....	42
5.4.2 Sub-Question 1: How do migrant entrepreneurs in urban areas of South Africa capitalise on their social embeddedness to achieve and maintain competitive advantage? .....	46
5.4.3 Sub-Question 2: How do migrant entrepreneurs in urban areas of South Africa implement coepetition strategies to achieve and maintain competitive advantage?.....	60
5.4.4 Migrants business practices compared to locals.....	69
5.5 Conclusion.....	74
<b>CHAPTER 6: DISCUSSION OF RESULTS .....</b>	<b>76</b>
6.1 Introduction .....	76
6.2 General background .....	76
<i>Theme 1: Businesses are formed through opportunity identification and not necessity.....</i>	<i>77</i>
<b>6.3 Sub-Question 1: How do migrant entrepreneurs in urban areas of South Africa capitalise on their social embeddedness to achieve and maintain competitive advantage? .....</b>	<b>79</b>
<i>Theme 2: Business success is not related to social embeddedness .....</i>	<i>79</i>
<i>Theme 3: Social embeddedness in business exists only to the extent that there is mutual benefit.....</i>	<i>82</i>
<i>Theme 4: Business assistance is confined to close relationships.....</i>	<i>84</i>
<b>6.4 Sub-Question 2: How do migrant entrepreneurs in urban areas of South Africa implement coepetition strategies to achieve and maintain competitive advantage? .....</b>	<b>85</b>
<i>Theme 5: Competition in business does not consider nationality .....</i>	<i>85</i>

<i>Theme 6: Supplier choices are not based on nationality.....</i>	86
<i>Theme 7: Coopetition scarcely exists amongst participants in the sample.....</i>	87
<b>6.5 New phenomena identified to explain the results identified in this research</b>	
.....	89
<i>Theme 8: Education levels drive willingness to engage in coopetition .....</i>	89
<i>Theme 9: Home country rivalry sometimes carries over to migrants in other countries .....</i>	90
<b>6.6 Conclusion.....</b>	90
<b>CHAPTER 7: CONCLUSION .....</b>	92
<b>7.1 Introduction .....</b>	92
<b>7.2 Principal Conclusions .....</b>	92
<b>7.3 Implications for stakeholders.....</b>	94
<b>7.4 Limitations of the research.....</b>	94
<b>7.5 Suggestions for future research .....</b>	95
<b>7.6 Conclusion.....</b>	96
<b>REFERENCES .....</b>	97
<b>APPENDIX ONE: INTERVIEW CONSENT FORM .....</b>	104
<b>APPENDIX TWO: INTERVIEW GUIDE .....</b>	105
<b>APPENDIX THREE – ETHICAL CLEARANCE APPROVAL LETTER .....</b>	107
<b>APPENDIX FOUR – LIST OF CODES .....</b>	108

## **LIST OF TABLES**

Table 1 - Factors relating to business failure.....	3
Table 2 - Details of Interview Participants.....	39
Table 3 - Code Groups .....	41

## **LIST OF FIGURES**

Figure 1 - Saturation Graph: Number of new codes created per interview .....	32
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# **CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM**

## **1.1 Introduction**

In this chapter, the problem statement will be described, together with the purpose and relevance of this research paper. The current levels of unemployment, together with the high failure rates of Small Medium and Micro Enterprises (SMMEs) in South Africa indicate the importance of this study. The low rate of entrepreneurial start-ups in South Africa as compared to other developing countries further emphasises the importance of this study. This study will therefore look at the strategies adopted by migrant entrepreneurs in order to gain competitive advantage.

## **1.2 Problem Statement**

South Africa's unemployment rate is currently a staggering 27.2% (Stats SA, 2018), while a key driver of employment, being enterprises in the SMME sector, are failing at a rate of 75% (Bruwer & Van Den Berg, 2017). Together with the low rate of entrepreneurship activity, which is measured by Total Early-Stage Entrepreneurial activity (TEA) having dropped by 25% between 2015 and 2016, which places South Africa in a ranking of 28 out of 32 efficiency-driven economies (Herrington & Kew & Mwanga, 2017). This indicates that there is currently little chance of reducing unemployment and poverty.

South Africa is home to approximately two million migrants, according to data published by Stats SA (2019), many of whom have resorted to entrepreneurial activity due to a lack of job opportunities in South Africa (Peberdy, 2016). Migrant entrepreneurs provide goods and services to South Africans at a competitive price and convenient location, as well as create jobs for South Africans (Neville, Orser, Riding, & Jung, 2014; Peberdy, 2016). Within the township sector, the majority of spaza shops are foreign owned and are more competitive in price than local owned spaza shops, as owners collaborate with fellow migrants to source supplies at a cheaper price. The value gained through cheaper sourcing is then passed on to the South African consumer (Hare, 2017).

This study aimed to assess the dynamics of migrant owned businesses in urban areas where location does not provide any competitive advantage, from the

perspective of Pakistani, Indian and Bangladeshi owned enterprises, who make up only ten percent of migrants in South Africa (Peberdy, 2016).

### **1.3 Context of the study**

Small, medium, and micro enterprises (SMMEs) are defined as entities which employ less than 250 employees and are generally the largest contributor to employment in most countries (Ayandibu & Houghton, 2017). In South Africa, SMMEs employed 81% of the entire workforce in 2003 (Ayyagari, Beck, & Demirgüç-Kunt, 2003). With an unemployment level of 27.1% in the fourth quarter of 2018 (Stats SA, 2018), the success of SMMEs therefore play a vital role in the economic and social upliftment of the country and is critical for poverty reduction (Ayandibu & Houghton, 2017). Across emerging markets, specifically within Africa, the SMME sector is seen as a vital source of employment for the local population (Hanisch, 2013).

In 1996, the South African government formally recognised the importance of SMMEs and formed the National Small Business Act No. 102 (Rogerson, 2004). Through this Act, many structures have been created which are intended to facilitate the growth and survival of the SMME sector in South Africa. The importance of SMME development and survival has received increased attention from the South African government due to the realisation that SMMEs are considered the engine for economic growth, as well as a mechanism for job creation (Amra, Hlatshwayo, & Mcmillan, 2013).

In 2014 the South African government created a number of initiatives aimed at sustaining the development and growth of the SMME sector through the Department of Small Business Development, investing in excess of R7 billion over a five year period through the Department of Trade and Industry (DTI) and Development Finance Institutions (DFIs) such as the National Empowerment Fund (NEF), the Small Enterprise Funding Agency (SEFA), the Industrial Development Corporation (IDC) and others. Despite these initiatives, economic growth has stagnated and unemployment has increased, and as a result poverty levels have significantly increased (Dhanah, 2017).

A study of SMME sustainability from 2000 to 2010 indicated that over the years, 75% of SMMEs did not continue to operate for more than three years after being founded, despite ample support from the national government since 1996 (Bruwer & Van Den Berg, 2017).

Fatoki (2014) cited that the reasons for the failure of SMMEs can be categorised into a combination of internal and external factors, as per Table 1:

**Table 1 - Factors relating to business failure**

<b>Internal Factors</b>	<b>External Factors</b>
Lack of management experience	Non availability of a logistics chain
Lack of functional skills (planning, organising, leading, controlling)	High costs of distribution
Poor staff training and development	Competition
Poor attitudes towards customers	Rising costs of doing business
	Lack of finance

While many entrepreneurs attribute the failure of SMMEs to a lack of finance, providers of finance tend to disagree and are often cited as being willing to lend to businesses that show good prospects of survival. The real risk, which many entrepreneurs fail to recognise, is the lack of management skills (Fatoki, 2014).

Given the excessive rate of failure, it is natural that this discourages many others in following the route of entrepreneurship. The rate of new business in South Africa, measured by Total Early-Stage Entrepreneurial (TEA) activity, dropped by 25% between 2015 and 2016, and places South Africa in a ranking of 28 out of 32 efficiency-driven economies (Herrington, Kew, & Mwanga, 2017).

According to a report published by The World Bank in 2018, immigrants in South Africa had a positive impact on job creation for locals in South Africa. The study found that immigrants tend to be less risk averse and have fewer chances of finding employment compared to locals, resulting in immigrants being forced to start their own businesses (Hovhannisyan, Baum, Ogude, & Sarkar, 2018). Within the township communities in South Africa, an increasing number of foreign owned spaza shops have emerged, with the majority of spaza shops in townships being foreign owned.

Foreign owned spaza shops are more successful than local spaza shops, reportedly due to their ability to charge lower prices (Hare, 2017). Due to globalisation, most urban areas have become a habitat for international migrants as they are a source of economic growth, whereby small businesses become a source of employment creation and wealth generation (Sahin, Nijkamp, & Rietdijk, 2009).

The rate of involvement in terms of entrepreneurship and hence the contribution towards the overall economy varies amongst different migrant groups, which can be explained through their personal characteristics and their participation in social networks (Kloosterman, 2010). It is therefore important for the study of migrant entrepreneurship to consider the different factors applicable to the respective migrant groups. Migrant entrepreneurship is not a uniform phenomenon as migrants have differing backgrounds, cultures and motivations, therefore economic performance across various migrant groups can differ significantly from each other (Kloosterman, 2010; Sahin, Nijkamp, & Suzuki, 2014). Limited research has been conducted on the dynamics of immigrant entrepreneurs, however consensus in the literature is that the concept of immigrant entrepreneurship is a critical factor to stimulating the economy of the host country and for the creation of jobs (Khosa & Kalitanyi, 2015; Peberdy, 2016).

This research therefore aimed to understand how foreign owned businesses in urban areas, specifically those with Pakistani, Indian, and Bangladeshi owners, achieve and maintain competitive advantage, and the strategies and tactics these foreign owned businesses in urban areas apply to ensure their success.

#### **1.4 Purpose of the study**

The overall purpose of this study is to contribute to the understanding of how SMMEs can foster growth and survival in South Africa, with the purpose of stimulating the economy and providing jobs, thereby reducing poverty. Migrants play an important role in the development of an economy due to their large share of the SMME market (Sahin et al., 2009). According to Sahin, Nijkamp and Suzuki (2014), entrepreneurial activity is important even for sustaining the economic environment of a city. By engaging in entrepreneurial activities, migrant entrepreneurs can reduce poverty and drive economic growth in South Africa (Fatoki & Oni, 2014).

Researchers who have studied the dynamics of migrant entrepreneurs have found significant differences between various migrant groups, however these differences could not be explained by observations of individual behaviour or differences in access to finance. For this reason, they argued that the study of migrant entrepreneurs should focus on the wider social context and the social capital that these migrants possess (Kloosterman, 2010). The objective of this study is therefore to investigate how minority migrant entrepreneurs, in this case Pakistani, Indian and Bangladeshi migrants, make use of social embeddedness and cooptation within urban areas, where competition between other migrant owned businesses as well as local owned businesses is intense.

Within the township communities, foreign owned spaza shops, specifically Somali owned, have grown in number and now make up the majority of spaza shops in township communities. The success of these Somali owned spaza shops can be attributed to cooptation, whereby shop owners collaborate in order to procure goods at lower prices and are therefore able to sell their goods at prices well below local owned spaza shops (Hare, 2017). Not much is known about foreign owned businesses in urban areas, specifically Pakistani, Indian and Bangladeshi owned businesses and the strategies they follow to ensure competitive advantage.

The literature on cooptation is relatively new and not much research has been done in this area (Hare, 2017). One reason that has been cited in the literature regarding reasons for the success of migrant owned businesses is the theory of mixed embeddedness, which describes how the use of social networks by migrant entrepreneurs create an environment for success (Ram, Jones, & Villares-Varela, 2017). Literature shows a link between social embeddedness and cooptation, however it is not known whether mixed embeddedness is a prerequisite for cooptation (Johansson, 2012). This study therefore aims to contribute to the growing literature on cooptation from the perspective of migrant entrepreneurs in urban areas, where the competitive intensity is much higher than in township communities. The research also aims to identify whether mixed embeddedness has a positive influence on cooptation.

## **1.5 Conclusion**

This chapter has described the problem statement and the context and relevance of the study. Considering the unemployment levels in South Africa, the high failure rates of SMMEs, as well as the reluctance of local South Africans to engage in entrepreneurial activity, this research aims to make a meaningful contribution to entrepreneurship in South Africa's SMME sector, being the key driver of job creation. The research also aims to fill gaps in the literature on coopetition and social embeddedness, specifically relating to migrant entrepreneurs in urban areas.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter describes the main arguments which inform this study, and examines the relevant academic literature which explains the various constructs applicable to this study.

The first section describes what the literature says about migrant entrepreneurs, as well as the challenges they face in building and sustaining successful business ventures. This section also highlights the key drivers which result in many migrants engaging in entrepreneurial activity, and how entrepreneurial activity by migrants creates a positive outcome for the host country and its local citizens.

The second section explores the literature on social embeddedness, which is seen as a source of benefit for migrants in various countries. This literature describes how minority groups cluster together and through mutual social and cultural backgrounds, assist each other in starting and running businesses where jobs are not available.

The third section reviews the literature on coopetition, including its benefits and how it is used as a tactic amongst competing businesses to achieve competitive advantage. The literature notes how foreign owned spaza shops make use of coopetition in order to purchase goods at the lowest price, thereby giving them competitive advantage over local owned spaza shops.

### **2.2 Migrant Entrepreneurs**

Immigrants are defined as persons who were born in a country other than their host country, irrespective of nationality (Ram et al., 2017).

An immigrant entrepreneur is a person who set up a business in a country after having immigrating to that country, and excludes ethnic entrepreneurs belonging to minorities who have been living in the country for several generations (Fatoki & Oni, 2014; Neville et al., 2014).

The majority of migrants in South Africa were born in South African Development Community (SADC) countries, therefore while they are still immigrants, they are African and come from within the continent. Of all migrants in South Africa, only nine percent are Indian and Pakistani (Peberdy, 2016). Immigrants from India and Pakistan began migrating to South Africa in the early 1990s, however these migrants claim that they do not have a good relationship with native Indians in South Africa (Park & Rugunanan, 2010). The migrants believe that the unfavourable relationship is due to jealousy of the business success achieved by the immigrant Indian and Pakistani communities (Park & Rugunanan, 2010).

According to a study performed by Tengeh, Ballard, & Slabbert (2012) on African immigrant entrepreneurs in South Africa, 66% of entrepreneurs were engaged in general trading, 12% in cellular phone repairs, and the rest across a wide range of services. Of the 135 African immigrant owned businesses surveyed, 93% were classified as informal based on the fact that these businesses operated from a fixed location and were not registered with the registrar of companies in South Africa.

### *2.2.1 Motivations towards entrepreneurship*

Motives of entrepreneurship can be categorised into factors referred to as either push or pull factors (Fatoki & Oni, 2014). Push factors are categorised as factors that are driven by the individual and include factors such as unemployment, and stem from a situation of necessity rather than choice. Pull factors, on the other hand, are classified as opportunities for growth or independence and are driven mainly by a desire or drive to excel (Fatoki & Oni, 2014). Migrants usually immigrate in order to gain social advancement and are therefore more open to taking risks and venturing into entrepreneurship (Sahin et al., 2014). Immigrants are considered to be highly motivated towards entrepreneurship and are willing to engage in self-exploitation in order to succeed in business and gain competitive advantage over local owned businesses (Neville et al., 2014).

According to the Disadvantage Theory by Ram and Smallbone (2001), immigrants are subject to a disadvantage in terms of job opportunities in their host country, which forces them to venture into business start-ups to ensure their survival. Based on this theory, immigrants are therefore “pushed” into entrepreneurship in order to satisfy their financial needs (Dheer, 2018; Khosa & Kalitanyi, 2015). Immigrants facing

discrimination and a lack of access to jobs usually have no other alternative but entrepreneurship as a means of earning a livelihood to ensure their survival (Fatoki & Oni, 2014; Rath, 2006). Immigrants are usually placed at a disadvantage in the labour market of host countries, due to factors such as racial discrimination, lack of technical skills, and government policies (Wang & Altinay, 2012). In countries where unemployment levels are high, employment opportunities are often much less accessible for migrants, which explains the phenomenon of many migrants venturing into entrepreneurship out of sheer necessity. Some migrants choose to venture into entrepreneurship due to their desire for intrinsic satisfaction such as work flexibility and freedom in managing their time. In some cases these factors are considered even before migration (Dheer, 2018; Khosa & Kalitanyi, 2015; Sahin et al., 2014). Recent research has found that there are a number of migrants who venture into entrepreneurship in order to exploit opportunities and gain monetary rewards, as opposed to being forced into entrepreneurship due to a lack of employment opportunities (Khosa & Kalitanyi, 2015).

According to Fatoki and Oni (2014), the determinants of business failure are often linked to the circumstances that drive an entrepreneur into venturing into a business. Generally the businesses that were founded based on pull factors are more successful than those formed under conditions of push factors.

Entrepreneurship activities differ amongst various migrant groups, which can partly be attributed to their unique cultural and personal traits, but more specifically to their involvement in social networks (Sahin et al., 2009; Zhou, 2004). A source of competitive advantage for migrant entrepreneurs is often due to their solidarity and loyalty towards members of the same ethnic group, their work ethic, and the knowledge and financial assistance shared amongst members within their social groups (Güell, 2016).

### *2.2.2 Challenges faced by migrant entrepreneurs*

By becoming self-employed, migrants create their own opportunities despite the barriers they face, such as discrimination by locals, lack of education, and lack of connection to the right networks that may assist them in gaining employment. Self-employment does not, however, guarantee success, as many barriers still exist, such as a lack of access to funding by banks (Rath, 2006).

A challenge faced by many migrant entrepreneurs is that they enter into a market that is not on a level playing field, and thus cannot trade on the same terms and conditions as natives of a particular country and therefore face many obstacles, ranging from unfamiliarity with the market in terms of not having insight into local preferences, language barriers and racial discrimination (Ram et al., 2017). Due to the limitations of ethnic social capital, migrant entrepreneurs are limited to starting businesses that require very little start-up capital and limited expertise such as corner cafes, or low skill services such as catering and other personal services which are deemed unattractive to natives who have access to better opportunities. For most businesses in these sectors, turnover and profits are very small and migrant entrepreneurs need to resort to hard work, long hours and cost cutting in order to sustain their businesses (Ram et al., 2017; Rath, 2006).

Park and Rugunanan (2010) found that since 2008 there has been an increase in murders, looting of shops and xenophobic attacks against Pakistani migrant entrepreneurs in South Africa, such that there has been a drastic increase in the number of bodies of deceased migrants being sent back to Pakistan compared to prior years.

### *2.2.3 Impact of migrant entrepreneurship on host country*

Migrant entrepreneurs in South Africa contribute to the South African economy in many ways. Migrants purchase goods from South African wholesalers and retailers and therefore pay Value Added Tax (VAT). They also create employment for locals. It has been found that 36% of employees of migrant entrepreneurs are local citizens (Peberdy, 2016).

It is often claimed by local citizens of South Africa that migrants are a nuisance as they “steal jobs” and exploit resources meant for local citizens, however Khosa and Kalitanyi (2015) found that migration does not have a negative effect on employment in host countries. In fact, it was found that migrants contribute positively to the economy of the host country and create jobs for locals (Khosa & Kalitanyi, 2015). Migrants occupy retail space and revitalise cities which many local entrepreneurs have deserted, and provide basic household goods to locals at an affordable price, thereby reducing cost of living for many, including locals who live in the area (Schiller

& Çağlar, 2013). Migrant entrepreneurship has thus been considered a critical socio-economic area of interest due to the important role it plays in enhancing economic development (Khosa & Kalitanyi, 2015).

While research is limited in terms of exactly what percentage of migrants in South Africa engage in entrepreneurial activities, literature confirms that the majority of migrants engage in entrepreneurial activities versus employment opportunities (Dheer, 2018; Fatoki & Oni, 2014; Khosa & Kalitanyi, 2015; Rath, 2006).

#### *2.2.4 Conclusion*

In summary, the majority of migrants in South Africa are forced to take up entrepreneurship due to a lack of available employment opportunities. These migrants create a positive impact for South Africa through their entrepreneurial activities, for example by purchasing from local owned businesses, paying VAT, and creating employment for local South Africans. Much still needs to be learnt from migrants in terms of business survival, as it is not known whether migrants from different countries employ different business strategies and whether the strategies employed in urban areas differ from rural or township settings.

### **2.3 Social embeddedness**

Entrepreneurship is a process which is better understood by studying the entrepreneurship process as opposed to the entrepreneur in isolation. The outcomes of entrepreneurship are influenced by the social context of the entrepreneur, whereby the social structures within which the entrepreneur is embedded are a source of resources and information which aid them to create and access business opportunities (Jack & Anderson, 2002; Sahin et al., 2009).

Embeddedness can be referred to as the nature of an individual's relationship within an environment (Jack & Anderson, 2002). Over and above the elements of creativity, courage, risk taking and entrepreneurial spirit, human and social capital skills have been found to be an important element driving success in business activities (Lever & Milbourne, 2014; Nijkamp, Stough, & Virginia, 2009). Studies on entrepreneurship cannot be based on the entrepreneur alone, but need to consider the entrepreneur within the context of the social network in which they operate (Fine, 2016;

Kloosterman, 2010). Social embeddedness is a term related to the influence of social and cultural characteristics on economic activity (Anderson & Jack, 2002; McKeever, Anderson, & Jack, 2014).

The study of social embeddedness allows for one to form a deep understanding of how the membership of a group facilitates actions and also constrains actions, particularly regarding the actions of individuals within an economic or entrepreneurial setting (Anderson & Jack, 2002; McKeever et al., 2014).

### *2.3.1 Social embeddedness and entrepreneurship*

Entrepreneurship is the creation of value, which is generally gained from the environment, but is also a process in which value is drawn from social networks, which shape and contribute towards entrepreneurial outcomes (Arent & Salaff, 2003; McKeever et al., 2014).

There is growing interest in the field of social embeddedness, specifically on the nature and importance of social networks in driving entrepreneurship (McKeever et al., 2014). Economic exchange, one of the key elements within entrepreneurship, is linked to social networks which are a fundamental source of resources that allow entrepreneurs to engage in economic activity (Fine, 2016; McKeever et al., 2014). Entrepreneurship is embedded and affiliated with ongoing networks of personal relationships, such that economic aspirations and outcomes are connected to non-economic goals related to social context (McKeever et al., 2014). Social embeddedness has therefore become a common and fruitful approach to understanding migrant entrepreneurs (Kloosterman, 2010).

Social embeddedness can be attributed to two types of embeddedness, being relational embeddedness and structural embeddedness. Relational embeddedness relates to personal relationships with different actors within the entrepreneurial activities undertaken by migrants, and includes customers, suppliers, financial institutions and competitors. Structural embeddedness relates to a broader network within which those actors belong, and goes beyond personal relationships (Batjargal, 2003; Kloosterman, 2010).

Social capital is generally available to individuals within a community even before entrepreneurship activity is established. The existence of resources available through social capital therefore influences not only the allocation of resources required to facilitate entrepreneurship, but also the sector of business activity as well as employees, suppliers, and customers (Kloosterman, 2010; Tolciu, 2011).

Social embeddedness assumes that entrepreneurs participate with other entrepreneurs who share similar cultural and social backgrounds, for the purpose of gaining competitive advantage. This participation is for the purpose of facilitating business operations from the perspectives of acquiring knowledge, obtaining capital, and establishing relationships with customers and suppliers (Fatoki & Oni, 2014).

In a study performed by Kloosterman (2010), it was found that businesses are not only founded within social contexts, but also within market contexts. This study takes into account the macroeconomic and market related elements that facilitate business activity. For example, a business that focuses on the sale of bicycles will only survive if there is a demand for bicycles. Business are therefore not only dependent on resources, but need to be founded within a time and place in which opportunities for the chosen market sector exist (Kloosterman, 2010). Migrants sometimes also engage in entrepreneurship which solves for the different needs of co-migrant groups, which in turn facilitates easy exchange as they share the same language and culture, and can therefore easily communicate with each other (Sahin, Nijkamp, & Baycan-Levent, 2007).

Some migrant entrepreneurs make use of their social networks due to necessity or strategy in gaining competitive advantage, while some choose to make use of alternative resources that are not part of their social community (Tolciu, 2011). Asian business owners have however been found to rely less on their co-ethnic group (Nijkamp et al., 2009; Sahin, Nijkamp, & Stough, 2011).

### *2.3.2 Social embeddedness amongst migrant entrepreneurs*

In the context of migrant entrepreneurship, cultural diversity has an impact on the business strategy employed. Differences in culture range from social to family relationships, trust amongst migrants, as well as elements such as entrepreneurial inclination and risk taking behaviour (Arent & Salaff, 2003; Sahin et al., 2007). Such

social capital however does not assist migrants with integrating into the local community (Fatoki & Oni, 2014).

In an age where mobility is high and various communication channels are available for cross-border interaction, many migrant entrepreneurs have been found to make use of networks in their home countries for business support. Having access to social networks globally enhances a migrant's availability of resources needed for entrepreneurship (Ram et al., 2013).

According to Tolciu (2011), migrant entrepreneurs operate their businesses within networks of ethnic interpersonal relationships, which has often been cited as a key element in creating value through the provision of customers, free or cheap employees, as well as financing. These networks often assist entrepreneurs in creating and initiating entrepreneurship opportunities (Bisignano & El-Anis, 2018; Mayer, Harima, & Freiling, 2015; Rath, 2006). Personal relationships with other entrepreneurs act as a catalyst to aspiring entrepreneurs, as these entrepreneurs act as role models, and through these relationships, entrepreneurial activity is enhanced (Mayer et al., 2015). Within the South African context, foreign shopkeepers are more successful than South African shopkeepers due to their social networks (Liedeman, Charman, Piper, & Petersen, 2013).

While the involvement of ethnic social relationships in the entrepreneurship activities of migrants is a common occurrence, it is important to note that like all entrepreneurs, migrant entrepreneurs are inclined towards economic growth. These migrants are more inclined to generate economic benefits when considering customers and suppliers, and tend to purchase goods from suppliers who provide the lowest price, irrespective of nationality (Tolciu, 2011).

Through the mobilisation of social networks, migrant entrepreneurs are able to reduce costs by eliminating formal contracts, as well as by obtaining access to resources needed for entrepreneurial growth (Rath, 2006). Social embeddedness places an entrepreneur in a position in a network that provides information as well as the resources needed for a business to survive (McKeever et al., 2014; Wang & Altinay, 2012). Through social embeddedness, migrants are able to make use of the resources of the social group, including knowledge and capital, in order to exploit

and create market opportunities in the host country (Güell, 2016). Networks also facilitate collective purchasing, which allows entrepreneurs within the network to gain competitive advantage and market domination (Fatoki & Oni, 2014). Some scholars are of the view that it is not necessarily the social networks or cultural characteristics but rather the levels of education, prior business experience and financial resources of the migrant entrepreneur that result in successful business ventures (Nijkamp et al., 2009; Schiller & Çağlar, 2013).

One of the constraints of a business start-up is access to capital, thus migrant entrepreneurs usually resort to friends and family for start-up capital due to limited access to formal funding mechanisms such as banks (Sahin et al., 2014). Capital in the context of entrepreneurship can be classified as financial (savings and loans), physical (land, buildings, and machinery), human (education and skills) and social (trust, reciprocity and mutuality). While local entrepreneurs make use of formal institutions such as banks for financial capital, immigrants rely on informal sources such as loans from family members, other entrepreneurs within the same ethnic origin, and trade finance from suppliers. Trade finance is generally based on trust and thus is heavily dependent on social networks, in which case social networks play a huge role (Anderson & Jack, 2002; Tengeh et al., 2012). Social networks also play a role in providing credit to members of similar ethnic groups and sharing contacts of suppliers to aspiring and established entrepreneurs within similar industries (Güell, 2016).

Social networks amongst migrants are regarded as being a key requirement when setting up a business in a foreign country, as these networks provide the resources needed for survival. These resources range from financial in the form of start-up capital, as well as human capital in the form of support structures, and business support (Radipere & Dhliwayo, 2014; Tengeh et al., 2012). Through support, social networks expand on the entrepreneurship capabilities and knowledge of the entrepreneur, thereby increasing the entrepreneur's strategic competence which aids in the achievement of competitive advantage (Sahin et al., 2009). Some social networks are confined to family and close friends, particularly when financial assistance is required (Tolciu, 2011).

Apart from the support, guidance, and assistance received from social networks, the success of migrants is highly dependent on their own efforts (Sahin et al., 2009). Sahin et al. (2009) found that personal attitude, hard work, and a personality that facilitates good relationships with customers are extremely important in obtaining positive outcomes from entrepreneurship. Research has found that the social capital amongst migrants is not equally distributed, hence there are various levels of embeddedness amongst migrants and their ethnic community (Tolciu, 2011). In fact, some migrants make use of their social networks strategically in order to gain benefit from them, which is a deliberate process of integrating with common ethnic minorities, instead of merely being part of a group through solidarity (Arent & Salaff, 2003; Tolciu, 2011). Migrants are generally found to cluster in similar geographical areas upon migration because they tend to start businesses in areas where there is already a migrant presence from within their own social and cultural backgrounds (Sahin et al., 2007).

A study conducted on Pakistani migrant entrepreneurs in Spain during 2016 found that these migrants made extensive use of their social embeddedness in running their businesses. They made use of common community spaces such as mosques and religious centres, and also operated their businesses within close proximity of each other. Through living and trading in common areas, these migrants shared common spaces for socialising, whereby these spaces were utilised for frequent interactions. The migrants also formed an informal association whereby members of the association contributed funds which were then used for the provision of ongoing credit to members as and when needed. This funding was not utilised for starting business ventures, but rather for the provision of funding of businesses that were already in operation. Members had to make regular deposits into the fund and those who did not make the required deposits were penalised by the members of the association. This fund was available only to those members who regularly contributed, and the foundation of the fund was trust amongst members. It was found that the motivations of the fund stemmed from the members' religious beliefs regarding social and economic justice, and was aimed at rejecting the use of banks and other financial institutions that were found to be exploiting those seeking credit (Güell, 2016).

Pakistani entrepreneurs have been found to be entrepreneurial in nature (Güell, 2016), yet they maintain a customer driven culture, whereby the customer is always given priority (Hussain, 2015). Cultural diversity plays an important role in understanding migrant entrepreneurship, with differences in culture generally resulting in different economic behaviours (Sahin et al., 2007). While social and cultural characteristics are a key driver in facilitating the formation and growth of migrant owned enterprises, the connection of these entrepreneurs to family are seen to be even more important. It was found that family ties are more critical to the start-up of business enterprises amongst migrants compared to the broader ethnic majority, from the perspective of financial assistance. In terms of business advice family ties are sometimes insufficient, therefore migrants gather advice from other migrant entrepreneurs in the same group (Wang & Altinay, 2012).

While Pakistani migrant entrepreneurs have been found to be socially embedded and highly entrepreneurial (Güell, 2016), Indians are more inclined towards employment and engage in entrepreneurship as last resort, being only in circumstances where employment opportunities are not available (Price & Chacko, 2009). Significant differences were also found in Indian migrants in that they differentiate amongst themselves on a sub-cultural level, and do not fit a general “label” in terms of race. The cultural diversity in India is such that across various states within India, culture, cuisine and dress differ, as do the attitudes and aspirations of residents of those states from an entrepreneurial point of view. These migrants were found to have significant religious and cultural differences, and had an inclination towards integrating with members of their sub-group. Indian migrants were found to be hard working, with many working 60-70 hours per week (Price & Chacko, 2009).

Migrant entrepreneurs who come from families that are entrepreneurial are generally more likely to engage in entrepreneurship and have access to resources such as start-up capital and business advice from immediate family members. These migrants are also likely to engage in entrepreneurship within industries common amongst their family backgrounds (Sahin et al., 2007).

### *2.3.3 Negative effects of social embeddedness*

Social embeddedness, whilst having many benefits for members embedded within a social group, also tends to have some negative implications. These negative implications could arise from over-reliance on a particular group, or even the exit of a critical member of the group, in which case benefits which previously benefited members of the group are no longer available (Anderson & Jack, 2002; McKeever et al., 2014). Another disadvantage of social embeddedness is that moral obligations may sometimes take preference over economic preferences, due to focus being placed on the welfare of the group rather than the individual (McKeever et al., 2014). Social embeddedness sometimes results in entrepreneurs sacrificing short-term profit maximisation in view of long term relationships (McKeever et al., 2014).

Migrant entrepreneurs are united in a sense of social or cultural connections which occur amongst people who share a common cultural or national background (Sahin et al., 2007). In some instances, migrant entrepreneurs consider entering into a market which is favourable in terms of the social network available to that entrepreneur. These migrants tend to copy or imitate the success of other migrants within the same community (Tolciu, 2011). In so doing, many entrepreneurs within a common social network embark on entrepreneurship activities that are similar, which results in saturation of the market and ultimately strong competition amongst each other in order to survive (Kloosterman, 2010). These entrepreneurs usually have a common supplier which is a shared contact amongst members belonging to the social group (Güell, 2016). Where survival becomes a key focus area for entrepreneurs, competition results in competing for the lowest possible price, even if it means that quality is compromised. This results in huge fall out rates amongst migrants, and ultimately a reduction in income for all competing migrants (Sahin et al., 2007). In order to achieve low prices, many entrepreneurs tend to cut costs and work extended hours at very low wages (Kloosterman, 2010; Rath, 2006).

Some researchers found that networks which make use of social ties to generate social capital tend to conduct economic transactions only with members of the same social network, irrespective of whether the transaction is economically efficient or not (Fine, 2016; Kloosterman, 2010). A study performed by Chen (2005) found that when people form part of a group, they tend to develop a favourable bias to members of the same group. The study found that participants showed a 47 percent increase in

charity concerns and a 97 percent decrease in envy towards members of a similar group, versus members of other ethnic groups.

#### *2.3.4 Conclusion*

The literature clearly articulates the impact of social networks on entrepreneurship. The concept of social embeddedness is far more important to migrant entrepreneurs than to locals in a host country, which appears to be a reason for adoption by migrants and a source of competitive advantage. The literature states that there are varying degrees of social embeddedness across different migrant groups. The aim of this study is to understand how the Pakistani, Indian and Bangladeshi migrant communities make use of social embeddedness in order to gain competitive advantage. The Pakistani and Indian migrants were deemed to be a suitable study as these migrants, although from different countries, are considered the same by local South Africans. These migrants also make up the minority of migrants in South Africa, thus the researcher thought it would be interesting to identify if their minority status creates further opportunities or results in barriers to engaging in social embeddedness.

#### **2.4 Coopetition**

Organisations are embedded in a variety of networks and relationships in order to co-create value. Being part of networks which work together to generate value is an important strategic element in entrepreneurship, for both large and small firms (Johansson, 2012; Ritala, Golnam, & Wegmann, 2014). Coopetition refers to the relationship amongst two very opposing concepts, one being cooperation and the other competition (Bouncken & Fredrich, 2012; Dagnino & Padula, 2002; Luo, 2007). Competition, on the one hand, is the inclination for organisations to maximise their own interests, while collaboration is an attempt to maximise the interests of all parties involved (Bouncken & Fredrich, 2012).

Coopetition can be understood in terms of game theory, which stems from the work by Nalebuff and Brandenburger (1996), as cited by Hare (2017), and has the potential to significantly improve the performance of organisations. Through coopetition, businesses make use of relationships with competitors to the effect that they cooperate or collaborate while simultaneously competing against each other,

for the purposes of gaining competitive advantage over other firms that do not engage in the relationship (Bouncken & Fredrich, 2012; Johansson, 2012). SMMEs are more inclined to make use of coopetition in order to avoid being overly dependent on the supply chains of large organisations (Johansson, 2012).

Large organisations generally have an advantage over small enterprises in that they enjoy greater resources and bargaining power, and therefore also greater trust (Adamik, 2013). According to Ritala (2012), value creation in business is dependent on the pooling and use of resources that are obtained through partnerships. Coopetition is a form of partnering whereby two or more organisations achieve specific goals by increasing the effectiveness of the resources of those organisations. Coopetition requires a special relationship between the parties, and is based on trust and a focus on the attainment of joint goals (Adamik, 2013; Anderson & Jack, 2002; Johansson, 2012). A common analogy used in literature to describe coopetition is the enlargement of the pie as opposed to slicing the pie (Volschenk, Ungerer, & Smit, 2016).

Through trust, the need for formal contracts is minimised. It has been found that firms that engage in coopetition generally do so under oral agreements, where commitments and promises are relied on based on the foundation of a relationship which is bound by trust (Bouncken & Fredrich, 2012; Luo, 2007).

Coopetition is a form of partnership within the ambit of strategic management, and is used by two or more organisations as a mechanism to increase the effectiveness of the resources of each entity within the partnership, in order to gain some sort of competitive advantage over other entities not within the partnership. Coopetition is most aptly described as collaborating with one's competitor, while maintaining a balance of both a partnership and a competitor relationship (Johansson, 2012; Ritala, 2012). One of the key requirements for successful coopetition is trust, while one of the key outcomes of coopetition is to reduce total costs and increase various types of value for all parties. This is achieved through mutual trust, teamwork, and the sharing of risks and rewards.

According to Johansson (2012), coopetition researchers have suggested that coopetition should be considered within the context of social embeddedness, as

coopetition occurs within a network of related parties. Social embeddedness assumes that relationships influence behaviour, and where relationships amongst entrepreneurs create trust, coopetition is high (Anderson & Jack, 2002; Luo, Slotegraaf, & Pan, 2006). Coopetition and social embeddedness share the same key requirements, being trust and mutual benefit.

#### *2.4.1 Benefits of coopetition*

Through coopetition, partnering entities can strategically extend their businesses and attract more customers. This is done through a carefully thought out process where partnering firms are selected depending on the value they add to each other and how the financial, intellectual, and other resources combined add value to all partners within the group (Adamik, 2013; Ritala et al., 2014). In so doing, entities are able to combine resources in order to improve their knowledge and extract more value from the markets (Bouncken & Fredrich, 2012). Through coopetition, entities benefit from sharing risks and rewards and combining efforts, special skills, and strategies to gain maximum benefit from the market, thereby gaining competitive advantage over other firms that are not part of the relationship (Adamik, 2013; Ritala et al., 2014).

Firms that engage in coopetition are able to make use of the benefits gained in order to reduce costs and share risks, particularly with regards to Research and Development (R&D) costs (Bouncken & Fredrich, 2012).

Coopetition between competitors is different from cooperating with other stakeholders due to the similar problems they face and the similar benefits aimed to be achieved as a result of coopetition (Ritala et al., 2014; Volschenk et al., 2016). Managing relationships within coopetition can be challenging, thus in order for the relationship to be advantageous to all parties, all challenges need to be managed (Johansson, 2012).

When competing firms cooperate, the combination of skills, strength, and resources generate strategic value for these firms, to such an extent that the value gained through coopetition cannot be created by any of the firms in isolation (Ritala et al., 2014; Volschenk et al., 2016). Coopetition is therefore an important driver for firm growth and success, and may in certain instances be unavoidable. Coopetition provides the following three advantages to businesses: 1) Cost savings through

sharing of common costs, such as logistics costs; 2) Increased revenue through joint initiatives; and 3) Building of the knowledge base of individual entrepreneurs. The key value obtained through coopetition relationships is the increase in knowledge of all parties involved (Luo, 2007; Volschenk et al., 2016). This knowledge, while intangible in nature, is a key driver for the generation of future economic benefits.

When SMMEs engage in coopetition they are able to achieve economies of scale through combining the resources of the parties involved, thereby complementing competencies and gaining competitive advantage (Johansson, 2012; Luo, 2007; Ritala et al., 2014).

The economic benefits gained through coopetition is not only limited to the firms engaged in coopetition but also affects their customers, as driving prices down is a result of the cost efficiencies achieved (Ritala, 2012).

#### *2.4.2 Migrant entrepreneurs' use of coopetition*

Literature on coopetition is fairly new and thus far limited research has been done to assess how coopetition creates value for enterprises (Adamik, 2013; Hare, 2017; Ritala, 2012).

In South Africa, many foreign owned spaza shops in rural townships engage in group purchasing in order to obtain better prices from suppliers, which allows these spaza shops to sell goods at lower prices than their competitors, thereby achieving competitive advantage (Hare, 2017).

To summarise, coopetition is a relatively new concept with not much literature available. There are gaps in the literature in terms of how coopetition relationships differ between ethnic groups and whether social embeddedness is a key driver for coopetition.

#### *2.4.3 Drivers of Coopetition*

Trust between cooperating parties plays a significant role in driving coopetition relationships. Trust is considered to be a “social lubricant” that facilitates and drives

interactions amongst different parties, even if those parties are competitors (Bouncken & Fredrich, 2012).

While trust is considered to be one of the foundations of enabling coopetition between competing parties, the presence of trust alone is not sufficient for enabling coopetition. A key requirement for coopetition is mutual benefit, and it can be assumed that within entrepreneurship, individuals or organisations will not be willing to engage in relationships unless those relationships result in a benefit for the organisation. Bouncken and Fredrich (2012) found that dependency was also an important element to be considered in relationships that facilitate coopetition.

According to Luo, Slotegraaf and Pan (2006), coopetition can be described through the concept of social embeddedness, which explains that businesses operate within a network of various relationships, which influence the behaviours of these businesses based on the social structure of those relationships. Information exchange amongst businesses that share strong social ties is considered trustworthy, and therefore facilitates coopetition (X. Luo et al., 2006).

Organisations with similar resources and strategies are likely to engage in fierce competition with each other, including rivalry and strategic moves in order to gain competitive advantage. Organisations with fierce rivalry find it difficult to maintain collaborative relationships with each other, and if coopetition exists between these organisations, the relationship is not likely to last very long (Johansson, 2012). Some organisations engage in coopetition due to each having resources which complement the other. In such a dynamic, it is much easier to facilitate relationships and rivalry is generally not as fierce as between organisations with similar resources. With organisations that have complementary resources, coopetition was found to generate value due to the lower risks of opportunism and a greater willingness to share knowledge (Johansson, 2012).

#### *2.4.4 Challenges in making use of Coopetition*

The first challenge is balancing between concepts that are on two extremes, that is competition on the one hand, and collaboration on the other. Both of these concepts are important in the business context, however they have contradictory and conflicting purposes. While cooperation relies on the sharing of information,

combining of resources and spreading of knowledge, which are facilitated by relationships of trust and reciprocity, competition relies on rivalry and at times even conflict. A challenge faced by many entrepreneurs who engage in coopetition is to engage in a partnership whilst maintaining a healthy balance of collaboration and competition (Johansson, 2012).

Coopetition may sometimes exist between firms that have unequal resources, in which case the firm with more resources, considered the more powerful firm, tends to dictate the terms and conditions of the relationship (Bouncken & Fredrich, 2012). Firms with greater resources are considered to have larger power bases, which if used in an opportunistic manner may be regarded as taking advantage of the partner(s) with a lower power base, which may have a detrimental effect on the relationship (Bouncken & Fredrich, 2012; Johansson, 2012).

Coopetition does not come without risks, which include opportunism, misunderstandings, misallocation of resources and the risk of engaging with firms that may not bring benefits to the rest of the group. Another risk is that knowledge shared within the partnership may be leaked out to the external market to the detriment of one or more of the firms engaged in coopetition (Bouncken & Fredrich, 2012; Johansson, 2012). Organisations sometimes also no longer need the relationship of coopetition and may retract without any notice, thereby becoming a direct competitor (Johansson, 2012). When any party ceases to collaborate, the risk for the remaining parties increases as they no longer enjoy the benefits of the collaboration, whilst also gaining a direct competitor who has inside knowledge of the organisation, thereby making competition much more intense.

According to Johansson (2012), firms that engage in coopetition should not rely on excessive levels of trust amongst each other as this may lead to unnecessary information being shared, which could potentially compromise a firm's capabilities. It was found that being "over-embedded" could actually be destructive for SMMEs in their quest for competitive advantage.

As mentioned by Kloosterman (2010), many entrepreneurs who have a strong sense of social embeddedness embark on entrepreneurship activities which are similar to each other, which results in saturation of the market and ultimately strong competition

against each other, in order to survive. Similarly, Johansson (2012) mentioned that a study undertaken on Taiwanese supermarket owners found that cooptation increased their market commonality, which in turn led to stronger and more fierce competition amongst the business owners (Bengtsson & Kock, 2000).

The most significant complication that arises from engaging in cooptation is the difficulty in maintaining a balance between cooperation and competition. Research has found that a lack of balance, or a stronger inclination towards either cooperation or competition, results in the relationship of cooptation becoming compromised (Johansson, 2012).

## **2.5 Conclusion**

This chapter set out the literature that supports the argument made by the researcher and has been used to derive the research questions described in the next chapter. The argument made is that local SMMEs are failing at alarming rates, resulting in a reluctance amongst South Africans to engage in entrepreneurial activity, which is greatly needed to address the high levels of unemployment in the country. Foreign immigrants appear to be much more inclined to engage in entrepreneurship than locals, and make use of their social networks to overcome the many barriers to starting up a business. These barriers include a lack of access to finance, a dearth of entrepreneurial knowledge, poor supply chains and logistics, and competitive pricing.

It is clear from the literature that migrant entrepreneurs face greater business challenges than locals, however they still manage to survive whilst creating value for the economy of the host country. Migrant entrepreneurs contribute positively to the host country by creating employment, uplifting deteriorating and deserted cities, and creating value for local consumers. It is imperative to further study the strategies adopted by migrant entrepreneurs so that these strategies can be applied by local entrepreneurs in order to continue uplifting society and the country.

The literature clearly outlined the strategy and benefits of collaboration while competing amongst organisations. The key drivers for cooptation are trust and mutual benefit, which are consistent with the concept of social embeddedness. The

literature does not specify what tactics or strategies fit under the definition of coopetition, but does make the point that coopetition is collaborating with competitors and could include the pooling of resources and/or knowledge. The literature makes note of how social embeddedness is a driver for coopetition, for example Somali migrants who operate spaza shops in South Africa make use of coopetition through the strategy of group purchasing in order to gain competitive advantage over local owned businesses.

Through social embeddedness and coopetition, many foreign owned businesses have achieved competitive advantage and played a key role in driving the South African informal economy, creating jobs for locals as well as fellow migrants.

This study will fill a gap in the understanding of how Pakistani, Indian and Bangladeshi migrant business owners in urban areas make use of social embeddedness and coopetition to gain competitive advantage, and whether social embeddedness is a prerequisite for coopetition. This study will also attempt to understand whether social embeddedness is a form of good gesture or if it comes at a price.

## **CHAPTER 3: RESEARCH QUESTIONS**

### **3.1 Introduction**

This chapter builds on the literature review in the previous chapter, which argued that migrant owned businesses have competitive advantage due to their social embeddedness and their strategy of cooptation.

### **3.2 Main research question**

As outlined in the literature review, foreign owned spaza shops in township communities make use of cooptation in order to procure goods at lower prices, thereby enabling them to sell their goods at lower prices than local owned spaza shops. There exists a gap in the literature which led to the main question that this research aimed to answer from the perspective of minority group migrant entrepreneurs in South Africa:

**What is the role of social embeddedness and cooptation in creating competitive advantage for migrant owned businesses operating in urban areas in South Africa?**

### **3.3 Research sub-questions**

In order to answer the main research question, it was broken down into component parts resulting in two sub-questions:

**Sub-Question 1: How do migrant entrepreneurs in urban areas of South Africa capitalise on social embeddedness to achieve and maintain competitive advantage?**

This question aims to understand whether the use of social networks is a means for foreign owned businesses to gain competitive advantage, which includes elements such as access to capital to fund their businesses, particularly in an environment where bank finance is not accessible to migrants as highlighted in the literature. This question also aims to identify the costs of social embeddedness and whether social embeddedness results in trade-offs between the various parties.

**Sub-Question 2: How do migrant entrepreneurs in urban areas of South Africa implement coopetition strategies to achieve and maintain competitive advantage?**

This question aims to understand whether foreign owned businesses in urban areas utilise coopetition as a strategy to achieve competitive advantage in their businesses. Where coopetition strategies are employed, how do these migrant entrepreneurs implement and manage the process of coopetition?

## **CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN**

### **4.1 Introduction**

The previous chapter outlined the main research question and research sub-questions for this study. The literature review in Chapter 2 served as a basis for the chosen methodology and the formation of the interview guidelines that were used to conduct semi-structured interviews. This chapter describes the chosen research design, methodology, sample, measurement instrument as well as the data gathering process.

### **4.2 Research methodology and design**

The key objective of this study was to understand how Pakistani and Indian migrant entrepreneurs make use of their social relationships to gain competitive advantage, and whether they implement coopetition strategies in order to gain such an advantage. The answers to the research questions centred around human issues and involved elements such as trust, personal circumstances, and relationships.

Saunders and Lewis (2012) defined exploratory research as research that aims to discover insights and assess topics which are not clearly understood by the researcher. This research aimed to uncover new insights and ask new questions on a topic that has already been researched to some extent. However, further insight into the use of social embeddedness and its link to coopetition in migrant entrepreneurs within urban areas is needed to add to the current literature (Johansson, 2012; Tolciu, 2011).

Qualitative research methods provide an understanding of human behaviour (Robson, 2002), with a focus on understanding the phenomena that do not require numerical measurement. This allows the researcher to interpret the phenomena (Zikmund, Babin, Carr, & Griffin, 2003), thus these methods were appropriate for answering the research questions of this study.

A monomethod qualitative approach (Saunders & Lewis, 2012) was utilised, using semi-structured interviews which allowed for deep insights to be gained from the

interviewees. These also allowed for freedom of speech, with the intention being that the interviewees may share information that has not been seen in the literature. Any additional information may result in new phenomena being explored.

Exploratory research provides a deeper understanding of a concept or problem; the main aim is to diagnose a situation, screen for alternatives, and discover new ideas (Zikmund et al., 2003). While there is literature on social embeddedness and competition, the aim of this research was to explore how these strategies are utilised by migrant entrepreneurs in urban areas for the purposes of creating and maintaining competitive advantage. For this reason, the research was broad and nonspecialised in order to understand the phenomena well (Hare, 2017).

An interpretivist research philosophy was used for this research, as the aim was to develop an understanding from the respondents themselves regarding the nature of social embeddedness and its relationship to competition in creating competitive advantage (Saunders & Lewis, 2012). An interpretivist philosophy allowed the researcher to understand with deep insight the root causes of the elements studied, and was therefore appropriate for the research questions identified.

An inductive research approach was utilised for this research as the purpose was to gain further insight with the objective of extending the existing literature theory (Saunders & Lewis, 2012). The research questions took into account the importance of the points of view of the respondents, and were focused on identifying concepts in addition to constructs. Focus was given to the fact that research focused on concepts rather than constructs allows for the discovery of new insights (Gioia, Corley, & Hamilton, 2012).

The data were collected from the owners of migrant enterprises during a short period of time, hence the study can be classified as a cross-sectional study (Saunders & Lewis, 2012). Semi-structured interviews were utilised for data collection as the aim of this research was to obtain insights into how migrant entrepreneurs in urban areas make use of their social networks and competition to start and run their businesses, from their point of view.

The research subjects were a sample of 14 SMMEs owned by migrants who originated from Pakistan, India and Bangladesh, operating businesses in urban

areas within the Gauteng province in South Africa. The research took place during a particular point in time, over a period of four days, using semi-structured interviews to understand key principles and unstructured interviews to gain deep insights into the key findings noted in the semi-structured interviews (Saunders & Lewis, 2012). The semi-structured interviews were aimed at understanding how migrant entrepreneurs make use of their social networks and competition to gain competitive advantage over local owned businesses and businesses owned by foreigners of a different nationality. This research also attempted to identify any trade-offs or disadvantages of making use of social networks and competition in business. This study is a cross-sectional study as it focused on a single point in time (Saunders & Lewis, 2012).

### **4.3 Population**

The population identified for this study was all Pakistani, Indian and Bangladeshi owned migrant businesses operating in urban areas within the Gauteng province of South Africa.

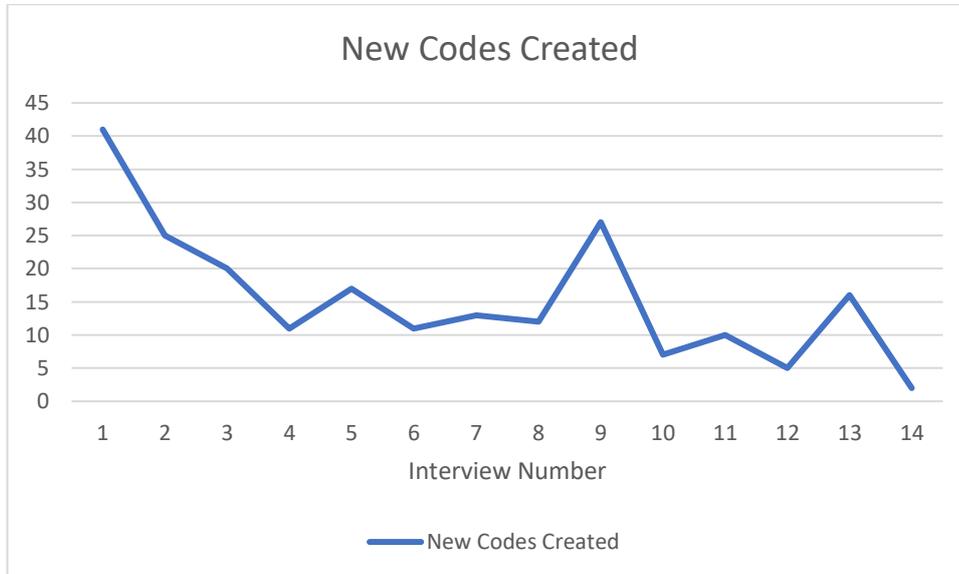
### **4.4 Sampling method and size**

There is currently no comprehensive list of migrant owned businesses within the Tshwane area, and with many of these migrant owned businesses being informal as suggested by the literature (Tengeh et al., 2012), it is impossible to obtain a definitive statistic on migrant entrepreneurs. A purposive non-probability sampling technique was therefore selected for this study (Saunders & Lewis, 2012). The respondents for this study were initially located using the researcher's personal network, and thereafter through referrals from respondents. This sampling technique was the most appropriate given that the aim of this research was to gain insight into, and an understanding of, a phenomenon.

Semi-structured interviews were conducted with migrant business owners of Pakistani, Indian and Bangladeshi nationality. The sample size consisted of a total of 14 small businesses in the Pretoria and Johannesburg Central Business Districts (CBD) in Gauteng. Qualitative research involves reaching data saturation which requires the researcher to collect data until no new information is obtained (Morse, 1995). After conducting 14 interviews, the researcher deemed that no new themes

would emerge and that the interviews conducted were sufficient to answer the research questions. This can be seen in the saturation graph below:

**Figure 1 - Saturation Graph: Number of new codes created per interview**



For the purposes of this research, migrants from southwest Asia, which include Pakistani, Indian and Bangladeshi migrants, were considered.

#### **4.5 Unit of analysis**

The unit of analysis were founders and owners of migrant owned businesses.

#### **4.6 Measurement instrument**

According to Saunders and Lewis (2012), conducting semi-structured and unstructured interviews is a useful method of conducting exploratory research.

As the research was aimed at gaining insight into how social embeddedness and coepetition influence the success of migrant owned businesses, the author made use of semi-structured interviews as a data collection tool.

The interview guide was drawn up by gaining insight into the theories of social embeddedness and coepetition, and included questions that were open-ended with the view of allowing the interviewees the ability to provide elaborate feedback which

could result in new insights being found. The interview guide included basic questions at the beginning which allowed the researcher to connect with the interviewees by understanding their background, prior experiences and motivational drivers. This also created a forum for trust building and comfort, so as to allow the interviewees a chance to get comfortable to create easy flow through the questions that followed (Jacob & Furgerson, 2012).

The interview guide contained questions that were expansive, so as to allow the interviewees the freedom to provide additional information which may not have previously been considered. This allowed for new phenomena to be uncovered, from which important conclusions were drawn from the study. The use of prompts within the open-ended questions allowed for the interviews to remain on track with the initial objectives, and prevented the research moving away from the core objectives of the study (Jacob & Furgerson, 2012).

One issue that the researcher considered prior to conducting the interviews was the sensitivity surrounding discussions of a financial nature. It was found that business owners were secretive regarding turnover and profit details, and were also concerned about any potential action by revenue authorities such as the South African Revenue Services (SARS). Questions that had any inference towards financial details and tax implications were therefore not included as part of the interviews to avoid feelings of discomfort by the respondents and any potential biases as a result thereof.

The interview guide is attached in Appendix Two and the ethical clearance approval letter in Appendix Three

#### **4.7 Data gathering process**

The aim of this research was to understand the business strategies of migrant entrepreneurs within the spheres of social embeddedness and coopetition from the point of view of the business owners themselves. Jacob and Furgerson (2012) mentioned that qualitative research is focused on stories told by people and that the primary method of gathering stories is through interviews.

For the purposes of data collection, the researcher approached various businesses in the Pretoria and Johannesburg CBD within the Gauteng province. Data were collected using semi-structured interviews which were in-depth and open-ended. The interviews were face-to-face and took place at the respondents' business premises, which enabled the interviewer to assess the perceptions and emotions of the interviewees. Through face-to-face interviews, expressions can be analysed to add further depth to the information collected.

For each of the 14 interviews conducted, the owner of the business was personally interviewed. A number of attempts were made to interview managers of businesses where the owners were not present, however in all instances the store managers refused to be interviewed and insisted on the researcher returning at a time when the business owner was present.

Semi-structured interviews were drawn up using information obtained in the literature review, which allowed for the researcher to verify the existence of the elements identified in the literature review. The semi-structured interviews further allowed the researcher to identify the most common factors and how these affect each business. The semi-structured, face-to-face interviews allowed the interviewer to assess the respondents' attitudes and personal perspectives, which enabled further insights to be derived. Based on the responses received, the interviewer in some instances chose not to ask questions regarding themes that were not applicable to the interviewee, or to ask additional questions on topics or themes which came up in an interview (Saunders & Lewis, 2012). Based on the sensitivity of the nature of financial information, and the risk that many migrants may not be tax paying citizens, questions of this nature were specifically excluded from the interviews.

Each interviewee was requested to sign a consent form indicating their willingness and consent for the researcher to make use of information from the interviews for research purposes. All the interviews were audio recorded after consent was received from the respondents. As part of obtaining consent, the interviewees were told the context of the study and were provided with confirmation that confidentiality would be maintained throughout the research process.

In order to ensure that the interviews undertaken were insightful, it was imperative for the interviewer to have an understanding of research already undertaken; the current operating environment of business in South Africa, in particular SMMEs owned by immigrants; and results of studies undertaken within the area. To ensure that the interview questions were relevant and insightful, a thorough literature review was undertaken prior to the interview process. Whilst the interview questions were guided by literature, the questions were designed in a manner that provided a voice to the respondents in order to understand their experiences and opinions, as they guide organisational development (Gioia et al., 2012).

The interviews ranged from 30 minutes to an hour, depending on the level of detail provided by the respondents. Some respondents were happy to provide details, whilst others appeared to be wary of providing additional information over and above the questions that were asked. In these cases, the researcher tried to maintain a relaxed stance in order to induce comfort and trust, and also tried to prompt the respondents wherever possible.

#### **4.8 Method of analysis**

A qualitative research methodology was selected for this research. In order to analyse the data on a qualitative basis, written transcriptions were made for each interview conducted.

The interviews were read as a whole in order to gain an understanding of the entire picture, and then re-read to derive codes, whereby the data were categorised into themes (Hsieh & Shannon, 2005; Saunders & Lewis, 2012). The use of codes is primarily to sort large amounts of data into fewer categories. The codes were sorted and allocated into categories, which explain a key theme based on how each code is linked or related to the other.

After transcribing all the interviews, codes were assigned to data which related to key themes that represented an idea or insight, and which linked to the research questions derived in Chapter 3 (Saunders & Lewis, 2012). Each question in the interview was assigned to a theme to enable the researcher to identify the most

prevalent elements of social embeddedness and competition that enable business success.

In order to maintain rigour and to extract as much value as possible from the data, the codes were first grouped according to data that emerged from the interviews without considering themes as part of theory, and thereafter were linked to research questions according to theoretical dimensions (Gioia et al., 2012).

#### **4.9 Data validity and reliability**

According to Morse, Barrett, Mayan, Olson, & Spiers (2002), research is worthless in the absence of reliability and validity of the research results. Qualitative research allows one to constantly evaluate and alter the research process during the research data collection to ensure rigour in the research results. Verification includes the various processes applied by the researcher during the research process to ensure the reliability, validity and rigour of the study. These strategies allow the researcher to decide when to modify the research process to ensure rigour in the process.

Trustworthiness and reliability of the data collected was ensured in conjunction with data collection, in order to avoid the risk of missing threats to the rigour of data at a point in time when it may be too late to correct these errors. Data validation methods such as member checks are not necessarily useful in determining validity or reliability, as these checks keep the analysis inappropriately close to the data (Morse et al., 2002).

Qualitative research that is guided by the respondents allows for new themes to emerge that would not normally if research questions are limited to constructs guided by theory. For this reason, research should allow for the “voice” of the respondent and subsequent interviews should be adjusted to take into account information gathered from prior interviews (Gioia et al., 2012).

Morse et al. (2002) argued that strategies for ensuring rigour must be included in the research process, and should include: “investigator responsiveness, methodological coherence, theoretical sampling and sampling adequacy, an active analytic stance, and saturation.”

In order to ensure reliability and validity, the researcher continued to remain open, use insight, and filter out any data that were poorly supported. The semi-structured interview questions were standardised, and the unit of analysis was selected with careful consideration to ensure that the sample selected was in line with the requirements of the research. Elements such as facial expressions, emotions and avoidance of particular questions were noted during the interviews, and where responses were contradictory, further verification and confirmation was sought in the interview to avoid ambiguity. Where applicable, responses received from prior respondents were often considered in subsequent interviews in order to gain deeper insight or to gain clarity on conflicting views. Data saturation was achieved with 14 interviews, allowing for meaningful conclusions to be realised.

#### **4.10 Limitations**

Qualitative research is subjective and subject to being affected by interpretation (Saunders & Lewis, 2012). The following limitations were identified for this study:

- Qualitative research by nature limits the generalisability of the results obtained from the research. This is due to the smaller sample size when compared to quantitative research, which is usually rich in nature and where context specific data of a much larger sample are collected. Although a sample of 14 interviews were undertaken and data saturation was evident, it cannot be assumed that the sample represents all migrant owned businesses in urban areas.
- Qualitative research is limited to the biases of the researcher, for example the researcher may not have correctly interpreted insights received in interviews due to cultural and language barriers. Whilst all the respondents appeared to have a fairly good understanding of the English language, there remains the risk that due to English not being their home language, some incorrect interpretation may have taken place during the interviews. The researcher attempted to mitigate this risk by checking for consistency in the discussions, as well as by prompting the respondents to explain further where any potential inconsistencies were identified.
- As the element of research was on migrant entrepreneurs, the interviewees were foreign business owners who may not necessarily have work permits for South

Africa or could be involved in tax evasion. Insights obtained from these business owners are thus at risk of being biased and to the convenience of the business owners.

- The focus of this research is on competitive advantage, which may be interpreted differently between migrants and locals. While financial statements were not reviewed in this research, elements of business failure such as declining profits or insolvency may not have been apparent.

## CHAPTER 5: RESULTS

### 5.1 Introduction

The research design and methodology described in the previous chapter were used in this qualitative, exploratory study on migrant owned businesses in Gauteng. This chapter describes the sample, outlines the coding themes, and provides the results of the interviews conducted. The description of the results are described under headings linked to each of the research sub-questions.

### 5.2 Sample Description

There were 14 respondents in this study, all of whom were business owners in Gauteng. Of the respondents, 13 had businesses which were based in the Pretoria area, while one was based in the Johannesburg CBD. All the business owners were male and were aged between their early 30s and early 50s. Their fluency with regard to the English language varied, with most respondents having a fairly good proficiency of the English language. The country of origin differed amongst the 14 respondents, with 11 being from Pakistan, two from India and one from Bangladesh.

The respondents were involved in retail trade businesses across various industries, as seen in Table 2 below:

**Table 2 - Details of Interview Participants**

<b>Interviewee number</b>	<b>Country of Origin</b>	<b>Business Industry</b>
1	Pakistan	General dealer (electronics, household goods, cosmetics, etc.)
2	Pakistan	General dealer (electronics, household goods, cosmetics, etc.)
3	Pakistan	General dealer (electronics, household goods, cosmetics, etc.)

<b>Interviewee number</b>	<b>Country of Origin</b>	<b>Business Industry</b>
4	Pakistan	General dealer (electronics, household goods, cosmetics, etc.)
5	India	Bicycles
6	Pakistan	Electronics and toys
7	Pakistan	Electronics and toys
8	Bangladesh	Supermarket
9	Pakistan	Supermarket
10	Pakistan	Supermarket
11	Pakistan	Clothing
12	India	Clothing
13	Pakistan	Stationery and office supplies
14	Pakistan	Stationery and office supplies

Interestingly, two of the respondents had initially arrived in South Africa either to visit family (Interviewee 14) or as a stopover destination to Europe (Interviewee 9), however both decided to remain in South Africa after observing the ease of doing business and the multitude of business opportunities within South Africa.

One of the respondents (Interviewee 13) spent nine years working as a manager of a large chain store in the United Kingdom (UK), however migrated to South Africa after hearing about the business opportunities and ease of doing business in South Africa.

### **5.3 Coding Groups**

The coding groups were based on the research sub-questions that were set out in Chapter 3, and are listed in Table 3 below. The complete list of codes can be found in Appendix Four.

**Table 3 - Code Groups**

Research Sub-Question	Code groups
Background Themes	Challenges upon migration
	Motivations for starting business
	Challenges faced in running business
SQ1: How do migrant entrepreneurs in urban areas of South Africa capitalise on their social embeddedness to achieve and maintain competitive advantage?	Cultural characteristics
	Settling in assistance from social network
	Business assistance from social network
	Financial assistance from social network
	Social integration
	Financing of business
	Customer landscape
	Business tactics
	Supplier nationality
SQ2: How do migrant entrepreneurs in urban areas of South Africa implement competition strategies to achieve and maintain competitive advantage?	Competitive landscape
	Competitive practices
	Cooperation with competitors
	Pricing strategies
	Relationship with other migrants
	Supplier preferences
Additional information	Migrants business practices compared to locals
	Customer preferences
	Customer relationships

## **5.4 Results**

The results are structured in a manner that relates to each research sub-question and demonstrates the responses given during the interviews. The complete list of quotations for each category have been included in the appendices. All quotations that are included have been quoted verbatim and have not been edited for language or grammar.

In order to give context to the responses provided, the researcher deemed it useful to begin by describing the background of the migrant entrepreneurs and in so doing, to understand the challenges faced, opportunities created, as well as entrepreneurial constraints faced.

### **5.4.1 Background to Migrant behaviours and beliefs**

#### ***5.4.1.1 Challenges upon migration***

Many respondents indicated that when they initially arrived in South Africa, the transition was extremely difficult due to not having any friends and family, as well as limited proficiency in English, with some not having any understanding of the English language.

*8:4 “Actually first year when you come, you don’t have for the language, you don’t have for the all community, you don’t have for the anything.”*

*9:22 “Did not know ABC. I know NOTHING!”*

In order to transition into living in South Africa, respondents indicated the need to learn English and to learn business practices from local South Africans.

*8:4 “Then you start going for the community like maybe work for the local people, then you have to learn for the language and how to speak. You have to learn for the everything for the local people.”*

#### ***5.4.1.2 Motivations for starting businesses***

Six of the 14 respondents indicated that upon migration, they had planned to start their own businesses and had no intention of working for anybody.

*2:3 "No, I pre-planned. I knew I wanted to do business."*

*9:11 "NO! I didn't work in my life. I didn't go to work, NO WAY!"*

*11:6 "No. I wanted to open up the business, so I had the will powers to do it."*

While the intention for entrepreneurship was inherent in their minds, many did not have start-up capital or an understanding of the South African business environment, and therefore started off as employees for local business owners and from there learnt, built up some capital and then ventured off into their own businesses.

*5:6 "I say maybe after some time and when I got little money or some thing I will start my own little bit small one. But I will try and do something on my own."*

*8:5 "Yes, when I come, I come here for the work and then my mind, my target was always open the business."*

Eight respondents indicated that they initially migrated in search for a better life and after finding employment, identified business opportunities and started their own businesses:

*3:5 "No, before I was work with someone and after I start for own business"*

*10:5 "After I was in town or something I come back home to buy groceries and to buy for the restaurant, it was hard. So I took that idea. I going to start that business go fetch (spices) far so that people can use for India and Pakistan. Open till late, so that they can buy after when they come back from the jobs after work."*

In terms of business opportunities in South Africa, irrespective of whether the migrant started their business on arrival or identified opportunities thereafter, the sentiment across the majority of respondents was that South Africa is filled with business opportunities and that it is easy to start a business in South Africa.

*10:7” Like here when I come, like if you compare to work and the business, so I prefer business is better than job. So then we turn to the business.”*

This point was verified by two migrants who spent time in the UK and found South Africa to offer better prospects for entrepreneurship.

*9:9 “Actually, I didn’t come to stay in this country, I just come to little while to stay in the country to see; what is this country. I wanted to go to another country, maybe like UK and America or somewhere....Even though I got South African passport from 2003, I am a citizen. UK also I got a visa 10 years and America also, I came there but I am fine here.”*

#### **5.4.1.3 Challenges faced in running their businesses**

The majority of the respondents cited financial issues such as access to capital, excessive rent, high tax rates, and inflation to be the major challenges faced in business.

*2:5 “Things are expensive. Inflation is too much so main thing is that inflation people don't have to power to buy. The stock prices going every year increase”*

*3:7 “The MAIN PROBLEM is the finance.”*

In terms of rent, one respondent mentioned that his local landlord constantly increases his rent above market related rates due to witnessing his business grow and prosper. The respondent is of the belief that local landlords take advantage of foreigners by charging them excessive rents compared to local business owners. This puts foreign business owners at a disadvantage when competing against local business owners.

*1:14 “The main thing you don't have your own property. The problem is landlord when they see the one truck is coming to offload the stuff they call you and say you must pay the bigger rent. Not only me, all shopkeeper here is having the same problem and that is the rent.”*

Some respondents also mentioned that crime in South Africa negatively impacts business and as a result, they are living in fear. Crime appears also to be a deterrent for business owners to operate extended hours for customer convenience.

*1:50 "We open at 7:30 and close at 6:00. No because the crime rate is too high in this area. If there was no crime we can stay open to 9 o'clock or even later. This is how we do in Pakistan, shop is open all the time until late at night for convenience of customer."*

*4:24 "Only one is problem in South Africa is crime is too much. Otherwise this country is gold country."*

Some respondents mentioned that it was difficult to find employees who were dedicated to the success of their businesses and therefore they need to be physically present at their stores. This means that they have to work long hours and as a result sacrifice time with their families.

*9:13 "I got a wife, childrens. I don't have a time to spend time with them. I don't have enough time. They also sometime want me to spend time with them."*

*14:31 "Staff is staff in the work with salary. Now, they know. These men will only repay with that amount every month. They never be loyal. You're not this mean, these companies exist because of that and what a job they want to do, then they're not worried about that. They're only worried for yourselves. Even when I'm not here they don't even work. They're not worried. They're losing customers. This end of the day is a business or not business. They will get their pay."*

This section highlights that most migrants face challenges in terms of integrating with society upon their initial arrival into South Africa. Despite the challenges faced, the migrants were determined to engage in entrepreneurial activity, irrespective of whether employment opportunities existed. From the interviews conducted, it emerged that the Pakistani and Indian migrants have a strong drive towards

entrepreneurship and tend to overcome obstacles in order to engage in entrepreneurial activity. Key challenges faced in their businesses are constant rising costs, a lack of dedicated employees and crime. An optimistic outcome for the researcher was the sentiment amongst most respondents that South Africa is a country with many opportunities.

#### **5.4.2 Sub-Question 1: How do migrant entrepreneurs in urban areas of South Africa capitalise on their social embeddedness to achieve and maintain competitive advantage?**

##### **5.4.2.1 Cultural Characteristics**

Most respondents indicated that with regards to business relationships, Pakistani nationals do not differentiate amongst race and culture. They believe that all people are equal and that business relationships should be kept separate from personal relationships.

*1:38 "So in business whether it's a local guy or Pakistani guy relationship the same there's no favouritism."*

*12:31 "No difference, it not about it. We want work, if you working with us nicely we do work."*

One respondent indicated that Pakistani people are not racist and therefore show the same level of respect to all races. Once a relationship has been established, Pakistani people are prepared to provide assistance to people of all races.

*11:23 "There is no problem. One thing is that we Pakistanis are not racist so that make me come to that point that I must help."*

One respondent indicated that it is important for all Pakistani migrants to be honest and uphold the reputation of the entire Pakistani migrant community. He believes that if a single migrant engages in any wrongful act, this would tarnish the reputation of all Pakistani migrants. He also mentioned an incident where a Pakistani national was involved in committing a crime against a Bangladeshi national, at which point he worked with the police to find and arrest the Pakistani national.

7:27 *“Even last time is Bangladesh people hijacked by Pakistani so we tried to find them and we did report them to police and they arrested them.”*

7:28 *“Yes, because one is bad in the Pakistani people everyone is bad. We try to do help everyone.”*

When asked about whether migrants have formed a union or group within South Africa or Gauteng, most respondents indicated that there was no group or union. Two respondents, however, indicated that an organisation had been formed which is referred to as the *Pakistan South Africa Association*. When prompted for reasons why this organisation was formed and what role the organisation plays in the lives of the migrant Pakistani community in South Africa, it emerged that this organisation was formed solely to create a community of Pakistani nationals, who work together with local communities to providing aid, thereby fostering good relationships with local communities. The organisation also aims to provide funeral assistance and guidance to the Pakistani community during times of xenophobia. Upon further discussion, it was noted that this organisation does not play a role in assisting migrants with employment, financing of their businesses, or providing any other business or personal related assistance.

10:21 *“We choose the name “Pakistan South Africa Association” so we can do work together. So we can finish the gap between both communities. We can teach our people how to participate in here because we are staying here, how we can work together, how we can help each other.”*

#### **5.4.2.2 Settling in assistance from social network**

With regards to initial assistance upon arrival in South Africa, in terms of finding accommodation, employment, and starting their businesses, the responses amongst migrants were mixed.

Some migrants arrived in South Africa based on referrals from friends and family and hence had some sort of personal network, which was established already in their home country. Through their personal networks they were able to find accommodation, become familiar with the country, and were also advised on potential business opportunities.

3:27 *“Yes personally, my friends so he going help for me and teach me how to do it and he show me everything.”*

5:23 *“No when I came from then I got my friends here, they help me out.”*

Where assistance was provided, respondents indicated that there were no consequences or further expectations to be returned in lieu of the assistance. Any expenses incurred in assisting the respondent, such as rental and groceries were expected to be repaid once the respondent earned income. This repayment however did not include any interest or profit.

5:27 *“Yes, I pay them money, what I owe you or what... normally when I come, I got no enough money so when I got job I pay them slowly slowly back what I owe them. House rent for food and all that is stuff.”*

Two respondents indicated that they received no help from any of their fellow migrants.

One respondent indicated that he found a place in Johannesburg where most migrants find accommodation, and through living in the same building, migrants form friendships and assist each other in whatever way possible.

9:25 *“, I was staying Johannesburg, Newtown. That building is about more than 100 Pakistani that stay in that building and they know each another’s name all of them. We just go to play cricket together, sometime we have holy parties and we pray together and we know each of them. We all help each other.”*

Upon prompting all respondents regarding if they believe the Pakistani migrant community in general provides assistance to other migrants, the responses indicated that assistance in terms of finding accommodation or finding a job is provided, however only if the person providing assistance knows the migrant requesting assistance. Where there is no personal relationship, migrants will still be inclined to assist, but only if the person providing assistance knows some family member or the village in Pakistan or India where the new migrant is from.

4:5 *“They will see if they know village and family history from Pakistan and India”.*

*10:17 "Like, in our community we don't help. We try to help but we help little bit. If we don't know anyone and someone just say; "I'm from Pakistan" so we don't help like that. Unless we know someone from like his family, relatives or from the city. If got reference then we can do what we can do but just if he is Pakistani, NO, NO, NO."*

When the respondents were asked whether they had previously assisted other migrants or if they were willing to assist other migrants, they all indicated that they were willing to provide assistance.

Most respondents indicated that they are prepared to assist migrants who are from the same home country as them.

*11:19 "Definitely. As long as he is from Pakistan."*

Some respondents indicated that their willingness to assist other migrants is due to memories of the difficulties they faced when they arrived.

*11:24 "Of course! You know when it comes from a homeland we have to because when I came I know what I was feeling and what is the feelings for that person when he leave his house and he comes for here to start and support his family. He got nothing in his hand. So I can feel it and then those who helped me they taught me that that help the next one, so that's the chain actually."*

#### **5.4.2.3 Business assistance from social network**

Five out of the 14 respondents indicated that they received assistance in starting their businesses from other migrants. Three of the respondents received assistance from family members and two from friends.

*2:19 "My uncle also used to stay here. He help me, he hire me at his shop because I his family, he trust me. He helped me go to that supplier to buy stock when I open this shop"*

*12:19 "When I came my uncle who I run the business from, he helped me a lot. So he helped me a lot."*

From the two respondents who received assistance from friends, it was found that these friendships were established in South Africa, however assistance was only provided after the friendship was established for many years. One respondent indicated that the friendship was established for seven years prior to assistance being received.

The majority of respondents indicated that they received no assistance from fellow migrants, and the consensus amongst most respondents was that the Pakistani community does not assist each other in business related and financial matters.

*6:18 "That is thinking but Muslim, Pakistan especially, the community is not strong, no strong on help."*

*10:27 "Is like the local people, you know? Whatever we have to do, have to do OWN! Our Partnership don't go far."*

*13:31 "They give you jobs but not help you give you business. They don't support you."*

Most respondents indicated that within the Pakistani community, migrants do not want to see other migrants prosper.

*6:19 "I don't know. In my opinion, the heart is not clean. They don't want to see another people must come up or maybe is eating two days food so you don't even see the people why they eating two times food."*

Many respondents indicated that jealousy is rife within the Pakistani migrant community.

*6:25 "JEALOUSY! Not trust, trusting is something else but it's JEALOUSY!"*

*7:25 "You know jealous, how can we help like that. Like his brother is don't like each other. If the one shop is here and another brother is here. The competition, they tried to kill him and he tried to hit him. How can we try help like that?"*

With regards to jealousy, one respondent who spent many years in the UK indicated that the relationship amongst migrants in South Africa is very different to relationships amongst migrants in the UK. He indicated that he never witnessed jealousy between migrants in the UK, but he finds the jealousy in South Africa to be excessive.

13:34 *"Is the jealousy too much in South Africa but these jealousy I never seen in UK."*

When the researcher tried to enquire why jealousy exists between migrants, the response from the migrant who had previously spent many years in the UK mentioned that local migrants have a limited mindset.

13:37 *"Yes, jealously and have a limited mindset."*

When these respondents were told about instances identified when migrants did in fact assist other migrants, they explained that within the Pakistani community, assistance is usually provided only if there is mutual benefit and if trust is established. Once trust is established, migrants tend to assist other migrants with starting businesses, but in so doing, the migrant who provided assistance benefits by keeping a 50% share in the business.

9:33 *"This is sincere person. I can say; "okay, let me start small business, you can run the business, you can eat and give me some money"."*

10:23 *"Like if I help you and you from Pakistan, maybe I can help you for my own interest. Maybe I help you to buy car, okay you go and sell my stuff. There's my own interest but I'm saying I am helping you. It's not like I'm giving you money."*

14:17 *"No, no. no. Is does do the friends, when one guy come in if he's financially was not good and he know someone here, his friends from his hometown or maybe his cousin, maybe somebody for your family, he does, they say; "you know what? Come let's open the business you run for me?" For first few months teach them how to do it and after then let them run you know, run it and we can make 50/50 profit."*

#### **5.4.2.4 Financial assistance from social networks**

Most respondents received no financial assistance from their social networks with regards to starting their businesses. The few who did receive financial assistance received either stock on credit from a fellow migrant who personally knew the

respondent, or knew a family member of the respondent. The provision of goods on credit was of benefit to both the respondent as well as the migrant providing goods on credit.

*4:3 "When I came here I come to my Pakistani friends in South Africa (AAA Wholesaler). They give me stock and I start sell."*

*6:26 "I think so. Only to credit. Stock they give but its sale to them. Only business."*

*9:37 "No one give me money that time because there is a Pakistani guys that working for a non-brand bread because the bakery is supplying for the other people also. He just give us bread, we sell finish and then give him money back."*

Only three respondents received loans from friends or family to start their businesses, however they mentioned that those loans were paid back without incurring any interest.

*2:22 "No, if he give me R100 I only give him back R100. No problem. Uncle is not bank, he just helping."*

*3:11 "No no no, no interest. Like last time I give back the money in a few days or few months when I got the money and he say; "okay no problem"."*

#### **5.4.2.5 Social Integration**

Most respondents indicated that they have good relationships in their fellow migrant communities, however these relationships are personal relationships that are not linked to business. The respondents mentioned that business and social relationships are kept separate and that social relationships are not considered when business decisions are taken.

*1:32 "In the in the business, I don't believe in the friendship."*

*7:21 "Everyone is own. We trust each other but not in business you know. All business is separate like."*

*11:35 "NO! In business, there is one thing I say; "there is no compromise". In the night time we can sit and eat together, we can do whatever it is but in*

*business there is no compromise. I don't think so it's a good idea to be compromise with each other."*

Two respondents, however, indicated that business relationships are easier to facilitate with fellow migrants than with locals and migrants from other countries. They mentioned that language and social status makes communicating easier and therefore creates better business relationships.

*7:12 "Because maybe we are foreigners and they are foreigners, maybe our home language, we understand each other better."*

*14:13 "Obviously when you buy from your own on people you can do bargaining with them. Instead of other people from other side. Sometimes you can't even get the specially the owner of the business or one of the directors you very difficult to get hold of them. You to only talk to another level but when your own people, then you know who's the guy then to source to get a meeting."*

Two respondents indicated that there is no unity within the migrant community and therefore they prefer to distance themselves from other migrants of the same nationality.

*10:19 "No there is a community, most of them they know but you know they like, you know politics. Some people are like this and some people they don't accept."*

*13:30 "So I'm never attached myself to the local Pakistani community. I'm very far away for these people. So mostly, I now attached to the local people from here I have a good relation with them."*

Some respondents indicated that the migrant community stands together during times of xenophobia, when as a group they are able to share their voice with the local government, but individually this would not be possible. As part of this community they also assist in funeral preparations for Pakistani migrants. From the responses provided, it appears that the community exists solely in instances when the

community needs to stand together against local violence, which is to the benefit of all members of the community.

*10:20 "Yes. You know in South Africa, in townships people get killed and they don't even know how to help each other so the community is there to help to take bodies and send to Pakistan because every day we go that news of someone killed there and someone killed there. So there is a community to help."*

*14:16 ". Every single second day, you see the shooting, the looting Pakistan shops and sometimes they tried to go to the police station to record this and they can't get help. through this organization we got to bit more better support, you can go to be to minister, we can go to the main speak to major, speak to the MEC, we've got that kind of growth now."*

#### **5.4.2.6 Financing of business**

Respondents were asked about how they went about financing their businesses. Some respondents indicated that they brought some money from their home countries and used that as start-up capital in informal businesses such as hawker trade, and from there they grew their businesses to a point where they opened shops.

*2:21 "I bring money from Pakistan and I working here. Supplier also give credit. First of all we get money from Pakistan, without this we cannot do business."*

The majority of respondents indicated, however, that they initially found employment in South Africa and from there, saved money, built a reputation amongst suppliers, and used a combination of savings and supplier credit to start their businesses.

*8:3 "Actually first we were doing for some work, you know doing for somebodies and collection for the capital then we open the business but it take long."*

Only two respondents indicated that they received loans from friends and family, in addition to savings from employment in South Africa.

3:8 *"I was working I will save the money and some money I will borrow from my friends."*

#### **5.4.2.7 Customer Landscape**

All the respondents indicated that their customers are a mix of locals and foreigners, with the majority of foreigners being from neighbouring African countries.

1:18 *"Is a 80% is the foreigners. And 20% is a local."*

6:9 *"Africa. Malawi, Zimbabwe, Ghana. Different parts."*

One respondent indicated that the reasons he believes many locals do not shop at informal businesses such as his is because larger chain stores offer credit.

1:19 *"We don't have a more locals because they go for the account system. Okay, they like to pay the accounts for everything, even their cars they take on credit."*

An exception to this were the entrepreneurs in the printing, stationery and office supplies industry, who indicated that the majority of their customers are locals, particularly students, teachers, and business professionals.

14:8 *"No, over 90% customer is local customers. Mostly we deal with the schools and office."*

One particular respondent who happens to be a wholesaler in the electronics industry, an industry in which the majority of Pakistani nationals trade, mentioned that most of his customers are migrants from India and Pakistan. This particular respondent has been in South Africa much longer than the rest of the migrants and found a gap in the electronics market when he arrived in South Africa. He believes that many migrants who came to South Africa after him also identified opportunities in this area and therefore sought to be a wholesaler to these migrants.

#### **5.4.2.8 Business tactics**

Most respondents attribute the success of their business to hard work.

*11:40 "The only things make you success; one thing I believe and really know it personally is work hard."*

When questioned about what practices can be attributed to hard work, respondents indicated that their businesses operate on extended working hours, which includes evenings, public holidays, and weekends.

*9:12 "Hard work. We open 07:00 in the morning and we closing 21:30 or 22:00 at night and is not easy to go EVERY DAY to buy the stock and fill up the stock and I got a family, I got a wife, childrens. I don't have a time to spend time with them"*

*11:15 "; I work hard and I didn't even take off on Sunday. There is no public holiday for me 'til today. I work right through."*

Most respondents also indicated that honesty in business is important, as honesty results in a good reputation, which attracts repeat customers. One respondent mentioned that he is even prepared to take a loss in order not to compromise on his honesty.

*1:12 "Whatever you do, whether you are working whether you are in business you must take in your words even if you got loss, sometime you can lose but you must follow your words."*

*5:16 "Yes because I tell them that I sell, I don't lie and sell. Honestly I do business."*

One respondent mentioned the importance of always purchasing goods in a legal manner, without evading tax or purchasing stolen stock. He believes that it is better to pay a higher price but maintain honesty, as dishonest business practices take the blessings away from business. He mentioned that he follows his religious beliefs with regards to business.

*1:13 "Even our religion say the business comes from the religion isn't it true?"*

*1:33 "I believe in the price and the legal way. Some of them they offer me the same item I can give you without invoice. I tell them sorry. I don't need it. So doesn't matter, friend, brother doesn't matter. It only matter if it is*

*legal and best price. And the main thing is the goods mustn't be stolen goods."*

Most respondents also indicated that they try to provide the best possible price to customers as that is their way of taking care of their customers. They believe that by taking care of their customers, the customers will return to purchase from them again.

*1:22 "If you're good with them if you understand what they want and if you see their pocket and you supply them the goods how the pocket is affordable, is the main thing. Then they come back to you."*

One respondent mentioned that even if a sale results in no profit, Pakistani businesspeople will still sell the product at cost, to ensure that the customer leaves the shop satisfied and prepared to return the next time.

*12:35 "Yes because even sometimes you don't make even profit but you sell, you thinking let's rotate the money."*

One respondent indicated that he sells certain items at cost and others at a profit. He uses the items sold at cost to lure the customer and makes a profit on the other items purchased by the customer, so that on the overall sale a profit is made.

*13:27 "So if you buy ten things from your shop and three never give you profit but seven give you profit then you profit and you don't lose a customer."*

Two respondents indicated that each businessman has his own secrets of success, and these secrets could relate to his suppliers, his large capital which allows him to buy at a lower price, or other tactics. They mentioned that these secrets should never be divulged to any competitor and for that particular reason, they avoid any interactions with competitors.

*8:28 "Secret is secret but sometimes you want to no share each other like for example; some people don't like it a competition. For some stock you want to go to Johannesburg cash & carry some people here sell it R17 and you'll get it there R15, you can't share for other people because if I want to open the secret, I open it, then he also go and buy at Johannesburg cash &*

*carry then is a come for the competition. That secret you want to keep for ourselves.”*

*11:33 “Because each one got his own secret in business. So I don’t think so the businessman can open his secret. How much I am carrying to buy, how much I am purchasing is not a good things to tell your neighbour business that; “I wanted to buy for R20,000 you must come and buy also”. The buying is also part of business and is a secret – privacy. I prefer it myself personally being a businessman.”*

#### **5.4.2.9 Supplier nationality**

Most respondents indicated that their suppliers are various nationalities, with the majority being local suppliers. The rest include Pakistani, Chinese, and Turkish suppliers. None of the respondents indicated that their suppliers are migrants from African countries.

*2:14 “My supplier is a Chinese, Turkish and some is a local Indians who know me.”*

*11:11 “Chinese people and local people also. It depend what I am buying. If I am buying electronics I go by local people, if I am buying clothings I go by China mall.”*

When asked about whether the nationality of the supplier is a deciding factor in choosing where to purchase stock from, all the respondents indicated that nationality does not matter provided the price and quality of goods are in line with expectations.

*10:15 “I don’t have problem. No problem because in business it doesn’t matter for me, I have to buy the products, we see the products, we don’t see the person face. We see the products, what the customer need.”*

*13:23 “Well, actually I am registered from South Africa. I’m paid tax, so the person who doesn't matter where you from? India, Pakistan or from here. If he paying a tax and he's registered and secondly he give me stock on a good quality and a good price and then I am going to buy.”*

Respondents were asked if there was an inclination to purchase from any particular nationality if the quality of goods and prices were equal across suppliers of all

nationalities. The majority of respondents indicated that where price and quality are the same, they would prefer to purchase from suppliers of their own nationality.

*11:36 "If the terms are the same then I will go for Pakistani."*

The majority of respondents believed that it is easier to get a better price from their own nationality as opposed to other nationalities, due to the ability to easily communicate and resonate with each other.

*3:26 "From Pakistani, we can talk to them and then they give us more cheaper."*

*14:13 "Obviously when you buy from your own on people you can do bargaining with them."*

One respondent from India mentioned that he would rather purchase goods from a local than to support a Pakistani, however he would be willing to support another Indian.

*5:21 "Yes, I can see like I have to choose then ... If same price then I'll go for India guy. I'll support my country."*

*5:22 "I buy from local guy then. I can buy from Pakistan but I choose local."*

The Pakistani and Indian respondents placed a strong emphasis on ethics and claimed not to differentiate themselves from locals or migrants of other nationalities. They believe in upholding the reputation of their migrant group and making an effort to uphold the law, as well as working with local communities in philanthropic initiatives with the aim of avoiding xenophobic attacks. These migrants tend to assist other migrants from their home country in terms of integrating with society within South Africa, and even assist each other to some extent in finding employment. It was interesting to find that assistance from a business perspective was based purely on mutual benefit, and with regards to providing finance, the relationships went beyond belonging to a group to a much deeper personal level, for example being friends or family. In terms of business, these migrants have a strong work ethic and place huge emphasis on sourcing goods legally. The respondents interviewed showed no preference for nationality with regards to business relationships, and gave more preference to business benefit as opposed to nationality.

### **5.4.3 Sub-Question 2: How do migrant entrepreneurs in urban areas of South Africa implement competition strategies to achieve and maintain competitive advantage?**

#### **5.4.3.1 Competitive landscape**

Most respondents indicated that their competitors are a mix of local and foreign owned businesses. The respondents in the supermarket and the clothing industries indicated that their competitors are mainly local owned businesses.

*9:40 "I don't have a competition with the Pakistani but a competition with the local people."*

One respondent in the stationery and printing industry indicated that he does not feel that he has much competition as the business industry he operates in is quite complicated and most business owners are salespeople, not professionals. He believes that his education and professional competence in his industry gives him competitive edge against any potential competitor.

*13:10 "Mostly people never came to this side of business because it is difficult because we have 200 to 300 items and very difficult to calculate easy. Is complicated for the person not educated."*

Most migrants indicated that they have competitive edge over local owned businesses because migrants provide discounts and are prepared to reduce prices as low as possible in order to secure a sale with a potential customer. They believe that local owned businesses have fixed prices and therefore they lose customers to migrant competitors.

*6:37 "Local people not drop price. Local people fixed price. They don't even... let me tell you, this thing I want to share to you. It's one price, sometimes little bit drop the price and you grab the customer maybe you sell R600 and say R530. R30 is coming. If you sitting and waiting for the big amount and you no get it, so you lose. Drop the price. Local people they no drop the price that is a fact. Main thing is price drop."*

12:33 *“What I am thinking the local people; they thinking to make too much profit in one small thing.”*

#### **5.4.3.2 Competitive Practices**

The majority of respondents indicated that they have good relationships with their competitors. They believe that competition in business is a natural practice and they do not allow business competition to create unhealthy personal relationships.

1:41 *“No, it's fine. It's fine. No problems.”*

2:25 *“We are friends. Mostly 99% is friends.”*

Most respondents mentioned that they try to gain the upper hand on competitors by competing on price. They believe that customers are price conscious and tend to shop around and look for the best price. In order to avoid their customers shopping elsewhere, migrant entrepreneurs tend to discount the price of items even if it results in a very small mark-up, due to fear that a competitor may also provide discounts and that will result in losing the customer.

4:12 *“Customer want something he go too much shop check price. He looking who selling cheap he buy there.”*

6:36 *“I drop price. I drop the price because no choice what can we do? Because if I don't drop the price, next-door they will give it the price.”*

One respondent indicated that he is even willing to drop the price to the point where no profit is made, to ensure that the customer remains loyal.

1:24 *“I always beat the price even I make no profit I must keep my customer happy so tomorrow he come back to me.”*

One respondent who operates in the clothing and fashion industry mentioned that he tries to gain an advantage over his competitors by keeping a better variety of items. He added that he does his best to ensure that he differentiates his goods by keeping different brands to those of his neighbouring competitors, and that he keeps styles that are more fashionable.

*11:34 "I will try to bring the different brand to make my customer satisfied that this brand is stronger than that brand that's the secret of business."*

The majority of respondents also indicated that they avoid customers going to their competitors due to the fear of losing the customer. In so doing, even if they are unable to provide a customer with an item requested and they know that a competitor keeps that item, they will not refer their customers to the competitor.

*11:30 "No I don't. I DON'T. That if I see according to business rule, it does not allow me to send my customer away. That's not that I am satisfying my customer. So it's not good."*

Two respondents did indicate, however, that they refer customers to competitors, yet the nature of the businesses of these respondents were quite different. One respondent has a supermarket and understands the need for customers to acquire certain products immediately, while the other has a stationery and printing shop whose customers are sometimes students in need of items for a school project. Based on the need for the customer to acquire items immediately, these business owners were prepared to refer their customers to competitors. This speaks to their value of always wanting the best for the customer, even at risk of their competitors delighting the customer to the point that the customer becomes a loyal and regular customer of the competitor in future.

*9:42 "Especially some Indian and Pakistan spices, the local people don't have so I explain to them you can go to other Pakistan shop."*

*14:20 "Understand it, but when I see the condition of a child now, the child need for school for tomorrow. I'm not looking to my benefit, I'm looking for the benefit of child and the child mustn't suffer tomorrow."*

#### **5.4.3.3 Cooperation with competitors**

All the respondents indicated that they have a good relationship with their competitors, however they engage in healthy competition by providing customers with the best possible prices. Some respondents indicated that when they run out of stock and a particular item is requested by their customer, they procure those goods from neighbouring competitors.

*13:35 "Is very good relationship and also sometime I need a things I have a shortage, I have a big order then I call them and they said to me; come and take it and sometime they need some things they don't have and they have a customers and I support them I can come in and take it."*

When questioned about the price at which they procure goods from competitors, whether the items are sold at cost or at the standard selling price, most respondents indicated that the items are usually borrowed and the same items are returned once the respondent receives his stock. There are some instances where goods are not returned but are procured for cash, in which case the price is discounted.

*3:32 "Same price you buy from the stock we give them that. If we need the money we give back the money, if you need the stock, we return back the stock but we usually return back the stock we don't prefer to give money to each other."*

One respondent indicated that when he does not have an item that a customer requests, and if a competitor who previously assisted him has the item in stock, he is prepared to offer comradery and refer the customer to that competitor, as repayment for previous assistance.

*5:33 "Then I will just go who helped me in business. Then I can send it to them."*

Only one respondent mentioned that he is willing to refer a customer to his neighbour if he is unable to source the item, or if the item is not something he normally sells.

*2:28 "If we cannot get we say sorry check next door. We give direction to where he can get it."*

When asked about purchasing goods as a group in order to gain better prices, which benefits both the respondents and their competitors, all the respondents indicated that they do not engage in such business practices. The respondents indicated that this practice is common amongst Somali nationals, but not amongst Pakistani, Indian, and Bangladeshi nationals.

2:32 *“Because you know business everybody looking for profit ok. So the Somali guys they all joined together one group and they go buy. But the Pakistani don't do that.”*

9:45 *“We don't do that. No one doing that.”*

After discussing the potential benefits of group purchasing, many respondents were still against the idea. One respondent agreed that the concept is beneficial, however most said that there is no trust amongst Pakistani nationals and therefore any joint trade would result in negative consequences.

6:23 *“No, there's no communication. Is good thing but there's no community. That's why I say from beginning; there's no community.”*

10:26 *“The Somali people they do that. They go together, they buy together and make big cash and carries but Pakistani people we don't trust each other.”*

The respondent who agreed that joint purchasing is beneficial indicated that he is prepared to engage in group purchasing with local, Pakistani, and Indian business owners, however he would prefer not to do business with Somali and Nigerian business owners due to a lack of trust.

6:31 *“Yes, I have no problem. Whether it's local, whether it's Pakistani, Hindu but Somali guy I no trust. Somali, Nigeria not trust.”*

One respondent indicated that he does sometimes offer his competitors goods when he is able to source them at a good price. He was reluctant to mention a lack of trust amongst the community, and kept diverting from the topic when asked about group purchasing. When questioned about circumstances regarding under what conditions he offers stock to his competitors, it emerged that he is in fact not engaging in joint purchasing, but rather manages the process himself and then sells the stock to his competitors.

9:46 *“Is not a trust, see, I don't know. I have no idea why is problem.”*

#### **5.4.3.4 Pricing Strategies**

Every respondent indicated the importance of low prices in ensuring that they sell their goods. They indicated that prices are initially set upon standard mark-up and thereafter compared to prices of the same goods at competitors. Where competitor prices are lower, respondents indicated that they would also lower prices to be in line with the market.

*2:29 "Mostly our prices is all same. If is R10 or R20 cheaper we also give same price."*

*7:22 "Sometime we decide how much in the market is selling. How much I buy, maybe I buy R50 so maybe in market we selling R70. So we compare that price and we are selling market level."*

Apart from ensuring that prices are as low as possible, most respondents also mentioned that they are prepared to negotiate with a potential customer and discount prices as low as possible in order to make a sale.

*6:33 "Like what I'm saying the customer is coming and buying something – because of the price that we are giving the good price."*

*14:10 "First of all, we tried our best as lowest price we can do it. Sometimes we do even negotiate with the prices also, sometimes we look at our old customer and sometimes we look at customers conditions even can try to help them. Somehow, whatsoever can do it."*

One respondent indicated that price is even more important than customer relationships, and that the customer's first priority is to get the best deal.

*8:13 "Actually if I want to make relation also, you not going to see it relation, you want to see that the price is CHEAPER. That's important!"*

One respondent indicated that migrants from Pakistan and India focus more on sales than on profit. He mentioned that it is better to sell an item at cost and keep the customer than to lose a customer and not make a sale. He stated that in doing so, the business gains cash flow and stock can be replaced with newer items.

12:32 *“Let me give you very nice idea, when we do sell stuff like we do we do. We are thinking about to sell not to make profit. What I am thinking the local people; they thinking to make too much profit in one small thing.”*

The only exception to the rule of discounts is in the supermarket industry, where one respondent mentioned that groceries are very competitive with extremely low margins. Since he tries to provide the lowest price possible, the only instances where discounts are given are usually rounding differences, e.g. when the total price of the customer’s bill is rounded down to the nearest R10.

8:25 *“No, no. We can’t drop the price. SOMETIME if I buy for R500 or R600, like if buy for R658 then forget the R8 and R650 they will pay then we work like this because he also happy and he also make money for himself and I also business.”*

When asked if prices are discounted or matched against competitors in order to secure a sale, the respondents indicated that even if the competitor is a relative, the same rule applies in business.

1:25 *“Yes, I make same price like my brother. This is business.”*

When asked about price choices to customers who are relatives, one respondent indicated that for a relative he does not make any profit and sells items at cost.

12:23 *“No not full price, discount. Not even profit. Sell at cost.”*

With regards to beating the prices of competitors who referred their customers to the respondents, one respondent indicated that he would not beat the competitor price in order to gain the customer. He mentioned that at a minimum he would match the competitor’s price.

5:34 *“No, no, no, if you send customer I will try and sell same price. I can sell with more if they want to buy but not cheap.”*

#### **5.4.3.5 Relationship with other migrants**

Most respondents indicated that in business, they have no relationships with migrants from the same country. They believe that there is jealousy between the

migrants and therefore prefer to limit interactions from a business point of view. One respondent indicated that other migrant groups such as Somalis have a different relationship and therefore assist each other.

*1:36 "No, no. Our nation is really ups and downs. They can't even see their own brothers success. They're all against for next person or jealous for the Pakistan. Because for example Somalis yeah they support each other."*

*7:25 "You know jealous, how can we help like that. Like his brother is don't like each other. If the one shop is here and another brother is here. The competition, they tried to kill him and he tried to hit him. How can we try help like that."*

With regards to relationships with migrants from other countries, such as African migrants, the respondents' views were different. They indicated that they would not purchase goods from African migrants, as they cannot trust whether the African migrants are selling quality items and whether the items are stolen or not. The respondents were also of the view that African migrants may not provide guarantees on defective items.

*6:13 "Because where I get the repair? We not trusting this nation, if broken where I repair?"*

From a customer perspective, however, the respondents were indifferent to nationality, and mentioned that they have the same level of respect and same relationship with all nationalities, and therefore do not differentiate between migrants from Africa and migrants from their home countries.

*3:40 "No, because I work now with the locals, the Pakistanis. I work with Zim because I employed also Zimbabweans and he worked almost four years now with me."*

*12:25 "Whether he is from ANYWHERE, same relationship."*

#### **5.4.3.6 Supplier preferences**

All the respondents indicated that the most important element when choosing a supplier is the best price.

4:13 *"Price is important. Where price is better I buy."*

7:13 *"Yes, is matter only the price. Where you get it cheap."*

They further indicated that price is more important than relationship and nationality when choosing suppliers.

6:12 *"Doesn't matter if it's Pakistani or Indian or local. It doesn't matter. It's about price."*

8:15 *"Actually we no choose for the supplier, we choose for the price."*

Some respondents indicated that apart from price, quality is of importance as well, i.e. they will not necessarily buy a product with a cheaper price but inferior quality.

5:19 *"Yes, price also matter and quality also matter."*

9:20 *"you see they got a good quality item and they cheaper than we choose."*

Some respondents mentioned that supplier service is also important, however they are still prepared to purchase from a supplier who provides bad service, as long as the items are of a good quality and the price is low. While service is important, therefore, it is not a deciding factor.

Of the respondents interviewed, most indicated that their competitors are local owned businesses and foreigners of the same nationality. The respondents indicated that they share a good relationship with their competitors but will not hesitate to reduce prices to cost in order to avoid customers shopping at their competitors. A few respondents engage in purchasing and selling stock to competitors when stock is urgently required, however as a standard practice they avoid trade with competitors. All the respondents were hesitant about engaging in group purchasing with their competitors, despite awareness of the benefits that can be achieved. It appears that there is a lack of trust amongst migrants thus engaging in business relationships with competitors is avoided, unless there is a dire need to urgently procure one or two items in order to satisfy a customer.

#### **5.4.4 Migrants business practices compared to locals**

The respondents indicated that key differences in business practices between locals and migrants, apart from pricing strategies, are that local people are not entrepreneurial and are extremely rude to their customers.

*1:27 "I'm sorry to say that, the local people are too rude. If you tell them a discount or something they say no why you come by me go buy there (where you get discount). So they lose a business so then we find other supplier. That's the main reason why they lose a business and why they are not successful now, why they're going down because they're too RUDE."*

#### **5.4.5 Customer Preferences**

Eleven out of 14 respondents indicated that all customers are price conscious, so in order to gain customer loyalty and to make sales, one needs to provide the customer with the best price.

*6:35 "They check the price and then they go next door and check the price and go third shop and check the price and see who the price is keeping lower. So commission is very low these days."*

*7:30 "Customer is everywhere, is go everywhere even they buy one thing. They come here they check price. Where they cheap they buy there."*

One respondent indicated that good customer service is even more important than price.

*10:32 "Yes, service is first and price is second."*

Another important factor, according to the majority of respondents, is that the quality of goods sold must be of a high standard. They believe that selling quality goods which have a guarantee helps them to gain the trust of the customer. They also mentioned that honesty in terms of goods sold is important, and that the customer should not be misled into believing that an item is better than it actually is. The respondents believe that customer trust is earned through quality, honesty and product guarantees, which results in loyal customers who became regular customers.

4:11 *"Example I sell TV I first check is working nicely. Also I give guarantee, if they have a problem with the TV or the DVD also I fix it free."*

13:25 *"Because I don't want to lose my customers, my customers knows me from last three years I'm selling how, which kind of quality."*

One respondent indicated that customers have become brand conscious and will much rather purchase a branded item in a chain store as opposed to imported non-branded items from privately owned businesses. This respondent believed that in order for him to gain customers, he needs to be much cheaper than the chain stores.

7:8 *"Actually, now it's very difficult because peoples now clever, they know what is the Chinese thing and what is the original. So if like the price is not much different so it much difficult to continue."*

The majority of respondents also indicated that when customers request an item which is out of stock, they are prepared to procure the item immediately in order not to lose the customer to a competitor. Their initial response is to make the customer comfortable and immediately contact the closest supplier. Should the supplier be a distance away, or not have the item in stock, they are prepared to purchase the item from a neighbor or competitor, even if the sale results in no profit.

1:44 *"I see if I can arrange within a 5 or 10KM range. Then I say mama sit down, let me buy for your cold drink. I say let me go storeroom I fetch for you. If it's over 20 kilometer then we'll leave it for next day. Then we will say sorry to customer. Most of the customer they have no problem, they come pick up next morning"*

11:29 *"So I try my best to get the customer and keep them in my shop although I don't have the item."*

#### **5.4.6 Customer Relationships**

Many respondents mentioned the importance of customer loyalty. They believe that loyal customers become regular customers, and also refer their friends and family to purchase goods at the businesses of the entrepreneurs.

*2:11 "New customers, sometime these old customer helping, he got phone number everything. He tell his friend to go buy from this shop, he know me. My customer they do advertising for me like that."*

One respondent indicated that based on personal experience as a customer he tends to give preference to businesses where he receives good customer service and respect. He refers his friends to businesses that provide good service and show respect to him, and in the same way warns his friends not to shop at businesses where bad customer service is provided.

*3:39 "If I go somewhere and people don't talk nicely, next time we won't go and we say our friends "Don't go to that shop because those people don't talk nicely". If you go there and they talk to you nicely then also say "you must go to that shop that guy is very nice talk to him very nicely"."*

All the respondents placed a huge emphasis on building good relationships with their customers. When prompted to provide examples of how these are built, the general consensus was that customers should be spoken to in a polite manner, welcomed into the shop and served with a smile. It was also mentioned that apart from merely serving the customer, the customer should be asked about their wellbeing. Once a relationship has been established, the customer is also generally asked about his/her family.

*9:17 "It's just good when your customers come here, you must give the smile and the talk and say; "Hello, how are you?" You must make friendship with your customers. Like friendly all the time, the customer liked to you and sometime you even be sharing your family, "How is your mother? Father? How's your wife? How's your children?" Customer like to go where treated nicely not like rude talking, or just keep quiet and give bad eyes. No, is not good."*

*13:15 "Actually in my opinion the first time customers come to the your shop is automatically, you take a chance. Second time is or make a regular customer thats depend on your service."*

Customer service was thus seen as being important, however one particular element stood out in the research, and that is that many respondents mentioned that business owners must smile at the customers.

*10:30 "Is very easy, is not like you have to make a big certificate or big graduation to make customer happy. Customer doesn't matter, you just give them smile they become happy. Always, the main thing is service."*

*13:18 "My opinion is there's two reasons, First is the best customer service you can give, with all day with a smile even when you are tired doesn't matter and second fast and professional."*

Another aspect that was mentioned by one of the respondents is that business owners should earn the trust of the customer in order to gain their loyalty. He noted that trust is established when the business owner provides quality goods and is transparent in his dealings with the customer. Transparency was recognised as not trying to sell an item by lying or implying that the item is better than it actually is.

*5:15 "Maybe I give them right the start what they asking me, they got trust on me."*

One respondent indicated that he recognises the importance of the customer, as the customer is the reason for his livelihood. He mentioned that irrespective of his own feelings, the customer should always be given respect, for without the customer there will be no business.

*1:47 "If you want to success in the business then you must see your tongue you mustn't be bad with a customer. Doesn't mean you are a owner of the business. The customer bring the money to you and say money. You must respect the customer."*

Most respondents also indicated that they treat all customers equally, irrespective of race, religion and even the amounts spent by the customers at their shops. One respondent mentioned that even if the customer is rude or difficult, the customer should still be treated with respect and that business owners should sacrifice their own needs, being hunger or the need to relieve themselves, in order to provide good customer service.

*1:48 "The customer for 50 cent is same as customer for 50,000. Customer must be equal. As a salesman you must treat the customer the same doesn't mean no this guy's a full of s\*\*t, there is abundant customer, leave his customer. The customer is number one even your lunches number two go toilet is number three"*

Respondents indicated that through their practices of customer relationship building and good service, they have managed to develop personal relationships with their customers.

*14:9 "Yes! Yes, we know some of them and long customer now sometimes, some new customer also but now by now we know who's our customers and who is not our customer."*

One respondent indicated that his primary aim is to impress his customers by providing good service, quality goods, and low prices. He mentioned that this is the ultimate goal of all entrepreneurs, and he believes that his competitors have a similar mindset. He noted that he needs to ensure that his customers leave his store impressed, in order to ensure that they will return another time. He believes that failure to impress the customer will result in a competitor impressing the customer and hence he will lose a potential loyal customer.

*2:30 "Obviously our job is to impress customer so he come back too much time to us. Our neighbour he will do same. Our duty is to do business."*

Some respondents indicated that once they have established relationships with customers, they are able to provide credit to those customers. The provision of credit is however, dependent on trust, therefore it can only be offered to regular customers with whom the entrepreneurs have previously dealt.

*3:18 "I give them the favour sometimes because sometimes they don't have money so I give them the credit. I know them because they work around somewhere but know most of them personally."*

Many respondents believe that credit is a critical factor for customers in determining where to shop, and therefore find credit to be a key enabler to driving sales and growing their businesses.

*5:40 “You can give credit you can trust and maybe if you help you can grow business quickly.”*

One respondent, however, indicated the contrary, noting that building personal relationships with customers results in them expecting or asking for credit and discounts, which he prefers to avoid. It must be noted that this particular respondent operates in the supermarket business, where generally credit is not provided and discounts are limited due to small margins and large stock turnaround.

*8:10 “Actually, you see, not personal relation, all is a business relation. Sometime if you are going for the personal relation you get a problem. You know then the are stuff like credit like this thing and that thing. That’s why you don’t want to friend like “hi, hello”, coming here I greet him because he is going to want to drop the price little bit.”*

During the interviews the researcher observed how much effort the respondents put into assisting customers who walked into their shops; they were eager to please their customers and were willing to compromise on price in order to make a sale.

The researcher also experienced the hospitality of the respondents – most offered the researcher a chair to sit on, and something to drink.

## **5.5 Conclusion**

This research found that migrants of Pakistani or Indian origin possess a strong entrepreneurial spirit and have engaged in entrepreneurship due to personal motivation rather than a lack of employment opportunities. They tend to assist other migrants with similar backgrounds in terms of integrating into society as well as with personal needs, but tend to avoid engaging in business activities with each other.

From a social embeddedness perspective, it was found that these migrants’ customers are not from their own nationality, while in terms of supplier relationships, the migrants are inclined to purchase more from local suppliers as opposed to their own nationalities. These migrants provided limited business assistance to each

other, and where assistance was provided, it was only as a result of mutual benefit and not a form of camaraderie. Financial assistance was furthermore lacking amongst migrant groups; in the two cases where financial assistance was provided, the relationship was that of family or friendship spanning over many years.

The research also found that migrants compete with each other and do not compromise, even if they are competing against family or friends. Most respondents are aware of the benefits of co-operation while competing, for example through group purchasing of stock, however they prefer not to engage in such activities with fellow migrants due to a lack of trust. The general consensus amongst respondents was that unlike the Somali community, the Pakistani community do not trust each other and jealousy amongst each other is rife. Business transactions amongst fellow migrants is limited to situations where there is a dire need to urgently procure one or two items in order to fulfil a customer order, which was seen as an exception, rather than the norm.

## **CHAPTER 6: DISCUSSION OF RESULTS**

### **6.1 Introduction**

The previous chapter presented the results of the qualitative interviews that were conducted with 14 migrant entrepreneurs for the purposes of this study. The results were presented under the headings of the two research questions that were set out in Chapter 3.

This chapter will discuss the results in more detail within the context of the research questions, and will relate the results back to the academic literature discussed in Chapter 2. The discussions below are organised by themes which have been constructed from the code groups discussed in Chapter 5.

The core objective of this study is to establish whether migrant entrepreneurs implement strategies of cooptation in order to gain competitive advantage in their businesses, and to understand how their relationships with each other facilitate these practices of cooptation. The study also looked at whether these migrants make use of their social networks in order to achieve competitive advantage in their businesses, and to establish the consequences and trade-offs are in making use of their social networks for the purposes of implementing cooptation strategies.

According to this study, foreign migrants seldom make use of cooptation strategies in order to gain competitive advantage, and their social networks only feature in their business activities where benefits are mutual or where the relationship is beyond merely belonging to a group, i.e. if they can be classified as family or close friend relationships.

### **6.2 General background**

In order to give context to the results of this study, the researcher will first discuss the background information identified in this research, as it may facilitate the understanding of the phenomena found with regards to the research questions. The first element identified were the motives of the respondents in engaging in entrepreneurship. These motives may assist in explaining which strategies are employed to gain competitive advantage.

### **Theme 1: Businesses are formed through opportunity identification and not necessity**

All the respondents indicated that their motives for immigration were in search for better opportunities. The majority indicated that they ventured into entrepreneurship at their own will and were not forced into it as a means for survival or due to a lack of job opportunities. While many of the respondents indicated that they were employed prior to starting their businesses, this study found that the reasons for this employment were twofold. The first was to gain experience in understanding the dynamics of trade within South Africa, and the second was to raise capital in order to start their businesses. As many respondents were unfamiliar with English and therefore needed to learn the language, in order to explore the trading environment within South Africa, and to identify opportunities. While employment opportunities were available to many respondents, the overall view was that entrepreneurship provided more benefits in terms of financial rewards, as well as the ability to be more flexible in terms of time.

All the respondents indicated that South Africa provided excellent opportunities to prosper in entrepreneurship, and those who did not intend to explore entrepreneurship upon initial migration, identified opportunities and accumulated start-up capital to exploit the opportunities which they identified. Two respondents arrived in South Africa with the intention of visiting family or using the country as a transit destination, but remained in South Africa and ventured into business after identifying business opportunities.

Previous research has found that immigrants are placed at a disadvantage in the labour market of host countries due to discrimination, lack of skills, and scarcity of jobs, and therefore encounter difficulties in finding employment (Fatoki & Oni, 2014; Rath, 2006). In countries where unemployment levels are high, employment opportunities are limited for migrants, which then forces migrants to venture into entrepreneurship out of sheer necessity. (Dheer, 2018; Khosa & Kalitanyi, 2015; Sahin et al., 2014).

Some migrants, however choose to engage in entrepreneurship, even in the presence of employment opportunities owing to their desire for work flexibility and

freedom in managing their time. Sometimes these motivations towards entrepreneurship are considered even before migration (Dheer, 2018; Khosa & Kalitanyi, 2015; Sahin et al., 2014). Recent research has found that there are a number of migrants who venture into entrepreneurship in order to exploit opportunities and gain monetary rewards, as opposed to being forced into entrepreneurship due to a lack of employment opportunities (Khosa & Kalitanyi, 2015).

Different cultural and personal traits amongst migrants also influence entrepreneurial activities amongst migrants (Sahin et al., 2009; Zhou, 2004). For example, Pakistani entrepreneurs were found to be entrepreneurial in nature (Güell, 2016), while Indians were found to be more inclined towards employment and engaged in entrepreneurship as a last resort, being only in circumstances where employment opportunities were not available (Price & Chacko, 2009).

This study found that even though the rate of unemployment in South Africa is excessive, many migrants had in fact found employment, but nonetheless chose to venture out into entrepreneurship, which is contrary to what the literature states. The literature did confirm, however, that sometimes migrants choose to engage in entrepreneurship in order to gain monetary rewards and for flexibility in terms of time. Literature also confirms that Pakistanis are entrepreneurial in nature, which explains why many of the respondents chose to venture into entrepreneurship, despite the presence of employment opportunities. A study by Price and Chacko (2009) found that Indians are not as entrepreneurial as Pakistanis, and generally only engage in entrepreneurship as a last resort.

This research found no difference in entrepreneurial motivation between Indians and Pakistanis, and ascertained that the two Indian respondents interviewed were initially employed and also ventured out into entrepreneurship due to opportunities identified, with the aim of increasing their income and obtaining work flexibility. This study therefore extends the existing literature because it appears that the environment being conducive to entrepreneurship is more important than cultural characteristics in terms of explaining migrants' motivations for engaging in entrepreneurship.

### **6.3 Sub-Question 1: How do migrant entrepreneurs in urban areas of South Africa capitalise on their social embeddedness to achieve and maintain competitive advantage?**

#### **Theme 2: Business success is not related to social embeddedness**

The general consensus amongst most respondents was that members of the Pakistani community in South Africa share a good relationship with each other, with many describing the relationship as one of friendship. The Pakistani community in South Africa has formed an organisation, the “Pakistan South Africa Association”, which aims to create a community amongst Pakistani migrants living in South Africa for the purposes of assisting fellow migrants in time of xenophobic attacks and for providing funeral assistance to migrants who pass away while in South Africa.

Most respondents indicated that fellow Pakistani migrants are prepared to assist new migrants in terms of integrating into the South African environment by providing food, temporary accommodation, and sometimes even employment. This assistance is usually only provided if the background information of the new migrant is known, for example if the migrant’s family in the home country is known to the person providing assistance. While some migrants were happy to assist others from their home countries, others were hesitant and were only inclined to assist if background information or family history were known to them.

The majority of migrants mentioned that their fellow migrants do not assist each other with regards to business related matters, and that in fact there is jealousy amongst the Pakistani community. Most respondents indicated that members of the Pakistani migrant community are unhappy to see each other prosper, adding that when it comes to operating their businesses, each person has to fend for himself. It was clear from all the responses that there is a general lack of trust amongst the Pakistani migrant community within South Africa with regards to business related matters.

Most respondents indicated that they identified business opportunities through employment and made use of income earned during employment in order to fund their businesses. Two respondents indicated that they received financial assistance from family members in their home countries. In terms of gaining competitive advantage, all the respondents indicated that hard work, long hours, and customer service were the key determinants in ensuring success in their businesses.

According to literature, knowledge and financial resources shared between migrant entrepreneurs, work ethic, and loyalty towards members of the same ethnic group is a source of competitive advantage. (Güell, 2016). The outcomes of entrepreneurship are influenced by the social context of the entrepreneur, whereby the social structures within which the entrepreneur is embedded are a source of resources and information, which aids the entrepreneur in creating and accessing business opportunities (Jack & Anderson, 2002; Sahin et al., 2009). Over and above extracting value from the environment, entrepreneurs draw value from social networks that shape and contribute towards entrepreneurial outcomes (Arent & Salaff, 2003; McKeever et al., 2014). Social embeddedness assumes that entrepreneurs participate with other entrepreneurs who share similar cultural and social backgrounds, for the purpose of gaining competitive advantage through acquiring knowledge, financial resources, as well as establishing relationships with customers and suppliers (Tolciu, 2011; Fatoki & Oni, 2014). Within the South African context, foreign shopkeepers are reportedly more successful than South African shopkeepers due to their social networks (Liedeman et al., 2013).

Research has found that the social capital amongst migrants is not equally distributed, hence there are various levels of embeddedness amongst migrants and their ethnic communities (Tolciu, 2011). Some studies have found that Asian business owners rely less on their co-ethnic groups (Nijkamp et al., 2009; Sahin et al., 2011).

In some instances, migrants make use of their social networks across the globe in order to obtain resources needed for their business. In an age where mobility is high and various communication channels are available for cross-border interactions, many migrant entrepreneurs make use of networks in their home countries for business support (Ram et al., 2013).

Some scholars are of the view that it is not necessarily the social networks or cultural characteristics of the migrant entrepreneur that result in successful business ventures, but rather their levels of education, prior business experience and financial resources (Nijkamp et al., 2009; Schiller & Çağlar, 2013). Apart from the support, guidance, and assistance received from social networks, the success of migrants is

highly dependent on their own efforts (Sahin et al., 2009). Sahin et al. (2009) found that personal attitude, hard work, and a personality that facilitates good relationships with customers are extremely important in obtaining positive outcomes from entrepreneurship.

Migrant entrepreneurs are limited to starting businesses which require very little start-up capital and limited expertise which are usually considered as being less attractive for natives who have access to better opportunities (Ram et al., 2017; Rath, 2006). For most business in these sectors, the turnover and profits are very small and migrant entrepreneurs need to resort to hard work, long hours, and cost cutting in order to sustain their businesses (Ram et al., 2017; Rath, 2006).

A study conducted on Pakistani migrant entrepreneurs in Spain during 2016 found that these migrants made extensive use of their social embeddedness to run their businesses. These migrants also formed an informal association whereby members of the association regularly contributed funds which were then used for the provision of ongoing credit to members as and when needed. (Güell, 2016).

Pakistani entrepreneurs were found to be entrepreneurial in nature (Güell, 2016), however they maintain a customer driven culture, whereby the customer is always given priority (Hussain, 2015).

The results of this study contradicted the majority of previous research, since Pakistani migrant entrepreneurs in South Africa do not make use of social embeddedness from a business point of view. In fact, these migrant entrepreneurs' success has in no way been derived from their relationships with other migrants in the community. This research also contradicts the research performed by Güell (2016) in Spain, where it was found that the Pakistani migrant entrepreneurs made use of social embeddedness to run their businesses. The Pakistani migrant community in South Africa has formed an informal association, similar to that in Spain, however in South Africa the association does not have any relation to business. This study also contradicts the research of Liedeman, Charman, Piper, and Petersen (2013), which found that within South Africa, migrant entrepreneurs are more successful than locals due to their social networks.

While some research has indicated that Asians are less likely to make use of their social networks, and that even where social networks are used to facilitate business success, the efforts of the entrepreneur is still a driving force behind business success. This study extends the current literature and confirms that in South Africa, Pakistani migrant entrepreneurs achieve competitive advantage through hard work, long hours, and customer centric behaviour. Consensus across research has found that Pakistani entrepreneurs always give customers first priority in business, which was confirmed in this research.

It appears that social embeddedness within similar migrant groups differs across geographical locations as well as cultures, which could potentially indicate that circumstances within the host country are a key determining factor for social embeddedness in migrant businesses.

### **Theme 3: Social embeddedness in business exists only to the extent that there is mutual benefit**

In some instances migrants receive trade credit from a particular Pakistani respondent who has been in South Africa since the early 1990s. This migrant was one of the first immigrants from Pakistan and has since grown his electronics business to a large organisation with branches across South Africa. This electronics wholesaler sometimes provides goods on credit to other Pakistani migrants in order to assist them with starting businesses. This respondent did, however, mention that he does not provide credit by virtue of his customer being from the same home country, but rather based on relationships whereby he either knows a family member of the migrant requesting credit, or has some familiarity with the migrant's village back in Pakistan. His motive for providing credit to these migrants is personal gain, as he believes that he will benefit financially from the business relationship.

Similarly, one respondent received bread on credit from a fellow migrant, which he then sold at train stations in order to build capital and eventually start a larger business. The credit received was from a fellow migrant who owned a bakery, but was once again for mutual benefit whereby both parties benefited from the relationship.

Some respondents indicated that they were prepared to assist other Pakistani migrants in starting businesses, however only in exchange for a share in the business. Their motives were thus inclined towards their own financial gain and not necessarily for the purposes of assisting a fellow migrant.

It is often found that migrant entrepreneurs share some loyalty and solidarity towards members of their same ethnic group. Through this loyalty and solidarity, migrants tend to share knowledge and provide financial assistance to members of the same cultural group, which together with their work ethic provides them with competitive advantage in business (Güell, 2016). Many authors have found that the social structures within which the entrepreneur is embedded are a source of resources and information which aids the entrepreneur in creating and accessing business opportunities. The outcomes of entrepreneurship were found to be significantly influenced by the resources available from social structures (Jack & Anderson, 2002; Sahin et al., 2009).

Some authors have mentioned that studies on entrepreneurship need to consider the entrepreneur from a personal point of view but more importantly, from the context of the social network available to the entrepreneur (Fine, 2016; Kloosterman, 2010). Social networks impact on the resources and support available to the entrepreneur which can be termed social embeddedness. Social embeddedness relates to the influence of social and cultural characteristics on economic activity (Anderson & Jack, 2002; McKeever et al., 2014). Social embeddedness places an entrepreneur in a position in a network that provides information as well as the resources needed for his business to survive (McKeever et al., 2014; Wang & Altinay, 2012). Through social embeddedness, migrants are able to make use of the resources of the social group, usually knowledge and capital, in order to exploit and create market opportunities in the host country (Güell, 2016).

Part of the knowledge and financial assistance which social networks provide to entrepreneurs are trade finance to members of similar ethnic groups and sharing of contacts of suppliers to aspiring and established entrepreneurs within similar industries (Güell, 2016). Trade finance is generally based on trust, which is heavily dependent on social networks (Anderson & Jack, 2002; Tenge et al., 2012).

In some instances, migrant entrepreneurs within a common social network embark on entrepreneurship activities that are similar, which results in saturation of the market and ultimately strong competition against each other in order to survive (Kloosterman, 2010). These entrepreneurs usually have a common supplier which is a shared contact amongst members belonging to the social group (Güell, 2016). Where survival becomes a key focus area for entrepreneurs, competition results in competing for the lowest possible price, even if it means that quality is compromised. This results in huge fall out rates amongst migrants and ultimately a reduction in income for all competing migrants (Sahin et al., 2007).

This research contradicts the majority of literature, as this study found that migrant entrepreneurs do not assist each other financially other than in the occasional provision of credit.

Most of the respondents sell electronic goods which they purchase from a common supplier who provides these goods on credit, if he is acquainted with the purchaser or a family member of the purchaser. This confirms what was found in the literature, that trade credit is based on trust and dependent on social networks. With many Pakistani migrants in South Africa selling electronic goods, this may be the reason for such large fall out rates and the reason for jealousy and unwillingness to assist each other in business.

This study extends the current literature, as it was found that when trade credit or business assistance is provided, it is with the intention of personal gain and not to assist each other. This is a phenomenon which was not found in the literature.

#### **Theme 4: Business assistance is confined to close relationships**

Only a minority of respondents indicated that they received business assistance from other migrants within the community. Five out of fourteen respondents received financial assistance in the form of loans, however these were from family members and friends, with whom a friendship had been established for many years prior to the assistance being given. None of the respondents received advice or guidance from their networks, and thus relied on experience gained through employment in order to successfully run their businesses, as well as to find suppliers to purchase stock from.

Economic exchange, one of the key elements within entrepreneurship, is linked to social networks being a fundamental source of resources that allow entrepreneurs to engage in economic activity (Fine, 2016; McKeever et al., 2014). According to Tolciu (2011), migrant entrepreneurs operate their businesses within networks of ethnic interpersonal relationships, which has often been cited as a key element in creating value through the provision of customers, free or cheap employees, as well as financing. Participation in social networks also assists entrepreneurs to establish relationships with suppliers (Fatoki & Oni, 2014). These networks often assist entrepreneurs in creating and initiating entrepreneurship opportunities (Bisignano & El-Anis, 2018; Mayer et al., 2015; Rath, 2006).

One of the constraints of business start-ups is access to capital, thus migrant entrepreneurs usually resort to friends and family for start-up capital due to limited access to formal funding mechanisms such as banks (Sahin et al., 2014).

Wang and Altinay (2012) and Tolciu (2011) found that some social networks are confined to family and close friends, particularly when financial assistance is required.

The results of this study contradict the common consensus in the literature that migrant entrepreneurs obtain financing, business advice, as well as customers and suppliers from their social networks.

While financing was, in limited instances, provided to some respondents in this study, it was confined to family and close friends. This confirms the studies performed by Wang and Altinay (2012) and Tolciu (2011).

#### **6.4 Sub-Question 2: How do migrant entrepreneurs in urban areas of South Africa implement co-competition strategies to achieve and maintain competitive advantage?**

##### **Theme 5: Competition in business does not consider nationality**

The majority of respondents indicated that their competitors were a combination of both local as well as foreign owned businesses. They indicated that their competitive practices do not consider nationality, and that they compete with the same level of

rivalry with both locals as well as fellow migrants. Respondents to this study indicated that their aim in business is to make a profit, and in so doing they do not consider friendship in terms of doing business. They believe that it is against their culture to mix business with friendship, and while business relationships are driven by rivalry, they nonetheless share good personal relationships with their fellow migrants.

Two respondents were assisted in their businesses by family members within the same industries, and due to this assistance, they chose to operate their businesses in areas that are not in close proximity to those family members to avoid competition.

According to a study by McKeever et al. (2014), when migrant entrepreneurs engage in social embeddedness, moral obligations may sometimes take preference over economics, due to the focus being on the welfare of the group rather than the welfare of the individual. This sometimes results in entrepreneurs sacrificing short-term profit maximisation in view of long term relationships. Tolciu (2011), however, found that while the involvement of ethnic social relationships in the entrepreneurship activities of migrants is a common occurrence, it is important to note that like all entrepreneurs, migrant entrepreneurs are inclined towards economic growth.

This study therefore confirms the research performed by Tolciu (2011), in that respondents to this study are more inclined to economic growth and chose business success over relationships.

#### **Theme 6: Supplier choices are not based on nationality**

All the respondents indicated that their focus on selecting suppliers is based on the price and quality of the goods purchased. They added that supplier nationality is not a deciding factor, however if the economic terms and conditions, being price, quality, and credit terms, were equal, they would prefer to purchase goods from members of their own nationality. Their reasons for this are that it is easier to facilitate business relationships with people of similar ethnic and cultural backgrounds due to the ease of communication.

According to Sahin et al. (2007), transactions amongst migrants of the same nationality facilitates easy exchange as they share the same language, culture and can easily communicate with each other. However, many migrants are more inclined

to generate economic benefits when considering customers and suppliers, and tend to purchase goods from suppliers who provide the lowest price, irrespective of nationality (Tolciu, 2011).

This study confirms the literature that transactions amongst migrants facilitate easy exchange due to communication, however economic benefits when choosing suppliers is the main consideration, irrespective of nationality.

### **Theme 7: Coopetition scarcely exists amongst participants in the sample**

All the respondents indicated that they share a purely competitive relationship with their competitors, irrespective of nationality or cultural background. They stated that they are hesitant to engage in collaboration with fellow migrants as there is a lack of trust amongst themselves. They also confirmed that other migrant groups such as Somalis engage in collective/group purchasing schemes, and acknowledged the benefits that could be obtained from engaging in similar practices, but were nonetheless still hesitant to do so. The respondents indicated that there is jealousy amongst members of their fellow migrant community, and they fear that any collaboration could result in their competitors gaining strategic information or trade secrets, which could then be used to engage in stronger competition.

Most respondents indicated that the rivalry between fellow Pakistani and Indian migrants is so intense that they would rather reduce prices to cost and immediately procure out of stock items in order to satisfy their customers, thereby preventing them from shopping at their competitor.

Some respondents did, however, indicate that when they run out of stock they source these items from competitors in exchange for the same item once their stock arrives. This practice is different from purchasing the item from the competitor, as the exchange is not for cash but rather the return of the same item once stock is received. This practice fits the definition of coopetition, although the respondents who engage in this practice are unaware of this. It must be noted that it was only a minority, i.e. two respondents, who engage in such practices.

Through coopetition, businesses make use of relationships with competitors to the effect that they cooperate or collaborate, while simultaneously competing against

each other, for the purposes of gaining competitive advantage over other firms which do not engage in the relationship (Bouncken & Fredrich, 2012; Johansson, 2012). Coopetition requires a special relationship between the parties; it is based on trust and focused on the attainment of joint goals (Adamik, 2013; Anderson & Jack, 2002; Johansson, 2012).

According to Ritala (2012), value creation in business is dependent on the pooling and use of resources which are obtained through partnerships. Coopetition is a form of partnering whereby two or more organisations achieve specific goals by increasing the effectiveness of the resources of those organisations.

According to Johansson (2012), coopetition researchers have suggested that coopetition should be considered within the context of social embeddedness, as it occurs within a network of related parties. Social embeddedness assumes that relationships influence behaviour, and where relationships amongst entrepreneurs creates trust, coopetition is high (Anderson & Jack, 2002; Luo, Slotegraaf, & Pan, 2006).

When SMMEs engage in coopetition they are able to achieve economies of scale through combining the resources of the parties involved, thereby complementing competencies and gaining competitive advantage (Johansson, 2012; Luo, 2007; Ritala et al., 2014).

Coopetition does not come without risks, some of which involve opportunism, misunderstandings, misallocation of resources, and the risk of engaging with firms that may not bring benefits to the rest of the group. Another risk is that knowledge shared within the partnership may be leaked out to the external market, to the detriment of one or more of the firms engaged in coopetition (Bouncken & Fredrich, 2012; Johansson, 2012).

Networks also facilitate collective purchasing, which allows entrepreneurs within the network to gain competitive advantage and market domination (Fatoki & Oni, 2014).

In South Africa, many foreign owned spaza shops in rural townships engage in group purchasing in order to obtain better prices from suppliers, which allows them to sell

goods at lower prices than their competitors, thereby achieving competitive advantage (Hare, 2017).

This study has found that Pakistani and Indian migrant entrepreneurs scarcely engage in cooperation due to a lack of trust amongst themselves. This study confirms the risks of cooperation, whereby knowledge shared amongst firms could result in detrimental effects. While cooperation sometimes exists in the sharing of resources, being certain items that are out of stock, this is limited and does not involve the pooling of resources to gain competitive advantage. The respondents to this research confirmed the use of cooperation by Somali migrants, but found that cultural differences amongst migrants were a deterrent to them engaging in cooperation. Literature states that social embeddedness drives cooperation, thus the lack of social embeddedness amongst the respondents to this study explains the reasons for them not being willing to engage in cooperation. This study therefore confirms the literature that trust is a key driver for cooperation.

## **6.5 New phenomena identified to explain the results identified in this research**

### **Theme 8: Education levels drive willingness to engage in cooperation**

One respondent, who has had business experience in a developed market as well as in South Africa, mentioned the differences in business practices amongst migrants from the same home country who live in different host countries. Literature has not covered different business practices in different host countries, however according to this respondent, in the United Kingdom (UK), Pakistani and Indian migrants are more socially embedded and open to assisting each other. He mentioned that the migrants in the UK are prepared to engage in cooperation strategies, which he believes is related to education levels. He found that Pakistani and Indian migrants in the UK usually have some sort of tertiary education, whilst the Pakistani and Indian migrants in South Africa are uneducated. His opinion is that education levels allow people to be more rational and therefore open to collaboration.

This finding extends the current literature on cooperation. The researcher suggests that a future study should consider how education levels facilitate social embeddedness and cooperation.

### **Theme 9: Home country rivalry sometimes carries over to migrants in other countries**

This study found that with regards to supplier relationships, migrants are inclined to purchase from fellow migrants, provided that the terms and conditions, price and quality are not compromised. One respondent from India mentioned, however, that in the event of purchasing stock from a fellow migrant under favourable terms, he would prefer to purchase stock from a migrant from his home country, but not from a Pakistani migrant. While he did not provide a reason for this, it was interpreted that the historical rivalry between India and Pakistan remain embedded within migrants, even after they migrate to another country.

This phenomenon is one that should be further researched from the point of view of how country historical differences impact the natives of that country even after migration.

### **6.6 Conclusion**

Based on the results of this study, the objectives set out in Chapters 1 and 3 have been met, and the research question and sub-questions have been answered.

The results of the study show that migrant entrepreneurs from Pakistan, India, and Bangladesh engage in social embeddedness, but only to the extent that it does not involve business and financial assistance. These migrants assist each other with integration into society and also when migrants are attacked by locals.

From a business point of view, these migrants were found to be highly competitive, untrusting of their fellow migrants, and resort to working long hours and customer satisfaction in order to gain competitive advantage. Only in rare instances did migrants receive business or financial assistance, which was provided by family members and close friends.

Any other form of assistance between migrants was found to be the provision of trade credit for stock purchased, however it was confirmed by all the respondents that the provision of trade credit was for economic gain, and not for the purposes of assisting fellow migrants.

Most respondents do not engage in coopetition, even though they were made aware of the potential benefits of coopetition and were aware of how Somali nationals in South Africa make use of coopetition to gain competitive advantage. The overall sentiment was that trust is low, and there is a fear of sharing information with other migrants as it may result in “business secrets” being divulged, which would intensify competition. The respondents did not want their fellow migrants to have knowledge of their suppliers or available financial resources.

Very few migrants engage in collaboration whereby they share certain stock items with each other when urgently needed. This however does not necessarily result in coopetition as there is no joint sharing of resources in order to gain competitive advantage.

Pakistani and Indian migrants in South Africa embark on entrepreneurship out of choice and not financial constraints, which is uncommon. Perhaps the motives for entrepreneurship influence the level of social embeddedness amongst migrants.

## **CHAPTER 7: CONCLUSION**

### **7.1 Introduction**

The previous chapter was a discussion comparing the literature to the results from 14 qualitative interviews conducted with Pakistani, Indian, and Bangladeshi migrant entrepreneurs in urban areas in Gauteng. This chapter will draw conclusions from the main findings of the research and conclude by suggesting potential areas for future research.

### **7.2 Principal Conclusions**

This research was conducted in order to understand how migrant entrepreneurs in urban areas make use of social embeddedness and cooperation in order to gain competitive advantage. The research was driven by the problem raised in Chapter 1, that SMMEs are failing at such an alarming rate, that the emergence of new SMMEs in South Africa has stagnated. There has been an increase in migrant owned enterprises which reportedly are more successful than SMMEs owned by locals, due to their social networks and practice of cooperation (Hare, 2017). With SMMEs being a key driver for economic growth and solving the problem of unemployment in South Africa, this study was conducted with the purpose of understanding which strategies utilised by migrant entrepreneurs could be replicated by locals.

#### **Sub Question 1: How do migrant entrepreneurs in urban areas of South Africa capitalise on social embeddedness to achieve and maintain competitive advantage?**

This study found that migrants share good relationships with each other from a social perspective. These migrants assist other migrants of similar cultures and nationalities with integrating into the host country by providing food, temporary accommodation and sometimes employment to new migrants. The respondents of this study form part of a group association which work together on philanthropic projects and assist each other in times of xenophobic attacks by locals. These migrants also provide support and assistance in the event of funerals of fellow migrants.

This study however found that from a business perspective, social embeddedness rarely plays a role in assisting migrant entrepreneurs in achieving competitive

advantage. It was found that migrants rarely provide financial assistance to fellow migrants for purposes of starting their businesses, and where loans for start-up capital is provided, it is limited to close family and friends. The provision of credit, often cited in the literature as form of financial assistance provided by social groups (Güell, 2016; Jack & Anderson, 2002; Tenenge et al., 2012), was in this study found to be based on mutual benefit rather than the provision of assistance to a fellow migrant. The common theme that emerged from this research is that migrants are extremely jealous of each other and are therefore deterred from assisting each other in business.

Respondents in this study were inclined towards economic benefits and hence did not consider friendship or personal relationships in their business decisions. Business activities were centred around the key objectives of customer service and profit and hence all business decisions were at the core of customer centricity and profit. Migrants do not support each other by purchasing from fellow migrants unless it is economically viable for the purchaser. In business terms, migrants are entrepreneurial and make business decisions that are to the benefit of their business. In doing so, migrants do not consider culture, nationality or friendship in their business dealings.

### **Sub-Question 2: How do migrant entrepreneurs in urban areas of South Africa implement coopetition strategies to achieve and maintain competitive advantage?**

This study found that migrants do not trust each other and therefore do not engage in coopetition in order to gain competitive advantage for their businesses, despite knowing that coopetition has the potential to bring about added value and thus competitive advantage. Migrants are secretive and prefer for their fellow migrant community not to have any knowledge of their suppliers, their financial resources, and their business strategies. Respondents indicated that there was jealousy amongst their fellow migrant community and that they feared that any collaboration could result in their competitors gaining strategic information or trade secrets which could then be used to engage in stronger competition.

In summary, this research found that migrants do not gain much support from their social network in business related matters and have to resort to hard work and

customer satisfaction in order to gain competitive advantage. The key elements of hard work and customer satisfaction are not resources that are unique to migrants, and can therefore be applied by all entrepreneurs.

### **7.3 Implications for stakeholders**

The findings that emerged from the interviews suggest a number of implications for government policy and for businesses in terms of interventions that can be applied in order to drive SMME growth in South Africa.

Firstly, every respondent indicated that there is an ease of doing business in South Africa and a multitude of business opportunities in South Africa compared to other countries. In fact, two respondents who spent time working in developed countries chose to immigrate to South Africa due to business opportunities that were not available in other developed countries.

Furthermore, the migrant entrepreneurs who were part of this study did not have any resources available to them that are not available to local South Africans. This study confirmed that the key reasons for competitive advantage in the SMME segment are hard work, low prices, and customer service.

The Department of Small Business Development should, over and above the financial resources it provides, invest in the education of local entrepreneurs. This education should focus on pricing strategies and customer service, and stress the importance of hard work. Knowledge of competition strategies and potential benefits should also be taught to local entrepreneurs and initiatives should be put in place in order for local owned SMMEs to make use of competition as means of competing against migrant owned SMMEs as well as against large corporates.

A useful initiative would be to set up business incubators to provide aspiring entrepreneurs with both the skills required for starting and running a business, as well as a network of potential suppliers.

### **7.4 Limitations of the research**

- a) Generalisability – The generalisability of the study is limited due to the vast differences between migrant communities across South Africa, as well as the different business dynamics between urban and rural areas, and provinces within South Africa. The Pakistani and Indian migrant communities are much larger in Gauteng than in the Western Cape, for example. These differing proportions of foreigners compared to locals, as well as foreigners of different nationalities, may impact on the levels of social embeddedness amongst migrants.
- b) Interview bias – This is a general problem in qualitative studies that make use of interviews for data collection. The potential for bias in this instance was higher due to the interviewer being a South African from a different social and cultural group. While attempts were made to limit this bias, it could not be completely ruled out.
- c) Sample size – This study interviewed 14 Pakistani, Indian and Bangladeshi migrant entrepreneurs. This sample may have been smaller than desired, however data saturation was approached at this level therefore the sample of 14 was considered appropriate.

### **7.5 Suggestions for future research**

The primary areas to focus on in future research would be to understand whether migrant entrepreneurs in other areas in South Africa make use of social embeddedness and cooptation to achieve competitive advantage in their businesses.

As the results of this study may not necessarily reflect a different location or a different migrant group, a suggested area for future research is to replicate this study using a quantitative research method across a much larger sample.

Another area for future research is to identify how education impacts migrant entrepreneurs' willingness to engage in cooptation, and whether that results in competitive advantage.

Another interesting area that could be researched is how long-standing inter-cultural differences impact the relationships of migrants, and whether home country rivalry is left in the past or carried over to new countries. Research should focus on whether burdens of the past impact relationships of future generations.

## **7.6 Conclusion**

This chapter has discussed the main findings of the research and highlighted limitations and implications for management. Suggestions for future research have also been made.

Given the staggering rate of unemployment in South Africa, as well as the reliance of the economy on the SMME sector, it is imperative for locals to engage in entrepreneurship in the SMME sector. Many locals have previously failed in their attempts, while reportedly migrants are finding success in the same industries which locals have deserted. This research found that South Africa has many business opportunities available, which migrants have exploited without much help from their social networks. This research confirmed that migrants' hard work and commitment to their customers are key factors in achieving business success. This research contributes to the growing literature on social embeddedness and coopetition, and highlights that business success can be achieved with limited assistance from social networks. The author hopes to see the SMME sector in South Africa prosper, with more local youth engaging in entrepreneurship activities that boost the economy, creating employment for the approximately 30% unemployed South African citizens.

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# APPENDIX ONE: INTERVIEW CONSENT FORM

## EXPLORING THE RELATIONSHIP OF SOCIAL EMBEDDEDNESS AND COOPETITION IN CREATING COMPETITIVE ADVANTAGE BETWEEN MIGRANT ENTREPRENEURS IN URBAN AREAS

**Researcher:** Shaheer Essa, MBA student at the Gordon Institute of Business Science

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I am conducting research into factors which provide competitive advantage to migrant entrepreneurs and aim to look at elements such as coopetition and social embeddedness of migrant groups.

The interview is expected to last one hour and will hopefully provide me with insights surrounding the concepts of social embeddedness and coopetition as well as to identify any relationships between coopetition and social embeddedness and the trade offs or costs, if any, in engaging in business transactions with other members of the same migrant group.

Your participation is voluntary and you can withdraw at any time. The interview will be audio recorded, however you may choose not be recorded. All information will be kept confidential and anonymous and will only be reported on in combination with that collected from other respondents.

Should you have any concerns, you may contact myself or my supervisor.

Mohamed Shaheer Essa

[23133555@mygibs.co.za](mailto:23133555@mygibs.co.za)

082 840 6020

Kerrin Myres

[myresk@gibs.co.za](mailto:myresk@gibs.co.za)

Interviewee Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Researcher's name: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## APPENDIX TWO: INTERVIEW GUIDE

- 1) Overview of business
  - a) What is your background – How long have you been in South Africa? When did you start this business?
  - b) What was your motive for starting this business? – How did you choose the products or services which you supply?
  - c) How successful is your business?
  - d) For how long has your business been running?
  - e) What are the key challenges that you face in keeping this business alive?
  
- 2) Customers
  - a) Who are your main customers? Locals or foreigners? Foreigners from the same country as yourself or other nationalities?
  - b) What is your relationship with your customers?
  - c) What prevents your customers from shopping at your competitor next door or down the road?
  - d) How does one attract customers in this industry?
  
- 3) Suppliers
  - a) How do you choose your suppliers?
  - b) What do you do if you find another supplier that is cheaper than your current? Why is this so?
  - c) Do you purchase from friends and family? Under what conditions? What drives your decision?
  
- 4) Relationship with social network (Social embeddedness)
  - a) How did you manage to acquaint yourself with this country when you arrived?
  - b) How did you obtain funding for this business?
  - c) What role do your friends and relatives play in your business?
  - d) Do you have a mentor or guide who gives you advice in your business?
  - e) Where help is obtained from social networks, what do those networks expect in return?
  - f) Are you inclined to or deterred from buying goods from fellow migrants from

the same country as you? What motivates your decision?

- g) What is your relationship with migrants from other countries in the same industry as yourself?
- h) What is your relationship with local business owners in the same industry?

#### 5) Coopetition

- a) What is your relationship with your competitors?
  - Is there a different relationship with:
    - Competitors of the same nationality as yours?
    - Competitors who are foreigners of another country?
    - Competitors who are locals?
- b) When your customer requests an item which you do not stock, how do you respond? What is your reason for responding in this way?
- c) When fellow migrants need emergency stock, how do they respond? Do they send their customer to you or buy from you? At what price do you sell to them? Do you try to gain that customer to be yours going forward?
- d) Do you engage in bulk buying with your competitors?
- e) Is your level of collaboration specific to a particular nationality? Why is this so?
- f) How do you determine pricing of your goods?
- g) Would you engage in collaboration with migrants from countries other than your own? Why?
- h) Would you engage in collaboration with local business owners? Why?

#### 6) General (Other)

- a) Is there anything else you would like to share with me about your business and how you achieve business success?
- b) How do you keep overheads (expenses) low?
- c) How do you go about pleasing your customer to ensure loyalty?
  - How effective is this?
  - Is this practice unique to your culture?
  - Do you think without these practices your business may not be as successful?

# APPENDIX THREE – ETHICAL CLEARANCE APPROVAL LETTER



17 July 2019

Essa Mohamed Shaheer

Dear Mohamed Shaheer

*Please be advised that your application for Ethical Clearance has been approved.*

*You are therefore allowed to continue collecting your data.*

*Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained*

*We wish you everything of the best for the rest of the project.*

*Kind Regards*

GIBS MBA Research Ethical Clearance Committee

## APPENDIX FOUR – LIST OF CODES

Code Groups	Code
BI: Background Information	Background: Came to South Africa on referral from a family member
	Background: Educated in home country
	Background: Lived in the UK for many years
	Background: Tertiary business qualification in the UK
	Background: Time in South Africa
	Background: Uneducated and limited English language proficiency upon Arrival
	Business: First employed by locals to learn
	Challenges when first arrived in South Africa
	Nationality: From Bangladesh
	Nationality: From India
	Nationality: From Pakistan
	BI: Business Challenges
Business: Crime negatively impacts business	
Business: Difficulty in sourcing qualified staff to assist customers	
Business: Excessive rent	
Business: Had an accident and lost all business	
Business: High tax rates	
Business: Lack of start-up capital	
Business: Local landlords take advantage of foreigners	
Business: Lost business and started again	
Business: Need capital for business success	
Business: Not enough staff to assist	
Business: Staff commitment is a problem	
Environment: Inflation is a challenge	
Business: Sacrifice of family time to ensure business success	
BI: Business information	Background: Number of years in business
	Background: Purchased business from fellow migrant
	Background: Business is profitable
	Business: Business industry chosen based on opportunity
	Business: Family in the same industry in Pakistan
	Business: Growth of business
	Business: Happy with business achievement
	Business: Number of shops across South Africa
	Business: Registered Close Corporation
	Business: Slowly increased sales
	Business: Successful and growing
Business: Wholesale business	
BI: Motivations for Starting Business	Background: Came to South Africa to visit but saw opportunity

	Background: Employed in same industry of current business
	Background: Employed prior to starting business
	Background: Migrated with intent to start business
	Background: Never intended to start business but saw opportunities
	Background: Opportunity to start own business
	Background: Planned to start own business
	Background: Spend time in London and USA but found better business prospects in South Africa
	Background: Started business on arrival
	Business: Better prospects for success in entrepreneurship
	Business: Good business opportunities in South Africa
	Business: Opportunity identification
	Business: Opportunity to make money is better than being employed
	Environment: Lack of job opportunities
Gen: Customer preferences	Business: Customers these days prefer to buy from chain stores
	Customer: Service is even more important than price
	Customers look for best price
	Customers: Look for convenience
	Customers: No credit to customers
	Customers: Procure goods not in stock
	Customers: Provide customer with quality goods
	Customers: Refer customers to competitors
Gen: Customer Relationships	Customer: Customer loyalty
	Customer: Customer referrals
	Customer: All customers are equal
	Customer: Fulfilling customer needs
	Customer: Give customers guarantee on items
	Customer: Good relationship is important
	Customer: Good relationships with customers
	Customer: Honesty even if it results in a loss
	Customer: Impress the customer is priority
	Customer: Respect for customer
	Customer: Service with a smile
	Customer: Customers both foreign and local
	Customers: Avoid personal relationships to avoid discounts and credit
	Customers: Gain customer's trust
	Customers: Provide credit to customers
	Customers: Speak nicely to customers
Gen: Migrants compared to locals	Local People: Lack of respect
	Local People: Local South Africans are not entrepreneurial
	Local People: Locals are rude

Settling in assistance from Social Network	Social Network: Was brought to South Africa for employment by fellow migrant already based in South Africa
SQ1: Business tactics	Business: Business secrets cannot be shared with competitors
	Business: Competitive due to industry requiring education
	Business: Convenient operating hours for customer convenience
	Business: Hard work is important for business success
	Business: Honesty in business
	Business: Importance of religion in business practices
	Business: Low costs
	Business: Low margins
	Business: Low profit mark up
	Business: Need to have good knowledge of products
	Business: Need to present at business to ensure success
	Business: Not ashamed to work hard
	Business: Pakistani people focus is on selling not on the profit
	Business: Quality is more important than price even if the profit is less
	Business: Service orientated business means one needs to be hands on
	Business: Shop and shop owner must be in a presentable state
Business: Transactions must be legal	
SQ1: Business tactics SQ1: Social integration	Business: Keeping business and social relations separate
SQ1: Cultural characteristics	Background: Pakistani people are not racist
	Ethics: Migrant groups assist police in finding criminal migrants
	Ethics: Migrant groups try to uphold reputation
	Migrants: Indifference amongst nationality
	Social Network: Lack of authority and unity within the Pakistani community
	Social Network: Migrants are jealous of each other
	Social Network: Migrants do not want to see other migrants prosper
	Social Network: Pakistani Community tries to work with locals in providing welfare for those in need
	Social Network: Upbringing teaches Pakistani people to always help others
SQ1: Cultural characteristics SQ1: SN1.2: Business Assistance from Social Network	Social Network: Pakistani community do not help each other
SQ1: Customer landscape	Customer: Call customer into shop
	Customer: Keep good variety of stock to attract customers

	Customers: Gain customers by running promotions and advertising
	Customers: Majority are foreign nationals from same country (India, Pakistan, Bangladesh)
	Customers: Majority foreign customers
	Customers: Majority local customers
	Customers: Mostly night customers who purchase groceries after work
	Customers: No customers from same nationality
	Customers: Regular customers
	Customers: Locals rely on credit
SQ1: Financing of business	Business: Start-up capital from home country
	Business: Start-up capital through savings from employment
SQ1: SN1.1: Financial Assistance from Social Network	Social Network: Assistance provided must be repaid
	Social Network: Fellow migrant provided goods on credit to start business
	Social Network: Fellow migrants assist each other by giving goods on credit only after knowing each other for some time
	Social Network: Friend provided start-up capital
	Social Network: Got stock from friends to start business
	Social Network: Interest free loans
	Social Network: Particular Pakistani wholesaler provides credit to other migrants but for their own benefit
	Social Network: Prepared to assist fellow migrant financially and in settling in
SQ1: SN1.2: Business Assistance from Social Network	Social Network: Assistance provided only if there is benefit for the person providing assistance
	Social Network: Assistance provided with no expectations
	Social Network: If trust is established then migrant is prepared to start a business in partnership with another migrant for benefit of both parties
	Social Network: Initial assistance from a family member
	Social Network: No assistance in business from family and friends
	Social Network: Received assistance from Pakistani migrant
SQ1: SN1.3: Settling in assistance from Social Network	Social Network: Social network with people known from home country
	Social Network: A group of Pakistani migrants lived in the same building and built a social community from there
	Social Network: Assistance from friends
	Social Network: Assistance provided only if there is a personal relationship
	Social Network: Assisted many new migrants with accommodation, food, and finding employment

	Social Network: Difficulty for fellow migrants to cheat as word will get around to all migrants
	Social Network: Educated migrants are more open to assisting each other compared to non-educated migrants
	Social Network: Foreign migrants in UK are more willing to assist each other than in South Africa
	Social Network: Local Indians provided assistance on arrival in South Africa
	Social Network: Migrants prepared to assist with non-business related matters
	Social Network: Prepared to assist fellow migrants but not financially
	Social Network: Prepared to assist migrants from same home country
	Social Network: Prepared to assist other migrants based on personal sentiment instead of the norm
	Social Network: Prepared to assist other migrants irrespective of country of origin
	Social Network: Prepared to form groups and live with other migrants of similar cultures
	Social Network: Prepared to provide employment to new migrants
	Social Network: Received no help upon arrival in South Africa
	Social Network: Remember difficulties faced on arrival provides willingness to assist other migrants
SQ1: Social integration	Relationships: Relationships in business
	Relationships: Similar language and culture facilitates business relationships
	Social Network: Pakistani community is not accepted by all Pakistani migrants
	Social Network: Pakistani migrants can be traced to their family and village backgrounds
	Social Network: Pakistani people have a community that helps each other with matters not related to business
	Social Network: Pakistani people trust other Pakistani migrants
	Social Network: Reluctant to live with or assist migrants from other cultural backgrounds
	Social Network: Support from spouse
	Social Network: Understanding that there are both good and bad people
SQ1: Supplier Nationality	Supplier nationality is not important
	Supplier of same nationality give better prices
	Supplier: Same supplier relationship across nationalities
	Supplier: Preference to purchase from local as opposed to foreigner of different nationality

	Supplier: Preference to purchase from supplier of own nationality
	Supplier: Suppliers across nationalities
	Suppliers: Preference to local suppliers
	Suppliers: Preference to Pakistani Supplier due to price
	Suppliers: Suppliers are local Chinese
SQ2: Competitive landscape	Competition: Locals are competitors
	Competition: Main competitor is migrant from same country
	Competitor: Most migrants are uneducated therefore cannot compete
	Locals: Do not give discounts to customers but charge a fixed price
	Competition: Compete on price
	Competition: Never refer customers to competitors
	Competitor: Compete fiercely with competitor by keeping better stock
	Competitors: Sometimes refer customers to competitors
	Competitors: No customer referrals from competitors
	Competitors: No direct competition with family who assisted
	Competitors: Relationship with competitors
	Customer: Avoid customer shopping at competitor by all means
	SQ2: Cooperation with competitors
Competitor: Sometimes supply each other when goods are procured at a cheap price	
Competitors: Borrow stock from competitors of different nationality	
Competitors: Borrowing of stock from competing neighbours	
Competitors: Do not borrow stock from other competitors to fulfil customer needs	
Customers: Refer customers to non-competitors	
Group Buying: Reluctance to purchasing as a group	
Group Buying: Reluctant to give reasons why deterred from group buying	
Customer: Prepared to refer customer to somebody who assisted previously	
Customer: Prevent customer from shopping elsewhere	
SQ2: Pricing strategy	
	Competitors: Similar prices as competitors
	Customer: Give customers best price by discounting goods
	Customers: Discounts not possible with items like groceries
	Customers: Do not make profit on family members or friends who previously provided assistance
	Customers: Price match even if family

	Customer: Do not cut prices of competitors who refer customers
SQ2: Relationships with other migrants	Fellow Migrants: Envy amongst fellow migrants
	Other Migrants: Limited interaction with foreigners from other countries
	Other Migrants: Pakistanis do not trust African migrants (Nigeria and Somali)
	Other Migrants: Relationships across various migrant groups
SQ2: Supplier preferences	Supplier: Local suppliers provide credit
	Supplier: Supplier choice based on quality goods
	Supplier: Supplier price is important
	Supplier: Supplier referrals from friends
	Supplier: Supplier relationship
	Supplier: Supplier service is important
	Supplier: Preference for registered businesses
	Supplier: Choose based on convenience
	Supplier: Chosen based on customer preference for brands
	Supplier: Goods are imported from China
	Supplier: Preference to Chinese suppliers due to price
	Customer: Treat customer well
	Social Network: Assistance provided by Pakistani migrant after becoming friends in South Africa
	Social Network: Lack of help from social network
Trust: No trust amongst migrants	