

**Exploring networks in the entrepreneurial ecosystem for the business  
development of immigrant entrepreneurs**

By

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## DECLARATION

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I declare that the above thesis is my own work and that all the sources cited in the thesis have been acknowledged by means of a reference list at the end of this document.



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**17 April 2023**

**Date**

## DEDICATION

I dedicate this thesis to my father, **Pa Fubah Joseph** and my late mother, **Mama Mariana Mbu** and late brother, **Mr Tabah Premus Fubah**

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## ABSTRACT

Research indicates that networks play a critical role in business development. However, there is a paucity of research on networks, particularly from the perspectives of immigrant entrepreneurs in emerging markets. The main aim of this study was, therefore, to explore how networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs. Specifically, the study explored the types of networks used by immigrant entrepreneurs, how the networks are developed, and the functions and benefits of networks in the business development of immigrant entrepreneurs in the South African entrepreneurial ecosystem. The study followed the interpretivist philosophy, using a qualitative research method. Data for the study were collected through semi-structured interviews with 25 immigrant entrepreneurs, selected using a purposive sampling method.

Findings from the study indicated that immigrant entrepreneurs in the South African entrepreneurial ecosystem use eight types of networks in their business development, with social networks being the most frequently used and international business networks being the least used. In addition, the study found that immigrant entrepreneurs develop their networks using several methods, with trust being the most frequently used mechanism and idea pitching, outsourcing and subcontracting being the least used mechanisms. The study stressed the importance of reciprocity of trust in the network development process. Furthermore, referrals emerged as the most important function of networks in the business development of immigrant entrepreneurs. While resource provision also emerged as another major function of networks for immigrant entrepreneurs, finance stood out as the most important resource provided by networks. Finally, the study identified financial growth as the most important benefit of networking by immigrant entrepreneurs.

This study, therefore, makes a significant contribution and adds to the academic literature by revealing the various but specific ways in which immigrant entrepreneurs develop the networks that they use in their business development in the South African entrepreneurial ecosystem, an area that has received little to no attention from scholars. Another significant contribution of the study is that it uncovered the specific types of networks which immigrant entrepreneurs used in their business developments in the host country's entrepreneurial ecosystem. Implications of the study were discussed, and recommendations were made.

**Keywords:** Entrepreneurship, Entrepreneurial ecosystem, Networks, Business development, Business development services, Growth, Immigrant entrepreneurs, Immigrant entrepreneurship

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## LIST OF ACRONYMS

<b>3As</b>	<b>Attitudes, Abilities &amp; Aspirations</b>
BDS	Business Development Services
CoJ	City of Johannesburg
Covid-19	Coronavirus
DHA	Department of Home Affairs
DTIC	Department of Trade and Industry and Competition
DSBD	Department of Small Business Development
GDP	Gross Domestic Product
GEI	Global Entrepreneurship Index
GEM	Global Entrepreneurship Monitor
GP	Gauteng Province
HEI	Higher Education Institute
ICT	Information and Communication Technology
IET	Immigrant Entrepreneur
LM	Logic Model
NEEBDIM	Network-business Development and Network-immigrant Entrepreneurship
NPC	National Planning Commission
OECD	Organisation of Economic Development
ROI	Return On Investment
SEDA	Small Enterprise Development Agency
SME	Small and Medium-Sized Enterprise
SMME	Small-, Medium- and Micro-Enterprises
TEA	Total Entrepreneurial Activity
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UN	United Nations
UP	University of Pretoria
USA	United States of America

## 1 BACKGROUND AND INTRODUCTION TO THE STUDY

### 1.1 BACKGROUND TO THE STUDY

The last decades have recorded an increase in scholarly and practitioner discourse and debates on several topics related to entrepreneurship. These topics include:

- Entrepreneurial ecosystems (Cao & Shi, 2020:1-36; Kang, Li, Cheng & Kraus, 2021:8-20; Ratten, 2020b:1-6);
- Entrepreneurial ecosystems and networks (Fernandes & Ferreira, 2021; Scott, Hughes & Ribeiro-Soriano, 2021);
- Business development (Achtenhagen, Ekberg & Melander, 2017:167-185; Davis & Sun, 2006; Kind & zu Knyphausen-Aufseß, 2007); and
- Immigrant entrepreneurs and immigrant entrepreneurship (Akin, Bostanci & Akyol, 2017:500-508; Chimucheka, Chinyamurindi & Dodd, 2019:1-15; Dabić, Vlačić, Paul, Dana, Sahasranamam & Glinka, 2020:25-38; Kerr & Kerr, 2020:1-18).

However, there are still gaps in the literature as scholars continually call on future studies to conduct more research and address the gaps left by previous literature (Achtenhagen *et al.*, 2017; Audretsch, Mason, Miles & O'Connor, 2018; Dabić *et al.*, 2020; Fernandes & Ferreira, 2021). For instance, although scholars have extensively researched entrepreneurial ecosystems – roughly understood as a group of actors who interact to promote entrepreneurship in a defined geographical setting - the term still lacks a unified definition (Alvedalen & Boschma, 2017:4; Stam, 2015:1761); thus necessitating the need for more research. Additionally, immigrant entrepreneurs and immigrant entrepreneurship have been studied by scholars across different fields of inquiry; however, it too remains under-researched (Akin *et al.*, 2017:501), and there are continuous calls for more research on this global phenomenon (for example Dabić *et al.*, 2020 and Malerba & Ferreira, 2021). Immigrant entrepreneurs are individuals who have migrated to a foreign nation and have started businesses there as a means of survival. Immigrant entrepreneurship refers to the engagement in entrepreneurial activities by an immigrant in the host country. Furthermore, different types of networks - a group of interconnected people or companies - have also

been identified by scholars (Desta, 2015:54-55; Fatoki & Patswawairi, 2012:133-142; Mustafa & Chen, 2010:97-106; Premaratne, 2002:54-55). However, immigrant entrepreneurs in developing countries such as South Africa limit themselves to co-ethnic networks, a beneficial relationship amongst individuals from the same ethnicity (Fatoki & Oni, 2014:289; Fatoki & Patswawairi, 2012:139) and lament the lack of networks (or local networks) which hinders their business developments (Muchineripi, Chinyamurindi & Chimucheka, 2019:5). Fatoki and Oni (2014:288) posit that social networks (networks with family, friends and relatives) and business networks (networks with other businesses) could play a role in providing resources to immigrant entrepreneurs in South Africa. The authors further state that official networks (networking with government agencies) are non-existent among immigrant entrepreneurs in South Africa. As a result, it is vital to investigate this further. Finally, business development (the creation of value for a business) is a frequently-used word in research across different fields and industries but it has received very little scholarly attention and scrutiny (Achtenhagen *et al.*, 2017:167).

Businesses in entrepreneurial ecosystems are owned and managed by local and immigrant entrepreneurs. As a result, it is critical to explore the role that networks within an entrepreneurial ecosystem have on the business development of immigrant entrepreneurs. By doing so, this study will add to and extend the scant scholarly literature on entrepreneurial ecosystems, networks, business development, immigrant entrepreneurs and immigrant entrepreneurship. The study will also inform immigrant entrepreneurs about the various types of networks, how networks are developed and how networks can improve their business development in the entrepreneurial ecosystem.

## **1.2 INTRODUCTION OF THE MAJOR CONSTRUCTS IN THE STUDY**

### **1.2.1 Introduction to entrepreneurial ecosystems**

Entrepreneurial ecosystems have rapidly emerged as an important phenomenon in entrepreneurship research in the last decades and have attracted the interest of scholars and practitioners (Alvedalen & Boschma, 2017; Ferreira, Fernandes & Veiga, 2023; Wurth, Stam & Spigel, 2021:1). Ratten (2020b:1) who supports this assertion, adds that an entrepreneurial ecosystem is the most discussed topic in literature focusing on international business; owing to the overwhelmingly positive contribution it has made to international

business as a field of research. The entrepreneurial ecosystem is an environment where business activities take place - as such, international business managers depend on information derived from the entrepreneurial ecosystems to make business decisions (Ratten, 2020b:5). This, therefore, highlights the importance of the entrepreneurial ecosystem in international business. Although it is an important phenomenon in entrepreneurship research and international business, the literature focusing on entrepreneurial ecosystems (i) remains under-theorised (Spigel, 2017:49; Stam, 2015:1763; Wurth *et al.*, 2021:1); (ii) lacks a clear analytical framework (Alvedalen & Boschma, 2017:4); and (iii) has many unanswered questions about what exactly the concept is (Audretsch, Cunningham, Kuratko, Lehmann & Menter, 2019:313).

Alvedalen and Boschma (2017:4) and Stam (2015:1761) contend that the entrepreneurial ecosystem is a new phenomenon in entrepreneurship research, with no generally accepted definition. For instance, Mujahid, Mubarik and Naghavi (2019:3) define an entrepreneurial ecosystem as a compendium of structured and interrelated factors that contribute to the formation of a stimulating environment for entrepreneurial activities in a defined geographical setting. Shwetzter, Maritz and Nguyen (2019:79), however, define entrepreneurial ecosystems as a group of interconnected institutions, actors and entrepreneurial processes that coalesce formally and informally to govern entrepreneurial activity within an entrepreneurial environment. As a result, there is no widely accepted definition of the entrepreneurial ecosystem.

Different models have been proposed for the concept of entrepreneurial ecosystems comprising different elements which include culture, capital, education, government, human resources, economic clusters, infrastructure, leadership, networks, support services, success stories, and early customers (Isenberg, 2010:45; Stam, 2014:6; Stam & van de Ven, 2021:813). However, some of the elements listed above, for instance networks, have been researched extensively yet there are still unknown aspects of it; this opens up gaps for future research in the area of the entrepreneurial ecosystem and international business development (Ratten, 2020b:1). Scholars have also studied other elements such as culture, education, and leadership, among others, and there are still gaps in their research (Donaldson, 2021; Miller & Acs, 2017; Mujahid *et al.*, 2019; Roundy, 2020).

This study focuses on networks in particular because they have been identified as having a role in the entrepreneurial ecosystem (Cao & Shi, 2020; Fernandes & Ferreira, 2021), business development (Achtenhagen *et al.*, 2017), and immigrant entrepreneurship (Chimucheka *et al.*, 2019; Fatoki & Oni, 2014; Fatoki & Patswawairi, 2012). As such, the study seeks to explore networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs in an emerging economy context—South Africa.

### **1.2.2 Introduction to networks**

A network is one of the important elements identified by Stam and van de Ven (2021:815) as crucial for a well-functioning and successful entrepreneurial ecosystem. Businesses need to have relationships with their counterparts, employees, customers, and suppliers because they do not exist in a vacuum. These relationships build the foundation for the formation of networks, which provide a flow of information and ideas to generate social capital and enable business development. Scholars (Mlotshwa & Msimango-Galawe, 2020:2; Premaratne, 2002:1) who support this point of view emphasise that the growth, success and performance of small businesses are dependent on supportive networks. Moreover, business owners often prefer to engage in a more stable exchange relationship that provides some sort of predictability. This implies that network participation provides some assurance of future business prospects and success to the network participants. Networks are a combination of nodes that facilitate beneficial relationships between individuals, groups, or organisations through meaningful interactions that are used to secure critical resources required to start and operate a business (Malecki, 2018a; Nieman, 2006:256).

A network is a concept that has been widely researched by entrepreneurial ecosystem scholars (Fernandes & Ferreira, 2021:1-59; Kang *et al.*, 2021:8-20), although little or no attention has been focused on entrepreneurial ecosystems from the lens of network theory (Alvedalen & Boschma, 2017:888). Different types of networks have been developed in line with the operational and strategic needs of business development, for example, family networks (Mustafa & Chen, 2010:97-106), social networks (Barnes, Lynham, Kalberg & Leung, 2016:6466-6471; Nowiński & Rialp, 2016:445-461), business-oriented networks (Koporcic & Tornroos, 2019:1681-1691; Nyström, Ramstrom & Törnroos, 2017:777-785), inter-organisational networks (Premaratne, 2002:54-55), managerial and managerial social

networks (Kraft & Bausch, 2018:865-889; Rogan & Mors, 2017:225-249), and ethnic networks (Desta, 2015:56-57). The overall business development within an entrepreneurial ecosystem depends on different aspects, including their willingness to network with other businesses to satisfy their customers. This also applies to the business development of immigrant entrepreneurs in an entrepreneurial ecosystem.

### **1.2.3 Introduction to business development**

Though it is a term that is frequently mentioned in business research, business development is a concept that has been overlooked and is often used without a full grasp of its meaning (Achtenhagen *et al.*, 2017:167; Kind & zu Knyphausen-Aufseß, 2007:176). This implies that it lacks a generally accepted definition. While some researchers see business development as growth, others posit that it involves practices that lead to the formation of a business venture (Davis & Sun, 2006:145). However, quite clearly, business development represents some form of expansion of business activities externally (Achtenhagen *et al.*, 2017:169). As a buzzword, it is used by scholars across diverse fields of inquiry such as biotechnology (Kind & zu Knyphausen-Aufseß, 2007), information technology (Davis & Sun, 2006), and the small and medium-sized enterprise (SME) sector (Achtenhagen *et al.*, 2017; Forsman, 2008:606-622).

Researchers such as Davis and Sun (2006:147) and Zhao, Xue, Khan and Khatib (2021:4) posit that the word is appropriate for use in corporate entrepreneurship where new business formation takes place within an existing business. As Achtenhagen *et al.* (2017:169) point out, micro-firms differ from large firms; implying that there is also a difference in their business development processes. Research on business development has mostly been conducted in large firms, neglecting micro-firms. Business development is defined as all ideas and activities undertaken by businesses, such as the formation of partnerships and networks, to increase the value (assets) of the business and achieve growth (Zhao *et al.*, 2021:2). This means that any activity carried out by a for-profit or non-profit organisation to expand can be referred to as business development. Growth refers to an increase in sales (Wickham, 2006:515; Wickham, 2017) and is viewed differently by entrepreneurs; it can be financial, strategic, structural, or organisational (Nieman & Struwig, 2019; Wickham, 2006:515; Wickham, 2017). As a result, growth will be considered as an outcome of

business development in this study, and it will be based on the various perspectives of entrepreneurs (financial, strategic, structural, and organisational growth). These different types of growth will be explained in detail in Chapter Three. The next section will briefly introduce immigrant entrepreneurs and immigrant entrepreneurship.

#### **1.2.4 Introduction to immigrant entrepreneurship and immigrant entrepreneurs**

There appears to be a lack of agreement among academics and policymakers on the definition of an entrepreneur. Nieuwenhuizen (2019:10) states that an entrepreneur is an individual who engages in business activities for growth and profit. This implies that the individual identifies an opportunity in the market, devotes time, gathers the factor of production and necessary resources, and capitalises on the market opportunity by establishing the business venture. Entrepreneurship is defined as any risky activity that involves some form of innovation or invention undertaken by individuals to create new ventures or enterprises for profit (Auerswald & Dani, 2017:100; Ratten, 2020a:451).

Immigrant entrepreneurship and immigrant entrepreneurs are global phenomena that have gained the interest of academics and practitioners in recent years (Dabić *et al.*, 2020:25-38; Kerr & Kerr, 2020:1-18). In line with this, Asoba and Tengeh (2016:410) and Chimucheka *et al.* (2019:1) report that the past years have recorded an increase in the influx of African immigrant entrepreneurs into the different provinces in South Africa. There are, however, no recent statistics in government reports to support this claim but there has been a surge in research focusing on immigrant entrepreneurship in the developing world, especially in South Africa (Chimucheka *et al.*, 2019; Fubah & Moos, 2022b; Muchineripi *et al.*, 2019). Chinomona and Maziriri (2015:20) posit that immigrant entrepreneurship plays a vital role in the South African economy as it fosters innovation, produces wealth, and creates jobs.

A similar view is shared by Chimucheka *et al.* (2019:1), who highlight that immigrant entrepreneurs create jobs, alleviate poverty and boost the economic growth of their host countries. However, immigrant entrepreneurs, especially those from other African countries, are faced with a lot of challenges that sometimes prevent them from succeeding in the South African economy. Notable among these challenges are xenophobic attacks (Chinomona & Maziriri, 2015:20-30; Ngota, Mang'unyi & Rajkaran, 2018:4), lack of local networks (Fatoki

& Patswawairi, 2012:138; Muchineripi *et al.*, 2019:5), and lack of access to financial resources (Asoba & Tengeh, 2016:411-412). Glinka (2018:27) defines immigrant entrepreneurship as the pursuit of entrepreneurial activities, particularly the establishment of new enterprises, by first or second-generation immigrants. Similarly, Aaltonen and Akola (2012:2) report that immigrant entrepreneurs are people who have immigrated from one country to another and have started a business there. These businesses managed by immigrants are called immigrant-owned businesses (Asoba & Tengeh, 2016:411).

Literature suggests that immigrant entrepreneurs in the United States of America (USA) are more likely to engage in business activities than native entrepreneurs (Kahn, La Mattina & MacGarvie, 2017; Nazareno, Zhou & You, 2019:780); this is also the situation in sub-Saharan Africa. For instance, although South Africa has attracted a large number of immigrant entrepreneurs in the past decades, there has been a sharp decrease in the number of South Africans who are involved in entrepreneurship (Global Entrepreneurship Monitor, 2017). Immigrant entrepreneurs continuously try to fill this vacuum that is left by locals (Muchineripi *et al.*, 2019:1). As a result, immigrant entrepreneurs contribute to the economic development of the host country as they create jobs for its citizens. In the past, approximately 80% of African immigrant entrepreneurs involved South Africans in their business ventures (Kalitanyi & Visser, 2010:377); there is, however, no recent evidence to support these statistics. Despite all these efforts, the South African Government has failed to validate the role played by immigrant entrepreneurs. For instance, a survey conducted by Torrington, Borros, Gwele, Rutsch, Anderson, Essa, Pillay and Dila (2020:7) outlined that immigrant entrepreneurs were excluded from applying for the Coronavirus (Covid-19) relief funds for businesses, although they employ South Africans.

The section that follows provides working definitions for the various constructs that will be used in this study. This will lay the groundwork for understanding the niche involved in the topic of entrepreneurial ecosystem, networks, business development and immigrant entrepreneurship research.

**Table 1.1: Working definitions in the study**

Construct	Working definition
Entrepreneurial ecosystem	The entrepreneurial ecosystem is a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organisations (for example, firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (the business birth rate, numbers of high growth firms, levels of 'blockbuster entrepreneurship', number of serial entrepreneurs, degree of sell-out mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment (Mason & Brown, 2014:5)
Networks	Networks are patterned beneficial relationships between individuals, groups or organisations that are used to secure critical economic and non-economic resources needed to start and manage a venture (Moos, 2019:240).
Business development	Business development is defined as all ideas and activities undertaken by businesses, such as the formation of partnerships and networks, to increase the value (assets) of the business and achieve growth (Zhao <i>et al.</i> , 2021:2).
Immigrant	An immigrant is a person who lives in a country other than the one where they were born. Whether that person has obtained citizenship in the destination country, served in its military, married a native, or has another status, they will be an international migrant for the rest of their life. Immigrants include naturalised citizens, asylum seekers, refugees, permanent residents, and unauthorised migrants (Bolter, 2019).
Immigrant entrepreneurship	Immigrant entrepreneurship refers to the engagement in entrepreneurial activities in the host country by immigrants (Dabić <i>et al.</i> , 2020). An immigrant entrepreneur is someone who has migrated to a new country and has started a business there, most likely as a means of survival (Dheer, 2018:558; Zolin & Schlosser, 2013).

**Source:** Author's compilation

The definitions in Table 1.1 will serve as working definitions for the various constructs studied. The researcher chose these definitions because the researcher believes they are the best descriptions of the constructs being explored. The researcher also chose to use the

definitions because they have been widely accepted in previous studies. For example, one of the most widely accepted definitions of the entrepreneurial ecosystem is that proposed by Mason and Brown (2014:5), which is based on a synthesis of various proposed definitions in other literature.

### 1.3 PROBLEM STATEMENT

There are three noticeable gaps in entrepreneurial ecosystems and networks, business development and immigrant entrepreneurship literature. First, the majority of studies on entrepreneurial ecosystems have been conducted in the developed world context (Alvedalen & Boschma, 2017:887-903; Cao & Shi, 2020:1-36; Fernandes & Ferreira, 2021; Scott *et al.*, 2021), therefore neglecting the emerging countries context. This implies that there is a need for entrepreneurial ecosystem research to be directed toward the developing world, as entrepreneurial ecosystem research in the developing world is scarce. Networks also appear to be an important concept in entrepreneurial ecosystem research (Fernandes & Ferreira, 2021; Scott *et al.*, 2021). However, research on the role of networks in the entrepreneurial ecosystems' context is limited. As a result of this, Audretsch *et al.* (2018:472) and Fernandes and Ferreira (2021) call on more research in this direction to be conducted to understand the role of networks in the entrepreneurial ecosystem context. Scholars also emphasise the need for more research on entrepreneurial ecosystems using a network theory perspective to understand the relationship between ecosystem components, as research in this area is limited (Alvedalen & Boschma, 2017:895-897; Purbasari, Wijaya & Rahayu, 2019:14).

Secondly, Dabić *et al.* (2020:34) argue that most research on immigrant entrepreneurship has been conducted in the Western world context and call on further empirical research to be conducted in the developing world. Furthermore, scholars have identified different networks (as previously mentioned) which enhance business development. However, immigrant entrepreneurs in developing nations limit themselves to co-ethnic networks (Fatoki & Patswairi, 2012:139). Previous research has also highlighted the lack of networks (and local networks) as a barrier to immigrant entrepreneurship in South Africa (Muchineripi *et al.*, 2019). Despite all these findings on the lack of networks or the fact that immigrant entrepreneurs limit themselves to co-ethnic networks, there are limited studies (to

the best of the researcher's knowledge), that have been specifically designed to explore the types of networks that are used by immigrant entrepreneurs in an emerging economy context like South Africa. There is also a lack of empirical evidence on how immigrant entrepreneurs develop their networks, particularly in emerging economy contexts such as South Africa.

Third, Ngota *et al.* (2018:7) emphasise that future research on immigrant entrepreneurship should explore all small-, medium- and micro-enterprises (SMMEs) managed by immigrant entrepreneurs to maximise data saturation. In this same line of reasoning, research on business development has mostly been conducted on large firms, neglecting micro-firms (Achtenhagen *et al.*, 2017). Therefore, there is a need for research on business development to focus on micro-firms. Some of these gaps identified by scholars are worthy of attention since they will inform and direct future research agendas. To summarise, this research will explore networks (the types of networks, how they are developed, their functions and benefits in business development) in the entrepreneurial ecosystem context, with perspectives from immigrant entrepreneurs operating SMMEs in the host country. The researcher posits that if this research problem is not addressed, particularly in the South African entrepreneurial ecosystem, policymakers will be left with insufficient evidence to justify including immigrant entrepreneurs in policy discussions. Furthermore, failing to address some of the identified research gaps will limit contextual knowledge in a South-South migration context like South Africa. As a result, filling the research gap is critical because (i) it will inform academia (contribute to extant literature) while also providing critical insights to practitioners such as immigrant entrepreneurs, and (ii) it will provide evidence that can stimulate policy discussions about immigrant entrepreneurs in the South African entrepreneurial ecosystem.

#### **1.4 RESEARCH OBJECTIVES**

This study will attempt to close the gaps identified in previous studies on entrepreneurial ecosystems and networks, business development and immigrant entrepreneurship. To do so, the objectives of the research must be clearly defined. Researchers such as Venter, van Zyl, Joubert, Pellissier and Stack (2017:48) define a research objective as a specific "goal-directed statement of the research intent". They further posit that the aim of any study can

be achieved if the objectives of the research are well-stated and understood by the researcher.

In this study, the research objectives are stated to assist in formulating the correct research questions. The research objectives are divided into primary and secondary objectives and are presented in Table 1.2.

**Table 1.2: Primary and secondary research objectives for the study**

<b>The primary objective of the study</b>	
To explore the role of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.	
<b>Secondary research objectives</b>	
<b>SRO1</b>	To identify the types of networks that are used in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.
<b>SRO2</b>	To explore how immigrant entrepreneurs develop the networks that influence their business development in the entrepreneurial ecosystem.
<b>SRO3</b>	To explore the functions of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.
<b>SRO4</b>	To explore the benefits of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.

**Source:** Author's compilation

To achieve the objectives of this research, the researcher investigates the application of the systems theory, network theory, resource dependence theory, social capital theory and labour market disadvantage theory concerning the role of networks in entrepreneurial ecosystems for the business development of immigrant entrepreneurs. These theories, which will be discussed in more detail later, have proven their effectiveness in underpinning research and as such are relevant to the different constructs being explored in this study.

## 1.5 RESEARCH QUESTIONS

As with research objectives (Venter *et al.*, 2017), it is important to identify and refine research questions in any research undertaking (Khoo, 2013). To formulate the appropriate questions, it is critical to understand what the research is all about, which can be accomplished by studying the objectives of the research. In this regard, Khoo (2013:26)

posits that the research questions should be clear and be a representation of the research objectives. A similar view is shared by Creswell (2014), asserting that defining a research question is important since it narrows the aims and objectives of the research to the specific point that the research is set out to address. Formulating the right research question is vital as it also guides the type of methodology the study can adopt for data collection (Doody & Bailey, 2016:19). Stemming from the research objectives outlined in Table 1.2, the research questions are divided into the primary and secondary research questions, as presented in Table 1.3.

**Table 1.3: Primary and secondary research questions**

<b>Primary research question</b>	
How do networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?	
<b>Secondary research questions</b>	
<b>SRQ1</b>	What types of networks are used in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?
<b>SRQ2</b>	How do immigrant entrepreneurs develop the networks in the entrepreneurial ecosystems which influence their business development?
<b>SRQ3</b>	What is the function of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?
<b>SRQ4</b>	What are the benefits of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?

**Source:** Author's compilation

## 1.6 CONTRIBUTIONS OF THE STUDY

The main contributions of this study are four-fold; first, this study makes a theoretical contribution since it empirically extends the scholarly literature on the role (functions and benefits) of networks in the entrepreneurial ecosystems context, as called for by scholars (Audretsch *et al.*, 2018:472; Fernandes & Ferreira, 2021), from the perspectives of immigrant entrepreneurs. Scholars have lamented that entrepreneurial ecosystems literature is not well developed and it is under-theorised (Spigel, 2017:49; Stam, 2015:1763). As a result, Alvedalen and Boschma (2017:895-897) and Purbasari *et al.* (2019:14) call on future research on entrepreneurial ecosystems to adopt the network theory lens to

understand how entrepreneurial ecosystem components interact since it has received very little attention in entrepreneurial ecosystem research. Thus, this study answers the call and contributes to the available literature on the network theory in entrepreneurial ecosystem research.

Secondly, immigrant entrepreneurship scholars in the developing world have found that immigrant entrepreneurs focus on co-ethnic networks (Fatoki & Patswawairi, 2012:139), while a majority of them lament the lack of networks (and local networks) which negatively impacts their business developments (Muchineripi *et al.*, 2019). Furthermore, although networks are frequently lauded for playing a positive role in business development, there is a lack of research on specific types of networks, particularly from the perspective of immigrant entrepreneurs in the South African context. As a result, this study reveals the various types of networks used by immigrant entrepreneurs in the South African entrepreneurial ecosystem to grow their businesses.

Third, while extant literature has explored networks in the sub-areas of entrepreneurship, for example, entrepreneurial ecosystems (Scott *et al.*, 2021), exactly how these networks are developed remains underexplored, especially from the perspectives of immigrant entrepreneurs in an emerging economy context such as South Africa. This study thus contributes to this understudied aspect by revealing the various ways in which immigrant entrepreneurs develop the networks that they use in their business development in the South African entrepreneurial ecosystem. The study has also based immigrant entrepreneurship research on the labour market disadvantage theory, a theory commonly used to explain economic research, thereby contributing to immigrant entrepreneurship through the theory's lens.

Finally, practically, this study informs entrepreneurs, managers, policymakers, and practitioners on how the different types of networks (listed previously) can play a vital role in their business development. This is because previous studies in the same light had focused mostly on ethnic (and co-ethnic) networks, while many immigrant entrepreneurs lament that they lack networks (and lack local networks) (Fatoki & Patswawairi, 2012:138; Muchineripi *et al.*, 2019:5). This hinders their business development in the South African entrepreneurial ecosystem.

## 1.7 THEORETICAL FRAMEWORK

For this study, the theoretical framework includes five specific pre-acknowledged theories. The different constructs in the study are studied through the lens of these theories. More specifically, the entrepreneurial ecosystem is researched from the lens of the systems and the network theory and networks from the resource dependence theory. Business development and immigrant entrepreneurs are underpinned by social networks and the labour market disadvantage theories respectively.

In this section, the researcher will present a brief description of the theories concerning the different constructs. This will then be explained in depth in the different literature review chapters. The next sub-section will briefly discuss entrepreneurship and the entrepreneurial ecosystem.

### 1.7.1 Entrepreneurship and entrepreneurial ecosystem

#### 1.7.1.1 *An overview of entrepreneurship*

Recent years have recorded an increase in scientific knowledge across different fields of inquiry and entrepreneurship is not an exception in this regard (Landström, 2020). This is evident by the increasing number of journal articles, newspapers and other publications that are published on the topic 'entrepreneurship'. In modern economic theory, entrepreneurship is identified as the main driver of growth (Sergi, Popkova, Bogoviz & Ragulina, 2019:4), and as a result, entrepreneurship is continually seen by academics, policymakers, government officials and practitioners as a vehicle for positive economic growth (Donaldson & Mateu, 2021:58). A similar view is shared by Kazmi & Nábrádi (2017:147), who assert that entrepreneurship drives economic development worldwide. Additionally, one major reason for the public's increased interest in entrepreneurship is its beneficial role in the economic growth and development of nations, as demonstrated by its wealth and job creation abilities (Abou-Moghli & Al Muala, 2012:1; Landström, 2020). Therefore, entrepreneurship is the backbone of any economy, be it in the developed or developing world.

Entrepreneurship is very important to the societal and economic development of South Africa. Evidence, however, suggests that entrepreneurial activity in South Africa lags behind other countries. For example, Total Entrepreneurial Activity (TEA) in South Africa was 7.8% in 2008. This was a higher rate than in 2006 (5%). Despite this increase, South Africa's TEA remained lower than that of India and Brazil (11.5% - 12%), Mexico (13.1%) and Colombia (24.5%) (Endeavor South Africa, 2017). This lag behind other developing countries could be attributed to a decrease in the number of South Africans involved in entrepreneurship since 2013 (Fubah & Moos, 2022b; Muchineripi *et al.*, 2019:1).

Mahadea and Kaseeram (2018:1) assert that many South African citizens enter the labour market yearly, which is the main reason for the high unemployment rate in South Africa. This same point could be a motivation for the low TEA in South Africa. Further, low levels of entrepreneurship in South Africa are frequently mentioned in reports and articles (Global Entrepreneurship Monitor, 2017); (Mahadea & Kaseeram, 2018; Moos, Lombard, Yap, Yap & Fubah, 2022; Muchineripi *et al.*, 2019), which may be due to the South African Government's failure to recognise the role of entrepreneurship in the economy. Specifically, Endeavor South Africa (2017) reports that entrepreneurship is still undervalued in terms of the impact, growth, and opportunities it can provide to the South African economy, as well as the impact it can have on unemployment and other social tensions in the country. This implies that the government should encourage entrepreneurship among its citizens, and citizens should be able to see entrepreneurship as a viable career option rather than seeking employment in an environment with high unemployment rates. The following sub-section will now focus on the entrepreneurial ecosystem.

### **1.7.1.2 *Origin of entrepreneurial ecosystems***

The roots of the entrepreneurial ecosystem date back to the work of Marshall (1920), who studied factors that stimulate ventures in industrial districts. Subsequent research, however, reports that the entrepreneurial ecosystem construct emerged between the 1980s and 1990s from debates concerning entrepreneurship (Spigel & Harrison, 2018:152). Stam and van de Ven (2021) support this assertion, stating that the entrepreneurial ecosystem construct emerged between the 1980s and 1990s. This emergence was part of the shift away from understanding entrepreneurship studies from a broad community perspective

(which embodies the role of culture, economic and social forces in entrepreneurship) to an individualistic perspective.

However, Malecki (2018b:2) contradicts the above authors, claiming that the entrepreneurial ecosystem construct only emerged in the 2000s and attracted much scholarly attention by 2016. Malecki (2018b:2) further asserts that between 1970 and 2015, entrepreneurial environment is the term that was used in entrepreneurship research. Biru, Gilbert and Arenius (2020:3) share a similar view, highlighting that the construct arose to emphasise the critical role that entrepreneurs, stakeholders, policy and programs that support entrepreneurship in a specific geographical area play in creating an enabling environment for entrepreneurship; implying that the concept emerged as a supportive environment for entrepreneurial activities. Other concepts that have been used interchangeably with the entrepreneurial ecosystem construct since its inception are systems, infrastructure, ecosystem, environment, and milieu; however, these concepts are less prevalent in literature (Malecki, 2018b:2-4). Table 1.4 is a presentation of the elements of an entrepreneurial ecosystem.

**Table 1.4: Elements of the entrepreneurial ecosystem**

<b>Element</b>	<b>Brief description</b>
1. Formal institutions	Formal institutions are government rules and regulations that facilitate operations within a specific geographical setting (Eesley, Eberhart, Skousen & Cheng, 2018:394). Formal and informal institutions play a critical role in venture creation, survival and business development (Eesley <i>et al.</i> , 2018:393; Fuentelsaz, González & Maicas, 2019; Sautet, 2020).
2. Culture	Stuetzer, Audretsch, Obschonka, Gosling, Rentfrow and Potter (2018:610) define entrepreneurship culture as the collective programming of a society's mind towards entrepreneurial characteristics such as independence, risk-taking abilities, pro-activeness, individualism, and innovativeness.
3. Networks	Networks (relationships between entities) are critical in the development of a sustainable entrepreneurial ecosystem (Fernandes & Ferreira, 2021; Isenberg, 2010; Scott <i>et al.</i> , 2021; Stam, 2015; Stam & van de Ven, 2021). Spigel and Harrison (2018) support this view asserting that networks are very important in entrepreneurial ecosystems because they enable the flow of resources and knowledge between ecosystem actors, which enables business development.

Element	Brief description
4. Physical infrastructure	Physical infrastructural elements refer to the tangible infrastructure within a defined geographical area, such as roads, highways, railways, and buildings (Audretsch, Heger & Veith, 2015a; Fuentelsaz, Maicas & Mata, 2018:49). Stam and van de Ven (2021) assert that infrastructure is one of the crucial elements that are relevant in a successful entrepreneurial ecosystem.
5. Demand	Demand is a central concept in economics which is defined as effective demand or demand that is backed by the ability to purchase rather than a mere desire or wish (Sakyi, 2020:74). Entrepreneurial ecosystems cannot be sustainable unless there is a corresponding demand for goods and services both internally and externally.
6. Intermediaries	The availability and supply of intermediate business services can significantly reduce barriers to new value creation in entrepreneurial ecosystems and as a result will accelerate the creation of new value which will benefit the actors within the ecosystem (Stam & van de Ven, 2021).
7. Talent	Stam and van de Ven (2021) refer to talent as experience, knowledge and skills that are possessed by individuals in an entrepreneurial ecosystem. A lack or shortage of talent in an entrepreneurial ecosystem such as managerial skills, and technical know-how, will constrain the growth and development of businesses (Miles & Morrison, 2020:944).
8. Knowledge	According to Stam and van de Ven (2021:817), entrepreneurial opportunities emerge from new knowledge, and as a result, actors in an entrepreneurial ecosystem must invest in new knowledge. Audretsch <i>et al.</i> (2015a:222) support this viewpoint, asserting that research institutions and universities are the primary sources of knowledge in entrepreneurial ecosystems.
9. Leadership	Leadership which is identified by Stam (2015), as one of the systemic conditions at the heart of entrepreneurial ecosystems, refers to the provision of guidance for collective action in a specific location (Stam & van de Ven, 2021).
10. Finance	Accessibility to financial resources such as short and long-term debts, and formal and informal equity (Miles & Morrison, 2020:944), are crucial for the growth and survival of newly created ventures (Stam & van de Ven, 2021:817).

**Source:** Author's compilation

Table 1.4 summarises the elements of the entrepreneurial ecosystem that have been discussed by various scholars (Isenberg, 2010; Mujahid *et al.*, 2019; Stam & van de Ven, 2021). These elements cannot function optimally in isolation. This means that the elements

must remain interconnected for the entire entrepreneurial ecosystem to be productive. In the entrepreneurial ecosystem, a network serves two functions. It is both an independent component that the entrepreneurial ecosystem cannot function without and a mechanism that connects the entrepreneurial ecosystem's components. This implies that the components of the entrepreneurial ecosystem interact with one another through networks. The elements in Table 1.4 are not an exhaustive list of the entrepreneurial ecosystem's elements; however, they are considered to be the key elements of the entrepreneurial ecosystem. Though the key elements of the entrepreneurial ecosystem in Table 1.4 will be discussed in detail in Chapter Two, the networks will be the primary focus of this study (from the perspectives of immigrant entrepreneurs). The next sub-section will, therefore, discuss two theories (systems and network theory) which can be used in underpinning entrepreneurial ecosystem research in this study.

The systems theory and network theory have been used to underpin entrepreneurial ecosystem research in this study, owing to their limited use in understudied contexts such as South Africa. Most of the research on these theories has been from the West (for example; Daniel, Medlin, O'Connor, Statsenko, Vnuk & Hancock, 2018 and Alvedalen & Boschma, 2017:895-897), and they have proven useful in underpinning entrepreneurial ecosystem research. As a result, studying the South African entrepreneurial ecosystem through these theories will contribute to a better understanding of the entrepreneurial ecosystem literature in the South African context.

### **1.7.1.3 *Systems theory***

Systems theory is “a conceptual framework based on the principle that the parts of a system can best be understood in the context of the relationships with each other and with other systems, rather than in isolation” (Wilkinson, 2011:1466). The theory was developed to enable the exploration of complex phenomena across multiple fields of study (Teece, 2018:360). Mele, Pels and Polese (2010:126) and Wilkinson (2011:1466) support Teece's, (2018) claim positing that the theory has been applied in technology, mathematics, social science and management research. The components of an entrepreneurial ecosystem, like the components of a system, cannot function optimally in isolation. As a result, the components of the entrepreneurial ecosystem must remain interconnected. Therefore, the

entrepreneurial ecosystem can be understood through the lens of the systems theory. Underpinning entrepreneurial ecosystems in this study on the system theory makes a theoretical contribution since there is a dearth of entrepreneurial ecosystem research from the lens of the systems theory (for example; Daniel, Medlin, O'Connor, Statsenko, Vnuk & Hancock, 2018).

#### **1.7.1.4 *Network theory***

Networks are made up of actors who connect and interact with one another (Purbasari, Wijaya & Rahayu, 2020b). These connections and interactions provide the actors with access to knowledge, ideas, opportunities, and resources, which help them grow their businesses. Purbasari *et al.* (2019:4) and Alvedalen and Boschma (2017:894) assert that the entrepreneurial ecosystem elements interact in complex ways and are thus represented as a network, therefore outlining the relevance of the network theory in entrepreneurial ecosystem research. Underpinning entrepreneurial ecosystems in this study on the network theory also makes a theoretical contribution to entrepreneurial ecosystem research. This is because there have been calls for entrepreneurial ecosystem research from the lens of the network theory (Alvedalen & Boschma, 2017:895-897; Purbasari *et al.*, 2019). The following section will focus on networks and business development.

### **1.7.2 Networks**

#### **1.7.2.1 *How networks are developed***

Developing effective and successful networks takes time and effort, and it is typically based on trust and understanding. Trust is pivotal in social relationships and cultural values and as such influences business culture (De Klerk, 2012:5846). This view is supported by Wickham (2006), who posits that relationships (networks) built on trust and confidence are critical in building a sustainable venture. However, besides trust, understanding and confidence, De Klerk (2012:5848-5852) states that successful networks are built on credibility and integrity. Individuals must trust one another, be accountable for their actions, be credible, and work towards a common goal that can benefit the network. Additionally, networks are formed by social bonds (Nieman, 2006) and the social interactions between the business owners' relationships with family, friends, relatives, clubs and social associations (Desta, 2015). This

view is supported by Ibarra and Hunter (2007), noting that a good way to build networks is to start by connecting two people who will benefit from meeting each other.

### 1.7.2.2 *Types of networks*

Different types of networks have been identified by scholars (Desta, 2015; Fatoki & Oni, 2014; Fatoki & Patswairi, 2012; Fernandes & Ferreira, 2021). Table 1.5 summarises various types of networks that will be explored in this study and provides a brief explanation of what they are.

**Table 1.5: Types of networks**

Type of network	Brief description
1. Business networks	Desta (2015:56) defines it as the networks that businesses have with firms that help them with their business development, as well as the networks that business owners have with stakeholders such as lawyers and accountants. Ward (2021), on the other hand, posits that it is a mutually beneficial relationship between businesses.
2. Social networks	Desta (2015:55) posits that social networks refer to the interactions between a business owner and other individuals like family members, friends and social clubs, while Moos (2019:241) holds that social networks involve an exchange of information in the form of communication between two individuals. As a result, it is possible to conclude that in an entrepreneurial setting, social networks revolve around the establishment and maintenance of relationships with people who facilitate the business development of entrepreneurs.
3. Managerial networks	Drawing on the network theory, Kumar Panda (2014:5) comprehensively defines managerial networks “as the structure in which top managers of firms connect with others who are directly or indirectly connected with the business, for example, top managers of supplier firms and research and development firms, and government officials”. Managerial networks refer to the relationships which exist between managers of firms and their suppliers, customers and other businesses (Desta, 2015:57; Leroy, 2012).
4. Family networks	Family networks have been researched across different fields of inquiry such as population and migration studies, (Liu, Riosmena & Creighton, 2018), psychology (Giesbers, Tournier, Hendriks, Hastings, Jahoda & Embregts, 2019), economics (Skordis, Pace, Vera-Hernandez, Rasul, Fitzsimons, Osrin, Manandhar & Costello, 2019) and business management (Mustafa & Chen, 2010). Like ethnic networks which relay available information about business and employment

Type of network	Brief description
	opportunities (Larson & Lewis, 2017; Patacchini & Zenou, 2012), economics research has confirmed that family networks also avail such information (Skordis <i>et al.</i> , 2019:232).
5. Ethnic networks	Ethnic networks are beneficial relationships among individuals from the same ethnicity. Patacchini and Zenou (2012:938) assert that ethnic networks create employment opportunities through ethnic social networks and word-of-mouth. According to Larson and Lewis (2017:350), information flows more freely between people of the same ethnic group (co-ethnics) than between people of different ethnic groups. This information is usually very reliable and less costly, compared to information from other sources (Patacchini & Zenou, 2012:938).
6. Inter-organisational networks	Inter-organisational networks refer to the beneficial interaction and relationships between organisations or entities. Mountford and Geiger (2020) - with a similar definition - add that the purpose of the interactions and relationships between entities is usually to share information and resources. This information and resources assist in the business development of entrepreneurs

**Source:** Author's compilation

Table 1.5 presents different types of networks. This is not an all-inclusive list of network types. Though there are different types of networks, this study will focus on those summarised in Table 1.5, since the researcher considers them to be the key and frequently mentioned types of networks (Bates, 1994; Chimucheka *et al.*, 2019; Fernandes & Ferreira, 2021; Kerr & Kerr, 2019; Munkejord, 2017; Mustafa & Chen, 2010; Scott *et al.*, 2021). These network types will be covered in greater depth in Chapter Three. The following section will look at network functions and benefits, followed by a brief review of the resource dependence theory (used as a theoretical lens for networks in this study).

### 1.7.2.3 Functions of networks

According to Moos (2019:241), the functions of networks include assisting in the identification of opportunities, providing emotional and practical support to network participants, providing invaluable business ideas, increasing entrepreneurial confidence, and ensuring that the entrepreneur's growth aspirations, mission, and vision are realistic. Networks raise awareness and allow network participants to stay up-to-date on the latest trends in their respective industries (Ward, 2021). Networking also provides its participants with access to career and job opportunities. The presence of innovative and well-educated

people in networks can benefit other network participants because such educated people can encourage and advise the entire network on the importance of innovation in business success (Bagwell, 2008:390).

#### **1.7.2.4 *Benefits of networks***

Researchers have identified the benefits of networks for entrepreneurs as shared opportunities, raising the entrepreneur's profile, and the ability of the entrepreneur to build self-confidence (StartupIstanbul, 2016). Networks also enable the entrepreneur to make new friends and meet like-minded people which facilitates the sharing of ideas from which opportunities can emerge and enables the creation and development of businesses (Muriuki, 2020; Ward, 2021). Additionally, networks enable business owners to gain access to resources (tangible and intangible) at lower-than-market prices, as well as resources that would not have been commercially available. Moreover, the fewer the market's resources, the more entrepreneurs depend on networks and contacts for more resources (Witt, Schroeter & Merz, 2008).

#### **1.7.2.5 *Resource dependence theory***

All organisations, no matter the size, need resources to stay operational. The resource dependence theory describes how organisations behave concerning the crucial resources needed by organisations to stay functional (Johnson, 1995; Kholmuminov, Kholmuminov & Wright, 2019:68). Although these resources are scarce, they are produced by other organisations and because no organisation has all of the resources needed to remain operational, it must network and exchange with other organisations. Since these resources are exchanged through networks such as family, ethnic, social, business, managerial, and inter-organisational networks, the resource dependence theory can be used in underpinning network research. This makes a theoretical contribution since this research will add to the few studies on networks from the lens of the resource dependence theory (examples include; Klein & Pereira, 2016 and Premaratne, 2002).

### **1.7.3 Business development**

Though the literature suggests that SMEs differ from their large counterparts based on several factors (for instance, limited resources and knowledge), SMEs have been identified as catalysts for future economic developments (Forsman, 2008:606; Ombi, Ambad & Bujang, 2018). Forsman (2008:607) reports that the distinguishing factors listed earlier constrain the survival of SMEs. As a result, it is critical to accelerate SMEs' survival and growth to enable their competitiveness in markets. This is possible with the support of business development services (hereafter, BDS) such as mentoring, business advice, business incubators and networking. The goal of BDS is to help SMEs overcome internal and external constraints (such as lack of resources) in their business development and achieve growth. This growth is viewed by entrepreneurs from four perspectives, namely financial, strategic, structural and organisational growth (Wickham, 2006; 2017).

#### **1.7.3.1 *Financial growth***

Financial growth is associated with the development of businesses as commercial entities. It concerns increases in turnover, the cost incurred and investments that avail the turnover, resulting in profits (Wickham, 2006:516; 2017). Financial growth in this study will be expressed in several ways, including the increase in sales, increase in total assets, increase in profit and increase in return on investment (ROI).

#### **1.7.3.2 *Strategic growth***

Strategic growth relates to the changes that result from a firm's interaction with the environment. It is concerned with how a firm uses its resources to capitalise on market opportunities and gain a competitive advantage over other firms (Wickham, 2006:516; 2017). In this study, strategic growth will be interpreted as changes in sales and production volumes, changes in the cost of sales and changes in customer base.

### **1.7.3.3 Structural growth**

Structural growth concerns how a firm organises its internal structures for instance, the role that managers play, the hierarchy among employees and how information flows between the different management levels in the firm (Wickham, 2006:516; 2017). In this study, structural growth is understood as changes in the number of employees and the size and location of immigrant businesses.

### **1.7.3.4 Organisational growth**

According to Wickham (2006:516; 2017), organisational growth relates to the changes in the culture, attitudes, and process as the organisation moves from one stage of its life cycle to another stage. In this study, organisational growth will be understood as the changes in all aspects of the businesses. The next section briefly reviews business development from the social network theory lens.

### **1.7.3.5 Social network theory**

Social network theory describes the interactions between organisations, firms, businesses and individuals (Claywell, 2021; Jaafar, Abdul-Aziz & Sahari, 2009). Prior evidence suggests that the theory can easily be understood by examining the whole - starting from smaller pieces (Claywell, 2021). That is, social networks can be understood by starting from the individuals who make up the networks. In the same light, growth, which is considered an outcome of business development in this study, can be understood by focusing on what business development and BDS are. Social network theory is relevant in business development research because social networks provide entrepreneurs with access to critical resources such as finances, knowledge and human capital that help them grow their businesses (strategically, financially, structurally or organisationally). Underpinning business development research in this study on social network theory makes a theoretical contribution because it adds to the available literature on business development through the lens of social network theory (for example, Premaratne, 2002).

#### **1.7.4 Immigrant entrepreneurship and immigrant entrepreneurs**

Issues stemming from migration include immigrant entrepreneurs and immigrant entrepreneurship. Basu and Pruthi (2021:3) assert that the increase in international migration around the world, as well as immigrants' ability to start businesses in their host countries, has inspired and led to an increase in the literature on immigrant entrepreneurship across various disciplines. This view is supported by Brzozowski, Šimić Banović and Alpeza (2021:1), who highlight that immigrant entrepreneurship is the most discussed topic in economic studies on migration. Though the term has been used in literature since the mid-1960s, immigrant entrepreneurship is a relatively new field of study in management (Glinka, 2018:26), which has gained the interest of scholars across the globe (Akin *et al.*, 2017; Chimucheka *et al.*, 2019; Chrysostome & Lin, 2010; Dabić *et al.*, 2020). Whilst there has been a surge in research focusing on immigrant entrepreneurship, the concept remains an under-researched area in the management field (Akin *et al.*, 2017:501). Therefore, the available literature on immigrant entrepreneurship is still scanty and there are many unknown aspects of the global phenomenon. Chrysostome and Lin (2010:78) and Glinka (2018) contend that most of the research focusing on immigrant entrepreneurship has been published by anthropologists and sociologists.

Immigrant entrepreneurship is an important economic phenomenon since it contributes to the economic growth and development of both developing and developed economies. This fact is supported by several scholars (Chrysostome & Lin, 2010:68; Ngota, Rajkaran & Mang'unyi, 2019) asserting that immigrant entrepreneurship plays an important role in the economic growth of major destinations for immigrants; for example, South Africa, USA, Canada, and Australia. This important role includes its ability to create job opportunities, thereby reducing high unemployment in the host country (Fatoki & Patswawairi, 2012:139; Ngota *et al.*, 2018:1). Another contribution could be its ability to contribute towards international trade between countries. Scholarly interest in immigrant entrepreneurship could also be attributed to the fact that immigrant entrepreneurs are more entrepreneurial compared to locals (Basu & Pruthi, 2021; Brzozowski *et al.*, 2021). Despite their important role, immigrant entrepreneurs face challenges in their host country which usually make it difficult for them to succeed on the business ladder. Amongst these challenges are

discrimination and a lack of local networks (Aaltonen & Akola, 2012; Fatoki & Patswawairi, 2012; Muchineripi *et al.*, 2019).

#### **1.7.4.1 *The barriers and importance of immigrant entrepreneurship***

Prior research on immigrant entrepreneurship suggests that immigrant entrepreneurs face challenges in their host countries which usually retard their business success. These challenges faced by immigrant entrepreneurs in their host countries include, amongst others:

- Xenophobic attacks and criminality (Chinomona & Maziriri, 2015; Khosa & Kalitanyi, 2014; Muchineripi *et al.*, 2019; Ngota *et al.*, 2018);
- Limited access to funding (Basu & Pruthi, 2021; Fatoki & Patswawairi, 2012; Muchineripi *et al.*, 2019); and
- Cultural and language barriers (Aaltonen & Akola, 2012; Ngota *et al.*, 2018).

It is well established that SMEs play a significant role in the economic development of most countries (Fubah & Moos, 2022a; Kongolo, 2010:2288; Ngota, Rajkaran, Balkaran & Mang, 2017:144). These SMEs are owned and managed by both national and foreign nationals (immigrant entrepreneurs) in various economies. In the global economy, individuals migrate from one country to another for different reasons which may include searching for jobs, knowledge, and opportunities or to have a better life and start businesses (Malerba & Ferreira, 2021:6). Drawing on the above, it is clear that, like locals, immigrant entrepreneurs play a critical role in their host countries. Moreover, immigrant entrepreneurship is considered an important socio-economic phenomenon due to the critical role it plays in the economic development of the host country (Ngota *et al.*, 2017). Immigrant entrepreneurs also help to boost international trade and improve the lives of locals in their host countries (Kerr & Kerr, 2020; Kerr & Kerr, 2019; Lofstrom, 2019). The barriers and importance of immigrant entrepreneurship will be discussed in depth in Chapter Four. The next section views immigrant entrepreneurship from the lens of the labour market disadvantage theory.

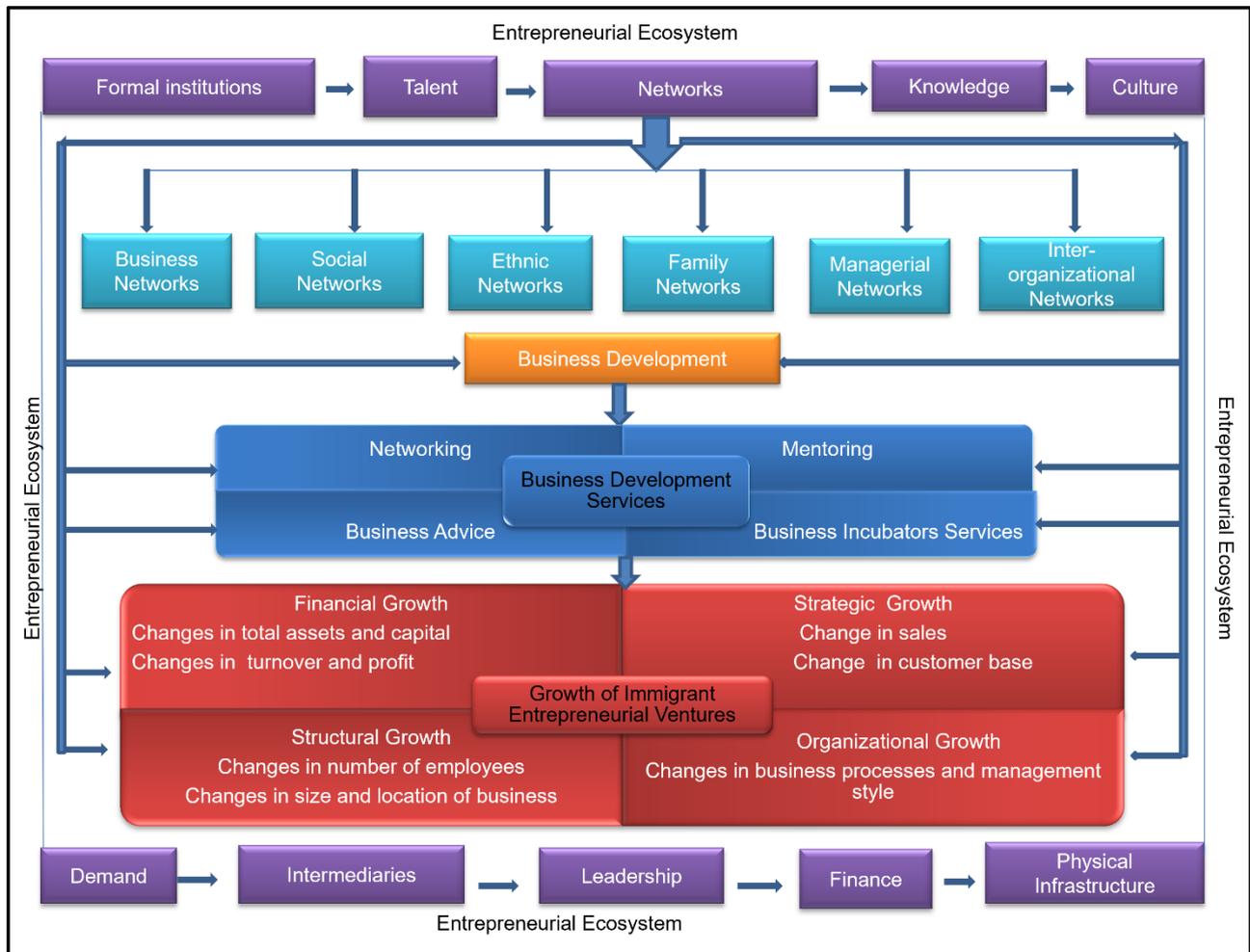
#### **1.7.4.2 Labour market disadvantage theory**

The labour market disadvantage theory stems from economics and has been used as a grounding theory in other fields of inquiry, including migration studies (Behtoui, 2008; Kogan, 2011), public health (Wahrendorf & Blane, 2015) and sociology (Takenoshita, 2013). Emmenegger, Marx and Schraff (2015:192) relate labour market disadvantage to employment challenges, in-work poverty, insecurity and “outsiderness”. “Outsiderness” relates to migrants who settle in new markets; being an outsider in certain markets could be disadvantageous since there is no job security. Glinka (2018:31) supports this viewpoint by stating that when immigrants are unable to find work in their host countries, starting a business is usually their only option. It can be argued that they are forced into entrepreneurship as a result of the labour market disadvantage. On this basis, the labour market disadvantage theory can be used to help underpin immigrant entrepreneurship research in this study, making a theoretical contribution to the existing research on immigrant entrepreneurship through the lens of the labour market disadvantage theory (Chrysostome & Lin, 2010; Dabić *et al.*, 2020).

### **1.8 A CONCEPTUAL FRAMEWORK FOR THE STUDY**

This research focuses on four major constructs, namely the entrepreneurial ecosystem, networks, business development, and immigrant entrepreneurship. Figure 1.1 depicts the relationship that exists between these constructs from the review of the literature.

**Figure 1.1: Networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs**



**Source:** Author's compilation

Figure 1.1 depicts four constructs that have always been studied separately. The researcher believes that there is a relationship between these constructs that could allow them to be studied together. Scholars have investigated networks in the contexts of entrepreneurial ecosystems, immigrant entrepreneurship, and business development. This implies networks (despite being a component of the entrepreneurial ecosystem) also play an independent role in entrepreneurial ecosystems, business development and immigrant entrepreneurship. To the best of the researchers' knowledge, limited studies have explored all four constructs. As a result, the researcher came up with the study's title: *Exploring networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs*. This conceptual framework will be discussed in depth in Chapter Four.

## **1.9 RESEARCH METHODOLOGY**

Bell, Bryman and Harley (2018) posit that epistemology is a term that is derived from the Greek word meaning knowledge and logos, also defined as theory. As such, epistemology is the theory of knowledge. Epistemology is important in business research and influences the research design (Bell *et al.*, 2018).

### **1.9.1 Research design**

This study follows an interpretivist philosophy. The specific qualitative design used in this study is the generic/basic qualitative research design, which aims to generate a comprehensive understanding of interview participants' perspectives on the phenomenon under exploration (Percy, Kostere & Kostere, 2015). The perspectives and experiences of immigrant entrepreneurs are cognitive processes which cannot be quantified. A generic qualitative research design is, therefore, appropriate for using semi-structured interviews to interact with participant perspectives, measure experiences, and provide clear and information-rich descriptions of the research questions (Bellamy, Ostini, Martini & Kairuz, 2016; Neergaard, Olesen, Andersen & Sondergaard, 2009; Percy *et al.*, 2015:95-96).

### **1.9.2 Research context and units of analysis**

The research has been carried out in the South African entrepreneurial ecosystem, more specifically in the Ekurhuleni, Tshwane and City of Johannesburg (CoJ) metropolitan municipalities in the Gauteng Province (GP). The rationale for selecting these municipalities is that several studies on immigrant entrepreneurship have been conducted there, indicating the presence of immigrant entrepreneurs. The unit of analysis for the study is immigrant-owned businesses, while the units of observation are the immigrant entrepreneurs themselves.

Only immigrant entrepreneurs operating established businesses have been included in the study. This is based on the definition of an established business as one that has paid wages and salaries for at least 42 months (Bosma, Hill, Ionescu-Somers, Kelley, Guerrero & Schott, 2021:23). The motivation behind this selection criterion is that the businesses owned by

immigrant entrepreneurs, who have been operating for more than three and a half years, could be able to provide detail and first-hand information with regards to the topic under exploration.

### **1.9.3 Sampling**

Purposeful sampling has been used in selecting 25 immigrant entrepreneurs to participate in the study. This is based on Dworkin's (2012:1320) proposition, that a minimum of 25 to 30 interviews is enough to reach data saturation in studies conducting in-depth interviews. Purposeful sampling, also known as judgemental or selective sampling (Sharma, 2017), is a sampling technique used by qualitative researchers to recruit interview participants who can provide detailed and in-depth information on the phenomenon being studied (Creswell, 2013:156; DeCarlo, 2018:287). The specific purposive sampling method used to select the immigrant entrepreneurs and their businesses is homogenous sampling. Homogeneous sampling refers to a situation in which the researchers intentionally select a sample with similar characteristics for a study (Patton, 2014:406). Homogeneous sampling is advantageous because it is cost-effective as it enables group interviews and ensures the collection of rich information that focuses on a sample with similar characteristics (Bornstein, Jager & Putnick, 2013:362; Patton, 2014:406; Suri, 2011:68). A major disadvantage of homogeneous sampling is that its level of generalisation is problematic (Bornstein *et al.*, 2013:362); however, this is ideal for the study.

### **1.9.4 Data collection and analysis**

Semi-structured interviews have been used to collect data for the study. Semi-structured interviews are appropriate for the study since they allow flexibility during the interview; therefore, this allowed the interviewees' views to be expressed more freely. Also, semi-structured interviews are flexible because they allow the researcher to modify the questions during the interview to obtain the most complete answers from the interviewees (Qu & Dumay, 2011:246). The main drawback of semi-structured interviews is that the presence of the researchers may have an impact on the interviewees' responses (Creswell, 2012:218). Additionally, this process is time-consuming and labour-intensive (Adams, 2015:493). Clarke and Braun (2017) thematic analysis has been used to analyse the

collected data. Thematic analysis is a method used in analysing qualitative data which involves identifying, analysing and interpreting meaningful patterns in qualitative data sets (Braun & Clarke, 2006; 2012; 2016).

### 1.10 ETHICAL CONSIDERATIONS FOR THE STUDY

It is critical to protect human subjects in research by implementing appropriate ethical considerations. Applying ethical principles in a qualitative study is important due to its in-depth nature (Arifin, 2018:30). Arifin (2018) goes on to add that ethical standards should be considered, especially in qualitative research which involves the collection of data through face-to-face interviews with a vulnerable group of participants. Supporting this assertion, Blumberg, Cooper and Schindler (2014:14) reiterate the need for high ethical standards in business research. Based on the research conducted by Connelly (2014:54-56) and Arifin (2018:30-33), this study is guided by five important ethical principles:

- **Informed consent and voluntary participation:** The researcher has ensured that participants are well informed about the study and have given their consent to participate in the study freely;
- **Anonymity and confidentiality:** The researcher has ensured that the identity of participants is anonymised and their names or the names of their organisations do not appear in the study;
- **Conducting interviews:** The researcher has conducted the interviews individually with the participant in a quiet place to which outsiders do not have access;
- **Data analysis and writing of findings:** The researcher has transcribed the recordings in a quiet room and the names of the participants are replaced by their pseudonyms in the quotations in the findings; and
- **Ethics approval and access to interview participants:** The ethics research committee at the University of Pretoria (UP) approved the ethical clearance before the study was conducted (see Chapter Five for more details).

### 1.11 IMPORTANCE OF THE STUDY

As mentioned earlier, the role of networks in the entrepreneurial ecosystem context has received limited attention from scholars (Audretsch *et al.*, 2018:471-474; Fernandes &

Ferreira, 2021:189-247). Immigrant entrepreneurs limit themselves to co-ethnic networks (Fatoki & Oni, 2014; Fatoki & Patswairi, 2012) and lament the lack of local networks and networks in general, which hinders their business development (Muchineripi *et al.*, 2019). Business development research has generally focused on large corporations, neglecting micro-firms. There is, therefore, a need for empirical evidence on entrepreneurial ecosystems and immigrant entrepreneurship in the developing world since the majority of research on the constructs has been from the developed world.

Therefore, the researcher has identified the aforementioned gaps and believes that it is important to conduct academic research on these gaps in the South African context. By doing so, the research aims to add to the body of knowledge on the constructs in the South African context. Additionally, the researcher posits that researching these gaps will provide invaluable insights both to academia and practice and, as such, will inform and direct future research on the constructs.

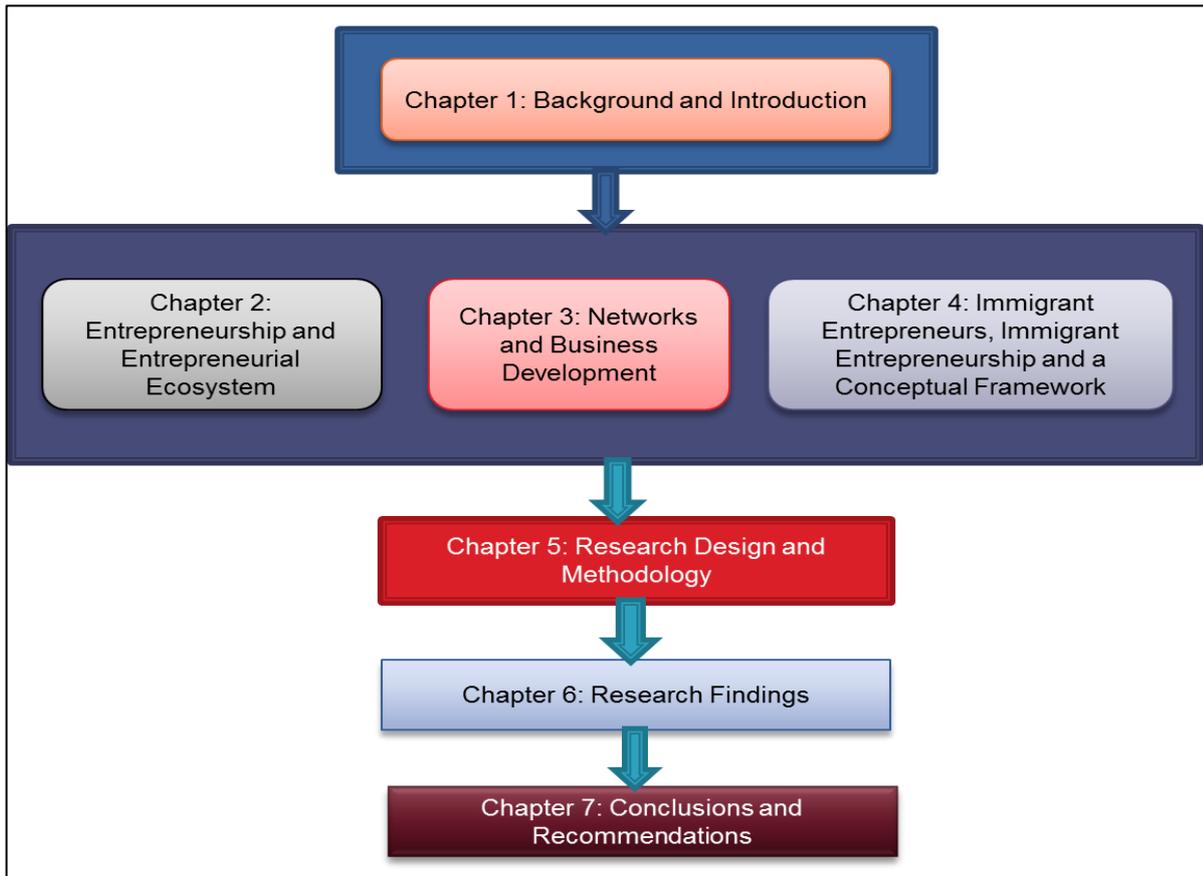
### **1.12 DELIMITATIONS OF THE STUDY**

First, the geographical delimitation of the study is that it only considers immigrant entrepreneurs and immigrant business ventures located in GP, in South Africa. This is also due to the high cost of travel to the other provinces in South Africa for data collection. Second, the study is limited to immigrant entrepreneurs; local entrepreneurs have not been considered. Third, the study is limited to immigrant SMEs operating in GP; large corporations are not considered.

### **1.13 STRUCTURE OF THE THESIS**

The study consists of seven chapters. These are presented in Figure 1.2, followed by a brief description of what is covered in the different chapters as depicted in the figure.

**Figure 1.2: Demarcation of literature review chapters**



### **1.13.1 Chapter One: Background and introduction to the study**

Chapter One presented the background and introduction to the study. More specifically, the chapter began with a brief background to the study, and then it introduced the key constructs of the study. This was followed by a description of the problem which the study aims to address. The research objectives and questions were stated, followed by the contributions of the study. Literature regarding entrepreneurship and entrepreneurial ecosystems, networks and business development and immigrant entrepreneurship were briefly reviewed. Finally, the chapter discussed the methodology, ethical considerations for the study, and the importance of the study.

### **1.13.2 Chapter Two: Entrepreneurship and entrepreneurial ecosystem**

This chapter discusses the existing literature on entrepreneurship and entrepreneurial ecosystems. The chapter begins with a broad view of entrepreneurship and then narrows it

down to the state of entrepreneurship in South Africa. In terms of the entrepreneurial ecosystem, the chapter discusses the concept's origin and definition, followed by a brief discussion of the elements of an entrepreneurial ecosystem and a theoretical analysis of the concept. The chapter further examines the South African entrepreneurial ecosystem in relation to its elements. This chapter underpins entrepreneurial ecosystem research on systems theory and network theory.

### **1.13.3 Chapter Three: Networks and business development**

The chapter focuses on networks and business development. It begins by reviewing relevant literature on how networks are developed, network types, as well as network functions and benefits. This is followed by a focus on business development and BDS. The chapter concludes by underpinning networks and business development research on resource dependence theory and social network theory.

### **1.13.4 Chapter Four: Immigrant entrepreneurship and a conceptual framework for the study**

Chapter Four focuses on immigrant entrepreneurship and a conceptual framework for the study. The first part of this section provides an overview of immigrant entrepreneurship and discusses immigrant entrepreneurship in South Africa, the importance of immigrant entrepreneurship, and its barriers. The chapter further discusses immigrant entrepreneurship through the lens of the labour disadvantage theory. The chapter concludes with a conceptual framework for the study. Networks are examined in this context concerning entrepreneurial ecosystems, business development, and immigrant entrepreneurship.

### **1.13.5 Chapter Five: Research design and methodology of the study**

This chapter discusses the research design and methodology adopted for the study. The chapter begins with a description of the research philosophy and the research design used in the study. Sampling will be discussed in terms of the organisations that are involved in the study as well as the individual participants who have participated. The study's context,

sample size, and a summary of the overall sampling techniques are described. Finally, the data collection method, data analysis, as well as the study's trustworthiness are explained.

#### **1.13.6 Chapter Six: Research findings**

This chapter begins with a brief description of the research objectives. An overview of the themes and related sub-themes are presented, linked to the research questions. The findings of the study and extracts from the data are presented and linked to literature where applicable.

#### **1.13.7 Chapter Seven: Conclusions and recommendations**

Chapter Seven discusses the findings of the study with attention to the study's research objectives. This chapter also highlights the main contributions of the study, starting with theoretical contributions followed by practical contributions. The chapter then concludes with a discussion of the study's limitations and recommendations for future research.

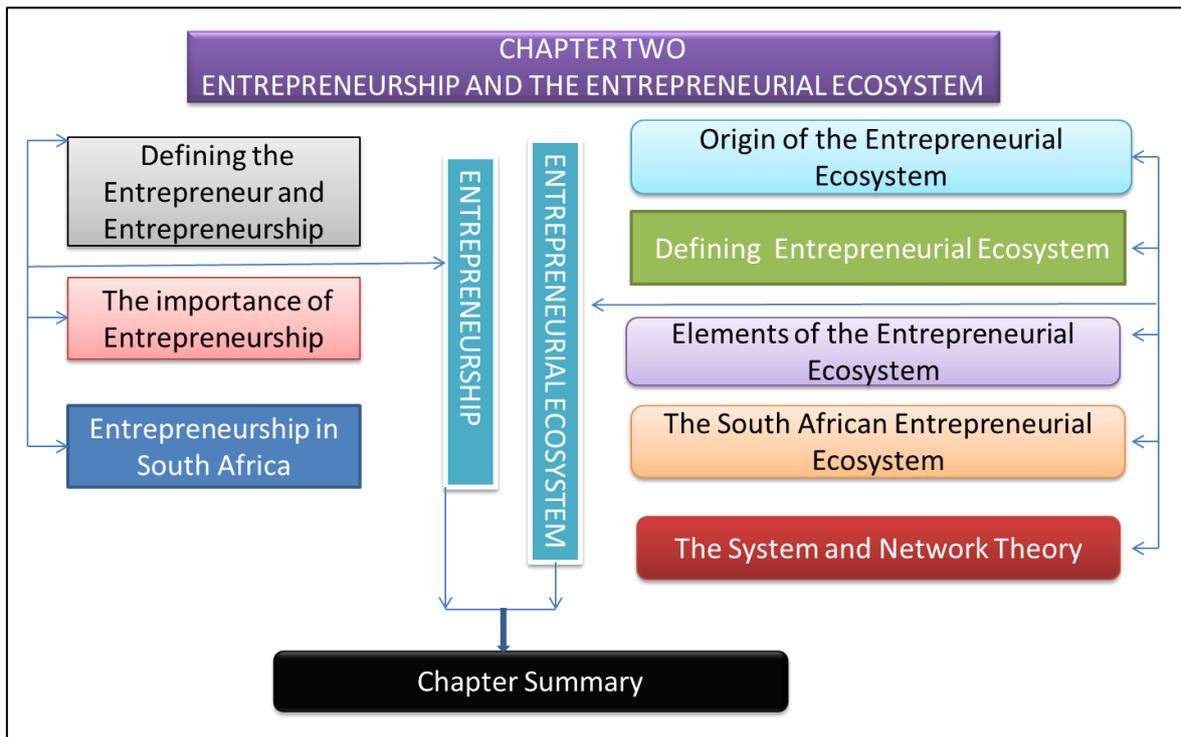
## 2 ENTREPRENEURSHIP AND ENTREPRENEURIAL ECOSYSTEM

### 2.1 INTRODUCTION

Extant literature has focused on entrepreneurship because of its importance in the economic development of nations (Acs, Åstebro, Audretsch & Robinson, 2016; Acs, Audretsch & Lehmann, 2013; Atiase, Mahmood, Wang & Botchie, 2018; Audretsch, 2012; Audretsch *et al.*, 2015a). It is also because of the important role that entrepreneurship plays that policymakers have frequent discussions about the concept of entrepreneurship and how to foster it in their areas of jurisdiction (Acs *et al.*, 2016). It is important to note, however, that entrepreneurship cannot thrive in an unfavourable environment. As a result, scholars have recently identified the entrepreneurial ecosystem - "the social and economic environment affecting local or regional entrepreneurship" (Bendickson, Irwin, Cowden & McDowell, 2021:2) - as a conducive environment for entrepreneurship (Acs *et al.*, 2016; Acs *et al.*, 2013; Spigel, 2017; Spigel & Harrison, 2018; Spilling, 1996; Stam, 2015; Stam & van de Ven, 2021). It is also important to note that there is no entrepreneurship without the entrepreneur, and the entrepreneurial ecosystem cannot function without entrepreneurs because entrepreneurs are the major players, alongside other actors such as the government, investors, and financial institutions, among others.

Chapter One focused on the background and introduction to the study. This chapter discusses the existing literature on entrepreneurship and entrepreneurial ecosystems. Figure 2.1 depicts the different sections that are covered in Chapter Two.

**Figure 2.1: Sections covered in Chapter Two**



**Source:** Author's compilation

As illustrated in Figure 2.1, the chapter begins with a broad overview of entrepreneurship before narrowing it down to the definition of an entrepreneur and entrepreneurship, as well as the state of entrepreneurship in South Africa. In terms of the entrepreneurial ecosystem, the section discusses the concept's origin and definition, followed by a brief discussion of the entrepreneurial ecosystem's components. The South African entrepreneurial ecosystem is then reviewed and discussed in terms of its elements. This chapter concludes with underpinning entrepreneurial ecosystem research on systems and network theory, as well as a summary of what is covered in the chapter.

## 2.2 ENTREPRENEURSHIP

### 2.2.1 Defining the entrepreneur and entrepreneurship

There has been confusion on what constitutes the entrepreneur and entrepreneurship, especially among non-scholars (Filion, 2021; Johnson, Newby & Watson, 2005:1; Leunbach, 2021; Lippmann, Davis & Aldrich, 2005:7). These debates on the terms date as far back to the 1970s, 80s and 90s and Lippmann *et al.* (2005:8) admit that the debates were regular in conference papers and journal articles. The authors further acknowledge

that the debates were geared towards an attempt to distinguish between entrepreneurship and small business as fields of study. While this may have been one of the topics of debate in the 1970s, other topics of discussion in the late 1980s included the definition of the entrepreneur and entrepreneurship. Recent debates in the field of entrepreneurship, in particular, have centred on the definition of the term. This is primarily because scholars have defined the concepts (entrepreneur and entrepreneurship) differently, implying a lack of agreement on its definition (Gartner, 1990:16; Gedeon, 2010; Leunbach, 2021; Nieuwenhuizen, 2019; Shane & Venkataraman, 2000). Leunbach (2021:1) also admits that the problem of defining entrepreneurship is not purely academic - even policymakers and the general public are unsure of what entrepreneurship is in terms of its definition. This, therefore, means that multiple definitions of entrepreneurship have been proposed by scholars.

The diversity of these definitions of entrepreneurship could well be explained by the fact that what individuals consider as the entrepreneur or entrepreneurship varies across different contexts (Alvarez & Barney, 2004:629). The lack of definitional consensus could also be due to the multiple theories that have been used to explain and understand entrepreneurship (Gedeon, 2010:16). Furthermore, it could also be a result of the fact that “entrepreneurship apparently means different things to different people including scholars and thought leaders” (Audretsch, Kuratko & Link, 2015b:703; Filion, 2021:73). Table 2.1 outlines some definitions of entrepreneur and entrepreneurship, as proposed by scholars.

**Table 2.1: Proposed definitions of entrepreneur and entrepreneurship**

<b>Author</b>	<b>Proposed definition</b>
Kent, Sexton and Vesper (1982)	Entrepreneurship is defined as the “creation of new business enterprises by individuals or small groups, with the entrepreneur assuming the role of society's major agent of change, initiating the industrial progress that leads to wider cultural shifts”.
Stevenson and Jarillo (1990:18)	Entrepreneurship is the process by which people pursue opportunities regardless of the resources they currently possess.
Gartner (1990)	The process by which new organisations are created.
Hisrich and Peters (1992:10)	The process of taking the risk to create something new to get a reward.

Author	Proposed definition
Shane and Venkataraman (2000:218)	Entrepreneurship is a concept which examines how, by whom, and with what effects opportunities are sought, assessed, and exploited to create future goods and services.
Carlsson, Braunerhjelm, McKelvey, Olofsson, Persson and Ylinenpää (2013:914)	Entrepreneurship refers “primarily to an economic function that is carried out by individuals, entrepreneurs, acting independently or within organisations, to perceive and create new opportunities and to introduce their ideas into the market, under uncertainty, by making decisions about location, product design, resource use, institutions, and reward systems”.
Auerswald and Dani (2017:100)	As an activity that relies on capital provided by institutions and individual investors to enable the formation of new businesses.
Nieuwenhuizen (2019:9&10)	<p>“Entrepreneurship as the emergence and growth of new ventures”.</p> <p>“Entrepreneurship as a process which causes changes in the economic system through the innovations of individuals who respond to opportunities in the market”.</p> <p>“Entrepreneur as an individual who establishes and manages a business for the purpose of profit and growth”.</p> <p>“Entrepreneur as an individual, who identifies an opportunity in the market, gather resources, creates and grow a business to meet the needs in the market”.</p>
Filion (2021:80)	<p>Entrepreneur as an “imaginative actor who recognises entrepreneurial opportunities, makes moderately risky decisions with a view to innovating, and takes action by using resources to implement a differentiated vision that contributes an added value”.</p> <p>Entrepreneur as an “intuitive, resourceful, tenacious actor who is able to recognise and develop risky opportunities with potential for innovation, and who adds value to what already exists by setting up activities that involve a scarce use of resources”.</p>

**Source:** Author’s compilation

Key characteristics of entrepreneurs and entrepreneurship from the definitions in Table 2.1 include taking risks, being innovative, getting rewards, finding and exploiting market opportunities, and creating new ventures. Therefore, though the definitions are somewhat different, what matters is the fact that all the definitions point in the same direction: doing something new to create value. Entrepreneurship is defined in this study as an activity that relies on capital provided by institutions and individual investors to enable the formation of new businesses (Auerswald & Dani, 2017:100). The entrepreneur is considered in this study as an “imaginative actor who recognises entrepreneurial opportunities, makes moderately risky decisions with a view to innovating, and takes action by using resources to implement

a differentiated vision that contributes an added value” (Filion, 2021:80). The next section focuses on the importance of entrepreneurship.

### **2.2.2 The importance of entrepreneurship**

It is worth noting that small businesses and start-ups have become increasingly important as they drive economic growth and development worldwide. Bygrave and Zacharakis (2004:1) emphasise that in the early 1990s, small businesses in America with fewer than 100 employees, created above six million job openings. Prior research by the Organisation of Economic Development (OECD (2017:7) supports this claim, asserting that SMEs are the most common type of business, accounting for approximately 99% of all firms in OECD countries. The OECD (2017:6) report further states that SMEs are the primary sources of employment, accounting for approximately “70% of jobs on average, and major contributors to value creation, generating between 50% and 60% of value added on average”. This implies that a significant feature of a fast-growing and flourishing economy is the presence of a vibrant SME sector in that economy. Continuous entrepreneurial activity is also critical to the growth and development of economies. Furthermore, the continuous economic growth and development of all economies are dependent on how entrepreneurs effectively source and use scarce resources (Lippmann *et al.*, 2005:7; OECD, 2017). The implication of this is that nations with high entrepreneurial activity will have higher economic development than economies with low entrepreneurial activity (Bosma & Kelley, 2019). It is as a result of these statistics that entrepreneurship has gained the interest of scholars.

While there has been an increase in scientific knowledge across different fields of inquiry, entrepreneurship has also drawn much attention from academics recently (Carlsson *et al.*, 2013; Landström, 2020; Nieuwenhuizen, 2019). This is evident by the increasing number of journal articles, newspapers, books, reports and other publications that are published on the topic of ‘entrepreneurship’ (Allen Grey Orbis Foundation, 2017; Botha, 2019; Herrington, Kew & Kew, 2010; Herrington & Kew, 2016; Herrington & Kew, 2018). In modern economic theory, entrepreneurship is identified as the main driver of growth (Botha, 2019; Sergi *et al.*, 2019:4). As a result, entrepreneurship is continually seen by academics, policymakers, government officials and practitioners as a vehicle for positive economic growth (Donaldson & Mateu, 2021:58). A similar viewpoint is shared by Kazmi and Nábrádi (2017:147) and

Botha (2019:26) who assert that entrepreneurship drives economic development worldwide. Also, one major reason for the public's increased interest in entrepreneurship is its beneficial role in the economic growth and development of nations, as demonstrated by its wealth, new firm and job creation abilities (Abou-Moghli & Al Muala, 2012:1; Iftikhar, Justice & Audretsch, 2022; OECD, 2017:7). Therefore, as mentioned, entrepreneurship is the backbone of any economy, be it in the developed or developing world. Chowdhury, Audretsch and Belitski (2019:51) assert that recent research has looked into why entrepreneurship is perceived differently in different countries, both at the micro- and macro levels. As a result, it is critical to examine the state of entrepreneurship in South Africa.

### **2.2.3 The state of entrepreneurship in South Africa**

The state of entrepreneurship development is published annually in the GEM report. GEM tracks the rate of entrepreneurship across the different stages of entrepreneurial activity and assesses the distinguishing characteristics of entrepreneurs. South Africa has faced challenges since its new democracy, including a lack of work experience, which sometimes prevents young people from finding work, as well as a lack of skills and educational training required for employment (Dawson, 2021:389-390; Endeavor South Africa, 2017). As a result, entrepreneurship has attracted public interest recently in South Africa, due to its ability to drive economic development through job creation and innovation (Dawson, 2021; Herrington *et al.*, 2010; Herrington & Kew, 2016; Mahadea & Kaseeram, 2018:1). Botha (2019:26) supports this assertion, adding that entrepreneurs in the South African economy are seen as distinguished economic actors due to their ability to create and drive new business formations. Additionally, a report published by Endeavor South Africa (2017) on entrepreneurship in South Africa emphasises that entrepreneurial activity in South Africa is improving but lags behind other countries around the world, such as the USA, United Kingdom (UK), Australia and Canada, amongst others. The report also states that future and existing entrepreneurs in South Africa face challenges (such as lack of start-up capital, human capital and networks), as well as an unfavourable financial and operational environment, which discourages entrepreneurial activity.

Resultantly, there has been a continuous increase in the rate of unemployment and poverty in South Africa which has reached its peak with no indications of slowing down. Recent

statistics by Trading Economics (2022b) indicate that the unemployment rate in South Africa in the last quarter of 2021 was 35.3%, which is an increase from 34.9% in the previous quarter. Trading Economics (2022b) emphasises that “it was the highest jobless rate since comparable data began in 2008”. Currently, the youth unemployment rate in South Africa stands at 66.5%, which is shockingly high. This rise in the unemployment rate may be a result of many South Africans entering the labour market (Mahadea & Kaseeram, 2018:1).

Despite this, the rising levels of poverty and unemployment can be effectively controlled by promoting entrepreneurship as a viable career option across all sectors of the South African economy (Bizculture, 2021; Botha, 2019:26; Moos *et al.*, 2022). The public must have an entrepreneurial culture, and for the government to promote the supposition that self-employment is the best way to combat unemployment in the South African economy. The South African Government has implemented several strategies to encourage entrepreneurship and job creation to combat the country's rising unemployment rate. These strategies include “the growth, employment and redistribution strategy, National Empowerment Fund, Accelerated and Shared Growth Initiative of South Africa, the Small Enterprise Finance Agency, Youth Development Agency, and a new ministry for small business” (Mahadea & Kaseeram, 2018:2). It is important to note that the Growth, Employment and Redistribution Strategy was replaced in 2005 by the Accelerated and Shared Growth Initiative of South Africa, which in turn was replaced in 2010 with the New Growth Path. Furthermore, to ensure economic prosperity in South Africa, the number of entrepreneurs who create and manage SMEs must increase (Botha, 2019:26). This can be achieved through the continuous interaction of the major players in the South African entrepreneurial ecosystem, which is reviewed in the literature in the next section.

## **2.3 ENTREPRENEURIAL ECOSYSTEM**

### **2.3.1 Origin of entrepreneurial ecosystem**

Prior evidence suggests that the roots of the entrepreneurial ecosystem date back to Marshall's (1920) work, as they studied factors that stimulate ventures in industrial districts. The term “ecosystem” emerged from biology and was first mentioned by Tansley (1935:284-307) in their publication on vegetation concepts and terms in *Ecology*. For Tansley (1935), studying living organisms and their living environments (for instance the plants, soil and

climatic factors) separately was illogical. This was because living organisms cannot be separated from their “special environment with which they form one physical system” (Tansley, 1935:300). Therefore, the word ecosystem was coined to be used as a framework to understand the unity that exists between living things (such as plants and animals) with their communities together with other inorganic and climatic factors (Tansley, 1935:299-305). The word ecosystem was frequently used in other biological and mathematical publications between the 1960s and 1990s in Europe and America (Willis, 1997:268-271). Willis (1997) further asserts that the term ecosystem provided a clear way of understanding the organisation of a natural system.

The biological term was first mentioned in the field of management by Moore (1993:75-86), who highlights that successful ventures are those that evolve rapidly, and this evolution cannot take place in a vacuum since businesses need to network with their counterparts to have access to resources over which they have limited control. The biological term was then related to the business field and called a business ecosystem. More specifically, Moore (1993) asserts that, like its biological counterpart, a business ecosystem evolves from a random collection of elements to a more structured community. This means that a business ecosystem can be formed only if existing businesses within a geographical location interact with each other. A business ecosystem is a structured group of interconnected firms that work together to meet the needs of customers and rely on one another for survival within the ecosystem (Clarysse, Wright, Bruneel & Mahajan, 2014:1164). Other types of ecosystems that emerged from Moore’s business ecosystem are (i) organisational (Mars, Bronstein & Lusch, 2012:71); (ii) industry focus information and communication technology (ICT) (Letaifa & Rabeau, 2013:2077); (iii) university-based (Rice, Feters & Greene, 2014); (iv) knowledge and innovation (Clarysse *et al.*, 2014; Cobben, Ooms, Roijackers & Radziwon, 2022; Granstrand & Holgersson, 2020), and (v) business (Cobben *et al.*, 2022:142). While the different ecosystems may have different names, they all represent some form of unity, combination or an organised network of entrepreneurial actors, who interact for the general benefit of the individuals in the network.

Subsequent research, however, reports that the entrepreneurial ecosystem construct emerged between the 1980s and 1990s from debates concerning entrepreneurship (Spigel & Harrison, 2018:152); Stam and van de Ven (2021) support this assertion. This was as part

of the shift away from understanding entrepreneurship studies from a broad community perspective which embodies the role of cultural, economic and social forces in entrepreneurship, to an individualistic perspective. Malecki (2018b:2), however, contradicts Spigel and Harrison (2018:152) and Stam and van de Ven (2021), claiming that the entrepreneurial ecosystem construct only emerged in the 2000s and has attracted much scholarly attention by 2016. The author notes that between 1970 and 2015, entrepreneurial environment is the term that was used in entrepreneurship research. Biru *et al.* (2020:3) share a similar view, highlighting that the construct arose to emphasise the critical role that entrepreneurs, stakeholders, policy and programs that support entrepreneurship play in creating an enabling environment for entrepreneurship. This, therefore, implies that the concept emerged as a supportive environment for entrepreneurial activities. Other concepts that have been used interchangeably with the entrepreneurial ecosystem construct since its inception are systems, infrastructure, ecosystem, environment, and milieu (Malecki, 2018b:2-4). However, these concepts are less prevalent in literature.

### **2.3.2 Defining entrepreneurial ecosystem**

The popularity of entrepreneurial ecosystems has been attributed to publications such as *Startup Communities* by Feld (2012) and Isenberg (2010) research in *Harvard Business Review*. These publications have been lauded for their role in enlightening entrepreneurs and policymakers about the significance of a community and its culture in the entrepreneurial process. Consistent with Shane and Venkataraman (2000:221) research, the entrepreneurial ecosystem concept consists of two elements; 'entrepreneurial' and 'ecosystems'. Shane and Venkataraman (2000:220) assert that there would be no entrepreneurship without entrepreneurial opportunities. In the same light, ecosystems cannot exist without the 'entrepreneurial'. Entrepreneurial (opportunities), the first component of the entrepreneurial ecosystem construct, refers to "those situations in which new goods, services, raw materials, and organising methods can be introduced and sold at greater than their cost of production" (Shane & Venkataraman, 2000:220). Opportunity, as Foss and Klein (2020:368) define it, is a business plan or idea that may or may not turn out the way the entrepreneur anticipates. The second component, the ecosystem, is biological and describes how living organisms interact with their surroundings (Purbasari, Muhyi & Sukoco, 2020a:242; Stam & Spigel, 2016:2).

Purbasari *et al.* (2020a:242) define the entrepreneurial ecosystem concept from a biological standpoint as “the natural environment and its elements, including living organisms (biotic factors) in an area as well as the physical environment (abiotic factors), which function together as a single unit”. To relate this biological phenomenon to business and management research, the environment will be the entrepreneurial ecosystem, and living organisms will represent entrepreneurs and their businesses. As Purbasari *et al.* (2020a:242) note, to succeed in an entrepreneurial ecosystem, entrepreneurs have to become the elements of the ecosystem so that they can jointly develop innovative skills which will enable their business development.

Drawing on the research by Acs, Stam, Audretsch and O’Connor (2017:2) and Purbasari *et al.* (2020b), entrepreneurial ecosystems have two main streams; strategy and regional development literature. Both streams are rooted in ecological thinking and emphasise the interrelationship of actors in a particular geographic setting to create value. The regional development literature stream explains the differences in the socio-economic performances of regions. On the other hand, the strategy literature proposes business ecosystems, a type of coordination in which a firm's ability to generate value is dependent on the various actors within the ecosystem (Acs *et al.*, 2017:2; Cobben *et al.*, 2022:142). Moreover, ecosystems are made up of entrepreneurs and institutions, as well as cultures and networks that govern and perform critical tasks necessary for entrepreneurship to thrive in any geographical setting (Stam & van de Ven, 2021:812; Stam & Spigel, 2016:2).

According to Stam and van de Ven (2021:812), if the system's elements are well-developed, they will produce a specific output. The output can be entrepreneurial activities, which is the process by which innovation opportunities are created by individuals (Stam & Spigel, 2016:2). These innovation opportunities create value for the community and therefore are the output of entrepreneurial ecosystems. Stam and van de Ven (2021), conclude that the output from entrepreneurial ecosystems is productive entrepreneurship (any activity which contributes to economic output).

Recently, entrepreneurial ecosystems have been defined from a network perspective. For instance, the research conducted by scholars (Purbasari *et al.*, 2020a; Purbasari *et al.*,

2019; Purbasari *et al.*, 2020b) focuses on entrepreneurial ecosystems from a network perspective. More specifically, Isenberg (2010;2011) views entrepreneurial ecosystems as institutional networks aimed at assisting entrepreneurs in driving success through the different stages of the entrepreneurial process. Purbasari *et al.* (2020b), who define entrepreneurial ecosystems as a set of elements such as markets, human capital and leadership, also understand entrepreneurial ecosystems as a service network. These different viewpoints suggest that, despite its popularity in the scholarly and policy domains, entrepreneurial ecosystems still lack a unified and generally accepted definition (Stam & van de Ven, 2021:811; Stam & Spigel, 2016:2); this view is supported by Stam (2015:1761) and (Alvedalen & Boschma, 2017:891). This could be as a result of its (entrepreneurial ecosystem's) emergence from different origins or because "ecosystems are defined in different ways, at different scales, and with different research designs and data" (Malecki, 2018b:5). Some of the proposed definitions of entrepreneurial ecosystems are presented in Table 2.2.

**Table 2.2: Proposed definitions of entrepreneurial ecosystems**

Scholar	Proposed definition
Spilling (1996:91)	Entrepreneurial ecosystems are the “complexity and diversity of actors, roles and environmental factors that interact to determine the entrepreneurial performance of a region or locality”.
Cohen (2006:3)	The entrepreneurial ecosystem is a network of actors in a local geographic community who are committed to long-term development by supporting and facilitating new sustainable ventures.
Isenberg (2011) and Isenberg (2010)	The entrepreneurial ecosystem is defined as a collection of institutional networks that assist entrepreneurs in achieving success at all stages of the new business creation and development process.
Mason and Brown (2014:5)	The entrepreneurial ecosystem is a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organisations (for example, firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (the business birth rate, numbers of high growth firms, levels of ‘blockbuster entrepreneurship’, number of serial entrepreneurs, degree of sell-out mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment
Spigel (2016:142)	Ecosystems represent the regional economic, social and cultural environment within an area that provides support and resources for growth-oriented entrepreneurs.

Scholar	Proposed definition
Stam and Spigel (2016)	An entrepreneurial ecosystem is a collection of interconnected actors that work together to enable productive entrepreneurship in a specific geographical setting.
Spigel (2017:2)	Entrepreneurial ecosystems are “combinations of social, political, economic, and cultural elements within a region that support the development and growth of innovative start-ups and encourage nascent entrepreneurs and other actors to take the risks of starting, funding, and otherwise assisting high-risk ventures”.
Stam and van de Ven (2021:810)	Entrepreneurial ecosystems “are systems that produce successful entrepreneurship, and where there is a lot of successful entrepreneurship, there is apparently a good entrepreneurial ecosystem”.
Bendickson <i>et al.</i> (2021:2)	The term "entrepreneurial ecosystem" refers to the socioeconomic environment that influences entrepreneurship at the local or regional level.
Jones and Ratten (2021)	Entrepreneurial ecosystems are a way of understanding the combination of components that makes it possible for entrepreneurship to exist in a specific space.

**Source:** Author’s compilation

The definitions in Table 2.2, though different, share some similarities. Entrepreneurial ecosystems represent a combination of elements (for example, social economic, social, political and cultural) that enable entrepreneurship (Bendickson *et al.*, 2021; Jones & Ratten, 2021; Spigel, 2016; Spigel, 2017). An entrepreneurial ecosystem is also a system that fosters entrepreneurial activities (Stam & van de Ven, 2021); and it can include a set of diverse actors (Spilling, 1996). Other researchers (Cohen, 2006; Stam & Spigel, 2016) view the entrepreneurial ecosystem as a group of interconnected and interdependent actors or as institutional networks (Isenberg, 2011; Isenberg, 2010). The researcher believes that Mason and Brown (2014:5) definition of entrepreneurial ecosystem, which is the working definition of entrepreneurial ecosystem in this study, is a synthesis of the different definitions in Table 2.2.

These various definitions in Table 2.2 also highlight the differences and similarities from the definition of the entrepreneurial ecosystem proposed by scholars. The disparities in definitions could also be motivated by the fact that entrepreneurial ecosystems are studied across different geographical settings (for instance in the developed and developing world contexts). As a result of this, some definitions may have been proposed based on the parameters being tested or observed (such as the relationship between the elements of the entrepreneurial ecosystem and business success). Fubah and Moos (2021:13-14) also state

that the different characteristics identified from the definitions could assist in identifying a suitable theory when underpinning entrepreneurial ecosystem research. For example, systems theory could be a suitable theory when adopting a definition of entrepreneurial ecosystem that focuses on systems, for example, the definition proposed by Stam and van de Ven (2021:810). Based on the foregoing, the researcher defines an entrepreneurial ecosystem as a system made up of entrepreneurial actors who connect through networks to enable entrepreneurial activities within a specific setting.

### 2.3.3 Elements of an entrepreneurial ecosystem

The entrepreneurial ecosystem consists of all elements that enable sustainable entrepreneurship in any geographical setting (Ahmad & Hoffmann, 2008; Feld, 2012; Koltai, 2016; Liguori, Bendickson, Solomon & McDowell, 2019; Neck, Meyer, Cohen & Corbett, 2004; Sussan & Acs, 2017; Van de Ven, 1993). A summary of these different elements identified by scholars is presented in Table 2.3.

**Table 2.3: Summary of the different components of an entrepreneurial ecosystem**

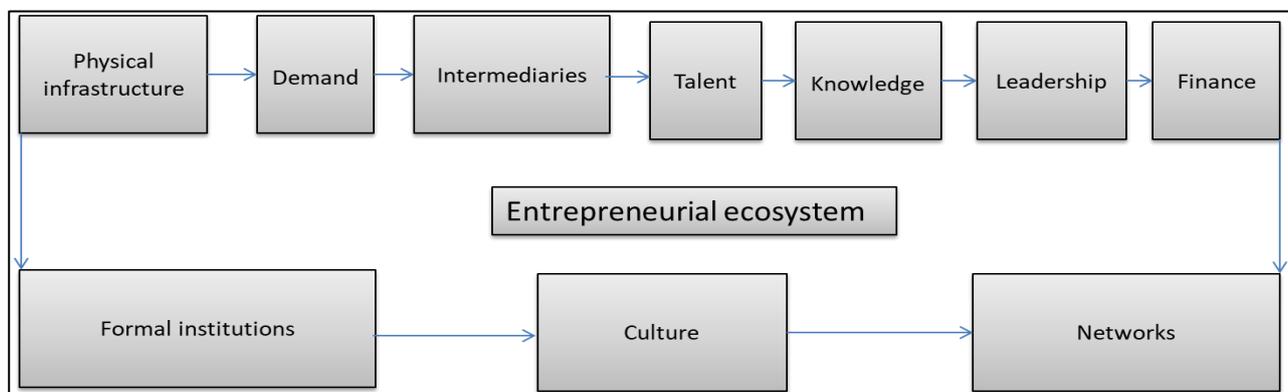
Source	Elements/components identified
Van de Ven (1993)	“Institutional arrangements, public resource endowments, market demand, and proprietary business activities”.
Neck <i>et al.</i> (2004)	“Incubators, spin-offs, formal networks, informal networks, physical infrastructure, culture”.
Ahmad and Hoffmann (2008)	“Determinants, entrepreneurial performance, and impact”.
Isenberg (2011)	“Policy, finance, culture, supports, human capital, and markets”.
Feld (2012)	“Leadership, intermediaries, network density, government, talent, support, engagement, companies, capital”.
Foster, Shimizu, Ciesinski, Davila, Hassan, Jia and Morris (2013)	“Accessible markets, human capital workforce, funding and Finance, mentors, advisors, support systems, regulatory framework and infrastructure, education and training, major universities and cultural support”.
Mason and Brown (2014)	“Actors, resource providers, connectors, and entrepreneurial orientation”.

Source	Elements/components identified
Stam (2015) and Stam and van de Ven (2021)	“Formal institutions, culture, physical infrastructure, demand, networks, leadership, finance, talent, knowledge, intermediaries”.
Mack and Mayer (2016)	“Evolutionary Model: four stages, birth, growth, sustainment and decline”. “Eight core elements; firm entries and exits, policy, finance, culture, support, human capital, markets and policy implications”.
Koltai (2016)	“Six factors: identify, train, connect and sustain, fund, enable, celebrate”. “Six actors: non-government organisations, foundations, academia, investors, governments, corporations”.
Spigel (2017)	“Social, cultural and material attributes”.
Miller and Acs (2017)	“Available assets, liberty, diversity, opportunity creating, and fostering entrepreneurship and innovation”.
Sussan and Acs (2017)	“Institutions, agency, users and digital infrastructure
Liguori <i>et al.</i> (2019)	“Multi-dimensional measure for assessing entrepreneurial ecosystems based on Isenberg’s six domains”.

**Source:** Adapted from Donaldson (2021:293).

The elements in Table 2.3 have been identified by scholars as the building blocks of the entrepreneurial ecosystem. This study will focus on the 10 core elements in Table 2.3 identified by Stam (2015) and Stam and van de Ven (2021). The researcher believes that the components identified by these authors are a comprehensive presentation of the elements of the entrepreneurial ecosystem. The proposed elements by the authors are presented in Figure 2.2.

**Figure 2.2: Core elements of an entrepreneurial ecosystem**



**Source:** Stam and van de Ven (2021:813).

Stam and van de Ven (2021:810) believe that successful entrepreneurship is produced by entrepreneurial ecosystems and that a good entrepreneurial ecosystem results in successful entrepreneurship. The elements of an entrepreneurial ecosystem as presented in Figure 2.2 are discussed in the following paragraphs.

### **2.3.3.1 Formal institutions**

Formal and informal institutions play a critical role in venture creation, survival and business development (de la Chaux & Haugh, 2020; Eesley *et al.*, 2018:393; Fuentelsaz *et al.*, 2019; Sautet, 2020). Institutions are the rules, norms, and guiding principles that individuals in a specific geographical setting follow in their daily lives (Sautet, 2020:30). Drawing on this, de la Chaux and Haugh (2020:829) note that formal institutions tend to be well-defined in regulations and legislation and they are enforced by sanctions to defaulters. Moreover, well-defined formal institutions strengthen the institutional architecture within an entrepreneurial ecosystem (Fuentelsaz *et al.*, 2019:5-24).

The differences in entrepreneurial activities across countries and economies could be attributed to the institutional differences in these different settings (Fuentelsaz *et al.*, 2019:5). This implies that the quality of institutions across countries will either support or discourage entrepreneurial activities (Stam and van de Ven (2021). This view is supported by Fuentelsaz *et al.* (2019:6), who posit that an appropriate institutional environment (formal institutions) is conducive for individuals to identify opportunities and start businesses to create value. This is because formal institutions are the government rules and regulations that facilitate operations within a specific geographical setting (Eesley *et al.*, 2018:394).

Although these formal institutions guide and support the development of entrepreneurial ventures to create value, evidence suggests that ill-defined formal institutions also discourage entrepreneurial activity (Williamson & Mathers, 2011). As such, it is clear that informal institutions will encourage informal entrepreneurs to start businesses since they are not guided by any rules and regulations (de la Chaux & Haugh, 2020:829). However, these businesses will not be able to grow because of existing rules and regulations (formal institutions). Based on the preceding discussion, it can be argued that an entrepreneurial

ecosystem with formalised institutions which are favourable to entrepreneurs will encourage productive entrepreneurship, as opposed to an entrepreneurial ecosystem with ill-defined formal and informal institutions.

### **2.3.3.2 Culture**

Prior research suggests that culture plays a critical role as it generates entrepreneurial orientation (Lee, Lim & Pathak, 2011:1). Similarly, Donaldson (2021:296) asserts that cultural norms (for example, acceptance of risk and having innovative capabilities) can determine the emergence or lack of entrepreneurial behaviour. As such, a strong entrepreneurial culture can enable seasoned entrepreneurs to help nascent entrepreneurs to engage in lucrative entrepreneurial activities. Culture has also been identified as a key component for entrepreneurial ecosystem success (Donaldson, 2021:289-319; Feld, 2012). Stam and van de Ven (2021:815) refer to entrepreneurship culture as informal institutions. Thus, an entrepreneurial culture that fosters creativity and responsiveness among entrepreneurs can also be implemented outside of formal channels. Stuetzer *et al.* (2018:610), on the other hand, define it as the collective programming of a society's mind towards entrepreneurial characteristics such as independence, risk-taking abilities, pro-activeness, individualism, and innovativeness. This is consistent with Hofstede (2001:1), who defines culture as a “collective programming of the mind”. Culture plays a pivotal role in the entrepreneurial process.

Having defined entrepreneurial culture and its impact on entrepreneurship, it is clear that a lack of entrepreneurial culture within an entrepreneurial ecosystem could impede entrepreneurial success. Thus, an entrepreneurial ecosystem characterised by a strong entrepreneurial culture will encourage entrepreneurial activities, new venture creation, and business development.

### **2.3.3.3 Networks**

Scholars (For example; Fernandes & Ferreira, 2021; Stam & van de Ven, 2021) highlight that networks are critical in the development of a sustainable entrepreneurial ecosystem. Spigel and Harrison (2018:158-159) support this view, asserting that networks are very

important in entrepreneurial ecosystems because they enable the flow of resources and knowledge between ecosystem actors, which enables business development. Additionally, the presence of clusters, social capital, and networks demonstrates the regional differences in the formation of new ventures and higher levels of entrepreneurial activity (Spigel, 2017:1-3). This is true in developed countries because of the presence of high-tech firms. However, in developing countries, networks among entrepreneurs are weak and thus insufficient to sustain a reliable entrepreneurial ecosystem (Cao & Shi, 2020:15). This could be because, compared to entrepreneurs in the developed world, developing nation entrepreneurs rely more on informal than formal networks due to weak formal institutions (Cao & Shi, 2020:15). Formal networks include government agencies, support services and human and financial resources, while informal networks include family, co-workers, and friends (Fuentelsaz *et al.*, 2018:49).

#### **2.3.3.4 Physical infrastructure**

Infrastructure is one important component of the entrepreneurial ecosystem which could restrain or encourage entrepreneurship in any economy (Van de Ven, 1993:211). Stam and van de Ven (2021) also assert that infrastructure is one of the crucial elements that are relevant in a successful entrepreneurial ecosystem. This viewpoint is supported by Fuentelsaz *et al.* (2018:46) who argue that, in addition to financing, venture creation institutions, and organisational support, infrastructural elements (physical infrastructure) are critical institutions in an entrepreneurial ecosystem. The disparities in entrepreneurship levels between rural and urban areas could be attributed to the fact that entrepreneurial ecosystems in rural areas are typically characterised by a lack of resources, for instance, infrastructure, when compared to urban areas (Miles & Morrison, 2020:934). Similarly, the lack of adequate infrastructural development in developing nations compared to developed nations explains the differences in their entrepreneurial ecosystems. In support of the preceding, a region with incubators (physical infrastructure) will encourage entrepreneurial activities because such incubators can assist in providing training and incubation services to entrepreneurs, as opposed to regions lacking such incubator services. Physical infrastructural elements refer to the tangible infrastructure within a defined geographical area, such as roads, highways, railways, and buildings (Audretsch *et al.*, 2015a; Fuentelsaz *et al.*, 2018:49; Mujahid *et al.*, 2019).

### **2.3.3.5 Demand**

Entrepreneurial ecosystems cannot be sustainable unless there is a corresponding demand for goods and services both internally and externally. This is true even in rural entrepreneurial ecosystems, according to Miles and Morrison (2020:942); the authors contend that lack of access to markets, customers, and other value chain partners has been identified as a constraint for productive entrepreneurship in rural areas. An entrepreneurial ecosystem should have a large market which is composed of suppliers, customers, intermediaries and distributors who constantly interact to promote one another. Mujahid *et al.* (2019:4) report that an entrepreneurial ecosystem whose market is made up of such stakeholders (customers, suppliers and distributors) provides a customer base, particularly to the ventures within that ecosystem. This implies that demand must be backed by corresponding supply. Demand is a central concept in economics which is defined as effective demand or demand that is backed by the ability to purchase rather than a mere desire or wish (Sakyi, 2020:74). Stam and van de Ven (2021) posit that demand refers to the availability of financial resources to enable the population to purchase goods and services. If there are no available markets and customers to demand the goods and services produced by actors in an entrepreneurial ecosystem, economic growth within the ecosystem is hindered. Thus, there must be available markets for goods and services to enable a sustainable entrepreneurial ecosystem.

### **2.3.3.6 Intermediaries**

Intermediaries are “agents that function as a means for bringing about an activity, often by connecting other actors while providing value that may not be possible by direct trading between the actors” (Dutt, Hawn, Vidal, Chatterji, McGahan & Mitchell, 2016:820). Emergent country governments often use intermediaries (for example, institutional intermediaries) to promote entrepreneurial activities and to close the gap between enterprises and public funding (Armanios, Eesley, Li & Eisenhardt, 2017; Dutt *et al.*, 2016:820). These institutional intermediaries are usually created to enable the development of ventures within an economy. However, Eberhart and Eesley (2018:2643) state that, though they play a critical role in promoting entrepreneurial activities, institutional intermediaries may instead retard

the growth of newly created ventures. This is due to the institutional conflicts that frequently arise within the economy. For example, financial intermediaries such as stock exchanges may focus on firms in the technology sector while ignoring other sectors, impeding growth in those sectors. The availability and supply of intermediate business services can significantly reduce barriers to new value creation in entrepreneurial ecosystems. This reduction of barriers will accelerate the creation of new value which will benefit the actors within the ecosystem (Stam & van de Ven, 2021). This means that in entrepreneurial ecosystems where there is no supply of intermediate business services, the rate of new business development is lower than in entrepreneurial ecosystems where intermediary business services are available.

#### **2.3.3.7 Talent**

Talent has been identified as an important contributor to entrepreneurship, innovation and the economic development of nations (Qian, 2010:136). Stam and van de Ven (2021) refer to talent as experience, knowledge and skills that are possessed by individuals in an entrepreneurial ecosystem. Talent (human capital) also regards the capabilities and qualities that an individual possesses which have an economic value (Miles & Morrison, 2020:944). Qian (2010:133) posits that there are two types of talent, namely human capital and creativity. This author considers human capital to be talent acquired from educational institutions and creativity to be operational skills. This brings out the role of talent institutions, such as universities and colleges. The uneven distribution of talent (for example, human capital) across regions could thus be attributed to the uneven presence of talent institutions across these regions. The implication of this is that areas with such institutions have more talent than those without. As such, a lack or shortage of talent (human capital and creativity) in an entrepreneurial ecosystem such as managerial skills, and technical know-how, will constrain the growth and development of businesses (Miles & Morrison, 2020:944). This means that entrepreneurial ecosystems with skilful entrepreneurs will develop faster compared to an entrepreneurial ecosystem which is composed of unskilled entrepreneurs.

### **2.3.3.8 Knowledge**

According to Stam and van de Ven (2021:817), entrepreneurial opportunities emerge from new knowledge, and as a result, actors in an entrepreneurial ecosystem must invest in new knowledge. Audretsch *et al.* (2015a:222) support this viewpoint, asserting that research institutions and universities are the primary sources of knowledge in entrepreneurial ecosystems. These universities and research institutions are the main source of innovation and workforce training in entrepreneurial ecosystems (Spigel & Harrison, 2018:155). Universities also contribute to the creation of knowledge and the overall development of local communities through a variety of channels related to teaching, research, and other socioeconomic activities. Furthermore, as major knowledge suppliers, universities and other institutions of learning help to build and provide human capital. They also increase the supply of skills that encourage productivity and innovation across regions (Kitagawa, Marzocchi, Sánchez-Barrioluengo & Uyarra, 2021:1).

The regional differences in entrepreneurial levels could also be attributed to the differences in knowledge spillovers across regions. A region with more universities and research institutions, for example, is more likely to have a well-developed entrepreneurial ecosystem than a region with only a few universities and research institutions. Consistent with this, Miles and Morrison (2020:945) note that rural areas usually do not have many universities and research institutions, compared to urban areas, which accounts for the entrepreneurial differences between the two settings. This is a critical issue that is not limited to a single country. This, therefore, necessitates the development of government programs aimed at establishing institutions in these underserved areas and encouraging interaction between universities and the developing entrepreneurial ecosystem (Miles & Morrison, 2020:155; Spigel & Harrison, 2018).

### **2.3.3.9 Leadership**

Leadership, which is identified by Stam (2015:1766) as one of the systemic conditions at the heart of entrepreneurial ecosystems, refers to the provision of guidance for collective action in a specific location (Stam & van de Ven, 2021). The development of a sustainable entrepreneurial ecosystem is dependent on leadership within the entrepreneurial milieu

(Spigel & Harrison, 2018:164). This is because leadership manifests itself in various ways in entrepreneurial ecosystems. For example, leadership is required to make decisions on networks, support programs, infrastructure, and culture within the entrepreneurial ecosystem (Miles & Morrison, 2020:940).

Stam (2015:1766) states that leadership necessitates a group of "visible entrepreneurial leaders who are committed to the region and provide direction and role models for the entrepreneurship ecosystem". In every economy, the government plays a leadership role, such as formulating rules and regulations that guide business activities. The government also plays a developmental role such as initiating and providing financial assistance to businesses (Mujahid *et al.*, 2019:5). Thus, the leadership role played by the government and other institutions could promote entrepreneurial activities - including the formation of new ventures. These will, in turn, boost the development of the entrepreneurial ecosystem. Leadership also acts as a guide to the entire entrepreneurial ecosystem, making it essential in the development and maintenance of a healthy entrepreneurial ecosystem (Stam, 2015:1766).

#### **2.3.3.10 Finance**

The finance component of the entrepreneurial ecosystem represents the available financial assistance structure within the ecosystem. Mujahid *et al.* (2019:4) add that it represents the degree to which formal or informal finance can be provided to start-ups within the entrepreneurial ecosystem. Institutions that provide these finances could include commercial banks, non-governmental organisations, angel investors and micro-financial institutions (Mujahid *et al.*, 2019; Stam, 2015).

Accessibility to financial resources such as short and long-term debts, and formal and informal equity (Miles & Morrison, 2020:944), are crucial for the growth and survival of newly created ventures (Stam & van de Ven, 2021:817). As a result, limited or insufficient access to financial resources in any entrepreneurial ecosystem will hinder business development. Thus, the most important resource needed by businesses is finance; Malecki (2018b:10) posits that it is the specific need of businesses that is usually not readily available when needed. Entrepreneurial ecosystems that are rich in resources such as finance are likely to

be very sustainable compared to those that have limited access to such resources. Furthermore, entrepreneurial ecosystems comprised of supportive and dense angel investors and other financial assistance providers will be far more successful than entrepreneurial ecosystems devoid of supportive financial institutions. The next section evaluates the elements of the entrepreneurial ecosystem.

#### **2.3.4 An evaluation of the elements of the entrepreneurial ecosystem**

As stated earlier, the researcher considers these elements (formal institutions, culture, networks, physical infrastructure, demand, markets, talent, knowledge, leadership and finance) identified by Stam and van de Ven (2021:809-832) to be a comprehensive representation of all the elements of an entrepreneurial ecosystem that have been proposed by scholars (see Table 2.3). These elements all play an important role in the entrepreneurial ecosystem. Thus, entrepreneurial ecosystems that are lacking some of these elements may not be productive when compared to entrepreneurial ecosystems that are composed of all the elements. For instance, entrepreneurial ecosystems that lack formal institutions will not have any guidelines on which to operate. This is because ill-defined rules and regulations may well mean that there are no rules at all. Similarly, an entrepreneurial ecosystem that lacks networks, entrepreneurial culture, well-developed markets, leadership capabilities, knowledge institutions, dependable financial institutions, intermediaries, talent, and demand for products and services will underperform compared to an ecosystem that includes these elements (previously listed).

It is also important to note that while an entrepreneurial ecosystem may contain all of the elements, some will be more effective than others. For example, an entrepreneurial ecosystem may have strong formal institutions but weak knowledge institutions and networks, causing the ecosystem to be productive or underproductive depending on the effectiveness of the other elements. The researcher believes that one of the entrepreneurial ecosystem's elements serves a dual purpose; (i) networks as an element of the entrepreneurial ecosystem and (ii) networks as a mechanism through which other elements interact. For this study, the researcher will focus on the networks as an element of the entrepreneurial ecosystem as well as a mechanism for interaction in the entrepreneurial ecosystem. Entrepreneurs' business development in entrepreneurial ecosystems is also

dependent on other aspects or supportive BDS such as mentoring, business advice, incubation services, and networking or their ability to network with one another. This also emphasises the importance of focusing on networks and how they play a role in these business developments. Finally, immigrant entrepreneurs operate in foreign entrepreneurial ecosystems, and prior research indicates that, while they typically have some resources (Turkina & Thai, 2013), these resources are often insufficient to drive their business development in a host country's entrepreneurial ecosystem. Additionally, they (immigrant entrepreneurs) are usually less connected in host country entrepreneurial ecosystems, compared to locals (Tubadji, Fetahu, Nijkamp & Hinks, 2020). This explains why they are also reliant on networks for additional resources and business links; therefore, the researcher decided to focus solely on networks as a component of the entrepreneurial ecosystem, from the perspectives of immigrant entrepreneurs.

### **2.3.5 An overview of the entrepreneurial ecosystem of selected countries**

A report published by Statista (2021), suggests that the top five African countries with the highest gross domestic product (GDP) (in billion dollars) in 2021 were Nigeria (514.05), Egypt (394.28), South Africa (329.53), Algeria (151.46), and Morocco (126). It is unclear whether these top five countries are also the leaders in Africa in terms of their entrepreneurial ecosystems, as prior research has not indicated whether GDP is a determinant of an entrepreneurial ecosystem's development. In 2019 and 2020, the top countries per continent in terms of nominal GDP were the USA (North America), China (Asia), Germany (Europe), Australia (Oceania), Brazil (South America) and Nigeria (Africa). For this study, South Africa is included on the list to draw comparisons. Table 2.4 is a presentation of these countries and their corresponding nominal GDPs between 2019 and 2020.

**Table 2.4: The GDP of selected countries in 2019 and 2020**

	<b>2019 GDP (nominal)</b>	<b>2020 GDP (nominal)</b>	<b>Continent</b>
USA	21.43 trillion	20.94 trillion	North America
China	14.3 trillion	14.7 trillion	Asia
Germany	3.86 trillion	3.80 trillion	Europe
Australia	1.39 trillion	1.35 trillion	Oceania
Nigeria	448 billion	429 billion	Africa

	2019 GDP (nominal)	2020 GDP (nominal)	Continent
Brazil	1.87 trillion	1.43 trillion	South America
South Africa	351 billion	302 billion	Africa

**Source:** World Bank (2020)

As presented in Table 2.4, the different countries listed took the lead in terms of GDP from the different continents between 2019 and 2020. It is also unclear whether these figures are directly linked to the nature of the entrepreneurial ecosystems in these countries. The Global Entrepreneurship Index (GEI) is a three-component index that takes into account the different aspects of the entrepreneurial ecosystem. Ács, Szerb, Lafuente and Márkus (2019:9) point out that the GEI measures the quality of entrepreneurship in a country as well as the depth of the supporting entrepreneurial ecosystem. The GEI is divided into three sections, namely attitudes (people's attitude towards entrepreneurship), abilities (characteristics of entrepreneurs and their businesses), and aspirations (quality of new businesses and start-ups). These 3As are further subdivided into pillars that are thought to have an impact on the entrepreneurial ecosystem. The following table presents the 3As and pillars of the top six countries with the highest GDP from each continent, with the addition of South Africa as Africa's second-highest GDP after Nigeria.

**Table 2.5: Entrepreneurial attitudes, abilities and aspirations of selected countries**

Sub-indexes	Pillars	USA	Germany	China	Australia	Brazil	Nigeria	South Africa
Attitudes sub-indexes	Opportunity perception	1.000	0.488	0.327	0.796	0.349	0.686	0.459
	Start-up skills	1.000	0.637	0.270	1.000	0.322	0.104	0.079
	Risk acceptance	0.931	0.715	0.447	0.744	0.113	0.103	0.242
	Networking	0.610	0.377	0.506	0.652	0.576	0.271	0.298
	Cultural support	0.841	0.861	0.336	0.736	0.114	0.167	0.376
	<b>Total</b>	<b>83.53</b>	<b>57.79</b>	<b>36.76</b>	<b>74.11</b>	<b>24.52</b>	<b>23.32</b>	<b>26.29</b>
Abilities sub-indexes	Opportunity start-up	0.850	0.808	0.626	0.891	0.094	0.119	0.328
	Technology absorption	0.948	0.820	0.265	1.000	0.145	0.141	0.243
	Human capital	1.000	0.566	0.522	0.997	0.077	0.457	0.277
	competition	1.000	0.793	0.352	0.613	0.393	0.204	0.445

Sub-indexes	Pillars	USA	Germany	China	Australia	Brazil	Nigeria	South Africa
	<b>Total</b>	<b>89.67</b>	<b>68.21</b>	<b>34.17</b>	<b>80.08</b>	<b>15.63</b>	<b>21.33</b>	<b>29.35</b>
Aspiration sub-indexes	Product innovation	0.876	0.597	1.000	0.490	0.120	0.168	0.511
	Process innovation	0.934	0.833	0.790	0.668	0.117	0.166	0.525
	High growth	1.000	0.859	0.837	0.662	0.079	0.191	0.611
	Internationalisation	1.000	1.000	0.422	0.584	0.003	0.091	0.529
	Risk capital	0.778	0.900	0.964	1.000	0.117	0.298	0.162
	<b>Total</b>	<b>87.22</b>	<b>74.02</b>	<b>66.65</b>	<b>65.21</b>	<b>8.29</b>	<b>17.68</b>	<b>39.19</b>

**Source:** Adapted from Ács *et al.* (2019)

Entrepreneurial attitudes refer to a society's attitude toward identifying and seizing opportunities, being willing to take risks, networking, seeking support, and using their skills to start businesses. From Table 2.5, the USA takes the lead with a positive attitude towards entrepreneurship, followed by Australia, Germany, China, South Africa, Brazil and Nigeria. Entrepreneurial abilities refer to entrepreneurs' ability to use their skills to bring identified opportunities to market while utilising the necessary technology to stay competitive. Table 2.5 indicates that USA and Australia, respectively, take the lead, followed by Germany, China, South Africa, Nigeria and Brazil. Entrepreneurial aspirations refer to an entrepreneur's willingness to be innovative, engage in high-growth ventures, and use their capital to enter international markets.

From Table 2.5, USA and Germany take the lead respectively, closely followed by China and Australia, then South Africa, Nigeria and Brazil. From the foregoing, it is important to note that a country's GDP does not always determine whether its entrepreneurial ecosystem is productive. For example, Brazil had a GDP of 1.87 trillion in 2019, but the entrepreneurial ecosystems of South Africa and Nigeria, with 351 and 448 billion dollars, respectively, outperform Brazil (except for attitudes in which Brazil outperforms Nigeria). In addition, while Nigeria's GDP is higher than South Africa's, South Africa's entrepreneurial ecosystem outperforms Nigeria in terms of the 3As, which measure the level of entrepreneurship and the supporting entrepreneurial ecosystem (Ács *et al.*, 2019). The least performing pillar in South Africa's entrepreneurial ecosystem is start-up skills (0.079), which ranks the lowest when compared to USA (1.000) Germany (0.637), China (0.270), Australia (1.000), Brazil (0.322) and Nigeria (0.104). The top-performing pillar (for South Africa) is high growth

(0.611), which ranks better than Nigeria and Brazil with 0.079 and 0.191, respectively. Despite the fact that South Africa ranks better than Nigeria and Brazil in terms of high growth, it still lags behind the USA, Germany, China and Australia with 1.000, 0.859, 0.837 and 0.622, respectively. The next section reviews South Africa's entrepreneurial ecosystem.

### **2.3.6 The South African entrepreneurial ecosystem**

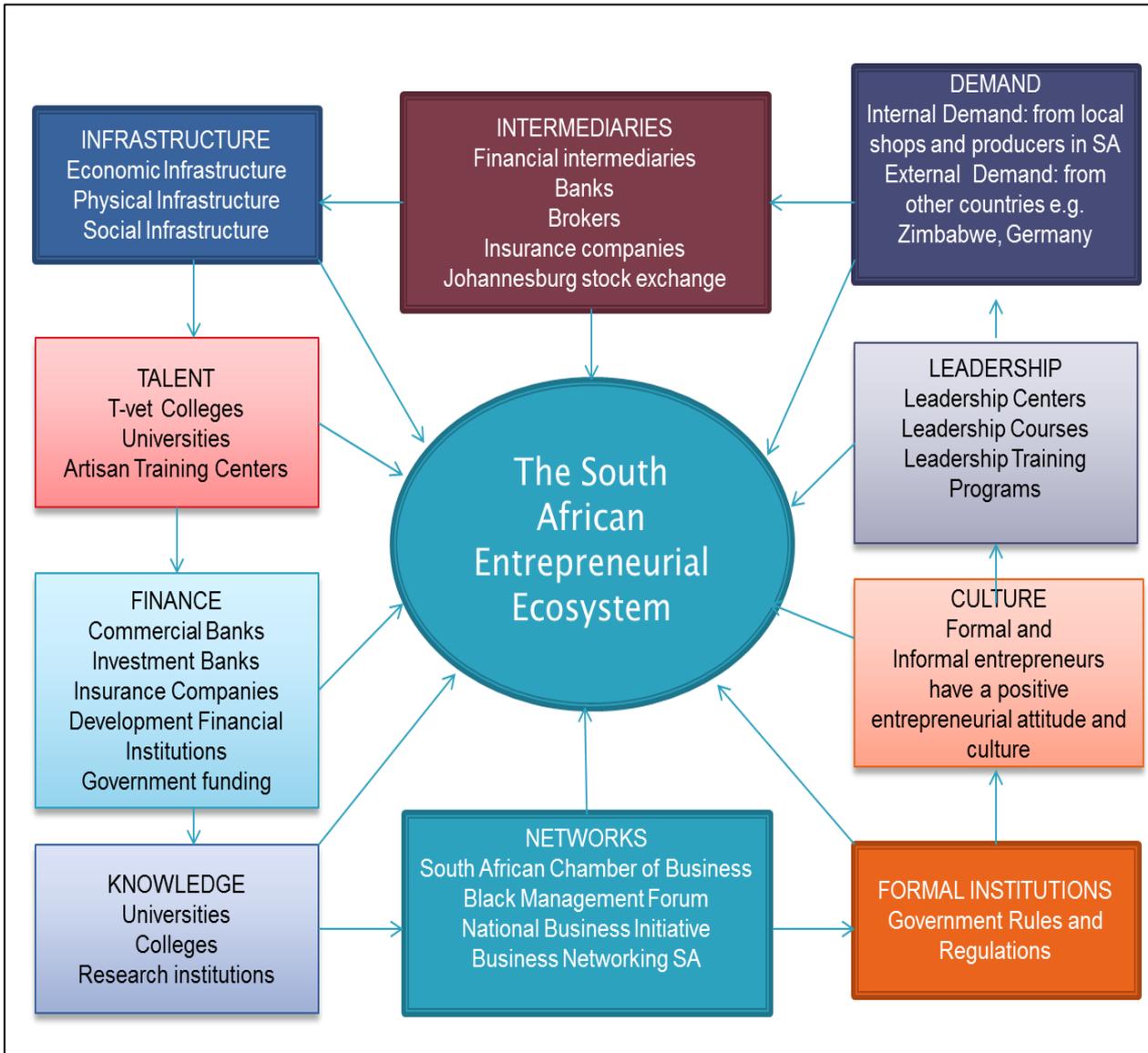
Recently, there has been an uptick in entrepreneurial ecosystem research across different countries in sub-Saharan Africa, including South Africa (Bowmaker-Falconer & Herrington, 2020b; Fubah & Moos, 2022a; Herrington & Kew, 2018; Sheriff & Muffatto, 2015). As stated earlier, South Africa has made enormous progress in producing some of the most innovative ventures on the continent and is also the entrepreneurial leader in sub-Saharan Africa (Allen Grey Orbis Foundation, 2017). However, new venture creation in the South African entrepreneurial ecosystem is surprisingly low. This is despite the fact that South Africa is amongst the top three most industrialised countries on the continent with high GDPs (Dzansi, Rambe & Coleman, 2015:417; Satista, 2021).

Support efforts toward entrepreneurs in the South African entrepreneurial ecosystem are also startlingly ineffective (Bowmaker-Falconer & Herrington, 2020b:23). It is not the government's responsibility to create new ventures for its citizens, however, the government can encourage the creation of new ventures and also provide substantial support to entrepreneurs. As a result, the South African Government plays an important role in the entrepreneurial ecosystem by fostering the growth of SMEs. The government accomplishes this through the Department of Small Business Development (DSBD), and Department of Trade and Industry and Competition (DTIC), and Economic Development, which develops policies and support structures to facilitate the growth of the country's SMEs and SMMEs (Bowmaker-Falconer & Herrington, 2020b; Herrington & Kew, 2018; Malefane, 2013:671).

The major weaknesses in the South African entrepreneurial ecosystem regard the inadequacy in supplying start-up capital (risk capital), technology absorption and start-up skills (Ács, Szerb, Lafuente & Lloyd, 2018; Ács *et al.*, 2019). This is despite the fact that the country hosts most of the top financial institutions and business schools on the continent. The South African entrepreneurial ecosystem is also successful in areas including

competition, product innovation, process innovation and high-growth firms, when compared to countries with high GDPs such as Brazil and Nigeria (Ács *et al.*, 2018; Ács *et al.*, 2019; Allen Grey Orbis Foundation, 2017). Figure 2.3 depicts the elements of the entrepreneurial ecosystem in the South African context.

**Figure 2.3: The South African entrepreneurial ecosystem**



**Source:** Author's compilation

Successful entrepreneurial ecosystems are characterised by solid infrastructural developments (Fuentelsaz *et al.*, 2018; Stam & van de Ven, 2021). From Figure 2.3, infrastructure in the South African entrepreneurial ecosystem is divided into economic and social infrastructure (Kularatne, 2006; Theobald, Montalto & Baloyi, 2021:23). Some

examples of economic and physical infrastructure are roads, airports, railways, and telecommunications, while social infrastructure can include schools, hospitals and clinics (Kularatne, 2006:1-39; National Planning Commission, 2019; Theobald *et al.*, 2021:1-58). In terms of infrastructure, the South African entrepreneurial ecosystem - when compared to its continental counterparts - has good economic and social infrastructural development (National Planning Commission, 2019).

Despite having core economic and social infrastructural development, South Africa faces challenges when it comes to maintaining and expanding communication networks, transport, water and electricity that all support social development and economic growth (National Planning Commission, 2019). These infrastructural developmental challenges in the South African entrepreneurial ecosystem can be attributed to the reduction in infrastructural investments from 20.3% of the GDP in 2015 to 17.9% in 2019, which is far from the National Development Plan's target of 30% of the GDP. As a result of this, the minister involved in public works and infrastructure has set a target of 23% of the GDP for infrastructural development in 2024 (Theobald *et al.*, 2021:4). This investment target will boost the general development of the South African entrepreneurial ecosystem.

Entrepreneurship cannot thrive in an ecosystem where there is little or no demand for the ecosystem's products and services. In the South African entrepreneurial ecosystem, as presented in Figure 2.3, the demand for products is both internal and external. For example, foodstuff is a basic necessity which human beings cannot live without; food items are demanded internally by South African citizens and those residing in South Africa. This drives the development of the South African entrepreneurial ecosystem since the high demand in turn encourages the establishment of more production factories for the products in high demand. There is also external demand for South Africa's products from neighbouring markets such as Botswana, Zimbabwe, Mozambique and Namibia (International Development Corporation, 2014; Trade Law Centre, 2021). South African products are also in demand on other continents, such as Europe (European Union) and Asia. These products including semi-manufactured gold, agglomerated iron ores, bituminous coal, and wrought and unwrought rhodium (Trade Law Centre, 2021). The demand for South African products, therefore, encourages more production and as a result, boosts the development of the South African entrepreneurial ecosystem.

South Africa also needs products from other countries, most especially raw materials over which South Africa has limited control. Examples of these imported products are copper, crude petroleum oil, original vehicle parts, diamonds and distillate fuel (International Development Corporation, 2014; Trading Economics, 2022a).

The supply of intermediate business services encourages the formation of businesses to support these demands (Stam & van de Ven, 2021). Figure 2.3 indicates that some of the intermediaries in South Africa are banks, insurance companies, the Johannesburg Stock Exchange and stockbrokers. These intermediaries help to stabilise the demand and supply of funds and financial advice to entrepreneurs and business owners in the South African entrepreneurial ecosystem. These financial intermediaries are very important since they reduce transaction costs and encourage savings within the entrepreneurial ecosystem (Yusifzada & Mammadova, 2015:2). As a result, these institutions drive the continuous development of businesses (small and large corporations) without which, the South African entrepreneurial ecosystem would not be very successful. These intermediaries also facilitate business development (because the funds they provide can boost growth) and the general economic development of South Africa and its entrepreneurial ecosystem.

Talents, such as human capital and other skills, are important resources without which entrepreneurial ecosystems cannot be successful. Skills development and job creation have been identified as the drivers of equality in any economy (International Labour Organisation, 2019). Though evidence suggests the shortage of skills (for example, skilled traders, engineers, office support, accounting and finance skills) in the South African entrepreneurial ecosystem (Manpower Group, 2018; Rensburg, 2020); the South African Government and other private bodies have established institutions intending to provide training to its citizens on such skills.

The shortage of talent could be attributed to the fact that a majority of youths who need such skills cannot afford to pay such high tuition for the training programs. Lack of talent in the South African entrepreneurial ecosystem has also been attributed to a lack of experience, lack of applicants and high salary expectations from applicants, which organisations cannot afford to pay (Manpower Group, 2018). However, the establishment of skills training facilities

and the presence of universities with technical departments do encourage the development of the skills needed in the South African entrepreneurial ecosystem. Some of the skills and training centres include Technical and Vocational Education and Training (TVET) colleges and artisan training centres.

Opportunities (including entrepreneurial opportunities) emerge from knowledge, thus the need for further investment into knowledge acquisition (Stam & van de Ven, 2021:817). From Figure 2.3, the main knowledge institution is South African universities (including other colleges and research institutions), and a good number of them rank as the best in Africa and the top 100 in the World. These universities provide knowledge to South African citizens and other students around the world who choose South Africa as a home for their studies. Business schools in South Africa (for example, Gordon Institute of Business Science [GIBS], University of Witwatersrand [WITS] Business School, and Stellenbosch Business School) provide the knowledge required by South African citizens to start and manage high-growth business ventures. These institutions also offer short courses on a part-time basis to meet the needs of small business owners who want to learn the skills required to run their businesses, such as accounting, finance, and management. Graduates from these institutions start businesses, which helps to strengthen the South African entrepreneurial ecosystem (Bowmaker-Falconer & Herrington, 2020b).

The leadership of an entrepreneurial ecosystem directs and controls how the ecosystem's entrepreneurial activities operate (Spigel & Harrison, 2018:164; Stam & van de Ven, 2021). As depicted in Figure 2.3, the South African Government has created leadership centres within universities, whose main purpose is to provide leadership training to its citizens. The various programs offered by these leadership institutes, such as the Albert Luthuli Leadership Institute at UP, are geared toward providing leadership training to entrepreneurial ecosystem players, which drives the growth and development of the South African entrepreneurial ecosystem. Additionally, the DSBD (focused on providing support to businesses and cooperatives) and the DTIC provide leadership guidance to businesses in the South African entrepreneurial ecosystem (Department of Small Business Development, 2016; Department of Small Business Development, 2018). By doing this, they (the departments) encourage the growth of businesses and without their presence, there would be no entrepreneurial ecosystem.

South Africa is home to top financial institutions such as commercial banks, insurance companies, investment banks, and development financial institutions (Development Finance Institutions, 2011; Lawrence, Doorasamy & Sarpong, 2020; Zyambo, 2019), as shown in Figure 2.3. Despite the presence of these financial institutions in the South African entrepreneurial ecosystem, lack of access to finance and credit facilities is a frequently mentioned challenge by South African entrepreneurs (Fubah & Moos, 2022a; Schmidt, Mason, Bruwer & Aspeling, 2017:20). This lack of access to finance could also be attributed to the entrepreneurs' lack of collateral and poor credit history with financial institutions. To remedy this problem, the South African Government has created the Small Enterprise Finance Agency, which is charged with assisting small businesses in the South African entrepreneurial ecosystem. Schmidt *et al.* (2017:28) also encourage businesses in the South African entrepreneurial ecosystem to form partnerships with financial institutions which can increase their chances of getting their loan applications approved.

The development and sustainability of entrepreneurial ecosystems are dependent on the networks present in the entrepreneurial ecosystem (Fernandes & Ferreira, 2021; Isenberg, 2010; Scott *et al.*, 2021; Stam, 2015; Stam & van de Ven, 2021). Examples of such networks in the South African entrepreneurial ecosystem include the South African Chamber of Business Black Management Forum, National Business Initiative and Business Networking SA (Figure 2.3). These networks keep the entrepreneurial players connected and in so doing, provides them with the critical resources needed for business growth and the general development of the entrepreneurial ecosystem.

In the South African entrepreneurial ecosystem, both formal and informal entrepreneurs must have an entrepreneurial culture. That is, they need to be independent, risk-takers, proactive, and innovative. This is in line with Stuetzer *et al.* (2018:610) definition of entrepreneurial culture. If the formal and informal entrepreneurs in the South African entrepreneurial ecosystem possess these characteristics, the ecosystem will be successful, unlike in ecosystems where such abilities are lacking. The South African Government, through its various departments, sets predefined rules and regulations which guide business activities (and entrepreneurial culture) within the South African entrepreneurial ecosystem.

The next section reviews entrepreneurial ecosystem research through the lens of the systems and the network theory.

## **2.3.7 Theoretical underpinnings on entrepreneurial ecosystems**

### **2.3.7.1 Systems theory**

Systems theory was pioneered by the famous biologist Ludwig von Bertalanffy and used to explain life phenomena. Bertalanffy posited that, a system is made up of elements that are open to and interact with their environment (Von Bertalanffy, 1950; Von Bertalanffy, 1972). More specifically, systems theory originated from biology and was developed due to the need to have a theoretical framework that could be used to discuss empirical phenomena (Lai & Huili Lin, 2017:1). As such, systems theory was developed to enable the exploration of complex phenomena across multiple fields of study (Teece, 2018:360). Mele *et al.* (2010:126) and Wilkinson (2011:1466) support Teece's (2018:360) claim asserting that the theory has been applied in technology, mathematics, social science, and management research. Systems theory dates back to Aristotle, who believed that "the whole is more than the sum of its parts" (Daniel *et al.*, 2018; Mele *et al.*, 2010; Teece, 2018; Wilkinson, 2011). Moreover, system thinking focuses on small parts (for example, elements, businesses, groups) and their relationships and how they interact with one another as an interconnected whole (Daniel *et al.*, 2018:27). This implies that studying a system's parts in isolation will not enable a thorough understanding of it. Drawing on this, Wilkinson (2011:1466) defines systems theory as "a conceptual framework based on the principle that the component parts of a system can best be understood in the context of the relationships with each other and with other systems, rather than in isolation".

The elements of an entrepreneurial ecosystem identified by Isenberg (2010:43,50) include culture, customers, leadership and capital markets. These elements interact in complex ways and Isenberg (2010:43,50) highlights that ignoring the interconnectedness of these elements can be detrimental to the entrepreneurial ecosystem. As a result, for an entrepreneurial ecosystem to be productive, its components must interact with one another. The elements of an entrepreneurial ecosystem, like the components of a system, cannot function well in isolation and must therefore remain interconnected to function properly, just as the components of a system do. Based on this, it is clear that systems theory is relevant

in the study of entrepreneurial ecosystems. Drawing on Isenberg (2010:43,50) claim that the elements of an entrepreneurial ecosystem relate in complex ways, Purbasari *et al.* (2019:4) posit that an entrepreneurial ecosystem is a system. Daniel *et al.* (2018:28) also point out that underpinning entrepreneurial ecosystem research in systems theory allows for a better understanding of how the entrepreneurial ecosystem, like a system, operates. In line with the systems theory, in order for the South African entrepreneurial ecosystem to function properly, different actors in the ecosystem should collaborate rather than operate in isolation.

### **2.3.7.2 Network theory**

The network theory emerged from the graph analysis (the use of graphs to model relationships between objects) pioneered in 1737 by Leonhard Euler, a Swiss mathematician (Euler, 1741). As such, networks, which evolved from graphs in mathematics, represent the interconnected elements of a system (Oh & Monge, 2016:1). Network theory has been used as a theoretical framework in research across different fields of studies including mathematics, physics, neuroscience and management (Bassett & Sporns, 2017; Fredericks & Durland, 2005; Oh & Monge, 2016). Network theory examines the relationships that exist between actors, elements, or components, rather than the characteristics that are unique to the actors (Fredericks & Durland, 2005:17). Network theory also represents the processes and mechanisms that govern the interactions of network actors to produce beneficial outcomes for network participants (Borgatti & Halgin, 2011:1169). Networks are made up of actors who connect and interact with one another (Purbasari *et al.*, 2020b:3); these provide the actors with access to knowledge, ideas, opportunities, and resources, which help them grow their businesses.

Drawing on this and also because the entrepreneurial ecosystem is composed of elements that interact with each other through different network setups, the network theory is relevant to understanding entrepreneurial ecosystem research (Purbasari *et al.*, 2020b:3). Purbasari *et al.* (2019:4) and Alvedalen and Boschma (2017:894) assert that the entrepreneurial ecosystems elements interact in complex ways and are thus represented as a network, therefore outlining again the relevance of the network theory in entrepreneurial ecosystem research. Network theory can also be used to explain the interactions between

entrepreneurs and other businesses, as well as how critical resources required for business development are made available to needy parties in the South African entrepreneurial ecosystem. The following section provides a summary of what has been covered in Chapter Two

## **2.4 CHAPTER SUMMARY**

This chapter provided an overview of the research on entrepreneurship and entrepreneurial ecosystems. The chapter commences with the presentation of Figure 2.1 depicting the main points to be covered under entrepreneurship and the entrepreneurial ecosystem. Thereafter, the chapter presented researchers' perspectives on the definitional issues surrounding an entrepreneur and entrepreneurship. There does not appear to be a unified definition for the two concepts. Though the definitions provided are somewhat different, they are also similar in some ways. Key characteristics (or similarities identified) to consider when defining the entrepreneur and entrepreneurship are taking risks, being innovative, reaping rewards, identifying and exploiting market opportunities, and launching new ventures.

The chapter continued by discussing the significance of entrepreneurship followed by the state of entrepreneurship in South Africa. The key point to remember about entrepreneurship is that it contributes to the economic development of all economies, which is why policymakers are so interested in it. Entrepreneurs in South Africa face challenges (such as a lack of start-up capital, human capital, and networks), as well as an unfavourable financial and operational environment that discourages entrepreneurial activity. The South African economy is also experiencing rising unemployment as a result of everyone looking for work rather than creating jobs for themselves. It is important to note that viewing self-employment as a viable career option could help to reduce South Africa's high unemployment and poverty rates.

The following section of this chapter concentrated on the entrepreneurial ecosystem. Entrepreneurial ecosystems have been around for about a century, and the concept has biological roots. Scholars have only recently begun to focus on the concept because it is regarded as a favourable environment for entrepreneurial activities. A variety of definitions of entrepreneurial ecosystems have been proposed, implying a lack of consensus on what

the concept truly is. It is also important to note that the ecosystem's components cannot function well in isolation. They must remain interrelated to function optimally. The chapter continued with a review of relevant literature on the components of the entrepreneurial ecosystem that have been identified by scholars. The important point to note is that while an entrepreneurial ecosystem may contain all of the elements, some will be more effective than others. For example, an entrepreneurial ecosystem may have strong formal institutions but weak knowledge institutions and networks, causing the ecosystem to be productive or underproductive - depending on the effectiveness of the other elements.

This section also presented a comparative analysis of the countries with the highest GDP in the world in comparison to South Africa. The conclusions from the analysis were that a country's GDP does not always determine whether its entrepreneurial ecosystem is productive, since some countries had a higher GDP, but their entrepreneurial ecosystems were underproductive compared to countries with a low GDP. In terms of the South African entrepreneurial ecosystem, it is important to note that new venture creation is surprisingly very low. This is despite the fact that South Africa is amongst the top three most industrialised countries in the continent. The major weaknesses in the South African entrepreneurial ecosystem are an inadequate supply of start-up capital (risk capital), technology absorption and start-up skills. The South African entrepreneurial ecosystem is very successful in areas including competition, product innovation, process innovation and high-growth firms. The chapter concluded by reviewing systems theory and network theory while highlighting their relevance in entrepreneurial ecosystem research.

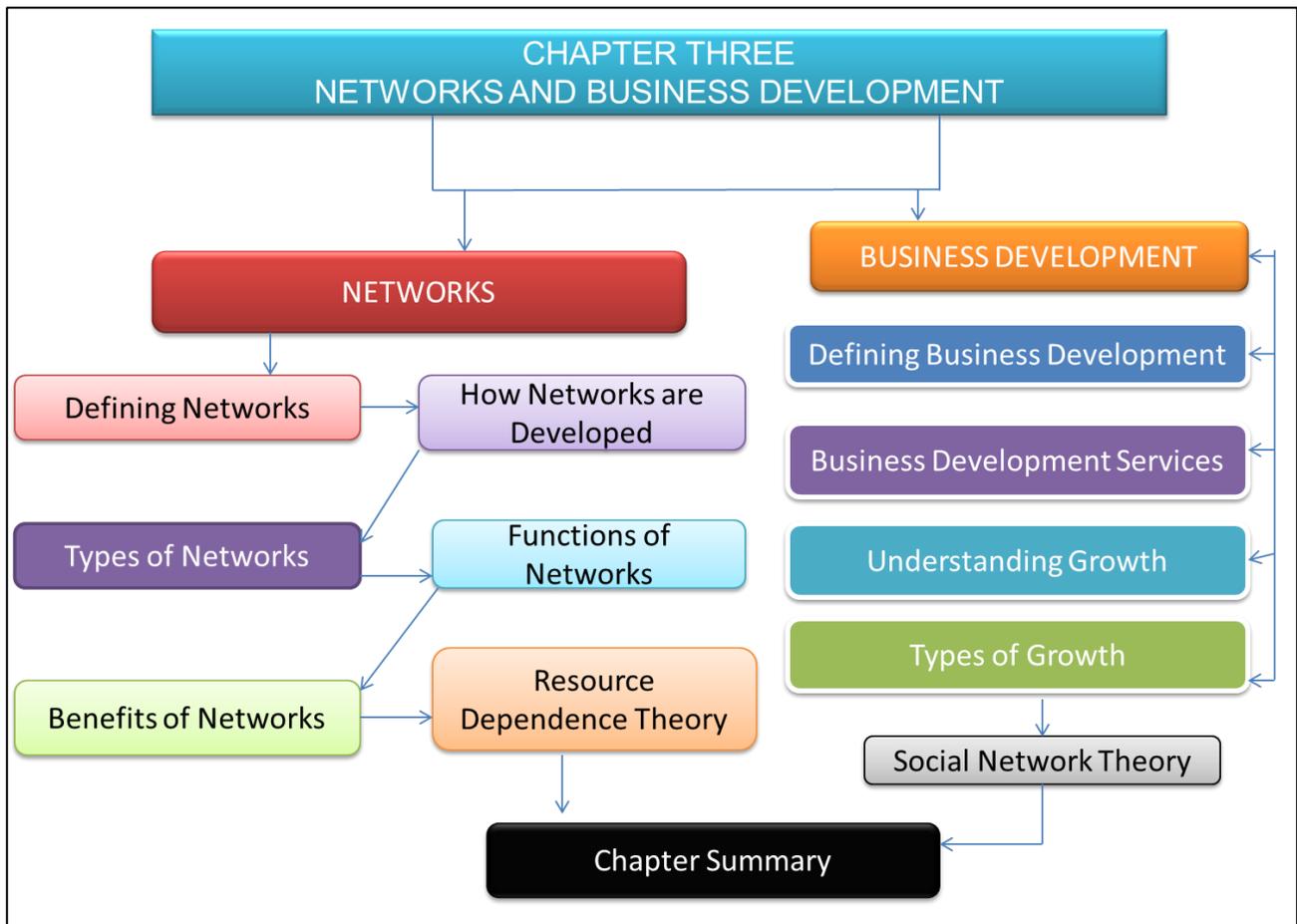
## 3 NETWORKS AND BUSINESS DEVELOPMENT

### 3.1 INTRODUCTION

Prior research has suggested that networks - "a collection of interconnected actors and their relationships" - are an important resource for entrepreneurs because they improve business performance (Clifton, Huggins, Pickernell, Prokop, Smith & Thompson, 2020; Das & Goswami, 2019; De Klerk & Kroon, 2007; De Klerk & Kroon, 2008). Literature has also identified various networks (such as business, social, ethnic, managerial, family, and inter-organisational networks) that are thought to play an important role in the business development of entrepreneurs (Bates, 1994; Kerr & Kerr, 2019; Scott *et al.*, 2021). Business development, despite the fact that it is a buzzword that appears frequently in business research, still lacks a clear definition. Some scholars consider it as an expansion or increase in the size of a business (Achtenhagen *et al.*, 2017:169), while others posit that it regards practices that lead to the formation of a new venture (Davis & Sun, 2006:145). Scholars also contend that some elements known as BDS are the driving force behind business development. This implies that there is no business development without BDS (such as networking, business advice, mentoring, and coaching among others).

Chapters One and Two focused on the background and introduction to the study, and entrepreneurship and the entrepreneurial ecosystem respectively. This chapter focuses on networks and business development. An overview of the chapter is depicted in Figure 3.1.

**Figure 3.1: An Overview of Chapter Three**



**Source:** Author's compilation

This chapter provides an overview of networks and business development research. In terms of networks, the chapter reviews relevant literature on how networks are developed, network types, network functions and the benefits of networks. The section on networks concludes by underpinning network research on the resource dependence theory. The section on business development commences by reviewing relevant literature on business development, BDS and growth - which is considered the outcome of business development in this study. The section then concludes by underpinning business development research on the social network theory.

## 3.2 NETWORKS

### 3.2.1 Defining networks

Network is a multifaceted concept that has been studied by scholars from various fields of study, including computer science, physics, mathematics, and the management field (Bai, Johanson, Oliveira & Ratajczak-Mrozek, 2021:96-109; Chetty & Agndal, 2008:176; Provan, Fish & Sydow, 2007:479). Networks, which have become a buzzword in every business environment, lack a definitional consensus owing to the multiple definitions that have been proposed by scholars. For instance, Rietveldt and Goedegebuure (2014:5) define networks as relationships linked by exchange transactions; while Desta (2015:47) contends that networks are the relationships which businesses and individuals have with one another. Table 3.1 outlines some of the proposed network definitions by scholars.

**Table 3.1: Proposed definitions of networks**

Source	Proposed definition
Szarka (1990:12)	A network is a type of relationship that links a defined group of agents (people, objects, firms, events).
Birley, Cromie and Myers (1991:57)	Networking is an interactive activity in which entrepreneurs learn about new business opportunities.
Seibert, Kraimer and Liden (2001:220)	A network is a set of ties that connects a specific group of people.
Neck <i>et al.</i> (2004:201)	A network is defined as a collection of nodes connected by a specific set of social relationships.
Bagwell (2008:379)	Networks describe an entrepreneur's relationship with their numerous connections with other individuals and businesses in the larger community.
Mustafa and Chen (2010:98)	A network is a collection of interconnected actors and their relationships
Borgatti and Halgin (2011:1170)	A network is made up of several actors and nodes, as well as a number of ties of a specific type that connect them.
Oh and Monge (2016:1)	A "network is a collection of points linked in pairs by lines, no matter how large or complicated it is".

Source	Proposed definition
Spigel (2017:4)	Network as social networks that connect actors (such as entrepreneurs, advisors, investors, and workers) in a specific setting and enable the exchange of knowledge and skills.
Das and Goswami (2019:1)	An entrepreneurial network is a group of entrepreneurs who interact formally or informally in order to improve the efficiency of one another's business activities.
Purbasari <i>et al.</i> (2020b:3)	The network is made up of a collection of actors or shared nodes connected by a variety of bond types.

**Source:** Author's compilation

According to Chetty and Agndal (2008:176), when defining networks, two dimensions (actors and the degree of relationships between actors) must be considered. The majority of the definitions in Table 3.1 support Chetty and Agndal (2008:176) claim. This is because the definitions are centred on characteristics which include actors (for example; Borgatti & Halgin, 2011; Mustafa & Chen, 2010; Purbasari *et al.*, 2020b:3; Spigel, 2017) and relationships (for example; Bagwell, 2008; Mustafa & Chen, 2010; Neck *et al.*, 2004; Szarka, 1990), which are the two important dimensions that must be considered when defining networks. The actors from Table 3.1 are a group of people (Seibert *et al.*, 2001; Spigel, 2017; Szarka, 1990), entrepreneurs (Bagwell, 2008; Das & Goswami, 2019; Spigel, 2017), and firms (Szarka, 1990) who interact through mutually beneficial exchange relationships (Mustafa & Chen, 2010).

This is not to say that other characteristics that have been mentioned by scholars besides actors and relationships are not equally important. Examples of such characteristics from Table 3.1 include links, nodes, bond types, ties, points, and connections (Bagwell, 2008; Birley *et al.*, 1991; Borgatti & Halgin, 2011; Mustafa & Chen, 2010; Neck *et al.*, 2004; Oh & Monge, 2016; Seibert *et al.*, 2001; Szarka, 1990). These characteristics, along with the actors and relationships mentioned by Chetty and Agndal (2008:178) are critical when defining networks. Scholars (for example: Chetty & Agndal, 2008; Desta, 2015) also define networks as informal or formal networks. A formal network refers to professional relationships with colleagues and is created for mutual benefit. Individuals can become new members of formal networks only after seeking permission from existing members (Chetty & Agndal, 2008:177). Informal networks, on the other hand, consist of relationships among

family members, friends and other acquaintances (Desta, 2015). This study defines networks as patterned beneficial relationships between individuals, groups or organisations that are used to secure critical economic and non-economic resources needed to start and manage a venture (Moos, 2019:240).

### **3.2.2 How networks are developed**

Management theory has a long tradition of explaining the types of networks (Das & Goswami, 2019; Yu, Choi & Zheng, 2021), how business owners use their networks, and the effects these networks have on the survival, growth and internationalisation of businesses (Bai et al., 2021:96-109; Witt et al., 2008:953-971). However, only a few verified studies have availed some literature on how these networks are developed. One of the most difficult challenges that business owners face is finding personal contacts (building networks) that can provide support, resources, knowledge, and information (Ahmad & Dimitratos, 2017; Ibarra & Hunter, 2007:101; Jan, 2017). Developing successful networks takes time and effort, and it is typically based on trust and understanding. As a result, De Klerk (2012:5846) proposed that it is more cost-effective to focus on existing networks because the returns may be higher than developing new networks. While this may benefit existing entrepreneurs, aspiring entrepreneurs must also focus on building new networks that will help them run their businesses. Entrepreneurs can develop their networks in several ways:

*First, some of the entrepreneurs engaged with a sub-community of their nationality. Second, entrepreneurs (in the absence of the first sub-community) engaged with other members of the business community. Third, predominantly due to the need for specialist advice, the entrepreneurs engaged with a network located at a Higher Education Institute (HEI) and/or the local chamber of commerce.*

(Stephens, 2013:241)

Several scholars have posited that networks can be developed by initiating contact (Kaandorp, Van Burg & Karlsson, 2020) and through trust (Chen & Redding, 2017; De Klerk, 2012; Ebers, 1997; Wang, Shang & Zhang, 2019; Wickham, 2006). Trust is pivotal in social relationships and cultural values and as such influences business culture (De Klerk, 2012:5846). Relationships (networks) built on trust and confidence are critical in building a

sustainable venture (Wickham, 2006; 2017). De Klerk (2012:5848-5852) found that successful networks are built on trust, mutual understanding, credibility, and integrity. Individuals must trust one another, be accountable for their actions, be credible, and work towards a common goal that can benefit the network. Moreover, having good trust relationships can avail important resources needed by businesses to survive and grow (Wang *et al.*, 2019:940). As a result, it is possible to note that one important way to build networks is through trust.

Networks are also formed by social bonds and the social interactions between the business owners' relationships with family, friends, relatives, clubs and social associations (Desta, 2015; Nieman, 2006). This view is supported by Ibarra and Hunter (2007:102), noting that a good way to build networks is to start by connecting two people who will benefit from meeting each other. These networks are created in professional associations, alumni forums, personal clubs with friends and other ethnic group forums. Rocha, Brown and Mawson (2021:3) also posit that “entrepreneurs frequently use events such as hackathons, conferences, meetups and informal drinks as a means of building their social networks and social capital”. Moos (2019:241) provides three ways that can be used to form effective networks, namely (i) identifying individuals and firms that have relationships with stakeholders, (ii) seeking advice from experts when forming new ventures, and (iii) providing advisers with feedback on the progress of the business. Following these methods strengthens the entrepreneur's connections with others in the business world.

### **3.2.3 Types of networks**

Different types of networks have been proposed by scholars, including formal and informal (Cao & Shi, 2020; Kerr & Kerr, 2019), solidarity, local and transnational (Munkejord, 2017), ethnic, private and public (Ashourizadeh, Li & Wickstrøm, 2020), social support (Bates, 1994), social (Bates, 1994; Chimucheka *et al.*, 2019; Fernandes & Ferreira, 2021; Munkejord, 2017), inter-organisational (Scott *et al.*, 2021), political, financial and knowledge (Alvedalen & Boschma, 2017), family, managerial and business networks (Kerr & Kerr, 2019; Stephens, 2013). As they are frequently mentioned in scholarly literature, this study reviews business, ethnic, family, social, managerial, and inter-organisational networks.

### **3.2.3.1 Business networks**

Business networks are made up of a variety of businesses and companies that collaborate to achieve a common goal. The concept of business networks is surrounded by a plethora of terminologies. In support of this, Spanikova, Birkman and Besseling (2014:13) posit that business experts and economists use the term interchangeably with concepts such as clusters, incubators, and ecosystems. As a result, it is difficult for the concept to have a unified definition; furthermore, participants in a business network define it based on their own experiences. Business networks have been defined differently by scholars, for instance, Desta (2015:56) defines them as the networks that businesses have with organisations that help them with their business development (the creation of value for a business), as well as the networks that business owners have with stakeholders such as lawyers and accountants. Ward (2021), however, posits that it is a mutually beneficial relationship among businesses. Business networks, like any other network, are made up of a collection of interconnected elements that include two or more businesses or actors in charge of business activities. Todeva (2011:95) contends that business networks enable network participants to align their interests in joint activities in which they exchange information and resources that benefit them.

Business networks evolve and the actors in them are always in search of better opportunities. Nyström *et al.* (2017:777) posit that if the actors are successful in their search for new opportunities, they will have a competitive advantage over their counterparts. It has been discovered that business networks have an impact on business growth (increase in the size of a business) and performance (Chittithaworn, Islam, Keawchana & Yusuf, 2011; Spanikova *et al.*, 2014; Todeva, 2011). For example, business networks can help a company build its reputation and gain a corporate image (Chittithaworn *et al.*, 2011:184-168), which is how a business presents itself to the public.

### **3.2.3.2 Social networks**

Research on social networks and their role in the business environment has attracted much scholarly attention in the past decades (Chimucheka *et al.*, 2019; Desta, 2015; Durda & Ključnikov, 2019; Sorenson, 2018). Since the 1980s, researchers have emphasised the

critical role that social networks and relationships play in business development (Durda & Ključnikov, 2019:192). According to Chimucheka *et al.* (2019:4), there is no generally accepted definition of social networks, implying that the concept has been defined differently by scholars. For instance, Desta (2015:55) posits that social networks refer to the interactions between a business owner and other individuals like family members, friends and social clubs, while Moos (2019:241) holds that social networks involve an exchange of information in the form of communication between two individuals. Therefore, it is important to note that in an entrepreneurial setting, social networks revolve around the establishment and maintenance of relationships with people who facilitate the business development of entrepreneurs.

When an entrepreneur decides to start a business, their ability to obtain critical resources may be a deciding factor in whether or not the business will be successful. They must raise the necessary start-up capital (Sorenson, 2018:529). Social networking could be a powerful tool for increasing the chances of such a venture succeeding. Furthermore, social networks may have an impact on the amount of capital that entrepreneurs can raise for their start-ups. The entrepreneur plays a pivotal role in developing and maintaining such relationships (Durda & Ključnikov, 2019:193). Also, the entrepreneur's position in social networks, as well as the quality of the network, influences the entrepreneur's ability to gain access to critical resources that will allow them to start and manage their business ventures. As a result, weak social networks will be less effective in assisting entrepreneurs than strong social networks whose members are dedicated to the network's operation.

Social networks are a valuable resource for entrepreneurs operating in a competitive environment. Social networks enable the entrepreneur to acquire resources which facilitate business development such as information, finances, and human capital (skills and knowledge) (Desta, 2015; Durda & Ključnikov, 2019). Despite the positive role that social networks play in business development, they have drawbacks, such as the fact that engaging in too many relationships may make it difficult for the entrepreneur to manage the business. Additionally, the costs required to engage in relationships may be prohibitively expensive for small business owners and nascent entrepreneurs (Desta, 2015:56). Some networks, for example, require a monetary contribution to gain membership which may be

too expensive for those interested in such networks who cannot afford the cost or sign-up fee.

### **3.2.3.3 Managerial networks**

Practitioners and researchers have developed an interest in the concept of managerial networks and their impact on business success (Anwar & Ali Shah, 2020; Anwar, Rehman & Shah, 2018; Kumar Panda, 2014; Leroy, 2012; Li, 2005). Scholars' recent interest in managerial networks could also be attributed to the fact that managerial networks play an important role in the activities of a firm and can be a source of innovation and competitive advantage (Anwar & Ali Shah, 2020; Anwar *et al.*, 2018; Li, 2005:423). Based on the network theory, Kumar Panda (2014:5) comprehensively define managerial networks “as the structure in which top managers of firms connect with others who are directly or indirectly connected with the organisation, for example, top managers of supplier firms and research and development firms, and government officials”. Managerial networks thus refer to the relationships which exist between managers of firms and their suppliers, customers and other businesses (Desta, 2015:57; Leroy, 2012).

Li (2005:425) identifies two types of managerial networks, namely (i) ties managers have with the business community, which include top executives from other companies such as suppliers, purchasers, and rivals and (ii) relationships that top managers have with government officials. Kumar Panda (2014:5) identifies three forms of managerial networks which include operational, personal and strategic networks. Personal networks are social networks made up of family and friends; operational networks are networks with colleagues, key suppliers and customers; and strategic networks refer to networks with individuals who enable the manager to achieve their objective. As highlighted by Li (2005:425) and Kumar Panda (2014:5-7), managerial ties with buyers may result in improved customer satisfaction. Managerial relationships with suppliers may assist a company in acquiring high-quality materials and services as well as timely delivery. Beneficial relationships with top managers from other competing firms may also allow for possible inter-firm collaboration. Managerial networks help managers become market oriented and constantly respond to the changes in customers' taste and fashion (Kumar Panda, 2014:7). Desta (2015:57) supports this assertion, highlighting that managerial networks enable firms to satisfy and keep their

customers (repeat sales). Networking among business managers also results in the creation of knowledge that can be used in decision-making.

#### **3.2.3.4 Family networks**

Family networks have been researched across different fields of inquiry, such as population and migration studies, (Liu *et al.*, 2018), psychology (Giesbers *et al.*, 2019), and economics and management (Mustafa & Chen, 2010; Skordis *et al.*, 2019). Prior evidence suggests that the entrepreneur's initial capital is typically provided by family and friends. Other sources of funding, such as crowdfunding, are thought to reduce the importance of family and friends in any business in the future (Sorenson, 2018:529). It is also worth noting that in campaigns (such as crowdfunding campaigns), family and friends continue to take the lead and, as a result, provide the capital. Most new ventures are fraught with uncertainty, both about the venture and about the entrepreneur. Only those who know the entrepreneur can tell if they have a chance of succeeding. The confidence of those who know the entrepreneur may attract additional funding, implying that if family and friends do not have confidence in the venture they may not provide start-up capital.

Like ethnic networks which relay available information about business and employment opportunities (Larson & Lewis, 2017; Patacchini & Zenou, 2012), economics research has confirmed that family networks also avail such information (Skordis *et al.*, 2019:232). As a result, family networks enable the flow of information and avail resources which aid the development of businesses. Family and friends may also support the entrepreneur by providing resources such as finances to derive the satisfaction of helping their loved one (Sorenson, 2018:529). Furthermore, family networks are very important to entrepreneurs because they can provide start-up capital at low or no interest rates. Despite this role, research has found that family networks may harm individuals' well-being if society inhibits them from acting on new information (Skordis *et al.*, 2019:233). In terms of management, family networks may also impede business development if there is too much information available and the entrepreneur is unsure which information to use, especially if culture forbids the entrepreneur from acting on new information.

### 3.2.3.5 *Ethnic networks*

Prior research indicates that immigrants are more likely to be self-employed in their host country than citizens of the host country. This could be due to immigrants lacking the necessary skills, as well as language and institutional barriers in the host country, which prevent them from obtaining a well-paying job (Dana, Gurau, Light & Muhammad, 2020:1008). As a result, immigrants form ethnic networks. Desta (2015:58) defines ethnic networks as links between people of the same ethnicity that aid in the flow of information about opportunities in their community. Ethnic identity is crucial in collective action, especially in developing countries (Larson & Lewis, 2017:350) because it allows the flow of information amongst people from the same ethnicity, which in turn enables their business development. Patacchini and Zenou (2012:938), who support this assertion, also report that ethnic networks create employment opportunities through ethnic social networks and word-of-mouth. According to Larson and Lewis (2017:350), information flows more freely between people of the same ethnic group (co-ethnics) than between people of different ethnic groups. This information is usually very reliable and less costly, compared to information from other sources (Patacchini & Zenou, 2012:938).

In business research, ethnic networks allow for the flow of business ideas, opportunities and resources (financial, human capital, information) which enables the business development of entrepreneurs. This implies that ethnic networks can add value to businesses, resulting in improved performance. Ethnic networks also provide ethnic capital (and other ethnic resources like human capital), which aids in the formation of businesses by people of the same ethnicity (Maani, 2016:4; Maani, Wang & Rogers, 2015:5). Maani *et al.* (2015:5) contend that ethnic capital is “an immigrant network that includes markets, resources, and information shared by the group, based on the country of origin, average skill level, group language proficiency, social network, geographical concentration, shared beliefs and other resources for a typical ethnic group”. While ethnic networks can be beneficial to people from the same community, they can also be detrimental because (i) obtaining an ethnic job in the host country can hinder social integration and reduce the ability to learn the host country's language, and (ii) immigrants who lack the host country's language skills may end up with low-paying ethnic jobs (Maani, 2016:1).

### **3.2.3.6 *Inter-organisational networks***

The significance of inter-organisational networks and relationships has been emphasised in scientific fields such as economics, business studies, and organisational management (Ebers, 1997; Klein & Pereira, 2016; Meeus, Oerlemans & Kenis, 2008:273; Mountford & Geiger, 2020). Inter-organisational networks (relationships) take various forms, including franchises, networks, alliances, consortia, and joint ventures of various types (Klein & Pereira, 2016:155). Every inter-organisational network begins with collaboration between two or more legally operating organisations, which eventually paves the way for other relationships. Klein and Pereira (2016:155) support this viewpoint and add that organisations do not always have access to all critical resources required for their activities, so they collaborate (with other organisations) through inter-organisational networks to obtain such resources. It is believed that belonging to an inter-organisational relationship/network spurs innovation in businesses (Meeus *et al.*, 2008:273).

Drawing on the research of Chetty and Agndal (2008:175-187), industrial districts do not appear from the air, they are developed by the surrounding firms and these organisations must in turn interact with each other to enable the development of industrial districts. This can only be possible through inter-organisational networks. Consistent with this assertion, firms must interact with other firms through inter-organisational networks to enable their business development (growth). The term "industrial districts" refers to a geographical setting made up of SMEs and high-growth firms (Belussi & Caldari, 2009:336). Hernández and González (2017:71-72), who research start-up ecosystems, analysed inter-organisational networks and refer to organisations as the nodes on social networks. Inter-organisational networks refer to the beneficial interaction and relationships between organisations or entities. Mountford and Geiger (2020:500) add that the purpose of the interactions and relationships between entities is usually to share information and resources, which assist in the business development of entrepreneurs.

### **3.2.4 Functions of networks**

From a South African perspective, networks play a critical role in business development and performance (De Klerk, 2012; De Klerk & Kroon, 2007; Mlotshwa & Msimango-Galawe,

2020). De Klerk and Kroon (2008:30), who surveyed the motivations for networking in South Africa, found that networks enable its participants to (i) have access to distribution channels; (ii) have access to new technology; (iii) gain knowledge on new business opportunities and markets and (iv) have access to skilled labour. All these characteristics can improve the business development of entrepreneurs. According to Moos (2019:241), the functions of networks include assisting in the identification of opportunities, providing emotional and practical support to network participants, providing invaluable business ideas, increasing entrepreneurial confidence, and ensuring that the entrepreneur's growth aspirations, mission, and vision are realistic. Networks raise awareness and allow network participants to stay up to date on the latest trends in their respective industries (Ward, 2021). Networking also provides its participants with access to career and job opportunities. In light of this view, De Klerk and Kroon (2008:30) posit that expanding contacts, for instance, meeting new people in networks can open doors to opportunities such as career development and personal growth. As a result, active networking allows for the sharing of opportunities such as job openings while also increasing the likelihood of referrals to potential employers by network participants. Networks also provide access to diverse skill sets, information and power (Sullivan & Ford, 2014; Uzzi & Dunlap, 2005:2).

Scholars (Bagwell, 2008:389; Li & Johansen, 2023; Mustafa & Chen, 2010) discovered that networks, particularly international family links and ties, play an important role in the development of a person's business idea and the provision of relevant training concerning the formation of a specific type of business. Networks, such as family ties, encourage family members to start similar businesses because information relevant to such business formation and training can be relayed at a low cost through the networks. The presence of innovative and well-educated people in networks can benefit other network participants because such educated people can encourage and advise the entire network on the importance of innovation in business success (Bagwell, 2008:390). In emerging economies, personal ties and networks are frequently viewed as a substitute for well-organised formalised institutions.

Creating networks between entrepreneurs, banks, government agencies, family members, and relatives is critical in assisting both borrowers and lenders. Le and Nguyen (2009:868) assert that for lenders, networks help them in locating well-established markets, gather

valuable information and securing their investments. While for borrowers, networks help them to have access to information, resources and invaluable support from the network participants. The authors also argue that networks serve a dual purpose in that they provide legitimate information about SMEs to banks while also providing SMEs with the opportunity to obtain loans from commercial banks. Networks are also important because they can disseminate positive information about a company's existence and practices. Networks also assist network participants in acquiring appropriate business management skills and business behaviour, which can assist the participants in pitching their ideas to stakeholders and the public and obtaining the necessary support.

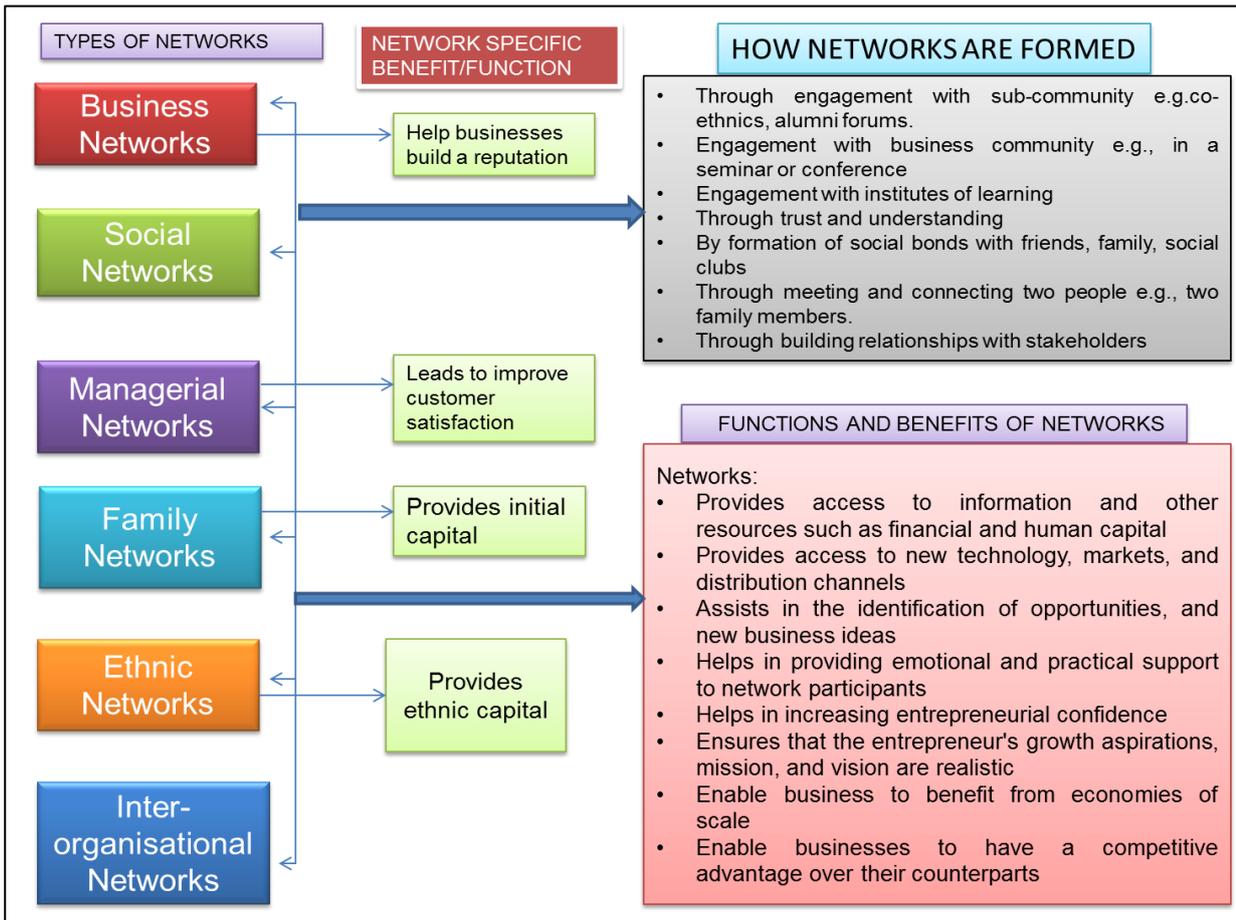
### **3.2.5 Benefits of networks**

SMEs have limited resources, compared to their large counterparts. Networks, in turn, avail resources (finance, human capital and information) which enable business development (Skarpova & Grosova, 2015:92). Researchers have identified the benefits of networks for entrepreneurs as including shared opportunities, raising the entrepreneur's profile, and the ability of the entrepreneur to build self-confidence (Ibarra & Hunter, 2007; StartupInstanbul, 2016). It is argued that networks give firms a competitive advantage over their competitors because they have access to resources and capabilities from these networks that their competitors do not have. Networks also improve an entrepreneur's ability to share risk and benefit from economies of scale (Ebers, 1997:15). Networks enable the entrepreneur to make new friends and meeting like-minded people facilitates the sharing of ideas from which opportunities can emerge and enable the creation and development of businesses (Muriuki, 2020; Ward, 2021). Furthermore, networks enable business owners to gain access to resources (tangible and intangible) at lower-than-market prices, as well as resources that would not have been commercially available. Moreover, the fewer the market's resources, the more entrepreneurs depend on networks and contacts for more resources (Sullivan & Ford, 2014; Witt *et al.*, 2008). Furthermore, networks are typically made up of strong and weak players, with strong players having the ability to mobilise resources and weak players benefiting from the resources (Skarpova & Grosova, 2015:63). As a result, any positive effect is distributed to all network members.

### 3.2.6 A synthesis of network types, their formation, functions, and benefits

Figure 3.2 is a synthesis of the types of networks that have been reviewed in this study. This includes their formation, functions, and benefits.

**Figure 3.2: A summary of the types of networks, their formation, functions and benefits**



**Source:** Author's compilation

From Figure 3.3, networks primarily provide resources to network participants. Social networks, for example, provide resources to the network participants, as do family, ethnic, business, inter-organisational and managerial networks. Although family networks provide the initial capital (Sorenson, 2018:529), this capital remains a resource. Ethnic networks provide ethnic capital (a vital resource that assists immigrant entrepreneurs in establishing their businesses), which is also a resource. Business networks, on the other hand, build a valuable reputation for the business (Chittithaworn *et al.*, 2011:184-168). Similarly,

managerial networks provide customer satisfaction (Kumar Panda, 2014:5-7; Li, 2005), and customer satisfaction is also an invaluable resource for any business. These resources can either be tangible (physical cash which can be used as start-up capital) or intangible (information, reputation and emotional support). Figure 3.2 depicts the primary function of family networks as the provision of initial capital. This is not to say that other types of networks, such as the ones reviewed in this study, do not provide start-up capital. As a result, while family networks may be the primary source of start-up capital for some entrepreneurs, others may rely on social, managerial, ethnic, business, or inter-organisational networks for their start-up capital. Thus, it is safe to say that the primary role of networks is to provide resources to the network participants.

Although networks vary, their modes of development, functions, and benefits may not. In terms of the formation of networks, researchers such as Stephens (2013) have posited that entrepreneurs can develop business networks by engaging sub-communities or members of a business community or learning institutions. Other types of networks, such as social networks, managerial networks, inter-organisational and ethnic networks can be developed similarly. Family networks' development may however differ since the family members may only interact amongst themselves. Also, all the networks (those being explored in this study) can be formed through trust and understanding (De Klerk, 2012; Ebers, 1997; Wang *et al.*, 2019; Wickham, 2006), since there must be some level of trust before a beneficial relationship can develop. Besides family networks, which may be limited to a relationship between family members, all networks (business, social, managerial, ethnic and inter-organisational) can be developed through social bonds, and interactions and by meeting and developing relationships with stakeholders (Ibarra & Hunter, 2007; Moos, 2019; Nieman, 2006). There is some confusion in the available literature regarding the functions and benefits of networks, as some scholars mention resource provision as a function, while others mention it as a benefit (see Section 3.3.5 on the networking process in business development and growth). The use of these resources by the entrepreneur determines whether or not there is a benefit.

### **3.2.7 Resource dependence theory**

Since the publication of Pfeffer and Salancik's (1978) seminal works on the resource dependence theory in the late 1970s, the theory has become one of the most influential theories in organisational and strategic management. These scholars (pioneers) developed the theory on the premise that firms must engage in transaction relationships with other organisations in its environment to acquire critical resources (Pfeffer & Salancik, 1978). According to Johnson (1995), the resource dependence theory "is an organisational theory that explains inter-organisational and organisational behaviour in relation to critical resources that must be available for the organisation to survive and grow". Kholmuminov *et al.* (2019:68) hold a similar opinion, claiming that the resource dependence theory pertains to how an organisation's external resources affect its behaviour. Organisations, large and small, rely on resources to remain viable. These resources are not created out of thin air; rather, they are created by other firms. Drawing on this, businesses rely on third-party firms for resources that they do not produce (Johnson, 1995). Therefore, in order to gain access to such resources, organisations must become interdependent.

Organisational decision makers deem how to allocate scarce resources (both internal and external) to various departments. Internal resources are defined by Nematy, Bhatti, Maqsal, Mansoor and Naveed (2010:111) as those controlled by a firm and capable of providing the firm with a competitive edge over its competitors. External resources are resources over which an organisation does not have control and therefore, must interact with other organisations to have access to such resources. Therefore, an organisation's resources are only important if they can be used by other firms when in need (Kholmuminov *et al.*, 2019:96). The performance of businesses depends on their networks and the available resources (Premaratne, 2002). The resource dependence theory is centred on the flow of resources, organisations' reliance on resources from other organisations and managerial decision-making on resource allocation; networks could be the distribution centre of such resources. Drawing on these assertions, the resource dependence theory can be used to underpin network research since resources are exchanged via networks such as family, ethnic, social, business, managerial or inter-organisational networks. Therefore, in the context of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs in South Africa, immigrant entrepreneurs depend on networks to

access vital resources such as financial capital, information, expertise, and social support, which is in line with the resource dependence theory.

### **3.3 BUSINESS DEVELOPMENT**

#### **3.3.1 Defining business development**

Though the literature suggests that SMEs differ from their large counterparts based on several factors, for instance, limited resources and knowledge, SMEs have been identified as catalysts for future economic developments (Forsman, 2008:606; Ombi *et al.*, 2018). Forsman (2008:607) reports that the distinguishing factors (listed earlier) constrain the survival of SMEs, as a result, it is critical to accelerate SMEs' survival and growth to enable their competitiveness in markets. This is possible with the support of BDS. BDS refer to services that assist entrepreneurs in developing their businesses. Business development is a concept that has received much less attention from scholars (Achtenhagen *et al.*, 2017; Forsman, 2008; Kind & zu Knyphausen-Aufseß, 2007; Ombi *et al.*, 2018), though it is a concept that is frequently mentioned in business research. A majority of the few verified studies (for example; Achtenhagen *et al.*, 2017; Achtenhagen, Naldi & Melin, 2010; Forsman, 2008) on the concept originate from developed nations (such as Sweden and Finland); implying that much less has been covered on the concept in the developing world context.

Business development has hardly been defined by scholars; in fact, Achtenhagen *et al.* (2017:167) assert that there is no general agreement on how to define the concept. Perhaps this could be one of the reasons why the concept to date has received much less scholarly attention, especially in the developing world. Kind and zu Knyphausen-Aufseß (2007:177) claim that a Google search conducted on business development in November 2005, produced 59.3 million results but failed to provide a concise definition for the concept. In 2012, individuals saw business development as sales, partnerships and others contend that it refers to “hustling” (Pollack, 2012:2). According to Pollack (2012:2), it was like physicists struggling to define the universe; thus, they harmonised the different thoughts and defined business development as “the creation of long-term value for an organisation from customers, markets, and relationships”. According to Pollack (2012:2), business

development is all about how different forces interact to create growth opportunities. These forces are referred to in this study as the BDS, which are discussed below.

### **3.3.2 Core business development services**

BDS are acknowledged as SMEs' support services, to assist SMEs in resolving internal and external barriers in their development and, as a result, improving their performance (Ombi *et al.*, 2018:118). BDS include mentoring, incubation services, clusters, business advice, business counselling, and networking amongst others. For this research, mentoring, business advice, business incubation services and networking will be discussed concerning the business development of entrepreneurs.

#### **3.3.2.1 *Mentoring***

Mentoring as BDS has attracted the interest of scholars over the years (Burke, McKeen & McKenna, 1994; Kunaka & Moos, 2019; Purcell & Scheyvens, 2015). Prior studies on mentoring have focused on evaluating the outcomes of mentoring on SMEs and entrepreneurs (Kunaka & Moos, 2019:1-11), and the benefits that a mentoring relationship can have on the mentor and mentee (Burke *et al.*, 1994:23-32). Prior studies suggest that novice entrepreneurs lack the necessary skills and experience, which is a major reason for the high mortality rate of newly created ventures (El Hallam & St-Jean, 2016:1). In comparison to traditional training programs, entrepreneurial support centres have proposed mentoring as a way to support newly created businesses as a solution (El Hallam & St-Jean, 2016:1). Some of the major issues in the business environment in developing countries are a lack of managerial and innovative business skills, and businesses are usually not tailored in a way that can meet the needs of clients. When compared to developed countries, developed countries have expertise in business development and, as such, can assist developing countries by sharing their business knowledge through mentoring.

Drawing on this, mentoring events that draw mentors from developed countries to provide mentoring support to emergent country entrepreneurs could be a solution to the previously mentioned business issues (Purcell & Scheyvens, 2015:211-212). Mentoring is also one of the support programs that have been implemented over the last few decades to help novice

entrepreneurs develop their businesses. Mentoring lacks a definitional consensus because it is defined according to the context in which it is studied regarding its target audience. Mentoring or mentorship refers to the “relationship between a novice entrepreneur (mentee) and an experienced entrepreneur (mentor), where the latter helps the former develop as a person” (St-Jean & Tremblay, 2011:38; St-Jean & Tremblay, 2020:426). This is accomplished by matching a novice entrepreneur with an experienced entrepreneur who provides advice on strategic thinking and decision-making to keep the mentee from making bad business decisions (St-Jean & Audet, 2013). Furthermore, the mentor is important because the insightful guidance and support provided can assist the ‘novice entrepreneur’ in compensating for the lack of experience and entrepreneurial skills (El Hallam & St-Jean, 2016:2; St-Jean, 2011; St-Jean & Audet, 2012; St-Jean & Audet, 2013; St-Jean & Tremblay, 2011).

A mentoring relationship also provides a positive impact on the entrepreneur and is usually acquired through affective and cognitive learning (El Hallam & St-Jean, 2016:2). Cognitive learning in mentoring assists the entrepreneur in providing better insights as well as enabling the entrepreneur to identify profitable business opportunities (St-Jean & Tremblay, 2011). In addition, affective learning instils self-efficacy and self-confidence in the entrepreneur. For the mentoring process to be successful, the mentor needs to have a positive relationship with the mentee (Purcell & Scheyvens, 2015:212). This implies that the goals and aims of the mentor must align with those of the mentee to support business development. Therefore, in a situation where there is no match between the vision and mission of the mentor and the mentee, the mentoring relationship will not be successful and as such will hinder business development.

### **3.3.2.2 *Business advice***

The reasons why a business, such as a start-up, may fail at an early stage can be attributed to (i) the managerial style; (ii) the level of expertise; (iii) the experience that the business owner possesses; (iv) lack of advice (Chatterji, Delecourt, Hasan & Koning, 2019; Kunaka & Moos, 2019) and (v) lack of coaching from seasoned experts (Bryan, Tilcsik & Zhu, 2017:312). Major business challenges, such as marketing, customer retention, selling, and raising capital, necessitate the entrepreneur to seek external expert advice and coaching to

remain functional and relevant in the business environment (Bryan *et al.*, 2017; Chatterji *et al.*, 2019; Kunaka & Moos, 2019:1). The difference in performance and success rate between firms could also be attributed to the level of advice and coaching available to the firms (Bryan *et al.*, 2017; Chatterji *et al.*, 2019:333).

Not all advice is useful. Thus, informal advice from informal managers may be detrimental to the growth and development of a venture in comparison to formal advice from a formal manager who has experience with managing formalised ventures (Chatterji *et al.*, 2019:332). Furthermore, the quality and source of advice, as well as the business owner's willingness to accept it, play an important role in business development (Bryan *et al.*, 2017:312; Chatterji *et al.*, 2019:334). Therefore, while an expert may provide the necessary advice to move a business toward success, if the business owner refuses to adopt or follow such advice, there will be no change in their business. In addition, an entrepreneur who lacks the necessary training and managerial skills will be unable to implement or adopt invaluable advice from experts. In relation to coaching, Bryan *et al.* (2017:313) assert that it is difficult to measure the impact of coaching on an entrepreneur. It all depends on the skills and actions of the entrepreneur. This implies that, just like advice, coaching will not make a change in the business if the entrepreneur is stubborn or un-coachable. This also explains why some businesses outperform others in the same location or market.

Therefore, entrepreneurs continually seek external support from other institutions to gain access to business advice (Ljungkvist & Andersén, 2016:286). Advice can be on a wide number of business issues, such as finances, strategy, marketing and human capital management (Chatterji *et al.*, 2019:334). Business advice is the provision of independent and confidential guidance to new and established businesses based on extensive business experience, in order for the client to benefit from the advice in their future actions. As a result, business advice hastens the development of entrepreneurs' businesses. When compared to other BDS, business advice is customised, which allows the entrepreneur to seek clarifications and more information from the adviser upon request in cases of doubt.

### 3.3.2.3 *Business incubators*

Recently, both the private and public sectors have identified business incubators as a means to reduce the high failure rate in newly established firms. Prior research indicates that the establishment of business incubators is an effective way of stimulating the establishment of new businesses because business incubators can facilitate business activities (Aldammagh, Abdalmenem & Al Shobaki, 2020; Hausberg & Korreck, 2021; Redondo-Carretero & Camarero-Izquierdo, 2017). Though multiple definitions have been proposed for business incubators, there seems to be a convergence between such definitions - business incubators are organisations that encourage entrepreneurship and temporarily house start-ups in their early stages, thereby accelerating SME development by providing the necessary resources for growth (Aldammagh *et al.*, 2020:51; Hausberg & Korreck, 2021; Redondo-Carretero & Camarero-Izquierdo, 2017:58,59; Salem, 2014).

Achtenhagen *et al.* (2017:178), who share a similar view, add that the support services provided by incubators make a difference in micro-firms since they (through their managers) provide SMEs with regulatory and taxation advice. This implies that start-ups and struggling firms which lack the support of incubators may not have access to business developers who can provide them with such support and may struggle to grow. Based on these proposed definitions of a business incubator, Aldammagh *et al.* (2020:51) postulate that an incubator in the business world may have been inspired by the incubators where children who require life support are placed in hospitals after birth. In comparison, the two terms (business incubator and hospital incubator) are similar in that they both aim to help those in need (children in need of life support and start-ups that need expert support). Business incubators are critical because they provide SMEs with guidance, modern technology, innovative tools, and business methods (Aldammagh *et al.*, 2020). Moos (2019:243), who supports this claim, adds that entrepreneurs who are members of an incubator can receive invaluable information and assistance as well as access to valued shared advice and equipment. As a result, Hausberg and Korreck (2021:169) posit that the activities of incubators are likely to have direct and indirect effects on the regional, national or local economy. This view is supported by Salem (2014:853-854), who states that incubators generally have a positive impact on economic growth. This could be attributed to the fact that incubators house SMEs which are considered the power engines of an economy. Moreover, incubated businesses

usually create links with other economic actors and as such stimulate economic activities which leads to economic development (Hausberg and Korreck (2021:169). Prior research has also found that business incubators improve participants' product development and marketing skills (Karim, 2017; Lose & Tengeh, 2016). Drawing on the above discussions is clear that business incubators can have a positive impact on the business development of entrepreneurs.

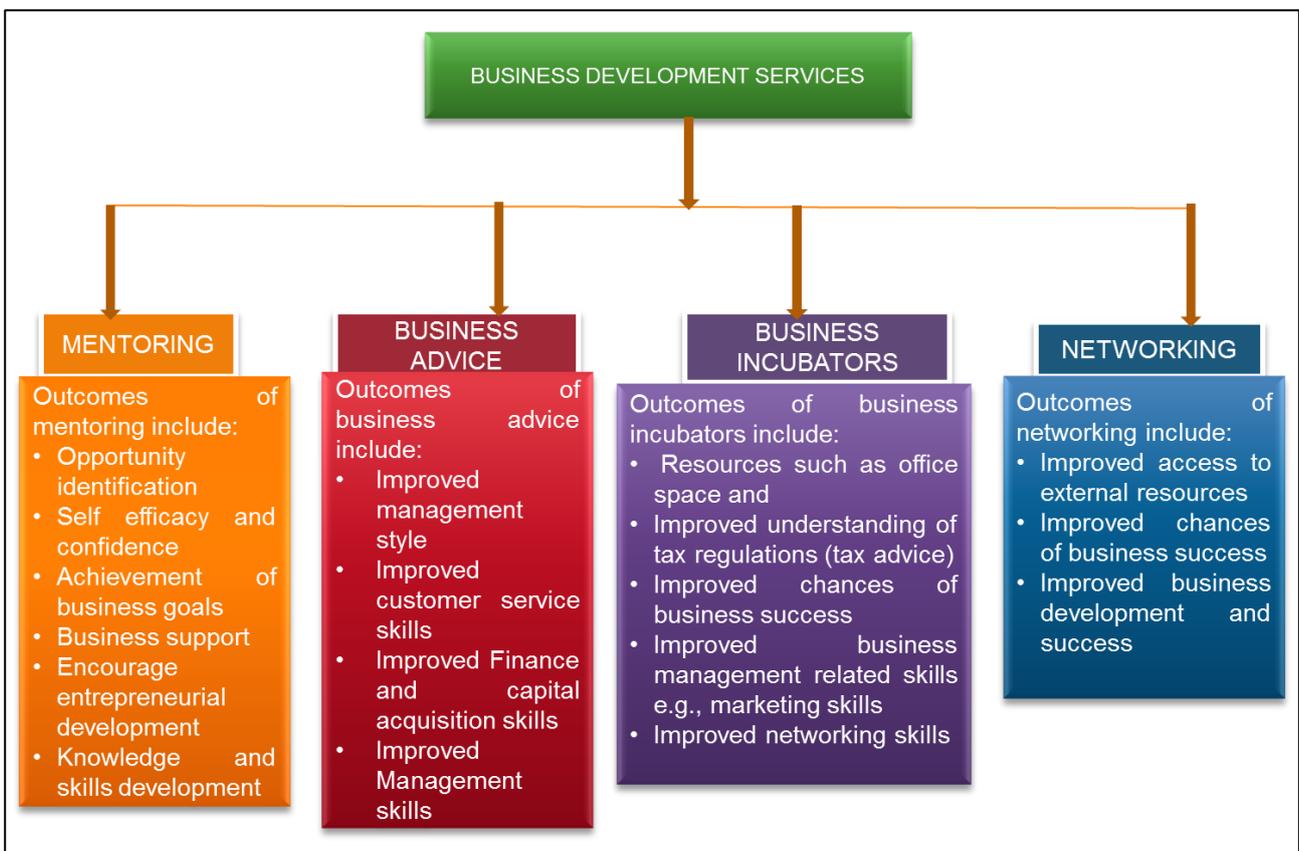
#### **3.3.2.4 Networking**

Ventures' success is determined by their networking abilities and available resources. No business has complete control over all of the resources required to function. As a result, businesses tend to form networking relationships with external stakeholders such as suppliers, banks, governments, friends, and relatives to obtain the necessary resources (Premaratne, 2001:363). Furthermore, networking can have a significant positive impact on business success because it allows business managers to gain access to critical resources over which they have no control at a lower cost (Watson, 2007:852-853). This explains why some entrepreneurs are extremely successful, while others struggle to keep their businesses afloat. The difficulty could also be attributed to factors such as their inability to network with others in the business world. It is as a result of this that academics, through their continuous interactions with businesses, have encouraged policymakers in all economies around the world to facilitate networking as a means of improving business development and performance due to the important role it plays in the development of SMEs (Chell & Baines, 2000:195). Networking is defined as the process of establishing long-term relationships to gain access to critical resources such as information, knowledge, and human capital that can help a business grow (Clifton *et al.*, 2020; Desta, 2015:47-48; Premaratne, 2002). This definition of networking is similar to the definition of networks in that they both focus on links and relationships that provide access to resources that are critical for growth. Networking is both the process of creating networks and the actual actions in any network. Desta (2015:47-49) discovered that the terms networks and networking had previously been used interchangeably in the literature, as they are in this study as well.

According to Achtenhagen *et al.* (2017:184), networking is a critical activity for the development of businesses. One explanation for the survival of businesses without

incubator support is their ability to interact with other businesses through networks. Networking reduces the risk of failure while increasing the chances of business success. Networking also facilitates economies of scale in firms of all sizes, while providing a means through which SMEs can tap into external resources (Watson, 2007:853). As such, networking between businesses avails resources which enable the businesses to grow and survive. As previously stated, the goal of BDS is to help SMEs overcome internal and external constraints in their business development and achieve growth. Figure 3.3 is a representation of the BDS discussed in this study and their outcomes.

**Figure 3.3: BDS and their outcomes**



**Source:** Author's compilation

As shown in Figure 3.3, mentoring, business advice, business incubators, and networking as BDS all play an important role in growth (considered in this study as the main outcome of business development). Prior research suggests that businesses can fail due to a lack of mentoring, business advice incubator services, and networking amongst other causes (Chatterji *et al.*, 2019; El Hallam & St-Jean, 2016; Kunaka & Moos, 2019). This implies that entrepreneurs who seek mentoring services from a mentor or business advice from

experienced entrepreneurs, or who participate in incubator services and learn how to network with others, may be successful. An entrepreneur may not need to engage in all of the previously mentioned BDS for their business to be successful, implying that engaging in just one may still have a positive impact on the business. As shown in Figure 3.3, the outcomes of mentoring can include opportunity identification, self-efficacy and confidence, achievement of business goals, and business support. The outcomes of business advice can include improved management style, customer service skills, and management skills, whereas the outcomes of business incubator services can include increased chances of business success and improved networking skills. Possible networking outcomes, on the other hand, include increased access to external resources and increased opportunities for business development and growth. The researcher believes that all of these outcomes from BDS point in the same direction: growth. For this study, the researcher will focus only on networking (networks in this study) as BDS.

### **3.3.3 Growth**

#### **3.3.3.1 *Understanding growth***

The lack of positivity, entrepreneurial culture and mindset could be a stumbling block for entrepreneurs and also a major barrier to growth (Nieman & Struwig, 2019:322). For many businesses, growth is not an objective, which is why some businesses continue to remain small in size while others become gazelles (fast-growing companies). Growth is an indication of business success and as such should be inculcated in the mindset of those running or intending to start a business venture. Moreover, the ability of a business to grow defines its future (Wickham, 2006:514). Growth is not only necessary for entrepreneurial success; it is also the distinguishing factor between a “small business and an entrepreneurial venture” (Nieman & Struwig, 2019:324).

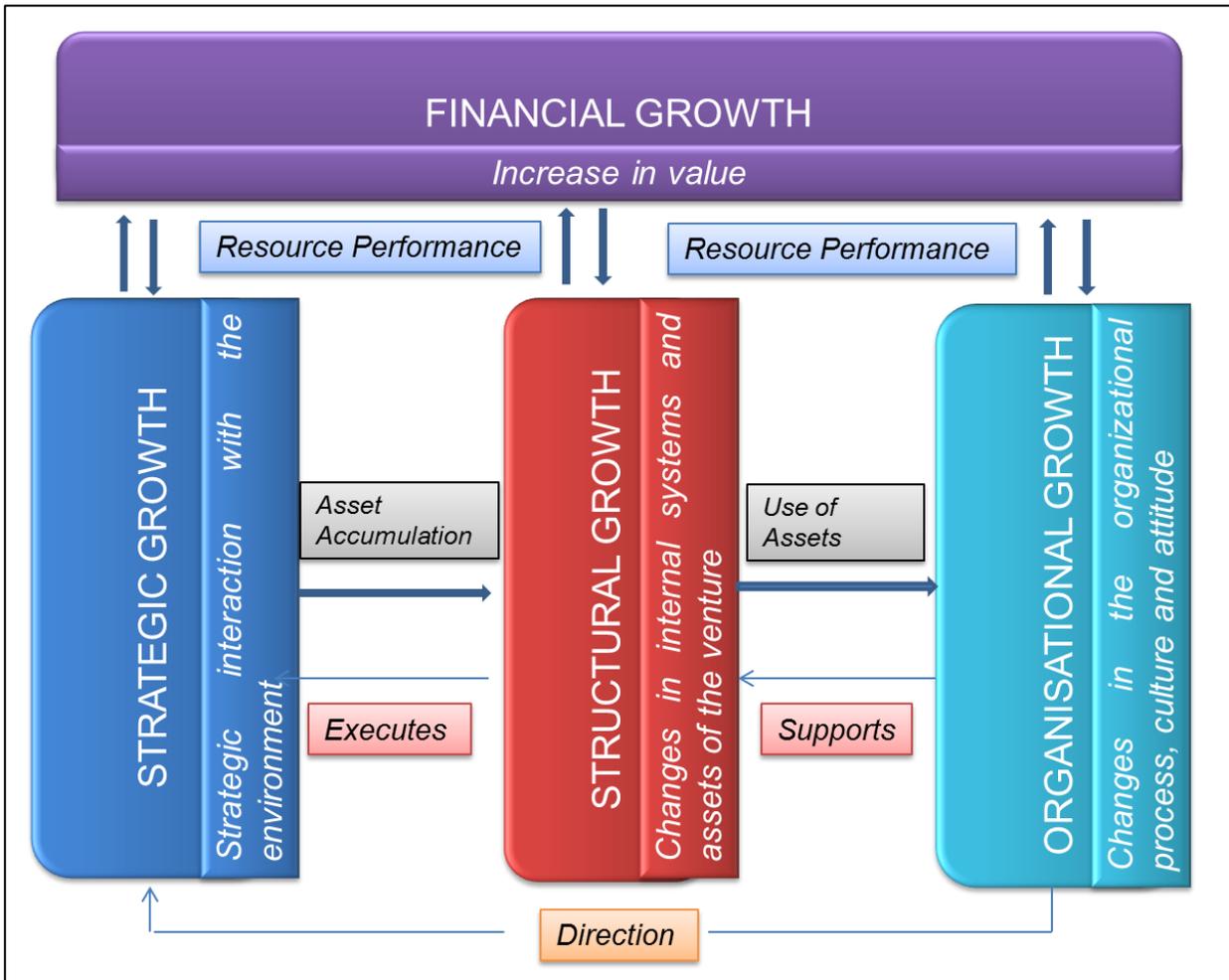
Growth is a concept that has been viewed and defined differently by scholars (Achtenhagen *et al.*, 2010; Neneh & Vanzyl, 2014; Wickham, 2006), implying a lack of agreement on what it truly means. For instance, according to Achtenhagen *et al.* (2010:291), ordinarily, the term "growth" has two connotations. It can simply refer to an increase in quantity, such as an increase in output or sales; alternatively, it may imply a size increase or a quality advancement resulting from the business development project. Neneh and Vanzyl

(2014:172) posit that globally, growth is regarded as a key driver of business success, wealth creation, employment, and economic development. Growth entails some risk, and it is dependent on the venture's ability to attract or gain access to new resources (Nieman & Struwig, 2019:323; Wickham, 2006). This implies that a venture may be on a growth path or have the desire to grow, which would be impossible without access to resources. Furthermore, while resources may be available, growth cannot be achieved if the entrepreneur lacks the necessary skills to manage the resources effectively and efficiently.

### **3.3.3.2 *Growth as an outcome of business development***

Wickham (2006:515; 2017), who views growth as an increase in sales, also posits that entrepreneurs view growth from different perspectives. It can either be financial, strategic, structural or from an organisational perspective. These types of growth are not mutually exclusive. This implies that when attempting to achieve growth, the entrepreneur must consider all four types of growth. Failure to consider all the perspectives may result in the business being unable to grow. Figure 3.4 is a presentation of the different types of growth.

**Figure 3.4: Different types of growth**



**Source:** Adapted from Wickham (2006)

Figure 3.4 depicts the different types of growth, including financial, strategic, structural, and organisational growth. The types of growth are explained in the following section.

### 3.3.4 Types of Growth

#### 3.3.4.1 *Financial growth*

Financial growth is associated with the development of businesses as profit-generating entities; the increments in turnover, the cost incurred and investments that avail the turnover, resulting in profits (Wickham, 2006:516). It also concerns increases in the value of the business and the potential for it to generate returns that can be distributed to its stakeholders while remaining functional and sustainable. According to Nieman and Struwig (2019:325-326), financial growth evaluates the extra value that a firm creates and is also a critical factor

in determining whether or not the venture is successful. Financial growth is viewed as changes in capital, total assets, profits, and turnover. Given that the study's focus is on immigrant entrepreneurs, some of whom operate as sole proprietors, this study will consider financial growth in terms of changes in capital (the accumulated net worth of the business), profits (benefit from investing), and revenue (income from sales).

#### **3.3.4.2 Strategic growth**

Strategic growth relates to the changes that result from a firm's interaction with the environment. According to Nieman and Struwig (2019:326), it revolves around the changes that result from the various ways in which a business venture interacts with its surroundings and the environment. It focuses on how a firm uses its resources to capitalise on market opportunities and gain a competitive advantage over other firms (Wickham, 2006:516). In this study, strategic growth will be considered as changes in sales volumes (number of units sold in specific periods), as well as changes in customer base (total number of customers).

#### **3.3.4.3 Structural growth**

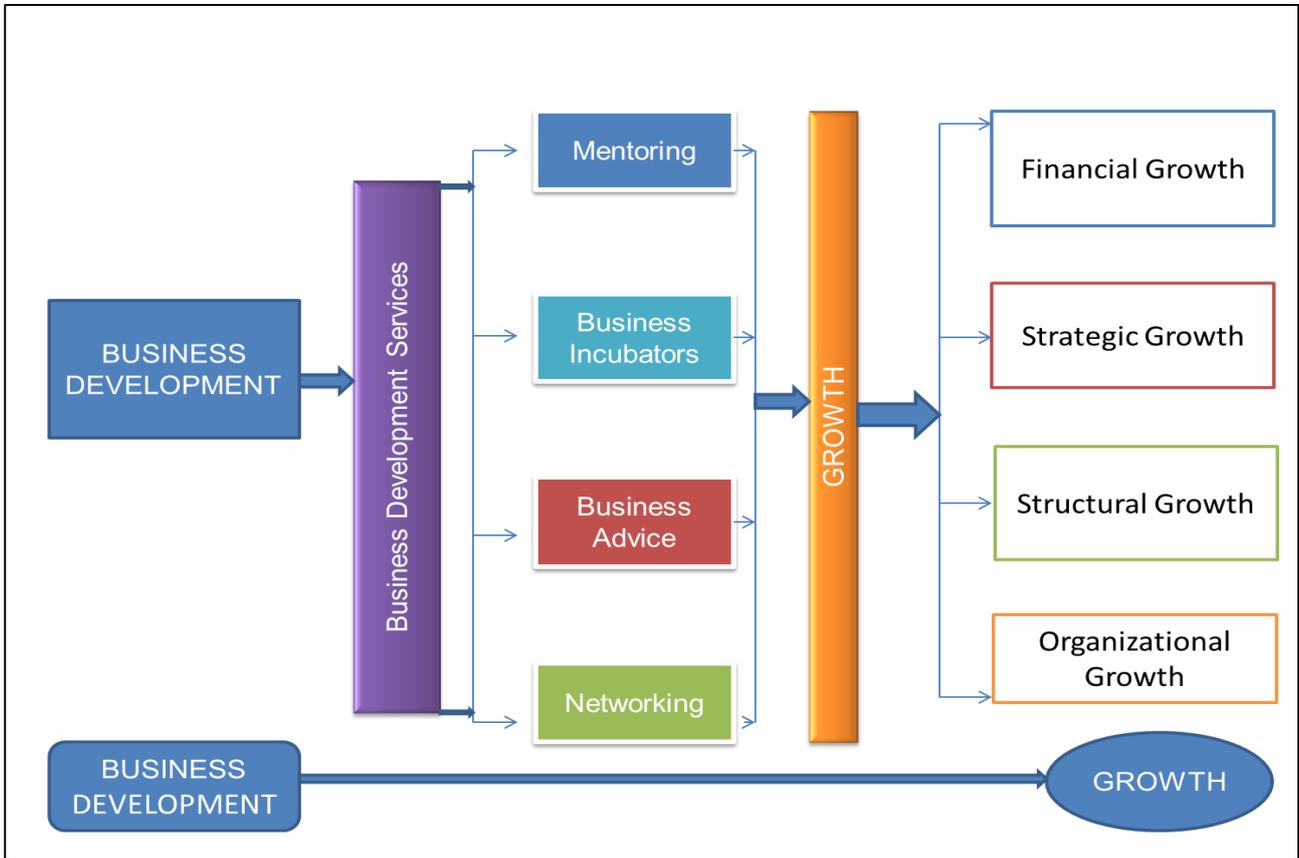
All organisations that want to grow must constantly develop and change their structure to keep up with the changes that occur in the business environment (Nieman & Struwig, 2019:327). Thus, structural growth concerns how a firm organises its internal structures; for instance, the role that managers play, the hierarchy among employees and how information flows between the different management levels in the firm (Wickham, 2006; 2017). In this study, structural growth will be considered as changes in the number of employees and changes in the size and location of the business over the years.

#### **3.3.4.4 Organisational growth**

According to Wickham (2006) and Nieman and Struwig (2019:327), organisational growth refers to changes in a venture's culture, attitudes, and process as it progresses through the stages of birth, growth, maturity, and decline. In this study, organisational growth will be considered as the changes in the management style. For example, the changes in the entrepreneurs' responsibilities and style of management as the organisation transitions from

a small venture to a business aiming for growth. Figure 3.5 is a presentation of growth as the outcome of business development.

**Figure 3.5: Growth as the final outcome of business development**



**Source:** Author's compilation

According to Figure 3.5, the outcome of business development is growth, which can be financial, strategic, structural, or organisational. Growth cannot be achieved without the assistance of BDS, which include mentoring, business advice, business incubator services, and networking in this study. Based on the foregoing, the researcher believes that the best way to understand growth is to first define business development and BDS. This explains why the researcher stated (in Chapter One) that growth will be the result of business development in this study, implying that there will be no growth if there is no business development.

### **3.3.5 Networking (networks) process in business development and growth**

Based on the researcher's assessment of the functions and benefits of networks as described by scholars, there appears to be a mishmash of facts that confuses the public. From the review of previous literature, one verified source (Moos, 2019) has separated the functions of networks from the benefits of networks. Several scholars report the two as one, that is, they all report network functions as network benefits. According to the Collins English Dictionary (2017), the function of something or someone is the useful thing that they do or are intended to do, while the benefit of something is the help that you get from it or the advantage that results from it. If something benefits you, then it could imply that it helps you or improves your life. As a result of this, it is safe to say that functions refer to the purpose of something, while benefits refer to the gains or profits from that thing. In relation to business development, the researcher believes that network benefits should account for the positive effects (outcomes and impacts) of networking, whereas network functions should be the outputs of those networks; implying that the benefits should result from the functions.

For example, Moos (2019:241) posits that a function of networks can include their ability to provide practical assistance and emotional support. Then, the benefit from that function should be whether there is an increase in the entrepreneur's business as a result of the practical assistance and emotional support provided by the networks. Other scholars (Baird, 2016; De Burgh Group, 2021; Denizen, 2020; Orega, 2021; Skarpova & Grosova, 2015; Witt *et al.*, 2008) also report that the benefits of networking include its ability to provide resources and opportunities. That should be a function, not a benefit. The provision of resources should result in a positive change or increase in finances or an increase in the size of the business (benefit resulting from the resource provision function). It is as a result of this that the researcher linked the functions of networks (outputs) and benefits of networks (outcomes and impacts) as presented in Figure 3.6, which depicts a presentation of the proposed networking (network) process in business development and growth.

**Figure 3.6: The network process in business development and growth**

		FUNCTIONS OF NETWORKS		BENEFITS OF NETWORKS IN BUSINESS DEVELOPMENT AND GROWTH	
INPUTS/ RESOURCES	ACTIVITIES	OUTPUTS	OUTCOMES	IMPACTS	
<ul style="list-style-type: none"> <li>• Individuals</li> <li>• Businesses</li> <li>• Organisations</li> <li>• Firms</li> <li>• Entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Stokvels</li> <li>• Events</li> <li>• Seminars</li> <li>• Conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge</li> <li>• Resources</li> <li>• Opportunities</li> <li>• Finances</li> <li>• Information</li> <li>• Human capital</li> </ul>	<ul style="list-style-type: none"> <li>• Improved business processes</li> <li>• Improved access to markets</li> <li>• Improved business performance</li> <li>• Improved customer relationship</li> <li>• Increased access to financial resources</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in financial growth</li> <li>• Increase in strategic growth</li> <li>• Increase in structural growth</li> <li>• Increase in organisational growth</li> </ul>	

**Source:** Author's compilation

Figure 3.6 is derived from the Logic Model (LM) (Kellogg Foundation, 2004) framework and used in explaining the networking (network) process in business development and growth. The LM, which is based on the theory of change, is a framework that outlines the relationship that exists between the resources required to manage a project, the activities, expected outputs, outcomes, and impacts of such a project (Eaton, 2010:5; Kellogg Foundation, 2004:2). Developing networks, like any project, is a process that requires specific resources, activities, outputs, outcomes, and impacts to demonstrate that it is worthwhile to engage in, which motivates the researchers' choice to use the LM framework in describing the process.

In Figure 3.6, resources are also known as inputs in the networking process, and they include individuals, businesses, organisations, entrepreneurs, and firms. The term "activities" refers to a sequence of procedures, events, and actions (Savaya & Waysman, 2005:87). Meetings, stokvels, seminars, and conferences are examples of networking activities in which network participants get together and share their ideas. Outputs are the expected products and services from the networking process, and they can be tangible or intangible, such as physical cash, knowledge, resources, and opportunities (Clifford, Hehenberger & Fantini, 2014:6). The outputs also represent the effect of the networks on the network participants (referred to in the study as functions of networks). Outcomes and impacts are the beneficial changes in the lives of the intended beneficiaries of the networks (referred to in the study as benefits of networks) (Clark & Brennan, 2016:16; Kellogg

Foundation, 2004). They can be immediate, short-term, or long-term resulting from the networking activities.

Outcomes from Figure 3.6, such as improved business processes, improved customer relationships, and improved access to finance, for example, will increase business growth in the long run, which can be financial, strategic, structural, or organisational (considered as impacts). It is also worth noting that each outcome in Figure 3.6 can result in any of the impacts, implying that each outcome is not limited to a single impact. Improved business processes, for example, can lead to increased financial growth, strategic growth, structural growth, and organisational growth all at the same time. Improved business processes may also increase strategic growth but not financial, structural, or organisational growth. It is also important to note that an entrepreneur can obtain a resource such as finance from a network; however, if that entrepreneur does not manage the finances cost-effectively, there may be no increase in annual revenues or profits (financial growth). If this is the case, there has been no benefit to obtaining funds from networks. However, if an entrepreneur receives financial support from networking and can increase their annual revenue and profit from these funds, the entrepreneur has benefited from receiving financial support from networks. It is as a result of the aforementioned that network functions and network benefits are treated separately in this study (Research Questions 3 and 4, see Chapter One on research questions).

### **3.3.6 Social network theory**

The idea of social networks was pioneered by Émile Durkheim and Ferdinand Tönnies in the 1880s, who opined that social groups could exist as personal and social links between people who share common values and cultures. Since then, the concept of a social network theory has attracted the interest of scholars and has quickly become multi-disciplinary, with applications in computer, mathematical, statistical, and social sciences (Fredericks & Durland, 2005:15; Wasserman & Faust, 1994). This claim is supported by Wetherell (1998:125), who posits that social network theory is an analytical paradigm in sociology and it also holds a strategic position in disciplinary debates on a wide range of issues. Scholars' increased interest in social network theory can be attributed to the theory's emphasis on explaining the relationships that exist between actors and the implications of these

relationships (Wasserman & Faust, 1994). This claim is supported by Wetherell (1998:15). However, the author argues that, when compared to other social science theories, social network theory stands out since it fixates on the social and behavioural aspects of interpersonal interaction among stakeholders rather than the stakeholders' choices, as it is the case in other disciplines. This disparity may be due to traditional social science's inability to recognise other social aspects as important data that can be analysed.

According to Premaratne (2002), social network theory can be used to better understand entrepreneurship and business development when two people form a relationship with one another. Claywell (2021) reports that the social network theory describes how different actors interact with one another and adds that it is easy to understand the social network theory by breaking it down into smaller pieces, beginning with the whole and progressing to individual actors. Consistent with Claywell's (2021) assertion, and when viewed through the lens of social network theory, it is simple to understand growth by beginning with business development and BDS. The social network theory is important in understanding business development because social networks allow entrepreneurs to gain access to critical resources (finances, knowledge, and human capital), which help them grow their businesses. As a result, being well connected in social networks and other network typologies in the South African entrepreneurial ecosystem will provide immigrant entrepreneurs with various resources, information, and access to human capital that they can use in their business development in the ecosystem.

### **3.4 CHAPTER SUMMARY**

This chapter reviewed relevant literature on networks and business development. The chapter commenced by looking at the multiple definitions of networks that have been proposed by scholars. Though the multiple definitions are somewhat different, they are similar in that they focus on actors (entrepreneurs, firms, people and events) and their relationships. Other major characteristics from the definitions include nodes, bonds, links and connections. The literature indicates that the actors develop their networks through trust, understanding, and forging relationships with their peers, people from the same ethnicity, and members of alumni forums. The major types of networks reviewed in this chapter were social, business, managerial, family, ethnic and inter-organisational networks.

These networks all play a role in the development of entrepreneurs, including immigrants. Furthermore, the network functions and benefits were reviewed. The major finding is that networks avail resources and business opportunities to the network participants. The researcher, however, discovered that some scholars report the provision of resources and business opportunities as network functions, while others report it as network benefits. This to an extent implies a mishmash of facts. The researcher, therefore, proposed that the network functions are different from network benefits based on the general definition of function and benefits. Importantly, network benefits result from network functions. Furthermore, network research in this chapter was underpinned by the resource dependence theory.

The second section of this chapter focused on business development. The review of the literature shows that there is a lack of agreement on the definition of business development, despite the fact that it is a buzzword in business research. The literature also indicates that business development is dependent on certain forces which interact to create growth opportunities. The forces in this chapter were referred to as the BDS. The four main BDS that have been covered in this chapter are mentoring, advice, business incubator services and networking. The findings indicate that for the mentoring process to be successful, the mentor needs to have a positive relationship with the mentee. Regarding business advice, the prior literature suggests that not all advice is useful, especially advice from informal managers. In terms of incubators, the literature suggests that business incubators substantially reduce the high mortality rate of start-ups. Networking, on the other hand, can have a significant positive impact on business success because it allows business managers to gain access to critical resources over which they have limited or no control at a lower cost. Growth, which is viewed by entrepreneurs from four different perspectives, was discussed in this chapter as the outcome of business development. These four perspectives or types of growth are strategic, financial, organisational or structural growth. Finally, the social network theory was used to underpin business development research in this chapter.

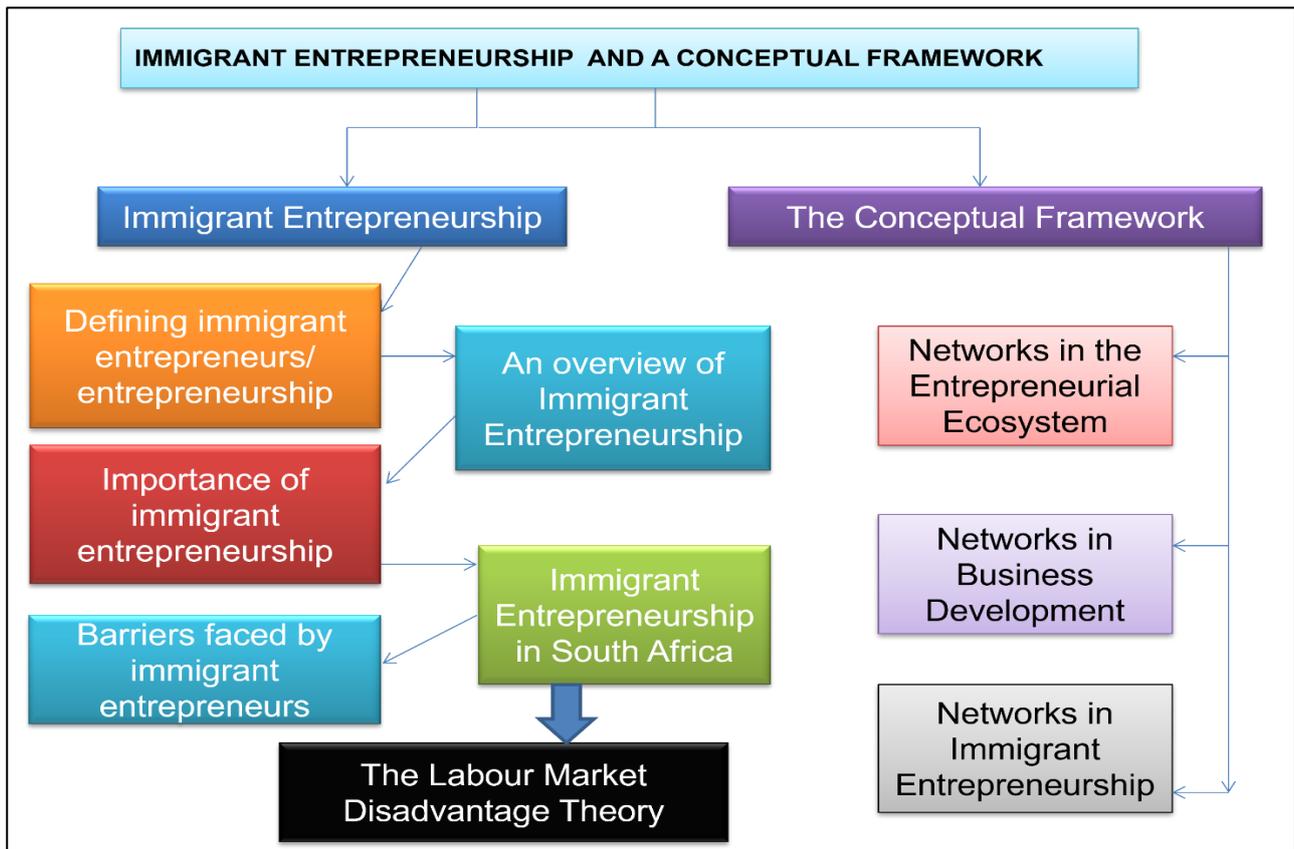
## 4 IMMIGRANT ENTREPRENEURSHIP AND A CONCEPTUAL FRAMEWORK

### 4.1 INTRODUCTION

As with mainstream entrepreneurship, immigrant entrepreneurship (which stems from migration studies) lacks a unified definition. Scholars contend that immigrant entrepreneurship is frequently used interchangeably with terms such as minority entrepreneurship, ethnic entrepreneurship, and/or migrant entrepreneurship (Glinka, 2018; Ozmen, Grosu & Dragusin, 2021). The important point to note about this emerging area of study is that the immigrant entrepreneur receives more attention than the type of venture they operate. This is because there is no immigrant entrepreneurship without the immigrant, hence the name immigrant entrepreneurship (immigrant first, entrepreneurship second) was coined. Prior research has suggested that, like local entrepreneurs, immigrant entrepreneurs play an important role in their host economies, such as creating jobs for locals and contributing to the host country's economic growth and development (Kerr & Kerr, 2020; Lofstrom, 2019:1; Malerba & Ferreira, 2021:2). Despite this important role, immigrant entrepreneurs face some challenges that can stymie their business development in the host country, such as a lack of government support and networks, among others (Fubah & Moos, 2022b; Muchineripi *et al.*, 2019).

The first chapter focused on the study's background and introduction, the second on entrepreneurship and the entrepreneurial ecosystem, and the third on existing literature on networks and business development. Chapter Four now focuses on immigrant entrepreneurship and a conceptual framework for the study. Figure 4.1 presents an overview of what is covered in the chapter.

**Figure 4.1: An overview of Chapter Four**



**Source:** Author's compilation

The first section of this chapter defines immigrant entrepreneurship, followed by an overview and discussion of the importance of immigrant entrepreneurship. This is followed by a review of the literature on immigrant entrepreneurship in South Africa and barriers to immigrant entrepreneurship. Finally, the section underpins immigrant entrepreneurship on the labour market disadvantage theory. The second part of the chapter presents a conceptual framework for the study (the network-entrepreneurial ecosystem, network-business development and network-immigrant entrepreneurship [NEEBDIM] framework). In the conceptual framework, networks are examined in this context in relation to entrepreneurial ecosystems, business development, and immigrant entrepreneurship.

## **4.2 IMMIGRANT ENTREPRENEURSHIP**

### **4.2.1 Defining immigrant entrepreneurs and immigrant entrepreneurship**

As mentioned, there is not yet a widely accepted definition of immigrant entrepreneurs and immigrant entrepreneurship. Some scholars (for example; Glinka, 2018, Ozmen *et al.*, 2021

and Santamaria-Alvarez, Muñoz-Castro, Sarmiento-González & Marín-Zapata, 2018) posit immigrant entrepreneurship is (sometimes) used interchangeably with other concepts such as ethnic, minority, migrant, diaspora, and transnational entrepreneurship. This could be one of the many reasons why there is not yet a unified definition for immigrant entrepreneurship. Table 4.1 is a compilation of some proposed definitions of immigrant entrepreneurship.

**Table 4.1: Some proposed definitions of immigrant entrepreneurship**

Author(s)	Proposed definition
Waldinger, Aldrich and Ward (1990:33)	Ethnic entrepreneurship refers to “a set of connections and regular patterns of interaction among people sharing a common national background or migration experiences”.
Valdez (2003:4) And Valdez (2008:956)	Ethnic entrepreneurship is the engagement in entrepreneurial activities by people from the same ethnic group.
Sahin, Nijkamp and Baycan-Levent (2007:1)	Migrant entrepreneurship refers to business activities carried out by migrants with a specific socio-cultural, ethnic, or migrant background.
Tengeh (2011:38)	Defines immigrant entrepreneurship as “entrepreneurial activities carried out by immigrants just after arrival in their host country, either through personal initiatives or with assistance from acquaintances in the host or country of origin”.
Brzozowski, Cucculelli and Surdej (2014:551)	Transnational entrepreneurship refers to immigrant business engagement in both the host country and the country of origin.
Brzozowski, Cucculelli and Surdej (2017:107)	Transnational entrepreneurship includes immigrants and ethnic entrepreneurs who maintain regular cross-border operations and market their presence in both the host and their home country.
(Glinka, 2018:24)	Ethnic entrepreneurship is also defined more broadly “as actions of those who share ethnic origins but are not necessarily immigrants: they may be descendants of immigrants or belong to an ethnic minority long-established in a given country, or even represent the indigenous population of a given country”.
Dabić <i>et al.</i> (2020:25)	Immigrant entrepreneurship is broadly defined as the pursuit of entrepreneurial activities by immigrants.

**Source:** Author’s compilation

From Table 4.1, the definition of transnational/diaspora entrepreneurship is similar to immigrant entrepreneurship; however, transnational entrepreneurship is centred on

migrants who maintain close ties in their country of origin. A close examination of the various definitions in Table 4.1 reveals that immigrant entrepreneurship may be a unified term for the various concepts (migrant and ethnic entrepreneurship), which is also the main focus of this chapter. The definitions all centre on the migrant or immigrant as the focal point, rather than the type of business they establish. This implies that what really drives immigrant entrepreneurship is the actor/entrepreneur who establishes the business, rather than the types of businesses they establish. After reviewing the different definitions from Table 4.1, this study proposes that immigrant entrepreneurs are individuals who decide to settle in a foreign country for a long or short period to have access to better business opportunities and experiences. As a result, when foreigners arrive in a host country and start businesses, they are referred to as immigrant entrepreneurs (Singh, Saurabh & Bhatt, 2020:49). The businesses managed by the immigrants are called immigrant-owned businesses (Asoba & Tengeh, 2016:411).

#### **4.2.2 An overview of immigrant entrepreneurship**

Immigration is defined as the voluntary or involuntary movement of people to a foreign or new country to settle there for an extended period (Bolter, 2019; Moghaddam, 2017:2). Immigration has an impact on individuals moving from the country of origin, the country of origin itself and host country. More specifically, some countries have ongoing political and ethnic conflicts, which motivates citizens from these countries to seek refuge in the most stable settings (Fubah & Moos, 2022b:1). It is important to note that when these people leave their home country, they reduce the labour force in that country (and this may affect the country negatively). When these migrants arrive in the host country, some seek formal employment, while others establish businesses, and as a result, have an impact on the host country because they contribute to the host country's economic development.

Estimates in 2017 indicated that there were roughly "232 million international migrants worldwide—approximately 3.2% of the world population" with numbers expected to continue to rise rapidly in the foreseeable future (Moghaddam, 2017:2). Recently, estimates show that there are 281 million international migrants globally, which is about 3.6% of the world's population (World Migration Report, 2022). This implies a 49 million increase in global migration between 2017 and 2022. Scholars posit that immigration generally involves

individuals from less developed nations moving to developed nations (Moghaddam, 2017:2; Mohamed & Abdul-Talib, 2020; Parkins, 2010; World Migration Report, 2022). Prior evidence suggests that people migrate due to certain push or pull factors (Moghaddam, 2017; Mohamed & Abdul-Talib, 2020; Parkins, 2010). Pull factors (such as better opportunities and stable/better economic conditions, which can lead to higher living standards) are those that entice people to move to a new country, whereas push factors (such as unemployment, conflicts, and low wages) are those that drive people away from their home country (Moghaddam, 2017; Mohamed & Abdul-Talib, 2020; Parkins, 2010).

Although migration is a topic which has been studied for centuries, it has recently been viewed as a topic of heated public debate in the academic community. Glinka (2018) points out that such a debate requires the topic to be explored for a better understanding of what it truly is. It is as a result of this that scholars across different fields of study are eagerly researching this phenomenon. Furthermore, scholars have been paying more attention to the phenomenon, owing to the potential it offers in terms of developing new models and frameworks, as well as its applicability to reality. Stemming from migration are topics such as immigrant entrepreneurs and immigrant entrepreneurship. Immigrant entrepreneurship is a relatively new field of inquiry in management (Glinka, 2018:26), which has piqued the interest of scholars across the globe (Akin *et al.*, 2017; Chimucheka *et al.*, 2019; Chrysostome & Lin, 2010; Dabić *et al.*, 2020). Immigrant entrepreneurship has been researched by scholars across different fields of study, such as anthropology, sociology and economics (Glinka, 2018); however, due to the research gaps that are continually identified by researchers, it is evident that the concept is under-researched. As examples of these gaps, the researcher refers to the systematic reviews that have been conducted on immigrant entrepreneurship (Aliaga-Isla & Rialp, 2013; Dabić *et al.*, 2020; Fubah & Moos, 2022b; Malerba & Ferreira, 2021).

According to Glinka (2018:26), the first studies on immigrant entrepreneurship date back to the mid-twentieth century. Previously, research on immigrant entrepreneurship was restricted to popular and advantageous migration destinations such as the USA. It was not until recently that other destinations around the world such as South Africa (Chimucheka *et al.*, 2019), Poland (Glinka, 2018), Australia (Collins, 2003; Collins, 2021), and Turkey (Shinnar & Zamantılı Nayır, 2019), amongst others, have been included in the debates on

the subject. The growing popularity of immigrant entrepreneurship research varies by country. In a country such as Poland, research on immigrant entrepreneurship focuses on both those leaving the country and immigrants settling and establishing businesses in the country (Glinka, 2018:26).

Prior research on immigrant entrepreneurship suggests that immigrant entrepreneurs are more entrepreneurial compared to locals (Kerr & Kerr, 2020; OECD, 2010:14). Collins (2021:49) agrees with the OECD (2010:14) claim, pointing out that compared to non-immigrants (16.3%), immigrants (18.8%) in Australia have a higher rate of entrepreneurship. This implies that there are more immigrants engaged in entrepreneurship in Australia than non-immigrants. In popular and favourable destinations for immigrants (for example, the USA), the majority of those entering entrepreneurship are immigrants. The reason behind this could be the fact that immigrants, due to factors beyond their control, tend to see self-employment as a means to an end and as such start their businesses (Kerr & Kerr, 2020:1-2). The same can be said for South Africa, where the number of local entrepreneurs is declining, leaving a void that immigrant entrepreneurs are constantly attempting to fill (Fubah & Moos, 2022b).

Immigrant entrepreneurial ventures range from micro "mom and pop" stores in low-tech environments to high-tech start-up firms in clusters such as Silicon Valley (Kerr & Kerr, 2020:2). Immigrant businesses may look somewhat different from one another, but they may also be very similar to those of native peers in some ways. This implies that immigrant entrepreneurs may run similar businesses as well as businesses that have no observable similarities in the host country. Kerr and Kerr (2020:1) posit that immigrant entrepreneurs often show up in the press, in legislative discussions and popular discussions on the founding of prominent firms (such as high-tech firms in Silicon Valley). This portrays the importance and critical role that immigrant entrepreneurs and entrepreneurship play in economic development (see more under the importance of immigrant entrepreneurship). Despite the critical role that immigrant entrepreneurs play in their host country, such as contributing to economic development and providing employment to locals, immigrant entrepreneurs often encounter some difficulties which may negatively impact their business development (see more under Section 4.5- the challenges faced by immigrant entrepreneurs). The next section outlines the importance of immigrant entrepreneurship.

### 4.3 IMPORTANCE OF IMMIGRANT ENTREPRENEURSHIP

It is well established that SMEs play a significant role in the economic development of most countries (Fubah & Moos, 2022a; Kongolo, 2010:2288; Ngota *et al.*, 2017:144). These SMEs are owned and managed by both national and foreign nationals (immigrant entrepreneurs) in various economies. In the global economy, individuals migrate from one country to another for many reasons which may include searching for jobs, knowledge, and opportunities or to have a better life and start businesses (Malerba & Ferreira, 2021:6). Drawing on the above, it is clear that, like locals, immigrant entrepreneurs play a critical role in their host countries. Moreover, immigrant entrepreneurship is considered an important socio-economic phenomenon due to the critical role it plays in the economic development of the host country (Ngota *et al.*, 2017:144).

It can also be said that immigrant entrepreneurship contributes to the economic development of the country of origin of the immigrant entrepreneurs (in the case of diaspora and transnational entrepreneurship, where the entrepreneur has footprints in both the host and their country of origin). Immigrant entrepreneurs have also been found to contribute more to their host country's international trade, bringing in foreign currency that contributes to the host country's GDP. Lofstrom (2019:3), who supports this assertion, posits that immigrant-owned businesses typically have higher rates of exports than local-owned businesses due to their business networks and cultural ties within the country of origin. This implies that immigrant entrepreneurs are sometimes members of established networks and business associations in their home country, and when they start their ventures in the host country, they see their home country as an important market.

Immigrants' entrepreneurs are more entrepreneurial compared to locals and as a result contribute to economic growth and innovation in world economies (Lofstrom, 2019:1; Malerba & Ferreira, 2021:2; OECD, 2021). Kerr and Kerr (2020:1-2) who share a similar viewpoint, surveyed immigrant entrepreneurs and found that they start approximately 25% of all firms in the US and the number rises to more or less 40% in New York and California. They also report that immigrant entrepreneurs do not only provide employment and innovation in firms; they positively impact the lives of locals. In support of Kerr and Kerr

(2020:2), prior research (Lofstrom (2019:4), surveyed immigrant-owned businesses in the US between 2007 and 2012 and found that they employed about 16 million people, hence reducing the poverty gap and unemployment within the economy. In sub-Saharan Africa, immigrant entrepreneurship contributes to the economic growth of countries including South Africa, since it creates employment and alleviates poverty (Fatoki, 2014:722; Fubah & Moos, 2022b; Muchineripi *et al.*, 2019; Ngota *et al.*, 2018; Ngota *et al.*, 2017). The next section reviews immigrant entrepreneurship literature in the South African context.

#### **4.4 IMMIGRANT ENTREPRENEURSHIP IN SOUTH AFRICA**

Due to the political insecurity and economic difficulties that plague most African countries, South Africa, the continent's most developed country, has become a haven for nationals from other African countries. Evidence suggests that South Africa has the highest number of immigrants on the African continent. According to official estimates, there are approximately 2.9 million immigrants, accounting for less than 5% of South Africa's population of approximately 60 million people (Moyo, 2021). The total number of immigrants in South Africa, estimated to be around 2.9 million, is likely understated due to the presence of undocumented immigrants, the majority of whom are from neighbouring countries (Moyo, 2021). While the majority of immigrants in South Africa are from the African continent, Zimbabwe tops the list, accounting for approximately 24% of all immigrants in South Africa (Department of Home Affairs, 2017; Moyo, 2021; United Nations, 2020). It is important to highlight that all these statistics are based on estimates.

Most of these immigrants cross into South Africa in search of a better life and refuge. These people settle in the country's major cities, which include Johannesburg, Cape Town, Durban, and Pretoria, among others. Ezennia and Mutambara (2020:2) who shares a similar viewpoint, add that nationals from other continents also flood South Africa because the country is a fertile ground for entrepreneurial activities. Although immigrants from other continents are settling in South Africa, the majority of these immigrants are from Africa and Asia; "Asians from China, Pakistan, Bangladesh, India, Korea, and Africans from Zimbabwe, Ethiopia, Ghana, Congo, Cameroon, Somalia, Kenya, Nigeria, and Senegal, for instance" (Ezennia & Mutambara, 2020:2). The South African Government is having increasing difficulty providing its citizens with long-term job opportunities to reduce rising poverty rates.

A recent report by Statistics South Africa (2021) notes that the official unemployment rate in South Africa was 32.6% in the first quarter of 2021. This increased to 35.3% in the fourth quarter of 2021. The unemployment rate in Quarter Two of 2022 was 33.9%, down from 34.5% in Quarter One of 2022 and a record high of 35.3% in Quarter Four of 2021 (Trading Economics, 2022b). Due to South Africa's economic situation (the high unemployment rate), most of these immigrants are unable to find work, and as a result, self-employment is usually the only option for them.

It is as a result of the aforementioned that immigrant entrepreneurship has recently gained the interest of South African scholars (Asoba & Tengeh, 2016; Chimucheka *et al.*, 2019; Chinomona & Maziriri, 2015; Fatoki, 2013; Fubah & Moos, 2022b; Muchineripi *et al.*, 2019; Ngota *et al.*, 2018). This is evidenced by an increase in the number of publications emanating from the country on the global phenomenon. Starting businesses in the South African economy is usually a means to an end for foreign nationals (immigrant entrepreneurs) because of the stringent labour laws which, at times, discriminate against foreigners (Ngota *et al.*, 2018:1). This is despite their qualifications; for example, foreign qualifications are not recognised in South Africa unless verified by the South African Qualification Authority. This verification process is very expensive, and most immigrants cannot afford to pay for it. Also, most immigrants do not have the necessary documentation or skills to seek employment when they arrive in South Africa. The majority of them rely on informal street trading to survive. This informal street trading entails purchasing basic products; for instance, from Johannesburg City Centre at low prices and reselling them at a higher price in the locations to make a profit. Some immigrants engage in what is known as door-to-door selling (an in-person sales method used by entrepreneurs to sell products and services to customers at their homes). It is important to note that street trading is a global phenomenon, not something that is limited to South Africa. Scholars (such as; Cao, Liu, Shang & Zhou, 2021; Fubah & Moos, 2022b; Giraldo, Garcia-Tello & Rayburn, 2020; Skinner, 2008:227) share a similar view, asserting that globally, millions of people make a living through street vending. It is also worth noting that street vending is common in all African cities.

While some immigrants resort to street vending just after arrival in South Africa, others seek employment in the informal sector. The informal sector refers to “economic activities that are

relatively small scale and elude certain government requirements, such as registration, tax and social security obligations” (Skinner, 2008:228). Due to the low pay from these informal jobs, the immigrants' final destination is usually to start their businesses or engage in street trading. The success rate of foreign-owned businesses in South Africa increases the confidence of other foreign nationals, who then decide to relocate to South Africa (Ezennia & Mutambara, 2020:4). This explains why the number of foreign-owned businesses in South Africa's entrepreneurial ecosystem is steadily increasing. Furthermore, while the South African economy has recently declined, the increase in the number of foreign-owned ventures could be attributed to South Africa's socio-economic and political leverage, which is thought to extend beyond Africa (Ezennia & Mutambara, 2020:4). Scholars have reported the role immigrant entrepreneurs play in the South African economy to include job creation for South African citizens, and skills transfer (Fatoki & Patswawairi, 2012:139; Ngota *et al.*, 2018:1). As such, they make an effort in reducing the unemployment rate in South Africa (Ngota *et al.*, 2018:1).

Immigrant entrepreneurs in South Africa have honed their entrepreneurial skills, which improves their ability to create and manage successful ventures. Not all small settlements in South Africa have large stores such as Shoprite, Pick 'n Pay, or Checkers, to name a few. Immigrant entrepreneurs have consistently established businesses in these areas to serve those who cannot afford to travel to such large stores. Major stores, such as those listed above, do not stock staple foods such as plantain, yams, coco yam, and cassava, among others. As a result, foreign nationals establish businesses that provide these foodstuffs to those who wish to purchase them. These stores are not solely managed by foreign nationals. Though the immigrant entrepreneurs may be the owners of the shop, a majority of the employees are usually South African citizens. This view is supported by Kalitanyi and Visser (2010:377), who assert that 80% of African immigrant entrepreneurs involve South Africans in their business ventures (these statistics might have changed over the years). In this same line of reasoning, Ngota *et al.* (2018:6) found that approximately 97.4% of African immigrant entrepreneurs in South Africa employ South African citizens in their businesses. This is primarily a strategy for overcoming language barriers. Despite their importance to the South African economy, immigrant entrepreneurs face obstacles that stymie their business growth, such as xenophobic attacks, a lack of local networking, limited access to credit facilities, and exclusion from government programs aimed at SMEs (Muchineripi *et al.*, 2019; Ngota *et al.*,

2018). The following section will discuss the global challenges of immigrant entrepreneurship in greater detail.

## **4.5 CHALLENGES FACED BY IMMIGRANT ENTREPRENEURS**

### **4.5.1 Xenophobic attacks and criminality**

Khosa and Kalitanyi (2014:207) view xenophobia “as attitudes, prejudices, and behaviour that reject, exclude and often vilify persons based on the perception that they are outsiders or foreigners to the community, society or national identity”. Xenophobic attacks are a global phenomenon which has become a recurring issue in South Africa. Xenophobia became a buzzword in South Africa in 2008, when there were attacks on foreigners in Cape Town (Chinomona & Maziriri, 2015; Khosa & Kalitanyi, 2014). Chinomona and Maziriri (2015:22) argue that immigrants, especially those from other African countries, struggle to find employment in South Africa, despite their qualifications. This can be attributed to high levels of xenophobia; these attacks result in the temporary closure of some businesses, while the destruction caused by the attacks results in the permanent closure of others (Khosa & Kalitanyi, 2014; Muchineripi *et al.*, 2019).

Xenophobic attacks are usually directed at foreign nationals, but locals are frequently caught in the crossfire and this lead to loss of lives. Mpofo-Chimbga (2013), who supports this view, adds that xenophobic attacks lead to the destruction of properties, loss of life and jobs, and political instability. Some of the main reasons for the xenophobic attacks as highlighted by Chinomona and Maziriri (2015:23) include jealousy, stealing jobs, and accepting low wages. These attacks also hinder the development of immigrant entrepreneurial ventures and discourage aspiring immigrants from engaging in entrepreneurial activities in the entrepreneurial ecosystem.

### **4.5.2 Limited access to funding and credit facilities**

Scholars posit that immigrant entrepreneurs lack access to funding, credit facilities and access to financial capital, which hinders their business development in the entrepreneurial ecosystem (Basu & Altinay, 2002; Fatoki & Patswawairi, 2012; Muchineripi *et al.*, 2019; Ngota *et al.*, 2018; OECD, 2021). This view is also supported by a Covid-19 report published

by Torrington *et al.* (2020), which highlights the fact that financial support from the South African Government to keep SMEs afloat excluded immigrant-owned SMEs. This is despite the role they play in the South African economy; for example, above 80% of African immigrant entrepreneurs employ South Africans in their businesses (Kalitanyi & Visser, 2010:377; Ngota *et al.*, 2018).

Basu (2011:2) also reports that, when compared to other small businesses, immigrant entrepreneurs face chronic financial difficulties, making it difficult for them to capitalise on market opportunities. According to Muchineripi *et al.* (2019:4), many immigrant business ideas remain ideas, rather than being implemented, due to a lack of funds. Their inability to obtain credit facilities can be attributed to a lack of collateral, which is typically required to obtain loans. In addition, a lack of proper documentation may contribute to banks refusing to lend to needy immigrant entrepreneurs (Khosa & Kalitanyi, 2014:213). Poor credit history could also be one of the reasons why they are unable to obtain credit. Ngota *et al.* (2018:5) posit that a lack of relationships and networking with financial institutions is also a major drawback for immigrant entrepreneurs. This implies that having relationships and networking with financial institutions can provide them with access to loans which can assist in their business development.

#### **4.5.3 Lack of networks and business skills**

Recently, networks have been identified as an important ingredient in the business world. Muchineripi *et al.* (2019:6) support this assertion, adding that networking is an important mechanism through which entrepreneurs can exchange ideas and resources which can facilitate their business development. Despite this importance, scholars have found that immigrant entrepreneurs lack networks, which is detrimental to their business success (Fatoki & Patswawairi, 2012; Muchineripi *et al.*, 2019; Ngota *et al.*, 2018). The OECD (2021) supports these claims, adding that immigrant entrepreneurs usually struggle in developing networks with local entrepreneurs and other entrepreneurial institutions in the host country. Immigrant entrepreneurs mostly use co-ethnic networks (Fatoki & Patswawairi, 2012) and lament the lack of access to local networks (Muchineripi *et al.*, 2019) in the entrepreneurial ecosystem, which negatively impacts their entrepreneurial endeavours. Surprisingly, Fatoki and Patswawairi (2012) disclose that immigrant entrepreneurs do not move to other

networks, perhaps they are not aware of such networks, which is an avenue that is being explored in this study. Furthermore, most immigrant entrepreneurs are not members of business associations in their host country, making it difficult for them to network with other businesses. This negatively affects their business development.

Additionally, most businesses fail due to the entrepreneurial team's lack of the necessary skills (such as accounting and management skills). Although the entrepreneur has a viable idea, if they lack the necessary skills, there will be no guarantee of business success. Fatoki and Patswawairi (2012:138) and Ngota *et al.* (2018:5), who support this assertion, add that having the right skills such as managerial competencies is vital for business success. Many immigrant businesses are a one-man business and because they lack sufficient capital, it is usually very difficult for them to employ a competent manager or to outsource the service to competent companies.

#### **4.5.4 Lack of business permits and language barriers**

Another major barrier faced by immigrant entrepreneurs is the lack of business permits, identification documentation and language barriers, which prevents them from operating their businesses (Ngota *et al.*, 2018). In the South African entrepreneurial ecosystem, these barriers mainly arise from the bottlenecks within the DHA. Most immigrant entrepreneurs are refugees and asylum seekers. Their documents must be renewed on a quarterly or yearly basis, and the renewal process is very slow. The lack of such documents will prevent immigrant entrepreneurs from travelling to other parts of the country to conduct business.

Furthermore, scholars note that the lack of fluency in the host country's language could be detrimental to immigrant entrepreneurial success, as they would find it difficult in negotiating business deals (Aaltonen & Akola, 2012; Basu, 2011; OECD, 2021; Ohlsson, Broomé & Bevelander, 2012). This assertion is supported by Khosa and Kalitanyi (2014:212), who found that most African immigrant entrepreneurs in Cape Town are not conversant in the two prominent languages (Xhosa and Afrikaans), which impedes their business development. Therefore, immigrants operating their businesses in Cape Town face significant challenges due to a lack of proficiency in these two languages. Based on this, it is possible to conclude that being fluent in host languages, as well as other foreign

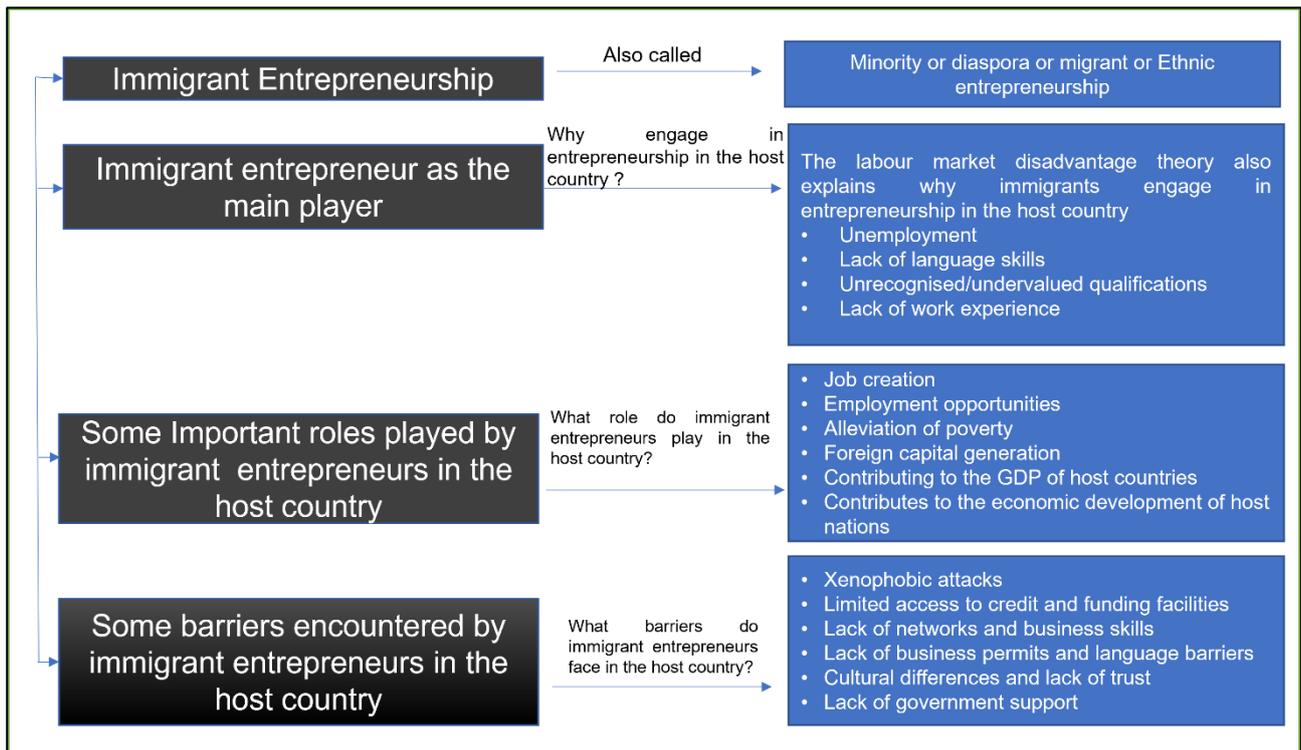
languages in foreign markets, would be beneficial to immigrant entrepreneurs. Thus, the immigrant entrepreneur is more likely to adapt and keep their business running in a host country where there are no language barriers.

#### **4.5.5 Cultural differences and lack of trust**

Cultural differences, lack of trust and discrimination in the host country are other challenges that are faced by immigrant entrepreneurs. More specifically, scholars (such as; Aaltonen & Akola, 2012:1-12; Hack-Polay, Tenna Ogbaburu, Rahman & Mahmoud, 2020) assert that cultural diversity is a major issue for immigrant entrepreneurs in Finland and the UK. This is because adjusting to a host country's culture, traditions, habits, and way of life is a difficult task that requires time and effort. Furthermore, immigrant entrepreneurs come from diverse cultural backgrounds, making it difficult for them to easily interact and share ideas that can improve their business performance in the host country. According to Aaltonen and Akola (2012) and Hack-Polay *et al.* (2020), cultural differences between the host country and the immigrant entrepreneur's home country also create trust issues.

In line with this, immigrant entrepreneurs focus on developing trust relationships with their peers of the same ethnicity or country, whereas local entrepreneurs focus on developing trust among themselves alone. As a result, there is little or no cooperation between immigrant and local entrepreneurs, which stifles entrepreneurial development. While this barrier has been identified in Finland, it can be argued that it is a general problem faced by immigrant entrepreneurs in all economies due to cultural diversity. Other challenges faced by immigrant entrepreneurs include the struggle to pay rent, difficulties with securing a good business location (Khosa & Kalitanyi, 2014:231), lack of government support, high competition and weak markets (Fatoki & Patswawairi, 2012:138; OECD, 2021; Torrington *et al.*, 2020).

**Figure 4.2: Summary of immigrant entrepreneurship research**



**Source:** Author's compilation

Figure 4.2 is a summary of the immigrant entrepreneurship literature covered in this chapter. As indicated in the figure, immigrant entrepreneurship is often used interchangeably with terms such as minority, diaspora, or ethnic entrepreneurship. Figure 4.2 also indicates that the immigrant entrepreneur is the main player in immigrant entrepreneurship; one (entrepreneurship) cannot exist without the other (entrepreneur). While in the host country, immigrant entrepreneurs face unemployment issues which can be attributed to a lack of language skills, lack of working experience in the host country and undervalued foreign qualifications. This explains why most immigrants resort to entrepreneurship as self-employment; through which the immigrant entrepreneurs alleviate poverty for themselves and locals in the host country by employing said locals. Immigrant entrepreneurs also generate foreign income and GDP for the host country, contributing to the economic development and growth of the host country. It is important to note that this (the importance of immigrant entrepreneurs) does not apply to one specific region or country, but it is the general important roles which immigrant entrepreneurs play, regardless of the barriers they face.

Despite all these important roles played, immigrant entrepreneurs encounter some barriers, as outlined in Figure 4.2. It is, however, important to note that this is not an exhaustive list of barriers. The most common barriers in South Africa are xenophobic attacks, limited access to credit and funding, and a lack of business permits. In the case of xenophobic attacks, even immigrant entrepreneurs with operating capital and business permits are targeted. To address these xenophobic attacks on immigrants, including immigrant entrepreneurs in South Africa, Gordon (2020:7) proposes that the government and other stakeholders (such as private and civil society organisations) should launch educational and awareness campaigns, and that immigrant integration policy be enforced. Gordon's (2020) proposal for immigrant integration is also a viable solution to the lack of business permits, which is another issue that immigrant entrepreneurs face in South Africa. Immigrant entrepreneurs should strive to establish networks with South African financial institutions as a solution to their lack of access to credit and funding. Furthermore, in the absence of credit facilities, immigrant entrepreneurs should rely on their networks, as informal loans obtained through these networks can be used to fund their ventures.

Lack of networks, business skills, language barriers, trust, government support, and cultural diversity are some of the more general issues that immigrant entrepreneurs face in their host countries. Immigrant entrepreneurs should strive to develop their networks or become members of existing networks, especially local networks in the host country. Most of the problems that immigrants face can be effectively solved through networking. For example, experienced entrepreneurs can provide the basic skills that immigrant entrepreneurs require in their networks. Furthermore, networking contacts can connect or recommend institutions where the immigrant can learn business skills. If there is no government support, immigrant entrepreneurs can rely on their networks for assistance, and networking with people from different cultural backgrounds can help to bridge the cultural gap that immigrant entrepreneurs face. While the barriers that immigrant entrepreneurs face in the host country impact them negatively, it is also important to note that these barriers can be beneficial to the immigrant entrepreneur. For example, being an outsider in the host country limits immigrant entrepreneurs' entrepreneurial opportunities, forcing them to engage in transnational trade, which sometimes can be more beneficial than trading only in one country (Inouye, Joshi, Hemmatian & Robinson, 2020:125).

#### 4.6 LABOUR MARKET DISADVANTAGE THEORY

Just like immigrant entrepreneurship (Aaltonen & Akola, 2012; Dabić *et al.*, 2020), studies on immigrant job searches and methods of finding employment have attracted public attention recently, especially in the USA, where the market is not unionised and is unprotected (Behtoui, 2008:411). In Germany, empirical data has confirmed weak prospects for immigrants compared to German nationals in the labour market (Kogan, 2011:91). The general perception is that immigrants arrive in such markets as workers under the guest worker recruitment framework, but they are disadvantaged because they come from economically depressed areas and lack the necessary human capital (skills, knowledge and education) (Kogan, 2011:92). This narrative has changed recently, as most immigrants migrating to economically stable markets are competent (have skills and outstanding qualifications) and as such are eligible to secure employment. However, there is unanimous agreement that such outstanding qualifications may be rendered inapplicable in a host country if they are not recognised by the host country's educational regulatory framework. Furthermore, high-level qualifications may be rendered ineffective in the host country if the individual lacks corresponding proficiency in the host country's language; as a result, the immigrant is disadvantaged compared to nationals.

Drawing on the brief analysis, the labour market disadvantage theory stems from economics and has been used as a grounding theory in other fields of inquiry, including migration studies (Behtoui, 2008; Kogan, 2011), public health (Wahrendorf & Blane, 2015) and sociology (Takenoshita, 2013). Thus, it is also relevant in explaining immigrant entrepreneurship. Emmenegger *et al.* (2015:192) relate labour market disadvantage to employment challenges, in-work poverty, insecurity and “outsiderness”. Relating this assertion to immigrant entrepreneurship, immigrant entrepreneurs start businesses as a result of the labour market disadvantage. Consistent with the idea that labour market disadvantage leads to i) people's withdrawal from political affiliations (Emmenegger *et al.*, 2015:191), and ii) youths lacking decent employment opportunities (Kolev & Saget, 2005), labour market disadvantage also explains why immigrant entrepreneurs are usually discriminated against in the labour markets in their host countries. Some of the reasons for this labour market disadvantage faced by immigrant entrepreneurs include government

regulations, lack of human capital, language barriers, and general unemployment problems in the host country (Gautam, 2020:43-46).

#### **4.7 SYNTHESISING THE LITERATURE TO CREATE A CONCEPTUAL FRAMEWORK FOR THE STUDY**

Prior literature acknowledged the need for research on the role of networks in the context of the entrepreneurial ecosystem. In any entrepreneurial ecosystem, immigrants play a significant role, and due to the risk of being perceived as outsiders, they tend to rely on networks for resources in the host country. However, Immigrant entrepreneurs in South Africa limit themselves to co-ethnic networks rather than branching out to other types of networks. Several scholars have also reported on immigrant entrepreneurs' lack of networks and local networks in South Africa (elaborated on in Chapter One). It is also important to note that BDS, such as networking, mentoring, business advice and incubation services, among others, play a critical role in the business development of entrepreneurs - including immigrants.

In Chapter Two, the focus of the research was on entrepreneurship and the entrepreneurial ecosystem. After reviewing the relevant literature in the chapter, the researcher asserted that one of the entrepreneurial ecosystem's elements (networks) serves a dual purpose; (i) networks as an element of the entrepreneurial ecosystem and (ii) networks as a mechanism through which other elements interact. It was also noted that only networks (out of the 10 elements of the entrepreneurial ecosystem) will be explored in this study.

In Chapter Three, the focus was on networks and business development. A review of the literature on network development, types, and functions was conducted. In addition, the literature on business development was reviewed. The researcher reiterated that, while various BDS (mentoring, business advice, business incubation services, and networking or networks) were reviewed, only networks will be considered in this study.

Chapter Four focused on immigrant entrepreneurship. After reviewing the relevant literature on the topic, the researcher also noted that due to their liability of outsidership, and the

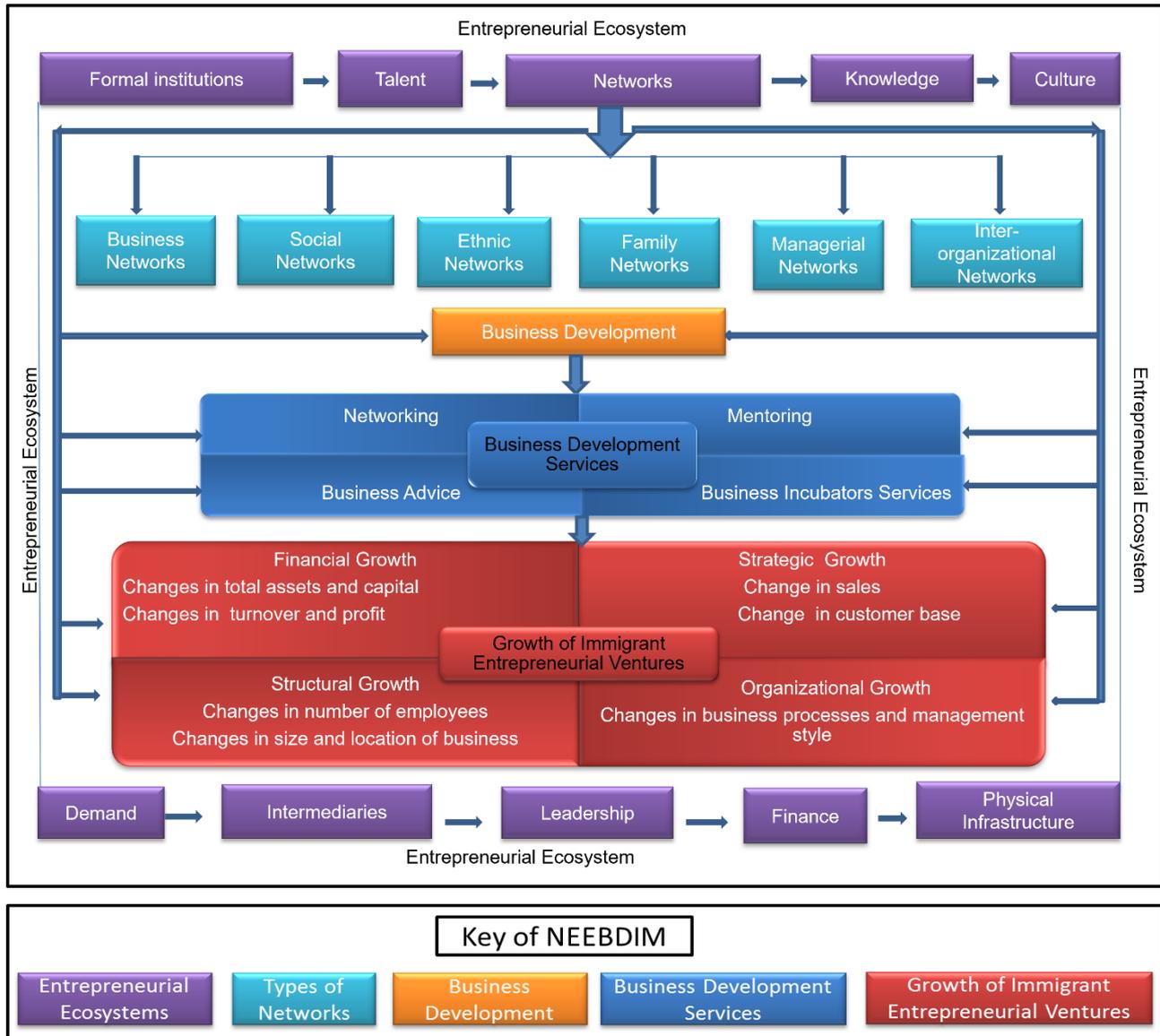
barriers they face in the host country, networking can be an effective solution to combat some of the barriers (if not all) that immigrant entrepreneurs encounter in the host country.

Based on the foregoing, networks play an independent role in entrepreneurial ecosystems (keeping the components interconnected - see Chapter Two), business development (as one of the BDS - see Chapter Three), and immigrant entrepreneurship (providing resources and helping them overcome barriers in the host country - see Chapter Four). To the best of the researchers' knowledge (stated earlier in Chapter One), limited studies have (or no verified study) explored all four constructs. As a result, the researcher developed the study's title: *Exploring networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs*. All the above (Chapters One to Four) are synthesised and discussed with a focus on the networks in the next section, which presents a conceptual framework for the study.

#### **4.8 NETWORKS IN THE ENTREPRENEURIAL ECOSYSTEM FOR THE BUSINESS DEVELOPMENT OF IMMIGRANT ENTREPRENEURS: A CONCEPTUAL FRAMEWORK**

Figure 4.3 is a presentation of the NEEBDIM conceptual framework. This conceptual framework was developed from the extensive review of the literature (Chapters Two to Four).

**Figure 4.3 The NEEBDIM conceptual framework**



**Source:** Author's compilation

The conceptual framework is a clear presentation of the relationship between the main constructs (networks, entrepreneurial ecosystem, business development and immigrant entrepreneurs) in the study. It will be discussed in detail next.

#### 4.8.1 Networks in the entrepreneurial ecosystem

An entrepreneurial ecosystem refers to a group of actors and factors that interact and facilitate entrepreneurship in a specific geographical setting. Scholars argue that for the preceding statement to be true, all elements of the entrepreneurial ecosystem, including

networks, must be in place. This implies that elements of an entrepreneurial ecosystem cannot function in isolation; rather, they must interact to form a well-functioning ecosystem. Research has identified networks not only as a component of the entrepreneurial ecosystem but also that the components of the ecosystem connect through networks (Borissenko & Boschma, 2016:10; Purbasari *et al.*, 2019:2). Alvedalen and Boschma (2017:887) highlight the importance of the interactions between the components of an entrepreneurial ecosystem which increases entrepreneurial performance. These interactions are through networks, which is different from the network as a component of an entrepreneurial ecosystem. Conceptualising entrepreneurial ecosystems' reliance on networks, Scott *et al.* (2021:3) report that the network structures in an entrepreneurial ecosystem enable the ecosystem actors to understand when the ecosystem is thriving or struggling.

Networks consist of nodes or actors that connect to achieve the same or a similar objective. Entrepreneurial ecosystems consist of different networks. For instance, Isenberg (2010:5) identifies formal and informal groups (networks) that link entrepreneurs in the entrepreneurial ecosystem. Borissenko and Boschma (2016:12) on the other hand, propose that in the entrepreneurial ecosystem, entrepreneurs can use financial, political, and knowledge networks in their entrepreneurial journeys. Cao and Shi (2020), who identify social and entrepreneurial networks, assert that resources are not readily available for use in entrepreneurial ecosystems; as a result, the players in an entrepreneurial ecosystem must network with each other to acquire such resources. Given the liability of newness, newly created ventures usually lack the capability and ability to access important resources to exploit business opportunities in the entrepreneurial ecosystem (Cao & Shi, 2020:8; Rocha *et al.*, 2021). Thus, they must engage in networks (including social networks). These networks unlock and provide ecosystem actors access to knowledge, ideas and resources, enabling the creation of value (Scott *et al.*, 2021:6). Additionally, networks in the entrepreneurial ecosystem, especially with sponsors, avail tangible assets, recommendations, sales referrals and distant clients to the network participants (Cao & Shi, 2020:8).

Scott *et al.* (2021) posit that salient networks in entrepreneurial ecosystems are both personal and inter-organisational. These inter-organisational networks help to circulate important resources between organisations, which in turn enhance innovation and learning

thereby facilitating entrepreneurial activities within the entrepreneurial ecosystem (Jones & Ratten, 2021:1). The review of previous literature suggests that networks such as managerial, family, business and ethnic networks to date have received limited attention regarding entrepreneurial ecosystem research.

#### **4.8.2 Networks in business development**

Much less has been published on business development, although it is a buzzword that is frequently used by scholars. Business development can be possible through many factors including networking. Not all entrepreneurs possess the skills and resources needed for their business development. As such, they will need to obtain such resources from the external environment through their networks (Abou-Moghli & Al Muala, 2012:1). Networks, which are regarded as organised systems of relationships with the environment, are beneficial to the general business sector (Donckels & Lambrecht, 1995:273). In this light, successful networking activities are arguably a critical aspect of business development, whether through contracting or retaining existing customers (De Burgh Group, 2021).

Das and Goswami (2019:1) support the assertion by the De Burgh Group (2021), that relates networks to SMEs since they cannot achieve growth on their own, adding that networks play a critical role, especially in the entrepreneurship development process. Since SMEs cannot achieve growth (business development) on their own, they require outside assistance from other businesses, friends, and other support institutions. Donckels and Lambrecht (1995:274-275) identify elements which can contribute to the process of small business development; for example, consulting with external consultants through social relationships, attending seminars, particularly with similar business owners, participating in trade fairs, and establishing geographical contacts with other entrepreneurs. All of this is possible through business networks, which can be formal or informal.

These business and support networks, therefore, allow entrepreneurs to identify opportunities and acquire resources which can boost their business developments (Das & Goswami, 2019:2). The following quotation supports the assertion by Das and Goswami (2019):

*The networks approach to entrepreneurship is basically based on the premise that entrepreneurs build relations with the external environment, and need a speedy yet economical means for the access of different information, in order to define potential business opportunities, and obtain required resources to start-up and continue their businesses successfully.*

(Abou-Moghli & Al Muala, 2012:1)

Networks also lower the transaction cost of acquiring critical business development resources while decreasing the risk of small business failure. Das and Goswami (2019), who identify two main types of networks (supportive and competitive networks), report that the size of the network also plays a critical role in business development; implying that dense networks will boost business development, compared to sparse networks. As much as dense networks can be advantageous, they can also be disadvantageous, as too many ideas may emerge from the networks, leaving the entrepreneur with no clear path. Supportive networks enable entrepreneurs to identify opportunities and resources more quickly (Das & Goswami, 2019), whereas competitive networks provide entrepreneurs with an advantage over their competitors.

Entrepreneurs also acquire support for their business development through their social networks, personal contacts (networks) and business contacts (business networks) (Bratkovič Kregar & Antončič, 2016:1126). These social, personal and business networks avail resources, ideas and knowledge which assist the entrepreneur in their business development. Moos (2019:241), who supports the assertion, defines personal networks as those individuals with whom one establishes a beneficial relationship, most especially for business development purposes. Other types of networks which assist entrepreneurs in their business developments are extended networks and 'other networks' (internet, suppliers, investors, role models, human resources, accountants and consultants) (Moos (2019). In general, managerial, ethnic, family and inter-organisational networks can have an influence on the business development of entrepreneurs, including immigrant entrepreneurs. However, research in this area is still limited.

### 4.8.3 Networks in immigrant entrepreneurship

Immigrant entrepreneurs are often seen as members of a network or supportive sub-group in the host country (Bates, 1994:671). This is sometimes because they want to try something new in their host country and to avoid the liability of newness, they join such groups (networks) to acquire knowledge (Kerr & Kerr, 2019:2). In this light, the role of networks in availing crucial resources and advice to entrepreneurs, including immigrant entrepreneurs, is widely acknowledged (Ashourizadeh *et al.*, 2020:2; Kerr & Kerr, 2019:1). Despite this assertion, and lamenting the lack of networks (and local networks) (Muchineripi *et al.*, 2019:5), immigrant entrepreneurs in South Africa limit themselves to co-ethnic networks (Fatoki & Patswawairi, 2012:139) and fail to move to other networks (such as social, family and business networks among others). These networks could be classified as public (such as social and business networks) or private networks (such as family and personal networks). Public networks refer to relationships established with co-workers, customers, suppliers, and bosses, whereas private networks refer to beneficial relationships established with family and friends. (Ashourizadeh *et al.*, 2020:4-5).

Drawing on Ashourizadeh *et al.*'s (2020) assertion, in comparison to networking in the private sphere, networking in the public sphere promotes the growth and survival of immigrant businesses. Just like ethnic networks (Dana & Morris, 2021), co-ethnic networks have been researched by scholars (Fatoki & Patswawairi, 2012; Munkejord, 2017) and also play a critical role for immigrant entrepreneurs in the different stages of their businesses. These networks (ethnic and co-ethnic) alleviate immigrant entrepreneurial disadvantages, especially by providing employment opportunities to unemployed ethnic members, providing credit through ethnic associations, ethnic solidarity and building ethnic trust which promotes ethnic businesses (Munkejord, 2017:8). However, one question which remains is *which networks will an immigrant entrepreneur use in a region where they do not have access to those ethnic (or co-ethnic) networks?*

To answer the question in the previous paragraph, unlike the case of South Africa, immigrant entrepreneurs do not solely depend on co-ethnic networks for survival. They make use of local and transnational networks (Munkejord, 2017:9), which provide various resources critical to their business growth and survival. These local and transnational networks could

stem from acquaintances with male or female spouse contacts, or acquaintances with family or friends' contacts. Immigrant entrepreneurs also use family networks to mobilise resources for use in the host country, whether they are family members already living in the host country or family networks in the country of origin (Bagwell, 2008:377-394; Li & Johansen, 2023; Mustafa & Chen, 2010:97-106). In this regard, family members are usually the initial providers of start-up capital, business advice, business ideas, and assistance for entrepreneurs, including immigrant entrepreneurs. As a result, family networks play an important role in immigrant entrepreneurship because they provide the resources required to launch immigrant entrepreneurial ventures.

Immigrant entrepreneurs also engage in social networks (Bates, 1994; Chimucheka *et al.*, 2019; Mustafa & Chen, 2010). Bates (1994), who researched Asian immigrant businesses in the USA in the mid-1990s, found that Asian immigrant entrepreneurs were very successful in low-growth or declining sectors of the US economy. This could be due to their reliance on resources provided by supportive networks. However, despite their heavy investments in declining industry sectors in the USA, Asian immigrant businesses were not very successful, as evidenced by their low sales compared to non-immigrant-owned small businesses (Bates, 1994:687). This implies that support networks such as social networks were not very effective in promoting Asian immigrant-owned small businesses in the US in the mid-1990s. As is the case, Bates (1994) finding may not be true in South Africa or the narrative might have changed since:

*...the concept of social network involves building, maintaining and managing relationships with other people who will be of help to an entrepreneur in one way or the other...Social networks are assets for small business owners struggling to survive in competitive markets...Immigrant entrepreneurs use social networks or their connections to build social capital...It is, therefore, concluded that the use of social networks has a positive effect on the performance of immigrant-owned SMMEs operating in the Eastern Cape Province of South Africa. This, therefore, means that immigrant entrepreneurs who perform better are those that use their social capital effectively.*

(Chimucheka *et al.*, 2019:5,11)

Business networks, which refer to the established beneficial relationship between businesses, also stand out as an important network for immigrant entrepreneurs (Kerr &

Kerr, 2019; Stephens, 2013). Despite this importance, much less has been explored in relation to the use of business networks by immigrant entrepreneurs (Kerr & Kerr, 2019:3). Stephens (2013:240) contends that networks influence business operations and outcomes because networks enable the exchange of valuable resources between business owners. The authors also found that immigrant entrepreneurs typically form business networks with people from a variety of roles and backgrounds who advise and support them as their businesses grow. Accountants, academics, consultants, bank managers, lawyers, and other business owners are typical examples of these individuals. As a result, it is possible to conclude that these individuals in the business network provide critical resources and services (such as outsourcing and accounting services) that help immigrant entrepreneurial businesses grow and survive. It also removes the risk of novelty. Kerr and Kerr (2019:3) survey of immigrant entrepreneurial business networks in the Cambridge Innovation Centre in the USA concluded that:

*There is suggestive evidence that immigrants are more likely to locate in CIC [Cambridge Innovation Centre] for the networking potential [referring to business networks], and either way, there is robust evidence that immigrants perceive greater networking benefits [business networking benefits] and access to other companies as an important contributor to their work derived by locating at CIC [Cambridge Innovation Centre]. Networks [business networks] developed at CIC [Cambridge Innovation Centre] by immigrants tend to be one person larger than those of natives, on average, but these differences are rarely statistically significant.*

(Kerr & Kerr, 2019:3)

Other networks, such as inter-organisational and managerial networks, may also play a role in the process of acquiring resources for immigrant entrepreneurs. Scholarly attention in this area, however, is lacking, as no verified studies have focused on the role of such networks (inter-organisational and managerial) networks in the business development of immigrant entrepreneurs in the entrepreneurial ecosystem. Table 4.2 is a summary of the networks in the entrepreneurial ecosystem, networks in business development and networks in immigrant entrepreneurship. The table is developed with a close focus on the conceptual framework.

**Table 4.2: Networks in the entrepreneurial ecosystem, business development and immigrant entrepreneurship**

Networks in entrepreneurial ecosystems	Networks in business development (growth)	Networks in immigrant entrepreneurship
Social networks (Cao & Shi, 2020; Fernandes & Ferreira, 2021; Jones & Ratten, 2021; Rocha <i>et al.</i> , 2021)	Social networks (Bratkovič Kregar & Antončič, 2016:1126)	Social networks (Bates, 1994; Chimucheka <i>et al.</i> , 2019; Duan, Sandhu & Kotey, 2021; Mustafa & Chen, 2010)
Inter-organisational networks (Jones & Ratten, 2021; Scott <i>et al.</i> , 2021)	Business networks (Bratkovič Kregar & Antončič, 2016; Das & Goswami, 2019:2)	Business networks (Kerr & Kerr, 2019; Stephens, 2013)
		Ethnic and co-ethnic networks (Dana & Morris, 2021; Fatoki & Patswawairi, 2012; Munkejord, 2017).
		Family networks (Bagwell, 2008:377-394; Mustafa & Chen, 2010:97-106)

**Source:** Author's compilation

Table 4.2 outlines the different networks in the entrepreneurial ecosystem, business development and immigrant entrepreneurship as presented in the conceptual framework developed based on prior literature. The networks which are frequently mentioned in entrepreneurial ecosystems' research are social (Cao & Shi, 2020; Fernandes & Ferreira, 2021; Jones & Ratten, 2021; Rocha *et al.*, 2021) and inter-organisational networks (Jones & Ratten, 2021; Scott *et al.*, 2021). In terms of business development, scholars frequently mention social (Bratkovič Kregar & Antončič, 2016:1126) and business networks (Bratkovič Kregar & Antončič, 2016; Das & Goswami, 2019:2). Prior literature suggests that social networks (Bates, 1994; Chimucheka *et al.*, 2019; Duan *et al.*, 2021; Mustafa & Chen, 2010), business networks (Kerr & Kerr, 2019; Stephens, 2013), ethnic (and co-ethnic) networks (Dana & Morris, 2021; Fatoki & Patswawairi, 2012; Munkejord, 2017) and family networks (Bagwell, 2008:377-394; Mustafa & Chen, 2010:97-106) are those that are frequently mentioned in immigrant entrepreneurship research.

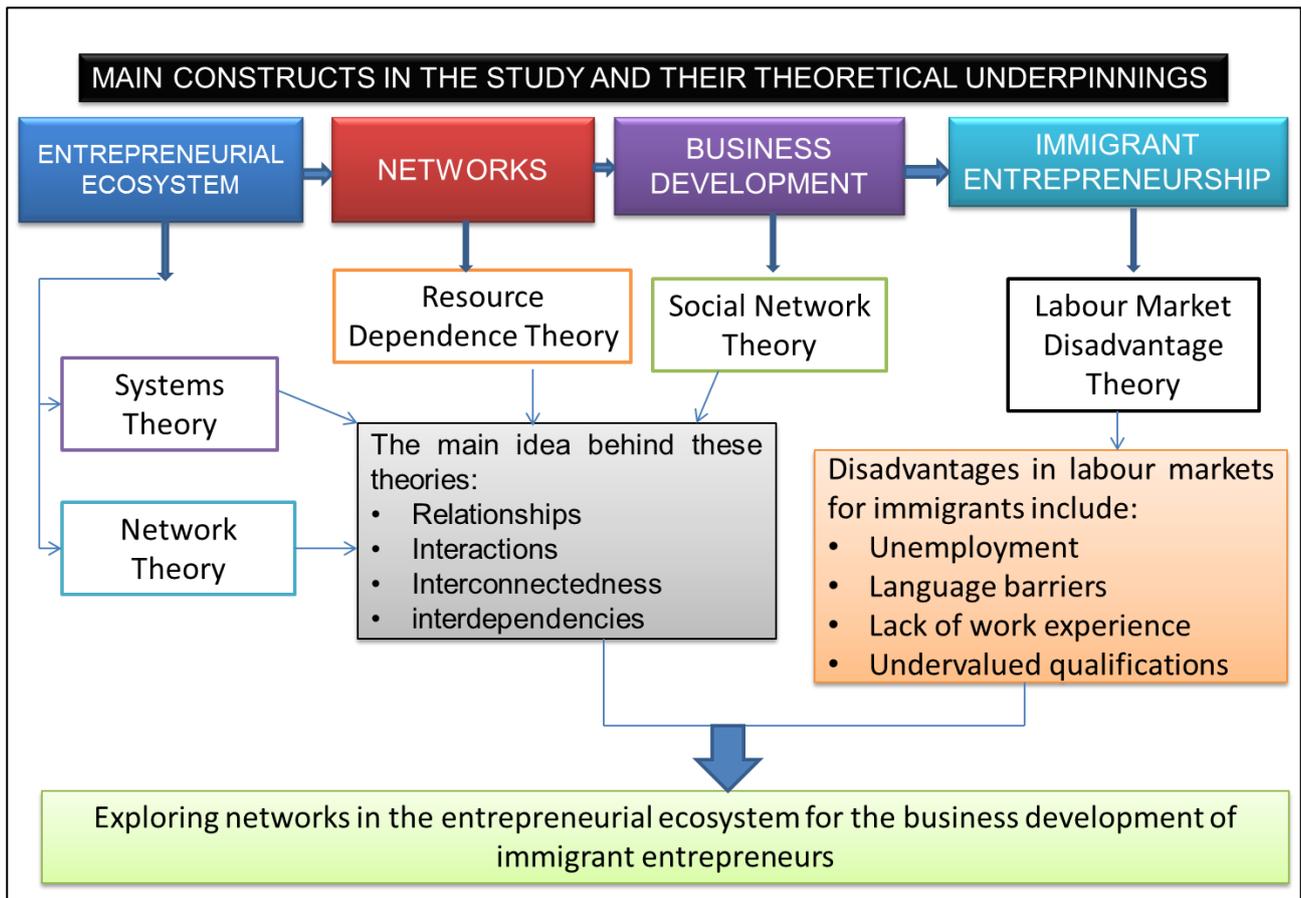
The preceding indicates that the networks studied in entrepreneurial ecosystems differ from those studied in business development and immigrant entrepreneurship research. However, it is important to acknowledge the similarities that exist, such as the social networks that appear in entrepreneurial ecosystems, business development, and immigrant entrepreneurship research. Also included are business networks that appear in research on business development and immigrant entrepreneurship. However, not all published material on the three constructs (entrepreneurial ecosystem, business development, and immigrant entrepreneurship) was examined. This implies that if all available literature on these three constructs was examined, more differences or similarities in the networks mentioned in the research could be found. Another line of reasoning could be that inter-organisational networks which appear in entrepreneurial ecosystem research may have not been explored in business development and immigrant entrepreneurship research (research gap). Also, ethnic networks which appear in immigrant entrepreneurship research might not have been explored in business development and entrepreneurial ecosystem research (research gap). As stated earlier, the researcher focused the study on six networks (social, business, family, inter-organisational, ethnic, and managerial networks) (see Chapter Three) from the perspective of immigrant entrepreneurs.

The following section provides a summary of the theoretical framework used in the study. The theories used in Chapters Two to Four and the relationships that exist between them are also described.

#### **4.9 SUMMARY OF THE THEORETICAL FRAMEWORK USED IN THIS STUDY**

The following figure is a summary of the theoretical framework that was employed in this study. Thereafter, the constructs will be described.

**Figure 4.4: Summary of the theoretical framework in the study**



**Source:** Author's compilation

The main constructs (entrepreneurial ecosystem, networks, business development, and immigrant entrepreneurship) were examined from various theoretical perspectives in this study. As shown in Figure 4.3, the entrepreneurial ecosystem was examined using the systems and network theory, networks using the resource dependence theory, business development using the social network theory, and immigrant entrepreneurship using the labour market disadvantage theory. Some of these theories (for example, systems, network, resource dependence, and social network theory) are related, despite coming from different schools of thought or fields of study. The systems theory regards the fact that the system cannot function well in isolation; implying that the parts of the system must remain interrelated for optimal functionality. Moreover, system thinking focuses on small parts (for example, elements, businesses, groups) and their relationships and how they interact with one another as an interconnected whole (Daniel *et al.*, 2018:27). Network theory examines the relationships that exist between actors, elements, or components, rather than the characteristics that are unique to the actors (Fredericks & Durland, 2005:17). Network theory

also represents the processes and mechanisms that govern the interactions of network actors to produce beneficial outcomes for network participants (Borgatti & Halgin, 2011:1169). The interconnectedness, relationships, interactions and interdependencies are the driving forces in entrepreneurial ecosystems.

Concerning networks, the resource dependence theory focuses on how organisations behave with regard to scarce resources that are required for growth. Firms depend on other firms for critical resources over which they have little or no control. Thus, the survival of most firms is dependent on critical resources from other firms usually acquired through the interactions and relationships that exist between them (Klein & Pereira, 2016). Therefore, firms depend on their networks for access to the resources they need to survive and grow. For business development, the social network theory focuses on explaining the relationships, interactions and dependencies that exist between actors and the implications of these relationships. According to Premaratne (2002), social network theory can be used to better understand entrepreneurship and business development when two people form a relationship with one another. As presented in the table, these four theories have been advanced by different scholars, but they share common characteristics such as relationships, interactions, interconnectedness and interdependencies.

For immigrant entrepreneurs, the labour market disadvantage theory focuses on the idea that immigrants arrive in the host country aiming to fit into the host country's labour market. However, they are disadvantaged because they come from economically depressed areas and lack the necessary human capital (skills, knowledge and education) (Kogan, 2011:92). The labour market disadvantage theory also relates to difficulties such as finding formal employment, lack of work experience, language barriers and under-value qualifications, which motivates why immigrants engage in entrepreneurship. The researcher believes that if immigrant entrepreneurs form networks with individuals from the host country, the labour market disadvantages and other challenges they face in the host country can be addressed. They will face more challenges if they operate in isolation rather than in collaboration with one another and individuals from the host country. Having beneficial relationships is already a resource that can benefit immigrant entrepreneurs' businesses, and having networks allows for interactions, interconnectedness, and interdependence on one another.

#### 4.10 CHAPTER SUMMARY

This chapter began by looking at prior evidence which suggests that immigrant entrepreneurship is a multidisciplinary concept that has been studied by scholars from various fields of study, including sociology, management, and anthropology. Despite this level of interest from academics, the concept remains under-researched, as evidenced by the ongoing call for more research by previous research. Previously, research on the topic was primarily conducted in desirable immigrant destinations such as the USA, the UK, and Australia, among others.

However, due to the importance of the concept in the economic development of nations, immigrant destinations such as South Africa, Turkey, and Poland, among others, have recently been included in academic discussions on the subject. All of this interest has sparked debates about what the concept is; for example, the majority of the debates have revolved around how to define immigrant entrepreneurship. As a result, there is no unified definition of the concept, as scholars continue to define it in their unique way. Other terms for immigrant entrepreneurship include ethnic, minority, transnational, and diaspora entrepreneurship. All of the proposed definitions for these various concepts are somewhat similar, but they are also distinct in some ways. Since the definitions all focus on the migrant and the fact that they engage in entrepreneurial activities in their host countries, some scholars have proposed that the term "immigrant entrepreneurship" be used to cover the other concepts.

This chapter then went on to discuss the state of immigrant entrepreneurship in South Africa's entrepreneurial ecosystem, which was previously not included in discussions on immigrant entrepreneurship. Recently, research has indicated that South Africa is a popular destination for immigrants from other countries, particularly those from other African countries. Migrants, particularly those from neighbouring countries, typically migrate to South Africa due to political insecurity and economic difficulties; as a result, their goal is to find refuge and a better life in South Africa. However, due to the high unemployment rate in South Africa, most of these migrants are usually unable to find employment and as such are left with no other choice than to establish their businesses. Scholars have highlighted the importance that immigrant entrepreneurs play in the South African economy. Although they

play such an important role, the government has yet to recognise it, as evidenced by reports that immigrant entrepreneurs have been excluded from support schemes aimed at small businesses. Other challenges these immigrant entrepreneurs face in the South African entrepreneurial ecosystem are xenophobic attacks, lack of local networks and discrimination.

The chapter also reviewed prior literature on the global challenges faced by immigrant entrepreneurs and the importance of immigrant entrepreneurship. Among the barriers identified were a lack of capital, a lack of collateral, a lack of a business permit, a lack of government support, a lack of trust, language barriers, and a lack of cultural ties. The importance of immigrant entrepreneurs identified included employment creation for locals, economic development of the host country, increase in exports, and positive spillover effects which usually encourage locals to start their businesses. The labour market disadvantage theory was used to ground immigrant entrepreneurship research and investigate some of the difficulties that are faced in labour markets. In the case of immigrant entrepreneurs, they usually struggle to get employment and thus find entrepreneurship as the answer.

This chapter concluded by presenting the study's conceptual framework. The conceptual framework depicts the relationship between the various constructs in the study. It focuses on the networks in the entrepreneurial ecosystem, business development networks, and immigrant entrepreneurship networks. According to previous research, some networks have received a lot of attention in terms of the entrepreneurial ecosystem, business development, and immigrant entrepreneurship, while others have gotten little or no attention. First, in terms of networks in the entrepreneurial ecosystem, social and inter-organisational networks have received a great deal of attention. In contrast, ethnic, managerial, business, and family networks have received little or no attention in terms of entrepreneurial ecosystem research. Second, when it comes to networks in business development, social networks and business networks are frequently mentioned, whereas research on managerial, ethnic, family, and inter-organisational networks in business development is scarce. Finally, when it comes to networks in immigrant entrepreneurship, much emphasis has been placed on ethnic, social, business, and family networks, with little or no emphasis placed on inter-organisational and managerial networks.

## 5 RESEARCH DESIGN AND METHODOLOGY OF THE STUDY

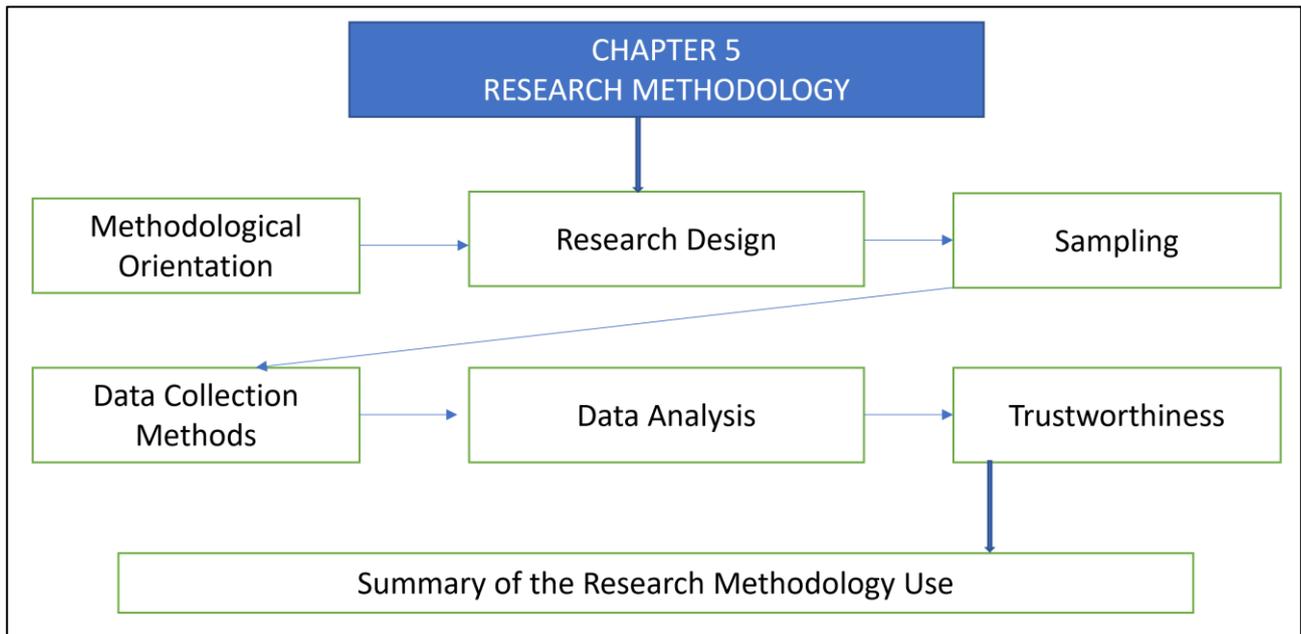
### 5.1 INTRODUCTION

In general, research is the search for knowledge, and the goal of any research in any discipline is to find answers to specific questions using various procedures (Kothari, 2004; Pandey & Pandey, 2021). Research can be conceptual or empirical in nature, using qualitative, quantitative and mixed methods. Depending on the type of research being conducted and the objectives or research questions being addressed, researchers may choose to take one of these approaches. Prior evidence suggests that the significance of any research lies in the quality and not the quantity of the research, as such the quality of research can only be ensured if an appropriate methodology is followed in conducting the research (Kothari, 2004). Basias and Pollalis (2018:91), who support this view, also posit that the choice of a “suitable research methodology is a crucial decision which must be made to perform effective scientific research”; therefore, all research must follow an appropriate method in generating the findings.

The theoretical framework for the study was the focus of Chapters Two to Four. Specifically, Chapter One covered the background and introduction to the study. Chapter Two reviewed prior literature on entrepreneurship and the entrepreneurial ecosystems. Entrepreneurial ecosystem research in Chapter Two was underpinned by the systems and network theories. Chapter Three focused on networks and business development and concluded by underpinning networks and business development research on the resource dependence theory and the social network theory, respectively. Chapter Four then reviewed extant literature on immigrant entrepreneurship through the lens of the labour market disadvantage theory. The chapter proceeded to present a conceptual framework for the study based on a synthesis of the theoretical framework covered in Chapters Two to Four.

This chapter, Chapter Five, describes and elaborates on the methodological orientation as well as the strategic decisions and choices made in the methodology. Figure 5.1 is an illustration of the different sections that were covered in the methodology.

**Figure 5.1: Demarcation of Chapter Five**



**Source:** Author's compilation

As presented in Figure 5.1, this chapter commences with the methodological orientation for the study, which describes the research philosophy guiding the study. This is followed by the research design that was employed for the study. In this section, the researcher motivates why a qualitative design was suitable for the study and the specific qualitative research design that was used in the study. The next section focuses on the sampling techniques that were used to select representative samples to take part in the study. In the sampling section, the researcher describes the sampling methods used in selecting participants as well as samples that were included in the study. Thereafter, the data collection method that was used in the study is described, followed by the data analysis methods as well as the trustworthiness and delimitations. This chapter then concludes by presenting a summary of the methodology that was used in the study.

## 5.2 METHODOLOGICAL ORIENTATION

This section focused on the methodological philosophy which guided the study as well as the implications of such philosophies on the study. All research studies are conducted based on a set of philosophical assumptions (Alharahsheh & Pius, 2020:39; Coleman, 2019). Scholars (Saunders, Lewis, Thornhill & Bristow, 2015:124; Wagner, Kawulich, Garner &

Botha, 2012) posit that these assumptions may include epistemological (“assumption[s] about knowledge and how knowledge is communicated to others”), ontological (“assumptions about the nature of reality”) and axiological assumptions (“role of value and ethics in the research process”).

Epistemology is also related to how a researcher aims to uncover knowledge to reach reality. Furthermore, epistemology is regarded as an internal characteristic of the researcher, and it is concerned with how the researcher can intuitively distinguish between wrong and right. It is also concerned with how researchers view the world around them (Alharahsheh & Pius, 2020:40). In every research, the researcher and participants are considered to be independent, which permits the researcher to use rigorous and systematic approaches to gather knowledge from the research participants objectively (Spencer, Pryce & Walsh, 2014:82-83). In this study, the same rule applied, since it reduced researcher bias. Such strict adherence to systematic approaches not only reduces bias but also enhances the reliability and rigour of the research findings.

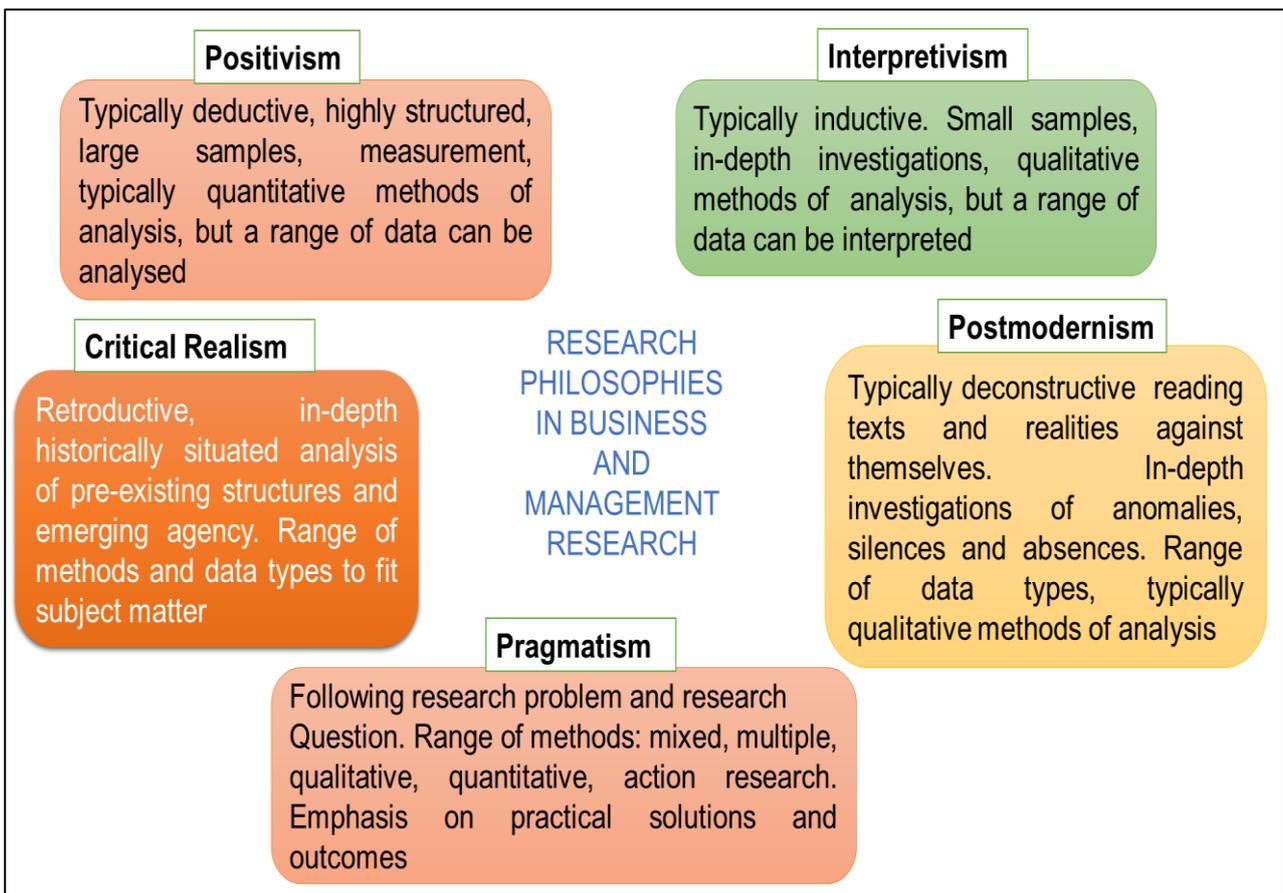
Ontology focuses on the nature of reality; it is also concerned with seeking answers to a research question and understanding reality (Alharahsheh & Pius, 2020). As Saunders *et al.* (2015:128) assert, ontology shapes how researchers see research objects, which can include organisations, events, and individuals included in a study. On one end of the spectrum of ontology, there is the assumption that reality can be objective and that truths about reality can be known. On the other hand, the supposition is that reality can be both subjective and contextual and that a general understanding of individuals' psychological experiences cannot be obtained because it must be understood within their context (Hays & Singh, 2011:34). In this study, the researcher followed the subjective and contextual supposition end of the spectrum, namely that there are multiple truths to the same phenomenon.

Axiology is concerned with the role values and ethics play in the research process. In line with this, Saunders *et al.* (2015:128) contend that axiology relates to how researchers deal with their values as researchers and the values of the research participants. As a result, for the findings of any research to be credible, care must be taken to ensure that ethical values and standards are followed while conducting the research (Hays & Singh, 2011; Spencer *et*

*al.*, 2014). In this study, the researcher upheld not only their own values but also the values of the research participants. The researcher further ensured that the right steps were taken to uphold ethical standards in the research. These different assumptions (epistemology, ontology and axiology) guided the research questions, methods of data collection and analysis as well as the interpretations of the research findings (Alharahsheh & Pius, 2020; Saunders *et al.*, 2015:125; Wagner *et al.*, 2012).

Specifically, business management research is usually guided by five research philosophies including pragmatism, postmodernism, interpretivism, realism and positivism (Saunders *et al.*, 2015). These different research philosophies are associated with different research methodologies as summarised in Figure 5.2.

**Figure 5.2: Research philosophies in business and management research**



**Source:** Adapted from Saunders *et al.* (2015:136-137).

These various research philosophies in Figure 5.2 differ because they are associated with different data collection methods. The positivist philosophy, for example, is reliant on

quantitative data analysis, whereas the interpretivist and postmodernist philosophies are primarily concerned with qualitative data analysis. Critical realists and pragmatists use a variety of methods, including mixed methods, qualitative data analysis, and quantitative data analysis. While positivists use a large sample size, interpretivists use a small sample size but focus on an in-depth examination of a phenomenon. Researchers in business and management may choose to base their studies on any of these philosophies. As a result, the interpretivist paradigm was applied to this research, since the researcher intended to conduct an in-depth examination of how networks play a role in the business development of immigrant entrepreneurs.

### **5.2.1 The interpretivist philosophy**

Scholars have asserted that though subjective, interpretivism developed as a criticism of positivists (Alharahsheh & Pius, 2020; Saunders *et al.*, 2015:141). The interpretivist philosophy allows researchers to view the world through the opinions, perceptions and perspectives of interviewees (Thanh & Thanh, 2015:24). Therefore, researchers adopting the interpretivism paradigm view the world by making sense from the understandings of individuals. The interpretivist paradigm is typically inductive, with the researcher using a small sample size but conducting in-depth investigations to conclude on a phenomenon being studied (Saunders *et al.*, 2015:137). Interpretivists use a relativist ontology in which a single phenomenon can be interpreted in various ways rather than an absolute truth from a single phenomenon that can be confirmed statistically across different settings (Pham, 2018:3).

Rather than providing a definite outcome that can be applied everywhere, as positivists do, interpretivists aim to understand and include richness to the data collected from interview participants (Alharahsheh & Pius, 2020:42). This implies that interpretivists place greater emphasis on discovering, comprehending, and interpreting a phenomenon under investigation rather than generalising the phenomenon to different parts of the world. In this study, the researcher intended to understand how networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs by focusing on the perceptions and experiences of individuals (immigrant entrepreneurs). As a result, the researcher concentrated on making sense of and interpreting the perspectives, opinions and

experiences of interview participants in terms of how networks play a role in their business development in the entrepreneurial ecosystem.

Drawing on the interpretivist paradigm, the researcher believed that different interview participants would have different perspectives on the topic under investigation. As a result, the researcher approached the topic through the experiences and perceptions of interview participants who are immigrant entrepreneurs in the entrepreneurial ecosystem. Following Alharahsheh and Pius (2020:42), the interpretivist philosophy was ideal for this study because (i) the researcher intended to focus on the whole and not just part of the participants' experiences; (ii) it allowed the researcher to explore the perceptions and lived experiences of participants (immigrant entrepreneurs) through formal interviews in-depth, and (iii) it also allowed the researcher to explore participants' opinions, experiences, and perceptions through the use of a qualitative research design. Therefore, the interpretivist philosophy informed the research design for the study.

Bell *et al.* (2018) posit that epistemology is a term that is derived from the Greek word meaning knowledge and logos, also defined as theory. As such, epistemology is the theory of knowledge. Epistemology is important in business research and influences the research design (Bell *et al.*, 2018) of a paper such as this one.

### **5.3 RESEARCH DESIGN**

A research design is a structured framework for how the research will be carried out (Akhtar, 2016:68; Sileyew, 2019). It is also a set of predefined steps used by researchers to collect, analyse, and present data in research reports (Clark & Creswell, 2015). Deciding on a research approach is critical in the research design process because it determines how relevant information for the intended study will be gathered (Sileyew, 2019). This study used a qualitative research approach. Clark and Creswell (2015:286) posit that “qualitative research designs are sets of procedures for collecting, analysing, and reporting text and image data to answer research questions by exploring participants' views”.

A qualitative approach was chosen for this research because it focuses on a specific circumstance, people, and words rather than numbers, allowing for a comprehensive

understanding of a phenomenon (Maxwell, 2012:17; Walia, 2015). This implies that the findings of qualitative research are not arrived at by doing statistical analysis. Supporting these views, Mohajan (2018:23) adds that qualitative research explores local knowledge and understanding of people's experiences, relationships, and meanings of things, as well as social processes and contextual factors that marginalise a certain group of people. This method was chosen because it allowed the researcher to explore the perspectives and experiences of immigrant entrepreneurs. A qualitative research design was, therefore, appropriate and guided the overall purpose of the study, which was to explore *how networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs*. The advantage of qualitative research includes its ability to enable the researcher to collect subjective and detailed data from interview participants. It also allows the researcher to have a clear understanding of participants' experiences, opinions and perceptions of a phenomenon across different settings (such as different regions or different businesses) (Rahman, 2017:104). Despite these advantages, the main drawbacks of qualitative research include the fact that it is time-consuming, and there is difficulty in generalising its findings (Weil, 2017:120). However, regardless of these drawbacks, and because the researcher was following the interpretivist philosophy, qualitative research was still ideal for the study.

The specific qualitative research design that was used in this study is the generic/basic qualitative research design, also called "interpretive" (Merriam, 2009), which aims to generate a comprehensive understanding of interview participants' perspectives on the phenomenon under exploration (Percy *et al.*, 2015). The perspectives and experiences of immigrant entrepreneurs are cognitive processes which cannot be quantified. A generic qualitative research design was, therefore, appropriate for using semi-structured interviews and descriptive data analysis techniques to interact with participant perspectives, measure experiences, and provide clear and information-rich descriptions of the research questions (Bellamy *et al.*, 2016; Neergaard *et al.*, 2009; Percy *et al.*, 2015:95-96).

The majority of research in the business field adopts generic qualitative research since it cannot be classified as either grounded theory, ethnography, phenomenological or case study research (Merriam, 2009). As a result, Merriam's (2009) assertion also motivated the selection of a generic qualitative research design for this study. The shortcomings of a

generic qualitative research design include a lack of quality debate and literature, as well as the fact that it is a hybrid of various methods. However, a generic qualitative research design is advantageous because it allows researchers to (i) ask new questions and (ii) gain new insights into the phenomenon being studied (Kahlke, 2014:43-47).

## **5.4 SAMPLING**

Sampling is a technique used by researchers to select a smaller number of representative items or samples from a predefined population to serve as a data source for investigation, exploration, observation, or experimentation, depending on the study's objectives (Sharma, 2017:749). There are two types of sampling techniques, namely probability sampling and non-probability sampling (Berndt, 2020; Etikan & Bala, 2017). Probability sampling, also known as random sampling, is a type of sampling in which the probability of selecting subjects for a study is the same. It takes a lot of work but it is much more accurate. Non-probability sampling is a sampling technique that is based on judgment (Etikan & Bala, 2017; Sharma, 2017), implying that researchers must use their intuition when selecting samples for their investigation. This sampling method is very costly when it comes to its application (Etikan & Bala, 2017:1). To select samples for this study, a non-probability sampling method was used. The following section discusses the study's context, units of analysis, and sampling methods.

### **5.4.1 Context and units of analysis of the study**

This study aimed to explore how networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs. The research was carried out in the South African entrepreneurial ecosystem, more specifically in the Ekurhuleni, Tshwane and CoJ metropolitan municipalities in GP. The rationale for selecting these municipalities was that several studies on immigrant entrepreneurship have been conducted there (for example, Chidau, Khosa & Phillips, 2022 and Urban, Murimbika & Mhangami, 2022), indicating the presence of immigrant entrepreneurs. In addition, evidence highlights GP as having the highest entrepreneurial activity in South Africa (Chidau *et al.*, 2022; StatsSA, 2019), thus making it suitable for the study. As a result of the researcher's interactions with businesses in these municipalities, the researcher believed that they could recruit the

desired number of samples from the municipalities, who could provide invaluable insights for the study.

DeCarlo (2018:197) posits that a unit of analysis refers to an entity that is considered by a researcher as the main focus of the research while units of observation refer to components that are observed or measured in the unit of analysis. This study's unit of analysis was the immigrant-owned businesses, while the units of observation were the immigrant entrepreneurs themselves. The study focused on immigrant entrepreneurs who have been operating their businesses in these municipalities for at least three and a half years. This is consistent with the definition of established businesses as businesses that have paid wages and salaries to employees or owners for 42 months or more (Bowmaker-Falconer & Herrington, 2020a). Thus, immigrant-owned businesses with a lifespan of less than three and a half years were excluded from the sample because they are not yet established.

The motivation behind this selection criterion was that immigrant entrepreneurs, who have been operating businesses for more than three and a half years, could provide detailed and first-hand information concerning the types of networks they use in their businesses. They could also be able to motivate how they have developed these networks over the years. Furthermore, they could provide information regarding the functions and benefits of these networks in their business development in the entrepreneurial ecosystem.

#### **5.4.2 Sampling methods**

The following section discusses the sampling methods for the proposed study. The subsections focus on organisations and individual participants, exclusion/inclusion criteria, sample size and finally, provide an overall summary of the sample design.

##### **5.4.2.1 *Sampling of organisations and individual participants***

The first level of sampling in the study was the sampling of organisations. This involved the deliberate selection of businesses that were owned and managed by immigrant entrepreneurs in South Africa. For this study, purposeful sampling was used in selecting businesses that were owned by immigrant entrepreneurs. Purposeful sampling - also known

as judgemental or selective sampling (Sharma, 2017) - is a sampling technique used by qualitative researchers to recruit interview participants who can provide detailed and in-depth information on the phenomenon being studied (Creswell, 2013:156; DeCarlo, 2018:287). Patton (2014:401) asserts that the “logic and power of purposeful sampling lies in selecting information-rich cases for in-depth study”. As a result, it was critical to deliberately select businesses owned by immigrant entrepreneurs because the entrepreneurs themselves could partake in the study as interview participants.

The second sampling level involved the selection of individual participants for the study. Interview participants must know about the phenomenon under investigation or exploration (Creswell, 2013:155). Interviewees for this study were selected based on their status as immigrant entrepreneurs with established businesses in South Africa. The immigrant business owners were chosen to participate in the study because they could provide detailed information for the study based on their interactions with other entrepreneurs through their networks in the context of the study. Based on this, purposeful sampling was deemed appropriate for the study because it entails the judgmental and intentional selection of interviewees who could provide thorough and in-depth relevant data on the phenomenon under investigation (DeCarlo, 2018:287; Sharma, 2017:751). Purposive sampling is advantageous because it is cost and time effective compared to other sampling methods (such as snowball sampling and quota sampling, for example). However, a significant disadvantage of purposive sampling is that research findings from purposive samples may not be generalised and the researcher's judgment may be susceptible to errors (for instance, purposively selecting the wrong sample for a study) (Dudovskiy, 2018; Sharma, 2017:751).

Homogenous sampling was the specific purposive sampling technique used in selecting immigrant-owned businesses and entrepreneurs for the study. It is a technique used by researchers in selecting samples with similar characteristics such as age, race and culture (Bornstein *et al.*, 2013:362; Etikan, Musa & Alkassim, 2016:3; Shaheen, Pradhan & Ranajee, 2019; Suri, 2011:68). The researcher, therefore, selected businesses and individual participants based on the fact that they were immigrant-established businesses in South Africa managed by immigrant entrepreneurs themselves.

A homogeneous sample is frequently used when the research question being addressed is specific to the characteristics of the particular group of interest (in this study, immigrant entrepreneurs), which is then thoroughly examined (Patton, 2014; Suri, 2011:68). The advantage of using homogeneous sampling is that it requires little effort and money to recruit participants (Bornstein *et al.*, 2013:362; Patton, 2014:406; Suri, 2011:68). Furthermore, by focusing on a sample with similar characteristics, the researcher was able to obtain very detailed information while reducing variation in the research topic under exploration (Bornstein *et al.*, 2013:362-363). A major disadvantage of homogeneous sampling is that its level of generalisation is problematic (implying that results can only be limited to the sample which is included in the study) (Bornstein *et al.*, 2013:362). However, it was still ideal in this study since the researcher aimed to focus on samples with similar characteristics, which in this study were immigrant entrepreneurs who own and manage established businesses in South Africa.

#### **5.4.2.2 General inclusion/exclusion criteria**

For businesses, the inclusion criteria were that the business must be an established business, defined by GEM as one that has paid wages and salaries for at least 42 months (Bosma *et al.*, 2021). These businesses (no matter the size) could be formal or informal but they must be owned and managed by immigrants. For participants, the inclusion criterion was that they must be immigrants who own an established business in South Africa. They were also supposed to be involved in the day-to-day management of the business, thus established businesses with immigrant owners who were not involved in the day-to-day management were excluded from the study. Also, businesses that were owned by immigrants but not established according to the GEMs definition of an established business (one that has paid salaries and wages for at least 42 months) were not considered in the study.

#### **5.4.2.3 Sample size**

The study targeted immigrant entrepreneurs operating their businesses in South Africa's entrepreneurial ecosystem. To conduct credible research, an appropriate sample size must be obtained. Choosing an appropriate sample size is critical because it ensures the validity

and reliability of a study's outcome (Kumar, Kumar, Govindaraj & Prabhu, 2020:7102; Marshall, Cardon, Poddar & Fontenot, 2013). The sample size used by quantitative researchers is typically larger than the sample size used in qualitative studies. This, according to Dworkin (2012:1319), is because qualitative research typically focuses on meaning and an in-depth exploration and understanding of a phenomenon—sometimes frequently “centred on the how and why of a particular issue, process, situation, subculture, scene, or set of social interactions”. Unlike quantitative researchers, who have scientific models to use in determining the sample size of a study, qualitative researchers do not have any predefined models to use in selecting the sample size, which is a challenge (Kumar *et al.*, 2020:7102-7103). Therefore, qualitative researchers primarily use their discretion in determining sample size for their studies, inferring that they may end up selecting the incorrect sample size.

As a result, this study had a sample size of 25 individuals who were immigrant entrepreneurs in South Africa. This was based on Dworkin’s (2012:1320) proposition, namely that 25 to 30 interviews are enough to reach data saturation in studies conducting in-depth interviews (such as this current study). This author goes on to say that 25 to 30 interviews are sufficient for journal publication because (i) they allow for a thorough exploration of the factors and characteristics that answer the research questions and (ii) they increase the likelihood that enough data has been collected to adequately answer the research questions. Guest, Bunce and Johnson (2006:79), on the other hand, posit that when the objective of a research is to understand the perceptions and experiences of individuals with similar characteristics (the case of this study), only 12 interviews are sufficient. However, for this study, the researcher adhered to Dworkin’s (2012:1320) suggestion. Guest *et al.* (2006:59) define data saturation as the point when “no new information or themes are observed in the data”. Therefore, for this study, data saturation was achieved when it became clear that interview participants could no longer provide new insights into the phenomenon.

There is a lack of a comprehensive and official database for immigrant entrepreneurs operating their businesses in South Africa (Tengeh, Ballard & Slabbert, 2012; Tengeh & Nkem, 2017). There is, however, no recent source to support this claim. Due to this, the researcher did not know and could not estimate the total number of immigrant businesses in South Africa from which to select the 25 interview participants. The number of SMEs in

South Africa fluctuates quarterly. The Small Enterprise Development Agency (SEDA (2021:26) reported a total of 807 751 SMEs in GP during the fourth quarter of 2020, accounting for 33.9% of all SMEs in the South African entrepreneurial ecosystem. In the first quarter of 2021, the number of SMEs in GP decreased by 0.1% to 786 027 (reduced from 33.9% during the last quarter of 2020 to 33.8% in the first quarter of 2021). Despite this minor decrease, the province continues to have the highest number of SMEs in the South African entrepreneurial ecosystem, which explains why the researcher chose GP for the research rather than any other province in South Africa. It is unclear whether this figure (the number of SMEs in Gauteng reported by SEDA) includes immigrant-owned SMEs in GP; however, since immigrant SMEs are both formal and informal, it is safe to assume that the figures reported by SEDA (2021:26) include immigrant-owned SMEs. Based on this, a final sample size of 25 interview participants was chosen from the total number of SMEs operating in South Africa's GP (only from immigrant-owned SMEs).

#### 5.4.2.4 *Summary of overall sampling design*

Table 5.1 summarises the overall sampling design for the proposed study. It also compares the organisation and individual sampling levels.

**Table 5.1: A summary of the proposed sampling design**

Sampling of:	Organisations	Individual participants
Main inclusion/exclusion criteria:	<ul style="list-style-type: none"> <li>• Must be an immigrant-owned business.</li> <li>• The business must have been existing for at least three and a half years.</li> <li>• Must be located in the South African entrepreneurial ecosystems and to be more specific, the business must be located in the Ekurhuleni, Tshwane or the CoJ metropolitan municipality</li> </ul>	Must be the owner of an immigrant business in South Africa
Overall minimum target sample size:	25 immigrant-owned businesses	25
Minimum sample size required for each participating organisation:	Not applicable	1

Sampling of:	Organisations	Individual participants
Method(s) of sampling to be used:	Purposive Sampling Homogenous sampling	Purposive sampling Homogenous sampling

**Source:** Author's compilation

### 5.4.3 Profile of the research participants

Table 5.2 is a presentation of the demographics in relation to the interview participants who took part in this study. In the table, the term IET is used to denote an immigrant entrepreneur, and the number provides the coding used to ensure anonymity.

**Table 5.2: Profiles of the research participants**

Alias	Age	Gender	Qualification	Ethic background	Nationality	Type of business	Age of business
IET 1	42	Male	Hons Degree	Black	Cameroonian	Property management	6 years
IET 2	33	Male	Hons Degree	Black	Cameroonian	Real estate	4 years
IET 3	26	Male	Diploma	Black	Zimbabwean	ICT	4 years
IET 4	50	Male	Matric	Black	Zimbabwean	Transport	7 Years
IET 5	38	Male	O levels	Black	Zimbabwean	Construction	4 years
IET 6	35	Male	B.Sc.	Black	Nigerian	Property management	10 years
IET 7	45	Male	Matric	Black	Congolese	Transport	14 years
IET 8	36	Male	Matric	Black	Cameroonian	Scrap Yard	4 years
IET 9	35	Male	O levels	Black	Togolese	Welding	6 years
IET 10	33	Male	Matric	Black	Malawian	Clothing	4 years
IET 11	53	Male	MBA	Black	Cameroonian	Real Estate	14 years
IET 12	52	Male	B.Sc.	Black	Nigerian	Construction	22 years
IET 13	26	Male	Matric	Black	Zimbabwean	Digital Marketing	4 years
IET 14	40	Male	Matric	Black	Cameroonian	Car Dealership	7 years

Alias	Age	Gender	Qualification	Ethic background	Nationality	Type of business	Age of business
IET 15	43	Male	Form 2	Black	Zimbabwean	Transport	7 years
IET 16	46	Male	Grade 7	Black	Nigerian	Clothing	11 years
IET 17	56	Male	Matric	Black	Nigerian	Transport	20 years
IET 18	52	Male	Matric	Black	Cameroonian	Real estate	11 years
IET 19	38	Male	Matric	Black	Nigerian	Construction	8 years
IET 20	47	Male	Matric	Black	Nigerian	Tavern	4 years
IET 21	80	Male	Master's Degree	Black	Bolivian	Consultancy	12 years
IET 22	42	Male	Matric	Black	Nigerian	Clothing	13 years
IET 23	30	Male	Matric	Black	Nigerian	Clothing	11 years
IET 24	47	Male	Matric	Black	Cameroonian	Photo Studio	11 years
IET 25	28	Male	Grade 9	Black	Zimbabwean	Construction	6 years

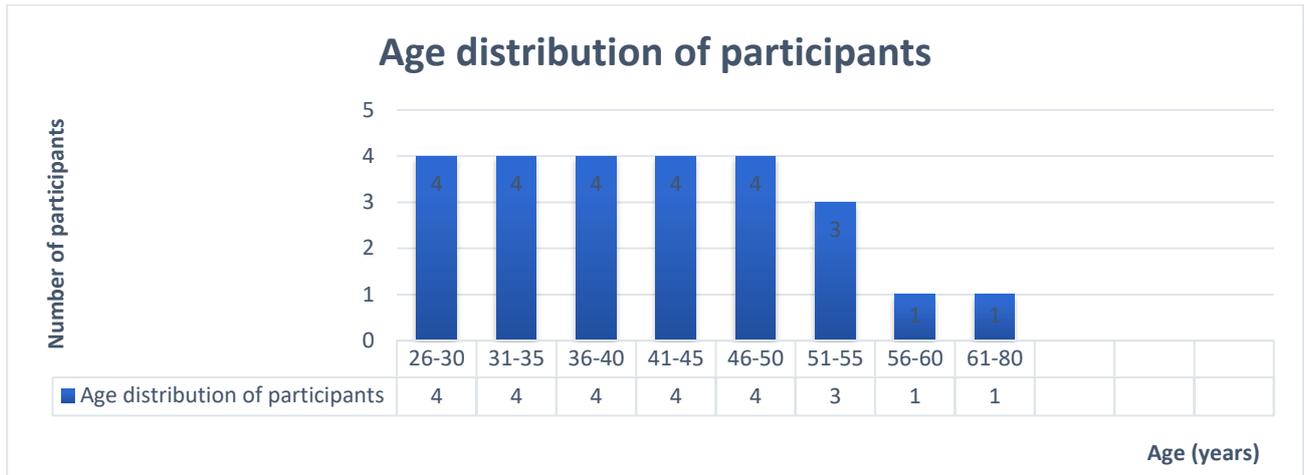
**Source:** Author's compilation

As shown in Table 5.2, all of the participants in the study were males, with 24 being black (from other African countries) and one (1) being white (from South America). The researcher approached potential female immigrant entrepreneurs and asked them to participate in the study; some agreed but later changed their minds, while others continued to postpone the date for this interview. This explains why only males were included in the study. The section that follows briefly describes the age distribution of participants, qualifications, nationality, business type, and years of operation for the businesses that participated in the study.

*(i) Age of participants*

Figure 5.3 depicts the age distribution of the research participants included in this study. The study's participants ranged in age from 26 to 80 years old.

**Figure 5.3: Age distribution of research participants**



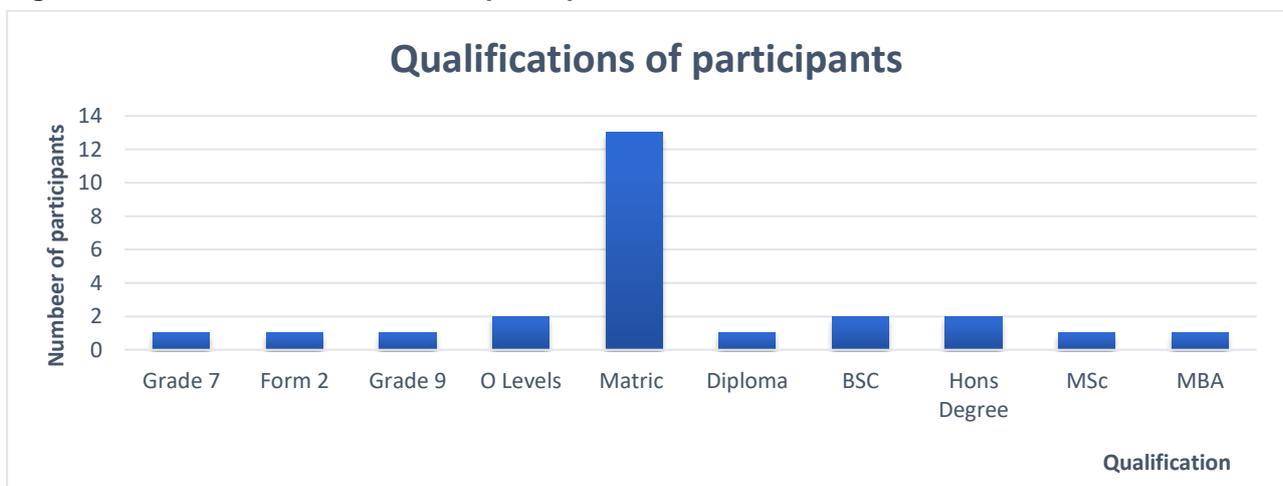
**Source:** Author's compilation

The number of participants in each age group in Figure 5.3 was as follows; each of the first five age groups had four participants (ages 26 – 30; 31 – 35; 36 – 40; 41 - 45, and 46 – 50). Thereafter, there were three participants between the ages of 51 - 55, and only one between 56 - 60, and another between 61 - 80. Therefore, immigrant entrepreneurs who were included in the study were both youths and adults.

(ii) *Qualifications of participants*

Figure 5.4 presents the different qualifications of the participants who participated in the study. These ranged from Grade 7 to an MBA.

**Figure 5.4: Qualifications of research participants**



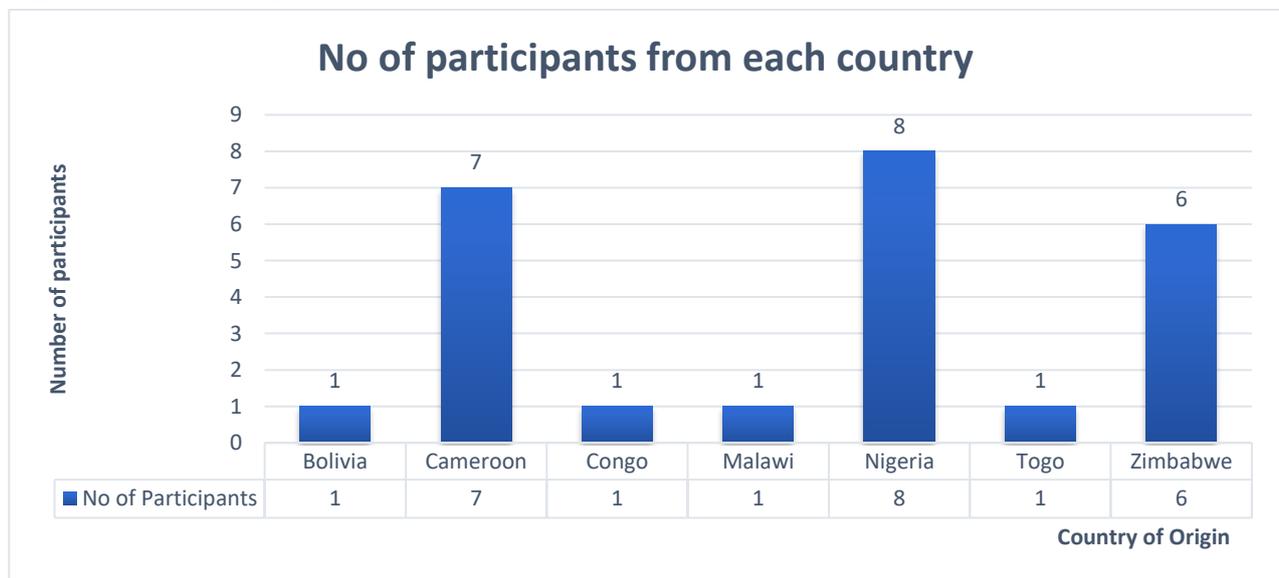
**Source:** Author's compilation

As mentioned, the participants had at least some form of education, ranging from Grade 7 to an MBA. Figure 5.4 shows that one participant completed Grade 7, one completed Form 2 (equivalent to Grade 8 in South Africa), one completed Grade 9, one had a diploma, one had a master's degree, and one had an MBA. Two participants had completed their Ordinary Levels (O levels) (equivalent to Grade 11 in South Africa), two had bachelor's degrees, and two had honours degrees. The majority of the study's participants (13) completed high school (matric). This could, therefore, assist them in strategising, managing, or engaging in business discussions with other educated business owners in South Africa's entrepreneurial ecosystem. Furthermore, having some form of education can give immigrant entrepreneurs a competitive advantage over immigrants who have no formal education (Khosa & Kalitanyi, 2015:143).

(iii) *Nationality of participants*

Figure 5.5 depicts the various nationalities of immigrant entrepreneurs who took part in the study. The participants were migrants from seven different countries in total.

**Figure 5.5: Nationality of research participants**



**Source:** Author's compilation

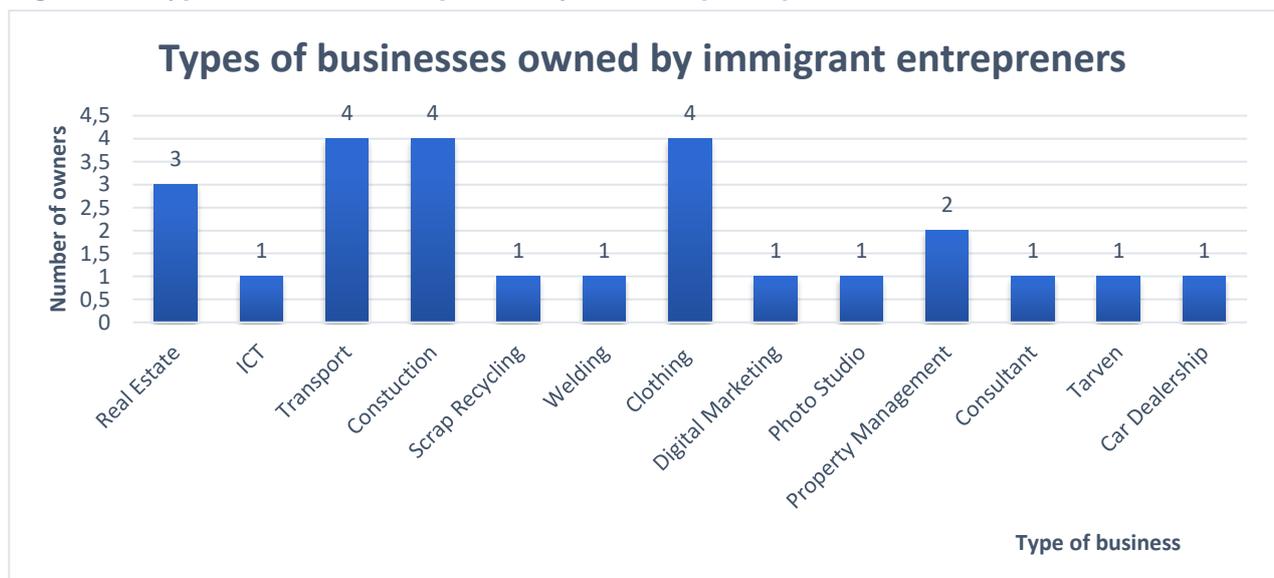
As depicted in Figure 5.5, the study's participants were immigrant entrepreneurs from seven different countries who run their businesses in the South African entrepreneurial ecosystem.

The participant's country of origin was an important factor because it allowed the researcher to confirm that the participant was an immigrant running a business in South Africa; local or South African entrepreneurs were excluded from the study because they are not immigrants. There was one participant who was from Bolivia (South America), one from Congo (West Africa), one from Malawi (East Africa), and one from Togo (West Africa). Another six participants in the study were from Zimbabwe (Southern Africa), seven from Cameroon (Central Africa), and eight from Nigeria (West Africa), representing the majority.

*(iv) Types of immigrant-owned businesses.*

Figure 5.6 depicts the various types of businesses run by the immigrant entrepreneurs who participated in the study. These types of businesses varied greatly.

**Figure 5.6: Types of businesses operated by research participants**



**Source:** Author's compilation

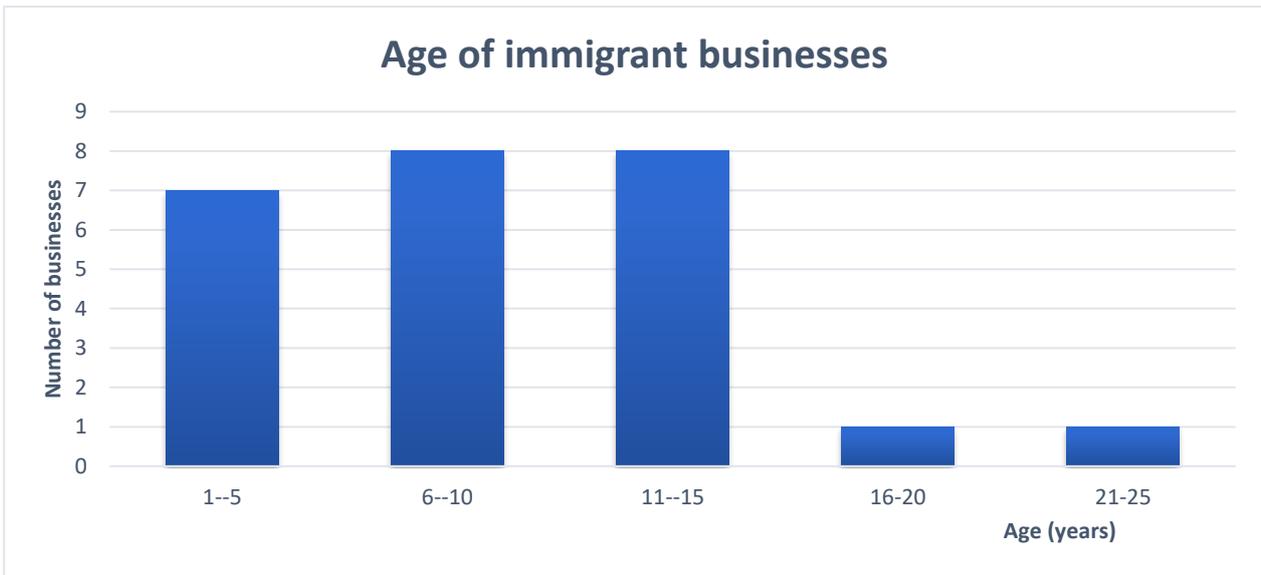
Figure 5.6 shows that the participants in the study operated different businesses in South Africa's entrepreneurial ecosystem. It was found that three participants were in real estate (buying and selling of houses), one in ICT (focused on developing websites), four in transportation (transporting goods by land in South Africa and sometimes to neighbouring countries such as Zimbabwe and Lesotho among others), four in construction (building houses and roads among others), and one in recycling (recycling of scrap metal and plastics). Another one was in welding, four in clothing (retailing and selling of clothes), one

in digital marketing, one running a photo studio, two in property management (managing properties on behalf of its owners), one was a consultant (consulting for mining companies), one owned a tavern (selling alcohol), and one ran a car dealership (selling used cars). According to Figure 5.6, the majority of the participants were in the transportation (four participants), construction (four participants), and clothing (four participants) industries.

(v) *Age of businesses*

Figure 5.7 depicts the ages of the businesses owned and operated by the study's participants. These had to be a minimum of three and a half years, as outlined in the previous section.

**Figure 5.7: Age of businesses operated by research participants**



**Source:** Author's compilation

With regard to years in operation, seven businesses had been open for one to five years, and all of them were four years old. Another eight of the businesses in the study had been in operation for 6 to 10 years, and eight had been in operation for 11 to 15 years. Only one had been in operation for 16 to 20 years, while the other had been in operation for 21 to 25 years. Figure 5.7 shows that the operating years of the businesses considered in the study ranged from four to 22 years. Therefore, they were all considered to be established businesses according to the GEM report (Bosma *et al.*, 2021) (the inclusion criteria). The next section focuses on the data collection method that was used in the study.

## 5.5 DATA COLLECTION METHODS

There are several ways to collect data for a qualitative study such as this one, including observations, textual analysis and interviews (Bolderston, 2012:68; Creswell, 2012; Gill, Stewart, Treasure & Chadwick, 2008:291). Interviews (Bricki & Green, 2007:19; Jamshed, 2014:77), which is the most commonly used method of qualitative data collection, were used to collect data in this study. Interviews are face-to-face verbal discussions in which one person, the interviewer, attempts to collect information from and gain an understanding of the interviewee's perceptions and experiences on a specific phenomenon under investigation (Rowley, 2012:260). The interviewee may be selected or invited to participate in an interview as an individual or as a representative of a team, group or organisation. The three types of interviews are structured, unstructured, and semi-structured and can all be used in qualitative research (Gill *et al.*, 2008:291). Structured interviews are, generally, “verbally administered questionnaires, in which a list of predetermined questions are asked, with little or no variation and with no scope for follow-up questions to responses that warrant further elaboration” (Gill *et al.*, 2008:291). Unstructured interviews are those in which the researcher does not ask the interviewees any predetermined questions (Qu & Dumay, 2011:245), rather participants are asked pre-defined but open-ended questions (Adams, 2015; Gill *et al.*, 2008:291; Jamshed, 2014:77; Stuckey, 2013:57).

To collect data for this study, semi-structured interviews were used. Semi-structured interviews were appropriate for the study since they allow flexibility during the interview; therefore, allowing the views of the interviewees to be expressed more freely. Moreover, it also allowed the research to be carried out based on predetermined and defined research and interview questions. Semi-structured interviews enabled the researcher to modify the questions during the interviews (for instance, instead of just asking the participants if they use business networks in their operations, the researcher asked them if they have networks with lawyers and accountants) to obtain the most complete answers from the interviewees (Qu & Dumay, 2011:246). It also allowed the researcher and interviewees to elaborate on ideas and responses in greater depth, allowing the researcher to discover information that may not have been considered previously (Gill *et al.*, 2008:291). For example, when the researcher asked the participants where they meet those with whom they form networks,

some said church. This allowed the researcher to inquire further about whether these people in the church were also from their country of origin; this is how the researcher obtained more information for the study. The interviews were also appropriate because the researcher was interested in facts as well as understanding the opinions, attitudes, experiences, and perceptions of how networks play a role in the business development of immigrant entrepreneurs in entrepreneurial ecosystems. Interview questions for the study consisted of open-ended questions, therefore, allowing participants to respond as they saw fit in their own words.

### **5.5.1 The formulation of interview questions and the discussion guide**

The formulation of the interview questions was guided by the research questions as presented in Table 5.3. This was to ensure that the interview questions aligned with the research questions and the purpose of the study. Each research question had main interview questions attached to it. The researcher did not formulate many probing questions at this stage, the reason being that the interview participants operated different businesses, implying that probing questions could have differed during each interview. Therefore, some probing questions only emerged during the interview depending on the responses of the interview participant(s). The researcher then went on to formulate a discussion guide. The discussion guide was formulated to ensure that all interviews would be conducted systematically; it also aimed to help minimise the potential for bias during the interview process and to allow the development of additional interview questions (probing questions) based on the interactions between the researcher and participants.

**Table 5.3: Interview schedule used in the study**

Research Questions	Interview Questions
<p><b>1. What types of networks are used in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?</b></p>	<ol style="list-style-type: none"> <li>1. Can you please tell me more about the types of networks you use for your business development?</li> <li>2. Do you conduct business with your family members, or do they assist your business in any way?</li> <li>3. Do you conduct business with friends and friends of friends and members of your social club?</li> <li>4. Do you conduct business with other businesses closely related to yours?</li> </ol>

Research Questions	Interview Questions
	<ol style="list-style-type: none"> <li>5. Do you conduct business with managers of other businesses?</li> <li>6. Do you conduct business with individuals from your ethnic group or cultural associations?</li> <li>7. Do you have networks with lawyers, accountants, and academics?</li> <li>8. Do you conduct business with local entrepreneurs or do locals play a role in your business?</li> </ol>
<p><b>2. How do immigrant entrepreneurs develop the networks in the entrepreneurial ecosystems which influence their business development?</b></p>	<ol style="list-style-type: none"> <li>1. Please tell me how you develop your networks.</li> <li>2. How do you develop networks with other businesses, accountants, lawyers, banks, and other government department?</li> <li>3. How do you develop networks with your family members?</li> <li>4. How do you develop networks with friends, friends of friends and social clubs?</li> <li>5. How do you develop networks with managers of other businesses, your customers, and suppliers?</li> <li>6. How do you develop networks with people from your ethnicity, or cultural association?</li> <li>7. Do you develop any of these networks through trust, understanding and reciprocity?</li> <li>8. How do you build trust?</li> <li>9. Where do you meet these people with whom you build networks?</li> </ol>
<p><b>3. What is the function of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?</b></p>	<ol style="list-style-type: none"> <li>1. Please can you tell me if networks have assisted you in getting resources (physical, human, and financial resources)?</li> <li>2. Please can you tell me if networks have assisted you in getting opportunities?</li> <li>3. Please can you tell me if networks have provided your business with support such as advice, coaching, emotional support, moral support and mentoring?</li> <li>4. Please can you tell me if your ethnic networks/cultural group provide some form of social capital? Human capital and loans at low interest rates or at no interest rates?</li> <li>5. Can you please tell me if ethnic networks have provided you with ethnic informal channels that have assisted you in your business?</li> </ol>

Research Questions	Interview Questions
	<ol style="list-style-type: none"> <li>6. Have or did your ethnic/cultural networks provide you with advice that aided in the formation of your business?</li> <li>7. Have the networks provided you with access to business opportunities?</li> <li>8. Could you please elaborate about these opportunities and how they help you in running your business?</li> <li>9. Have these networks helped in providing you with information such as information about support opportunities?</li> </ol>
<p><b>4. What are the benefits of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?</b></p>	<ol style="list-style-type: none"> <li>1. Has networking improved, increased, or decrease your total assets such as buildings, capital, revenues and profits?</li> <li>2. Has networking improved, increase or decrease your sales and production volumes?</li> <li>3. Has networking improved, increase, or decrease your cost of sales/production?</li> <li>4. Has networking improved, increase, or decrease your customer base?</li> <li>5. Has networking improved, increase, or decrease the number of your employees?</li> <li>6. Has networking improved, increase, or decrease the size and location of business premises?</li> <li>7. Has networking improved your management style?</li> </ol>

**Source:** Author's compilation

## **5.5.2 The research procedure**

### **5.5.2.1 *The pilot-study***

Scholars have stated that a pilot study is one of the critical stages of a research project that cannot be overlooked (Doody & Doody, 2015; Hassan, Schattner & Mazza, 2006:70; Hazzi & Maldaon, 2015). A pilot study is a small study that is conducted before the main research project, to test the research protocols, data collection instruments, participant recruitment strategies, and other important research techniques (Doody & Doody, 2015:1074-1078; Hassan *et al.*, 2006:70-73; Hazzi & Maldaon, 2015:53-62). A pilot study is also usually carried out to test the suitability of research questions as well as the actual time that could be spent conducting interviews. Other important reasons for conducting a pilot study include testing and refining scales that will be used in the study, developing a research plan, and gathering preliminary data to test for expected results (Doody & Doody, 2015:1074; Hazzi &

Maldaon, 2015:53). A well-conducted pilot study in a formal setting that adheres to the main research aims and objectives can ensure methodological rigour, resulting in high-quality research (Doody & Doody, 2015:1074). A well-executed pilot study thus provides a concrete road map for the researcher to follow when carrying out the actual study.

A pilot study was conducted on March 19<sup>th</sup>, 2022, with an interview participant who is an immigrant entrepreneur operating an established business in the South African entrepreneurial ecosystem. The goal of the pilot test was to confirm the suitability of the interview questions and the length of each interview before applying for ethical clearance. During the pilot study, the researcher noticed that there was a repetition of some interview questions. The researcher then deleted the repeated questions from the initial list of research questions and corresponding interview questions. The researcher also formulated two new interview questions relating to Research Question 4 as a result of the pilot study. All of these changes were highlighted and emailed to the research promoter in a separate Word™ document for confirmation. These modifications were approved by the research promoter and implemented by the researcher in the discussion guide.

### **5.5.2.2    *The ethical clearance***

This study, like any other study of this nature, was subject to the approval of the Research and Ethics Committee of UP's Faculty of Economic and Management Science. The ethical clearance process at UP is extremely thorough, ensuring the integrity of any research conducted in the university's name. The application for ethical clearance was submitted on the 30<sup>th</sup> of March 2022. The application went through a series of checks. First, the study supervisor acknowledged receipt of the application. Second, a member of the ethics board reviewed the application and reverted the application to the researcher, since there were a few points that needed some revision, including:

- The researcher had to clearly state how interview participants were to be recruited;
- The researcher had to attach a full copy of the Turnitin report for the research proposal;  
and
- The researcher had to revise the interview questions as there were too many.

The researcher addressed all the comments and re-submitted the ethics application on the 31<sup>st</sup> of March 2022. The application went through a series of checks again; first by the study

supervisor, then by the department's ethics committee member, then by the head of department, and finally, it was approved by the Ethics Committee on May 20th, 2022.

### **5.5.2.3 *The recruitment process***

During the recruitment of interview participants, the researcher approached and consulted the prospective interview participants who were immigrant entrepreneurs in the South African entrepreneurial ecosystem. The researcher had a face-to-face (some via telephone and email) discussion with some of the participants. First, the researcher introduced themselves and explained the purpose of the study to potential interview participants, then asked them if they were willing to participate. In instances where the prospective interview participant agreed to participate in the interviews, the researcher then promised to send an introductory letter via email to the interviewee to verify the validity of the proposed study. In cases where the prospective interview participant was not willing to take part in the study, the researcher thanked them for their time and left.

### **5.5.2.4 *The semi-structured interviews, consent, confidentiality, and transcription***

After the ethical clearance was approved and the recruitment process completed, the researcher then went on to collect the data for the study. To start with, the researcher contacted each participant individually one week before the start of each interview to confirm if they were still willing to participate in the study. Then, the researcher emailed the informed consent form (see Appendix A) and discussion guide (see Appendix B) to interviewing participants so that they could prepare for the interview. Data for the study was collected through face-to-face interviews (and electronically, using Google Meet, for four of the 25 interviews).

Face-to-face interviews are one of the most common and oldest methods of collecting qualitative and primary data for research (Marshall, 2016; Saarijärvi & Bratt, 2021:392). Face-to-face interviews are characterised by “synchronous communication” (Opdenakker, 2006:3); that is, communication that takes place in real-time. A face-to-face interview is extremely beneficial because the researcher can use social cues such as body language, voice, and intonation to gain additional insights into the research topic (Marshall, 2016;

Opdenakker, 2006; Saarijärvi & Bratt, 2021). Face-to-face interviews also allow the interviewer to ask follow-up questions, therefore, enabling the collection of valuable information relating to the research topic from the interviewee (Marshall, 2016). Furthermore, face-to-face interviews allow the interviewer to explain tasks and questions to the interviewee in greater detail, which is something that is completely lacking in administered questionnaires (Schröder, 2016). However, face-to-face interviews have a significant disadvantage in that they are expensive and time-consuming; as a result, researchers or interviewees may not have the means to travel to a specific geographical location for the interviews (Oltmann, 2016). Despite this disadvantage, face-to-face interviews were ideal for this study.

Data for the study were collected during June and September 2022. Before the start of each interview, the researcher introduced themselves and ensured that the participant read and signed the informed consent form (see Appendix A) to ensure that they understood the proposed study. The researcher also assured the interview participants of confidentiality; all information that was provided in the interview was treated as confidential and neither their name nor their organisation's name was mentioned in the thesis. The researcher then requested permission from the interviewees to record the interviews so that they could focus on the interviews rather than writing notes. The researcher then went on to ask the interview questions in the discussion guide.

The researcher asked three types of questions, namely the study's main question, interview questions based on the main research questions, and probing questions. This was done to help the researcher gain a better understanding of how networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs. If an interviewee did not understand a specific interview question, the researcher allowed them to ask for clarification. At the end of each interview, the researcher thanked the interviewee for taking the time to participate in the study and asked the participant if they would like to see a copy of the final research output. All the audio recordings were transcribed verbatim to ensure that it was a true representation of the words and experiences of the interviewee, rather than information assumed by the researcher. In some instances, the researcher had to replay the recording several times, to ensure that no mistakes were made. Replaying the audio recordings several times also ensured the accuracy of the transcripts.

## 5.6 DATA ANALYSIS

Data in the proposed study was analysed using thematic analysis. Thematic analysis, though poorly defined, is a widely used method in analysing qualitative data (Braun & Clarke, 2012:57). Thematic analysis is “a method for identifying, analysing, and interpreting patterns of meaning (‘themes’) within qualitative data” (Braun & Clarke, 2006; Braun & Clarke, 2012; Clarke & Braun, 2017:297) or data corpus (Wagner *et al.*, 2012:231). It involves identifying themes or patterns in datasets (Wagner *et al.*, 2012:231). As Clarke and Braun (2017:297) point out, the goal of thematic analysis is to summarise data content while also identifying and interpreting key features in datasets guided by working research questions. Important benefits of thematic analysis include (i) its ease of learning and application; (ii) its accessibility to novice qualitative researchers; (iii) its assistance in summarising key points in large datasets, and (iv) its ability to generate unexpected insights from datasets (Braun & Clarke, 2006). An important advantage of thematic analysis is its flexibility (providing rich and detailed data accounts) (Braun & Clarke, 2006:76).

Thematic analysis can be performed deductively or inductively. The inductive (or bottom-up) approach entails the researcher developing themes directly from datasets rather than fitting the themes into a reconceptualised theoretical framework. Simply put, in the inductive approach the themes identified are directly linked to the dataset. Also, if the data for the study was collected through interviews, then the themes identified using the inductive approach may be linked to the research or interview questions that were asked of the interviewees. A deductive direction, on the other hand, involves a top-down method that is informed by the theoretical framework in the study (Braun & Clarke, 2006:83-84). For this study, a deductive approach was used to analyse the data obtained from the interviews, while also allowing for some themes to be derived inductively from the datasets. Thus, the data analysis in this study was informed by the theoretical framework of the study as well as the conceptual framework developed for the study in Chapter Four. The thematic analysis in this study followed six steps - (i) becoming familiar with the datasets; (ii) identifying the themes; (iii) generating the codes; (iv) linking codes to themes identified; (v) reviewing the themes and (vi) writing up. These are discussed in more detail below.

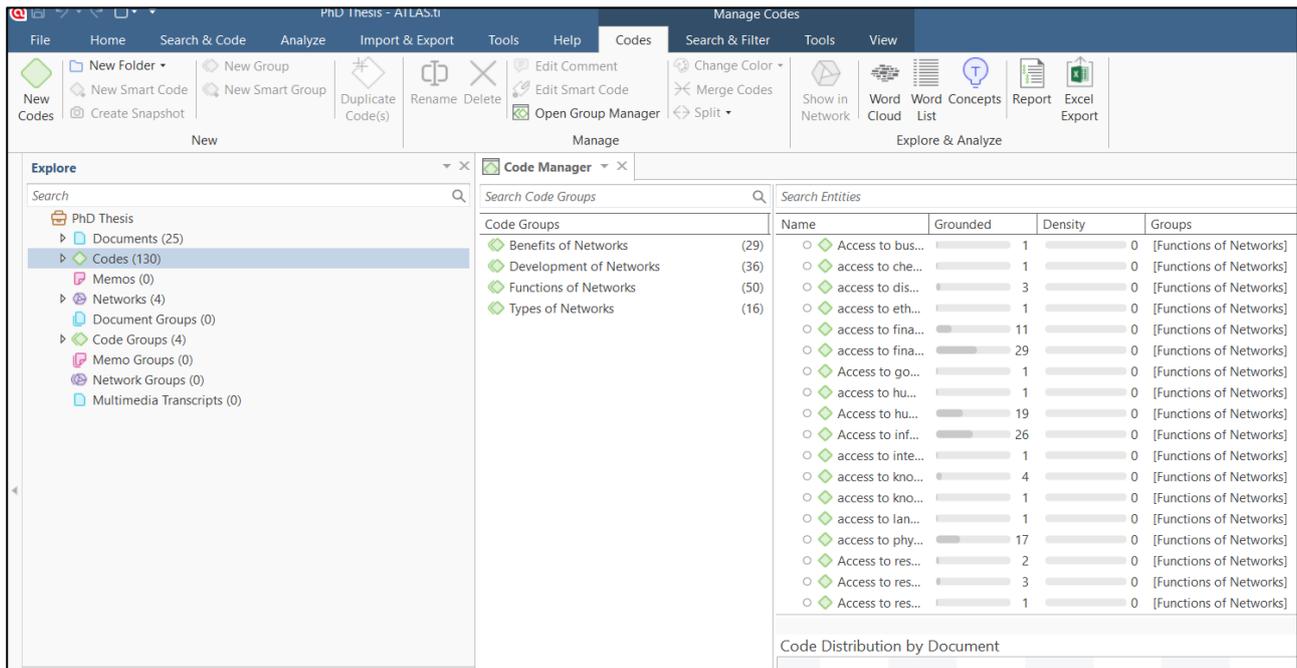
### **5.6.1 Step 1: Becoming familiar with the data**

After conducting the semi-structured interviews with the interview participants, the audio recordings were listened to, to ensure that they were clear. In some instances, the sound of the recording was low, and the researcher had to use headphones to listen to the recording. Each interview recording was transcribed within the week in which the interview was conducted. Though it was very demanding and time-consuming, the researcher decided to transcribe the interviews manually. Initially, the researcher tried to use the transcribing function embedded in Microsoft Word 2022, but there were a lot of errors, as a result of this, the researcher then focused on listening to the recordings while typing the discussion. After transcribing each recording, the researcher re-read the transcripts while listening to the audio recording to ensure that they were error-free and accurately represented the interviewee's words. To improve familiarity with the collected data, the transcripts were perused several times to ensure that they were in line with the interview guide. During this phase, the researcher started making notes on possible themes and codes that could arise from the datasets.

### **5.6.2 Step 2: Identifying the themes**

The second step in the research process was to identify themes. The initial themes were identified, and these were informed by the research questions and the theoretical framework. This was done to ensure that the themes related directly to the research. At this stage, four themes were identified, and they were directly linked to the study's research questions and theoretical framework. As the researcher analysed the data using Atlas.ti, these themes were presented as code groups in the scientific software (Atlas.ti). Figure 5.8 is a screenshot of the four themes, presented as code groups in Atlas.ti.

**Figure 5.8: Themes (code groups) identified in the study**



**Source:** Author's compilation

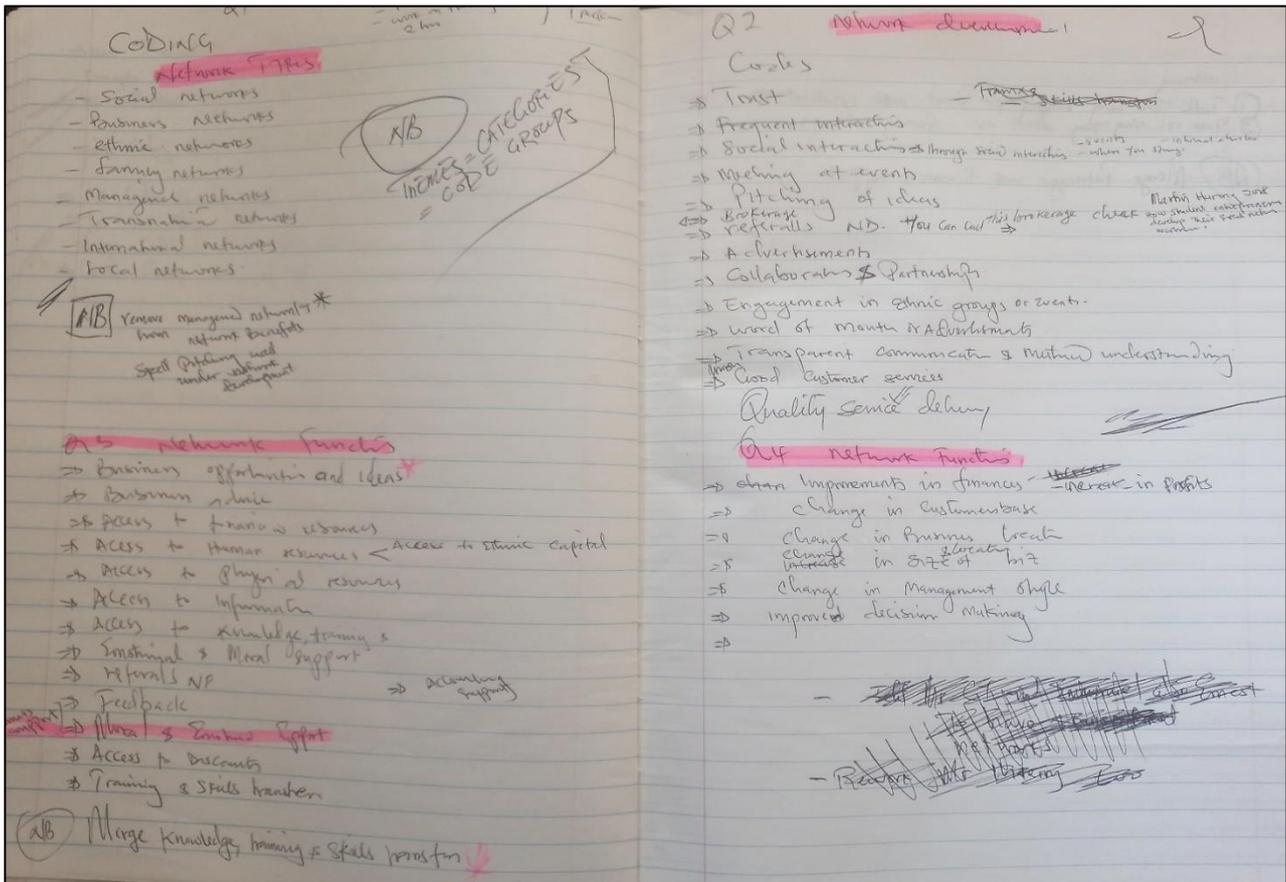
As presented in Figure 5.8, four themes were identified in the study. These include types of networks, development of networks, functions of networks and benefits of networks.

### 5.6.3 Step 3: generating the codes

After transcribing the audio recordings and identifying the themes, the next stage was for the researcher to generate the codes from the data (Braun & Clarke, 2006:88). At this stage, the researcher focused on generating the codes from the transcripts. The codes created during this step were then organised under the themes (since the approach was deductive) that were identified in Step 2. Therefore, the researcher started with the themes before generating the codes. In the inductive case, the codes are first identified before themes can emerge. The coding was done to enable the researcher to reduce the large datasets into smaller portions of meaningful data (Braun & Clarke, 2006). The coding was done both manually and electronically. Initially, the researcher developed a codebook for previously identified codes (manually - codes were written in an exercise book). Then, these pre-identified codes were applied to the transcripts in Atlas.ti (electronically), and new codes emerged and were added to the codebook (manually, in the exercise book). As Braun and Clarke (2006:89) assert, no data set is without some contradictions. These contradictions

are critical in research because they allow for meaningful conclusions to be drawn from the data collected. Based on this, the researcher noted all of the contradictions in the datasets during the coding process and these were reported in the form of quotations in the write-up phase (the findings chapter). A total of 130 codes were generated and allocated to the four themes identified, see Figure 5.8. and the sample manual codebook in Figure 5.9.

**Figure 5.9: Sample of manual codebook**



**Source:** Author's compilation

#### 5.6.4 Step 4: Reviewing themes

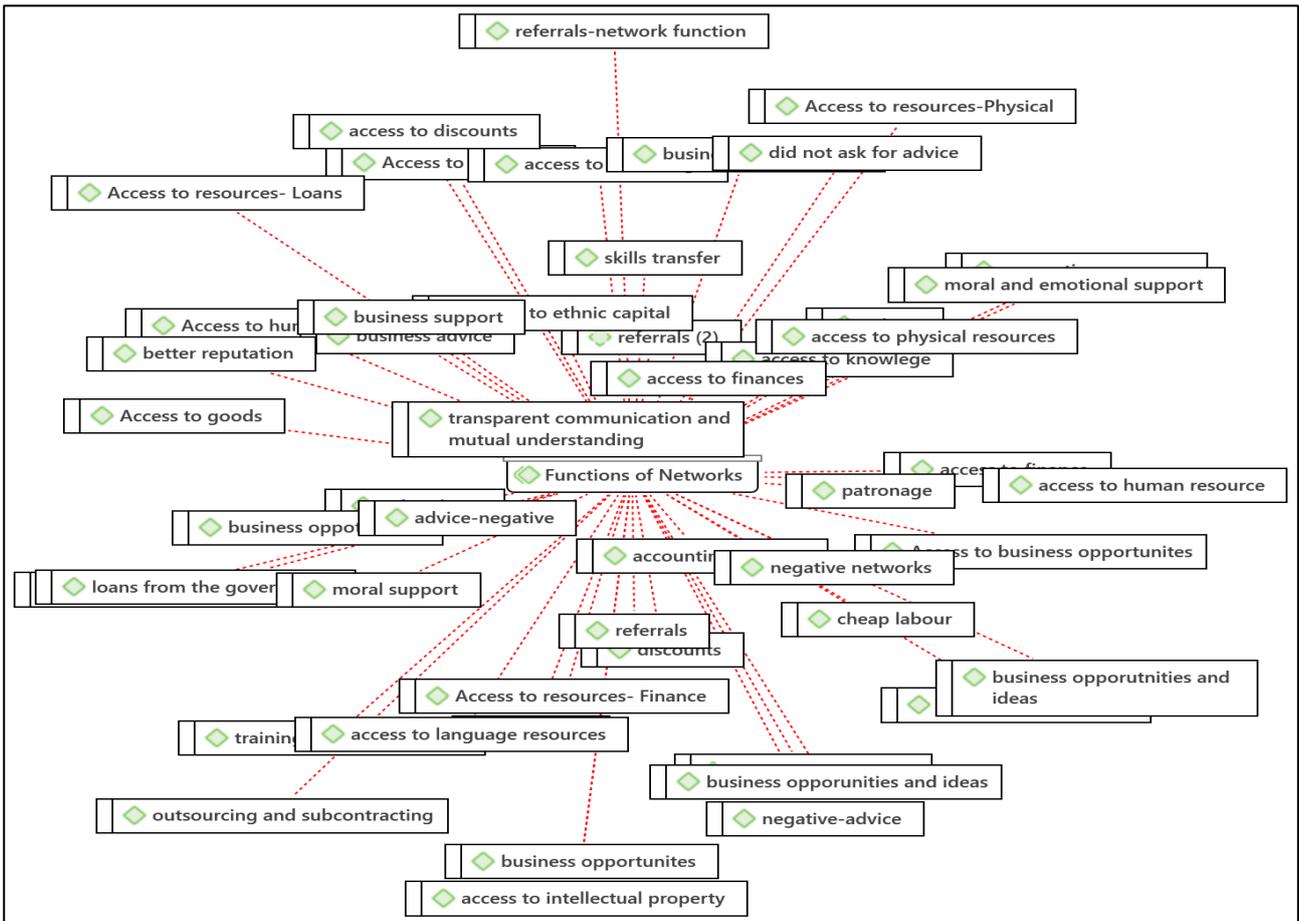
In this step, the researcher focused on reviewing and refining the themes identified in Step 2. Braun and Clarke (2006:91) posit that during this phase, some themes identified earlier may no longer be themes due to the lack of data to support them or the available data may be too diverse. This was not the case in this study. The pre-identified themes were refined at this stage first; the researcher ensured that there was a clear distinction between the themes and supporting data. Secondly, the researcher ensured that the data extracts for

each theme were closely related to the theme. Therefore, the researcher re-read the datasets to ensure that they were linked to the themes, or that the themes were linked to the dataset. Then, the researcher went on to code additional data related to the themes that were not coded or missed during the coding stage.

#### **5.6.5 Step 5: defining and giving names to themes identified**

During this stage, the researcher again defined and refined the themes identified; this was to ensure accuracy as well as to confirm that the codes identified earlier were directly linked or related to the themes. At this stage, some codes were reallocated to different themes (code group in Atlas.ti). Therefore, there was confirmation that the right themes were identified for the study. When it was determined that the appropriate themes had been identified for the study, the researcher generated a report from Atlas.ti containing all the codes, code groups, and quotations. The researcher then used Atlas.ti's "Networks" function to generate another report showing how different codes were related to each code group or theme (see Appendix C for "Network" presentation of types of networks, networks development and benefits of networks). Figure 5.9 depicts the "Network" presentation of the functions of networks (theme 3) generated in Atlas.ti.

**Figure 5.10: Network presentation of the functions of networks and related codes**



**Source:** Author's compilation

### 5.6.6 Step 6: write-up

The final stage was the write-up phase. At this point, the researcher selected applicable and compelling examples from the analysed data, to connect these examples to literature, research questions, and objectives in order to present meaningful results.

## 5.7 TRUSTWORTHINESS

The rigour or trustworthiness of a study refers to the level of certainty in data, methods, and interpretation used to ensure the study's validity (Polit & Beck, 2018). Researchers must develop the procedures and protocols required for a specific study to be considered worthy of consideration by readers. Scholars have proposed that the significance of any study is reinforced by its trustworthiness, which includes four dimensions, namely credibility,

transferability, confirmability, and dependability (Guba, 1981:80; Lincoln & Guba, 1985; Shenton, 2004:64). These are discussed in the following sections.

*(i) Credibility*

The goal of credibility is to ensure that the research findings reflect the respondents' true experiences and perspectives (Korstjens & Moser, 2018:121; Kyngäs, Kääriäinen & Elo, 2020; Polit & Beck, 2008:585; Shenton, 2004:64). To ensure the credibility of this study, the researcher used interviews, as it is a credible data collection method. The data were collected from different individuals who are immigrant entrepreneurs operating their businesses in the South African entrepreneurial ecosystem. In addition, the researcher conducted a thorough background check to ensure that the immigrant entrepreneur(s) met the defined criteria for inclusion in the study.

Furthermore, to ensure credibility, the researcher guaranteed that the respondents were at ease during the interviews and had the option to withdraw from the interview if they felt uncomfortable. Participants were encouraged to provide genuine answers to all questions, and the researcher also emphasised the confidentiality of all answers provided (Shenton, 2004:66-67). To ensure the credibility of the research findings, the researcher certified that there was no disparity between the transcripts and the reported findings, implying that the findings reflected the answers provided by respondents during the interviews. Participants' validation of results plays a critical role in ensuring and reinforcing the credibility of reported findings. For this study, the results were returned to the participants to determine whether the findings were accurate and reflected their actual experiences as described during the interviews (Birt, Scott, Cavers, Campbell & Walter, 2016).

*(ii) Dependability*

Korstjens and Moser (2018:121) highlight that dependability involves “participants' evaluation of the findings, interpretation and recommendations of the study such that all are supported by the data as received from participants of the study”. Therefore, the findings must reflect the data collected from respondents. Polit and Beck (2008:585) posit that data collected for the study must be reliable over time and conditions. To ensure the study's

dependability, all steps taken from the beginning of the research to its development and reporting of findings were transparently described in the study. This serves as a guideline for other researchers who wish to replicate the study in a different setting.

### *(iii) Confirmability*

This describes the extent to which other researchers could confirm the accuracy and relevance of the findings of the research (Korstjens & Moser, 2018:121; Polit & Beck, 2008:585). Shenton (2004:72) posits that steps must be taken to ensure that the research findings are based on the experiences and ideas of the participants, rather than the researcher's beliefs and preferences (reflecting the respondents' voices and not the researcher's thoughts) (Polit & Beck, 2008:585). To ensure confirmability, a discussion guide was pre-tested and reviewed by an experienced researcher before the data collection process began. Furthermore, to improve confirmability, the interview recordings were transcribed exactly as they were, with no additions or deletions, to ensure that the participants' experiences and perspectives were accurately reported.

### *(iv) Transferability*

Transferability refers to the degree to which the findings of a qualitative study can be transferred or applied in different contexts or settings with different respondents (Korstjens & Moser, 2018:121; Shenton, 2004). It is critical in research to provide a thorough description of the phenomenon under investigation, as this will allow readers to gain a proper contextual understanding of the study (Shenton, 2004:70). To ensure the study's transferability, the researcher documented all procedures, research designs, and methods used in the study, which other researchers can use in a different context. In the final research output, the researcher outlined the research limitations and possible opportunities for future research.

## **5.8 DELIMITATIONS OF THE STUDY**

Delimitations of a study are the limitations that are set by the researchers themselves. They are the boundaries established by the researcher to ensure that the research's goals and objectives do not become impossible to achieve (Theofanidis & Fountouki, 2018:157). This

study adds to the body of knowledge on entrepreneurship, entrepreneurial ecosystems, networks, business development, and immigrant entrepreneurship in South Africa and the world at large. However, as with any study of this type, this study has limitations that must be considered when interpreting the results and drawing conclusions from the study's findings.

This study followed the interpretive research philosophy; hence, it was qualitative and as such relied on a small sample of insights from 25 immigrant entrepreneurs. This implies that the findings from the study cannot be generalised. However, while the findings of this study cannot be generalised, the themes and sub-themes that emerged from the study can pave the way for a quantitative study to generate findings that can be generalised. A purposive sampling technique was used to select participants for the study, thus the sample could provide the most relevant and in-depth information for the research.

As stated earlier in Chapter One, the geographical delimitation of the study is that only immigrant entrepreneurs and immigrant-owned businesses located in GP were considered. This was due to the high cost that could be incurred to travel to other provinces in South Africa for data collection. Further, the study was limited to immigrant entrepreneurs operating their businesses in the South African entrepreneurial ecosystem; local entrepreneurs were not considered. In addition, the study was limited to immigrant SMEs operating in GP and large corporations were not considered.

## 5.9 SUMMARY OF METHODOLOGY USED

Table 5.4 depicts the summary of the research methodology that was used in this current study. Specifically, it summarises the methodological choices and decisions made for the research.

**Table 5.4: Summary of the research methodology**

Research process	Choice/decision	Why this was suited to the study	Authors followed
<b>Approach</b>	<i>Qualitative</i>	Explores local knowledge and understanding of peoples' experiences, relationships, and	Clark and Creswell (2015:286); Mohajan (2018:23)

Research process	Choice/decision	Why this was suited to the study	Authors followed
		meanings of things, as well as social processes and contextual factors that marginalise a certain group of people.	
<b>Research Paradigm</b>	<i>Interpretivist</i>	Interpretation of meaning in context.	Saunders <i>et al.</i> (2015); Alharahsheh and Pius (2020:42)
<b>Research Design</b>	<i>Generic qualitative</i>	Generate a comprehensive understanding of interview participants' perspectives on the phenomenon under exploration.	Merriam (2009); Percy <i>et al.</i> (2015)
<b>Sampling method used</b>	<i>Purposive Homogenous</i>	Expert opinion participants most in touch with the context.	Sharma (2017), DeCarlo (2018); Patton (2014:401); Bornstein <i>et al.</i> (2013)
<b>Method of data collection</b>	<i>Semi-structured interviews</i>	The researcher asks research participants pre-defined but open-ended questions to get more insights on the phenomenon being explored; rich description of events.	Gill <i>et al.</i> (2008:291); Stuckey (2013)
<b>Method of data analysis</b>	<i>Thematic analysis</i>	Facilitates identifying, analysing, and interpreting patterns from datasets.	Braun and Clarke (2012); Wagner <i>et al.</i> (2012)
<b>Methodological integrity</b>	<i>Trustworthiness</i>	Anchoring with participants is transparent; the process is explicit - used to ensure the validity of the study.	Polit and Beck (2018); Korstjens and Moser (2018)

**Source:** Author's compilation

The study, as shown in the table above, used a qualitative approach (Clark & Creswell, 2015:286; Mohajan, 2018), informed by the interpretivist paradigm (Alharahsheh & Pius, 2020:42; Saunders *et al.*, 2015), with a generic qualitative design (Merriam, 2009; Percy *et al.*, 2015). The study used a purposive sampling method (Bornstein *et al.*, 2013; Patton, 2014; Sharma, 2017) to recruit participants and data was collected using semi-structured interviews (Gill *et al.*, 2008:291; Stuckey, 2013). The data for the study were analysed using thematic analysis following Braun and Clarke (2012) and Wagner *et al.* (2012). For

methodological integrity, the trustworthiness of the study was anchored on these authors' (Korstjens & Moser, 2018; Polit & Beck, 2018) propositions.

## 6 RESEARCH FINDINGS

### 6.1 INTRODUCTION

This study aimed to explore networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs with a focus on (i) identifying the types of networks used by immigrant entrepreneurs in their business development; (ii) how the networks are developed; (iii) the functions of networks and (iv) the benefits of networks. While Chapter One focused on the background and introduction to the study, Chapters Two to Four formed the theoretical foundation of this study. Chapter Two focused on entrepreneurship and the entrepreneurial ecosystem, Chapter Three elaborated on networks and business development, while Chapter Four focused on immigrant entrepreneurship and a proposed conceptual framework based on the review of literature in Chapters Two to Four. Chapter Five discussed the qualitative research methodological orientation used in the study, as well as the strategic choices that were made for the study.

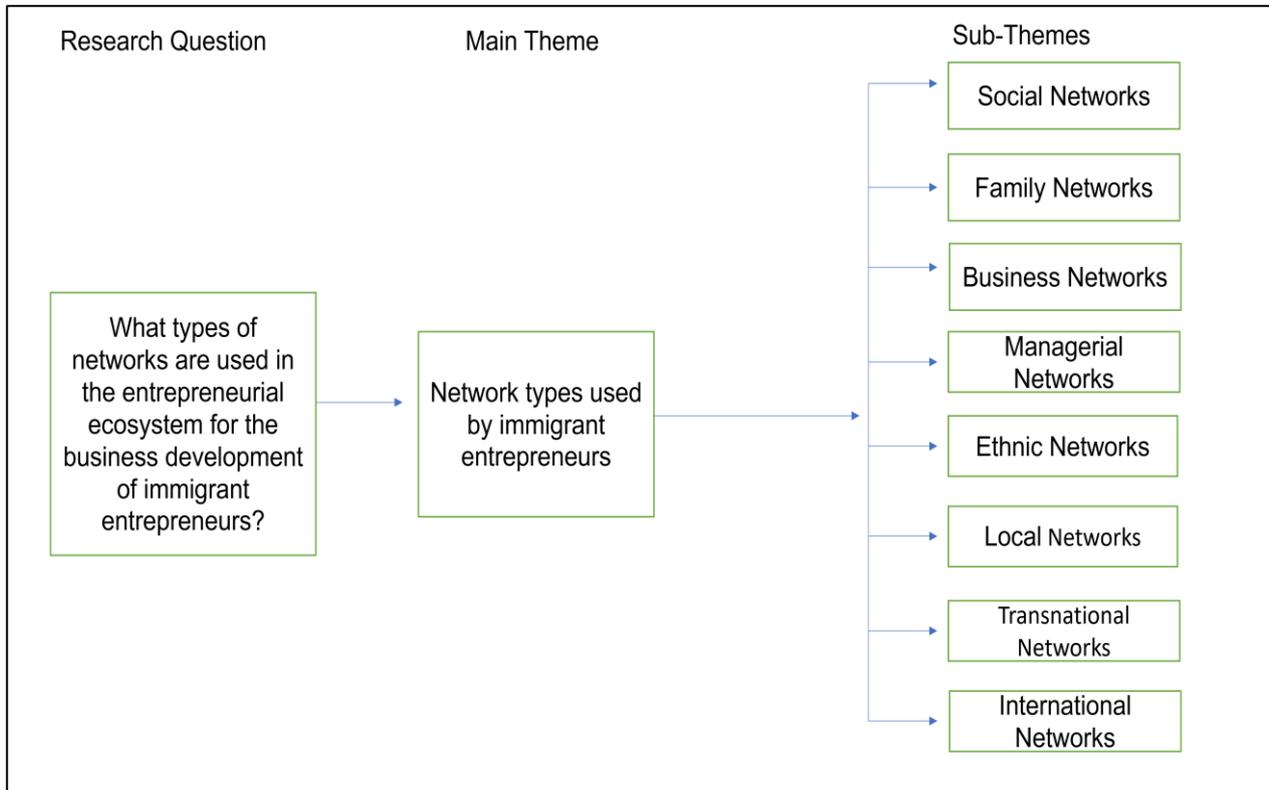
Chapter Six presents the findings of the study. The chapter begins with the identification of the major themes emerging directly from the research questions. These themes are presented alongside the related sub-themes and descriptive quotations from participants linked to prior literature where applicable. This study identified four main themes, namely the types of networks used by immigrant entrepreneurs, how networks are developed, the functions of networks, and the benefits of networks. These themes and related sub-themes are discussed in the sections that follow, along with descriptive quotations from participants and references to prior literature (where applicable).

### 6.2 THEME 1: TYPES OF NETWORKS USED BY IMMIGRANT ENTREPRENEURS

The first theme relates to Research Question 1, and it focuses on identifying the different types of networks that are used by immigrant entrepreneurs in their business developments in the South African entrepreneurial ecosystem. This theme has eight sub-themes: *social networks*, *family networks*, *business networks*, *managerial networks*, *ethnic networks*, *local*

*networks, transnational networks, and international networks.* Figure 6.1 shows Research Question 1, the theme emerging from the research question and sub-themes emerging from the main theme.

**Figure 6.1: Summary of Research Question 1, related theme and sub-themes**



**Source:** Author's compilation

### 6.2.1 Social networks

When the researcher asked the first question, "What types of networks are used in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?" most participants mentioned the Internet. Since scholars proposed various definitions of networks, those definitions were then used in the research questions to determine whether the immigrant entrepreneur was utilising social networks in their business developments in the South African entrepreneurial ecosystem. Social networks refer to the relationships and interactions between a business owner and other individuals like family members, friends, friends of friends and members of social clubs (Desta, 2015:55). It also involves the exchange of information between individuals (Moos, 2019:241). The findings of this study

indicate that all immigrant entrepreneurs (25) who took part in the study use social networks in their business developments in the South African entrepreneurial ecosystem:

*The types of networks that I usually used are social networks, much social networks whereby I have met quite a number of people from church where by, when we meet like some men's meetings, we discuss business, we invite other people from outside our church to come and we discuss business in some forums, then one has to say what type of business are you doing, how is it going and stuff (IE5).*

*You see, my philosophy is that you can never be knowledgeable in everything, and you cannot have all the eyes to see every business opportunity around you and that is where social networks come in as being very important. Just by sitting with friends and let them know what you are doing, they will spot a business idea out there which they may not be able to capitalise on and they bring the idea to me (IE11).*

*Then when it comes to this property management, most of the properties that I manage are owned by close friends, so they give me their properties to manage because they know that I am a specialist in property management; so, they say please, can you take over my property and do the management (IE18).*

*So, I do conduct business with members of social clubs (IE1).*

Participant narratives demonstrated unequivocally that the importance of social networks in their business development cannot be understated, which was consistent with the various definitions of social networks proposed by academics (Desta, 2015; Moos, 2019). This demonstrates that the participants were well-versed in the types of networks to which they belong in the entrepreneurial ecosystem. These social networks were also just as beneficial between two individuals or a group of people, such as members of a social club, as stated by IE1. Participants also indicated that social networks are not just a social gathering but a fertile ground for discussing and generating lucrative business ideas.

### **6.2.2 Family networks**

Prior evidence suggests that an entrepreneur's first port of call is their family before turning to friends and friends of friends for help. Before turning to extended family members (such as uncles and aunties), entrepreneurs - including immigrants - rely even more on immediate

family members such as their brothers, sisters, father, and mother for business support (Chand & Ghorbani, 2011:596; Gasperoni & Mantovani, 2020; Li & Johansen, 2023). The findings of this study show that 15 of the 25 immigrant entrepreneurs interviewed use family networks in their business developments in the South African entrepreneurial ecosystem. To support this, four participants said:

*Uhm, family. My self and siblings are all in business; as a matter of fact, between myself and my siblings, we employ about 800 people, majority of whom are South Africans. All my siblings are entrepreneurs, so I use more of the family networks than anything else (IE12).*

*My family -I call it a family business because my wife is doing it with me, and my children are still growing but they know the business. So, I will call it a family business because my wife is involved in it and my family is involved; she started this shop with me and even when I am not around, my wife is the one managing the business (IE16).*

*Well, when I look at assistance, family networks, the first person I will mention will be my wife, I always bounce ideas with her so that we have a common understanding and where necessary, she is able to come in and do one or two things so that we can drive the business ahead (IE11).*

*...also run with family. Family like my wife contributes her views about the business. My son and daughter I do ask them (IE22).*

These descriptions of their (immigrant entrepreneurs) use of family networks again highlight the importance of immediate family to the entrepreneurs. As the accounts indicate, their family networks were either siblings, spouses, or children. This is following prior research which posits that the immediate family is the go-to stop for any immigrant entrepreneur in the host country, before seeking assistance from extended family members (Chand & Ghorbani, 2011:596; Li & Johansen, 2023).

Other participants either did not want their family members to be involved in their business operations or had a bad experience when involving a family member in their business. In line with this, one participant said:

*No, they [family networks] do not play any role in my business. I once brought my nephew from Cameroon to come and work with me here in the shop, but I discovered after some time that he was not serious, and I sent him away to look for another job (IE24).*

A clear drawback of involving family members (networks) in business as highlighted by Wang and Altinay (2012:9) is that overreliance or involving a family member in the business, whilst ignoring their lack of business skills, may have negative consequences on the business. Furthermore, the family member is unlikely to be serious about the business if they believe they are underpaid solely because they are related to the business owner. It was also clear that some participants did not use family networks because they had no family members in South Africa. They did, however, have family networks in their home country that had an impact on their businesses in the South African entrepreneurial ecosystem. As a result, transnational networks emerged as a new sub-theme in the research.

### **6.2.3 Transnational networks (emergent sub-theme)**

Prior evidence shows that immigrant entrepreneurs have relationships in their home country that influence their business development in the host country (Kariv, Menzies, Brenner & Fillion, 2009; Urbano, Toledano & Ribeiro-Soriano, 2011). Some immigrant entrepreneurs not only have home-country relationships that influence their business development in the host country but they also engage in cross-border trade; for example, importing or selling items from the host country in the home country. According to the findings of this study, six of the 25 participants used transnational networks in their business development in the host country. These transnational networks are transnational family, social and ethnic networks. In the case of transnational family networks, two participants said:

*They [family networks back in their country of origin] do not manage anything; they do not even know where the business is because they are back in Cameroon. All they have to do is to collect the money and make sure that the money is there when needed [to invest in the business in the host country] (IE2).*

*... You know the scrap business is something that is not known everywhere around the world, here in South Africa it is well known, but back home, no one knows it. Yes, somehow there is... networking at the family level because I have a couple of friends and*

*family members back home and when I tell them that I am into recycling they ask me what recycling is, how does it work. Sometimes, I snap the items I buy and send to them, and I try to explain what I do, how I process the items. So, in that direction, since they do not know what the scrap business is, my family just come in, to support [the family networks back in the country of origin come into support] (IE8).*

Whilst IE2 and IE8 were generally making use of the transnational family networks back in their country of origin, other participants used the transnational social networks:

*They also inform me and link me up with the person who has the job, and we talk. Sometimes, I may go to Togo to do the job, or I can take the job, but I will send some of the friends who are in the same job like me around Togo to go and do the job [making use of the social networks back in the country of origin] (IE9).*

Another participant also used transnational networks, specifically transnational ethnic networks. They mentioned:

*Before I came to South Africa, I was doing this same job in Zimbabwe, building [construction], and I did a lot of construction there for Shona and Ndebele people [ethnic networks]. So, some of them still call me when they want to do a construction in Zimbabwe (IE25).*

One of the participants who used transnational family networks did not only depend on family resources to do business in the host country. The participant was also involved in transnational trade:

*Yeah, in Nigeria [country of origin], I can be able to export something from different countries, not necessarily from South Africa here. So, I can see any of my family members who is responsible then I can give him the stuff to go and market it in the market and get his own profit as well, so that is how it works. Like sometimes I go to USA, Thailand, Germany, and places like that (IE22).*

As a result, IE22 imported goods from various countries to resell in their home country with the help of their family networks (transnational family networks). The perspectives expressed by participants are consistent with literature indicating that immigrant

entrepreneurs use their transnational networks to capitalise on opportunities in their home country and to mobilise resources to use in their business developments in the host country (Kariv *et al.*, 2009:242; Lassalle, Johanson, Nicholson & Ratajczak-Mrozek, 2020).

#### **6.2.4 Business networks**

As previous literature suggests, business networks are surrounded by a slew of terminologies, implying that different people have different ideas about what business networks are. The important thing to remember is that they play a significant role in the business development of entrepreneurs, including immigrants. The study findings show that, with the exception of two participants, 23 of the 25 participants stated that they used business networks in their business development in the South African entrepreneurial ecosystem:

*Yes, Ok like now, we always use third parties in our services for example; I can have a business that I will outsource with DHL [Dalsey, Hillblom and Lynn], I can have a business that I will outsource with SAA [South African Airways], or a business that I will outsource with MSC shipping PLL; all those people; that is how the business goes, and that is the network that makes the business to stand because well are all agents of this and agents of that and we are all independent businesses; so I use business networks (IE17).*

*Yes, I do have those mutual beneficial relationships with accountants and lawyers. Lawyers, I have my lawyers. During the lock down level 5, criminals came and break into my bar, so as a result, I had to come and try to take all my valuables away; because of this, police arrested me and took all my drinks, and I went to court with my lawyers with the issue and I was able to win the case that I opened against the police department. Then I contract accountants to prepare my tax documents at the end of each financial year, so that I do not make mistakes which can cause me losses (IE20).*

*Yes, so I will say some of them are my friends, some of them are not just friends of friends, they are business acquaintances. In order words, I have a relationship with them, but we do not go out to have a beer together. We just have business together, in other words, when they have a need, they come to me, and I do the work for them (IE21).*

These perspectives shared by the participants highlight the plethora of terminologies which surround business networks. For example, it can simply be the relationship between

businesses, as pointed out by IE17, which is in line with the definition of business networks proposed by Ward (2021) (the beneficial relationship which exists between businesses). It can also be the relationship which businesses have with lawyers and accountants, as voiced by IE22, which supports Desta (2015:56) definition of business networks (the networks that business owners have with stakeholders such as lawyers and accountants). All these different points of view shared by participants indicate that business networks have no defined boundaries. While these participants primarily stated that their use of business networks was limited to South Africa, other participants had business networks that extended beyond the borders of the country (international business networks).

### **6.2.5 International business networks (emergent sub-theme)**

The findings of this study show that two of the 25 participants who took part in the study had and used international business networks. They mentioned:

*Yes, I do. My work, the work I do with coal and coal mines is about 30 to 40% locally base, the rest is based overseas. The reason why is because coal is a commodity that is traded globally, we actually buy and sell coal across all countries around the world. Some are more important in the business than others. For example, we used to be heavily involved in trading and exporting coal to the Far East, especially to India and Pakistan, since the beginning of the year, that relationship has changed dramatically, and the reason is because of the energy crisis caused by the war between Russia and Ukraine. And that war has created the need in Europe for more coal from South Africa, so at the moment, we are busy trying to swap our market between the Far East to Europe, and that is why my work involves a lot of people overseas. I consult for people, businesses and companies in these areas (IE21).*

*Actually, we have different customers, some are from Swaziland, we have also customers from Lesotho; in fact, I have people coming from five different countries to stock from me; Botswana, Swaziland, Lesotho, Mozambique also; I cannot remember the other country but all I know is that businesspeople from five different countries come to stock from me [the business located in South Africa] (IE23).*

These descriptions by IE21 and IE23 are consistent with Holm, Eriksson and Johanson (1996:1034) assertion that international business relationships are the exchange of goods

and services between a supplier firm in one country and a customer firm in another. These international relationships are considered to be very beneficial to both parties; otherwise, businesses from various countries would not decide to stock their items from a single supplier based in South Africa, as in the case of IE23. Similarly, IE21, despite operating their consulting firm in South Africa, consulted for large companies operating outside of Africa; hence, their use of international business networks.

### **6.2.6 Managerial networks**

Just as different scholars attribute different meanings to what business networks are, managerial networks face the same problem, leaving entrepreneurs and even scholars wondering whether these are managerial networks or not or whether there is a difference between business and managerial networks. Regardless of the various definitions proposed by scholars to represent managerial networks, one important advantage of using managerial networks is their ability to provide a business with a competitive advantage over other businesses in the market (Li, 2005:423). This research found that 16 of the 25 participants interviewed used managerial networks in their business development in the South African entrepreneurial ecosystem, for example:

*Managerial networks: I think just the interactions I have with my clients and managers of other companies, we are also seeing, or let me say I am also seeing some improvements in my business (IE4).*

*Yes, obviously, because it is a facilities management business, we work closely with managing agents, we work closely with managers in the property industry, so I have very close contacts with managers that deal with properties, the developers, portfolio managers, estate managers, the caretakers and so I work with that, we have good relationships with managers that are of course beneficial to my business (IE6).*

*Yeah, I do. Mostly with the managers in hardware shops. You know we deal with these hardware shops almost every day, and we also buy from them in bulk, most especially when you get a big job, maybe like a construction that needs you to start from the foundation to the finishing. So, when you get that type of job you have to buy steel, cement, brick force, bricks and many things in bulk, so the best thing to do is to go directly to the manager and talk to them. So, we do it frequently and before you know, you have a strong business relationship with that manager (IE25).*

These rich descriptions given by participants to support their use of managerial networks match the description of managerial networks outlined in prior literature as relationships which managers of businesses have with other managers, or with customers, suppliers and other businesses (Desta, 2015:57; Kumar Panda, 2014:5; Leroy, 2012). However, while most participants are primarily concerned with the relationship between themselves and the manager of another business as a managerial network, one participant raised an intriguing point. To this participant, there was no need to distinguish between a business network and a managerial network. It can either just be a managerial network or a business network. The reason for this is that, in any business transaction involving two businesses, even if the managers were the ones to discuss the terms and conditions, they were not doing so on a personal level; rather, they were representing the businesses involved in the transaction:

*The manager is representing the business and to have a business relationship, there has to be a champion in their business who then appoints you and represent you to their colleagues. So, it should either just be a business network or a managerial network, not both (IE13).*

### **6.2.7 Ethnic networks**

Belonging to ethnic networks has been identified as critical, particularly for immigrants in the host country, as it serves as a forum for motivation to engage in entrepreneurial activities, particularly for those who are unemployed in the host country (Basit, 2017; Larson & Lewis, 2017:350). The findings of this study show that 14 out of the 25 participants who took part in the study used ethnic networks in their business developments in the South African entrepreneurial ecosystem, for example:

*So, I can say... ethnic networks represent 80% of the people I have been networking and working with so far (IE2).*

*Then in terms of ethnic networks, I use it in the sense that; those my brothers and sisters whom we come from the same cultural background, we normally meet on a monthly basis, then everyone gets to know what his or her brother and sister is doing in terms of business (IE8).*

*We have our ethnic group here also call the X association which I am a member of. The only activity which we have there is the stokvel and I am the one managing it. So, they appointed me based on trust. I have been running the association now for over 2 years. So, we have contributions also in this association and we try not to bring cash to the table for security reasons. So, this stokvel is the ethnic network which we the Meta people have here. We meet regularly, first Sunday of every month (IE11).*

*I can say I have a very good relationship with them, and it plays a big role for me especially providing money which I use in the business. Uh, we have a meeting that is made of people from Bamenda [a city in Cameroon], we meet every first Saturday of the month and we also have these financial contributions that we make, so everyone has their own time to benefit (IE24).*

As the perspectives given by the participants indicate, the ethnic networks were more like a cultural forum for people from the same cultural background in the host country to meet frequently and carry out beneficial activities like sharing ideas and raising capital through rotative contributions or stokvels. These descriptions align with previous literature, which posits that ethnic networks are links between people of the same ethnicity or cultural background that aid in the flow of information about opportunities in their community (Desta, 2015:58; Larson & Lewis, 2017). Some of them were co-ethnic, as in the case of IE8 because they are immigrants from the same village, while others were just ethnic networks, not co-ethnic as in the case of IE11 and IE24. These ethnic networks are also regarded as the first network that newly arrived immigrants who have never been members of any networks join to gain access to critical information and meet others from their community (Chen & Redding, 2017:258). The study also found that some participants chose not to belong to any ethnic networks, and some even received formal invitations to join the ethnic network and they did not honour the invitation. With regard to this point, three participants said:

*Not really, like I said. I am not really a social person in terms of interactions with the Yoruba people [an ethnic group in Nigeria] (IE6).*

*Yeah, not in this country; I just choose not to, they always invite me, but I do not go there. I am here for business (IE19).*

*No, here in South Africa, you know the country we are in, it is a mafia country, so I do not have any community people that I deal with in terms of business (IE22).*

All three participants (IE6, IE19, and IE22) stated their reason for not joining the ethnic networks was 'personal'. It should be noted, however, that prior research has identified mistrust of ethnic members as a reason why immigrants choose not to join ethnic networks (Chen & Redding, 2017:14). Perhaps this is one of the concrete reasons why the participants (IE6, IE19, and IE22) were unwilling to join ethnic networks.

### **6.2.8 Local networks**

Prior research on immigrant entrepreneurship in South Africa identified both a lack of networks and a lack of local networks as barriers for immigrant entrepreneurs (Muchineripi et al., 2019:5). Evidence suggests that immigrants are typically unfamiliar with the host country's business environment, and as a result, they must become members of local networks to obtain information on the host country's market situation. Also, immigrant entrepreneurs cannot survive with the limited resources from family networks which is why they have to tap into other networks (including local networks) to have access to critical host country resources (Wang & Altinay, 2012; Zolin, Chang, Yang & Ho, 2016:456). The study found that 18 of the 25 participants use local networks in their business developments in the South African entrepreneurial ecosystem:

*So, you have these estate agents that have to come in, you have the banks, and I am dealing with all four banks, you can imagine, there is everyone there. So, you can imagine the type of business that I am doing force me in a way to be able to deal with local entrepreneurs and locals of different ethnicities (IE2).*

*I do have networks with them [local entrepreneurs]. Ok one of the services I offer is cleaning services. The guy who supplies me with cleaning materials is a local guy. He has been supplying me pine gel now for 4 years now and when I want to buy other cleaning materials, I buy it from the local guys. In terms of local networks, you also have to understand that 95% of my employees are locals because of the culture that is around here (IE6).*

*Yes, I have good networks with South African business owners (IE8).*

As these perspectives shared by participants indicate, an immigrant entrepreneur who is operating a business in the South African entrepreneurial ecosystem, no matter the size, must in some way network with local entrepreneurs to move the business forward. While 18 participants emphasised the importance of local networks, others stated that they do not have local networks with South African entrepreneurs:

*I do not even think that networking with local entrepreneurs will be beneficial to my business because we do not have the same pattern in conducting business. I am saying so because most of the times when I listen to the radio, I hear that they chase their tenants via lawyers, now making the cost too high. I will rather give time to the tenant to pay the rent than get a lawyer to chase the tenant away as this will be too costly for me (IE1).*

*No, I do not have those networks with them; the reason I am saying no to that question is because they do not believe that other African brothers can run a business, so we have no common relationship with them (IE17).*

*It is very difficult to have networks with local entrepreneurs; they are not cooperative as I can say (IE18).*

According to the quotes above, some immigrants have different business patterns than local entrepreneurs. Networking with local entrepreneurs could thus be a channel for advice and information to flow from the local entrepreneur to the immigrant entrepreneur and vice versa. Table 6.1 below is a summary of the first theme and sub-themes deduced from the thematic analysis per participant.

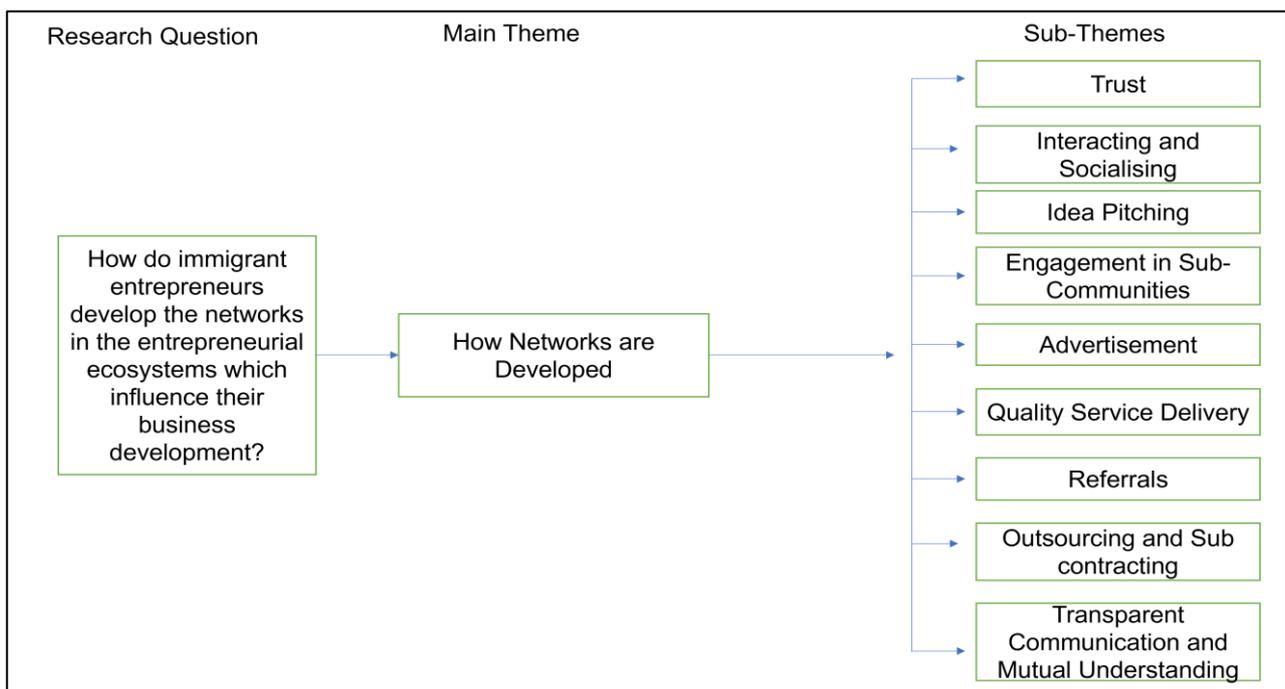
**Table 6.1: Summary of thematic analysis of theme one and related sub-themes per participant on types of networks**

Types of networks	Participants																									Total	
	IE1	IE2	IE3	IE4	IE5	IE6	IE7	IE8	IE9	IE10	IE11	IE12	IE13	IE14	IE15	IE16	IE17	IE18	IE19	IE20	IE21	IE22	IE23	IE24	IE25		
Social networks	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	25
Family networks	-	X	X	X	-	X	-	-	X	X	X	X	X	-	-	X	-	X	-	X	-	X	X	-	X	X	15
Business networks	X	X	-	X	X	X	X	X	X	X	X	X	X	X	-	X	X	X	X	X	X	X	X	X	X	X	23
Managerial networks	X	X	-	X	X	X	X	-	X	-	X	X	X	X	X	-	X	X	-	-	-	-	-	-	X	X	16
Ethnic networks	X	X	X	-	-	-	X	X	-	-	X	X	-	-	X	X	X	X	-	X	-	-	-	-	X	X	14
Local networks	-	X	-	X	X	X	X	X	X	X	X	-	X	X	X	-	-	-	X	X	X	X	X	-	X	X	18
Transnational networks	-	X	-	-	-	-	-	X	X	-	-	-	-	-	-	-	-	-	-	-	-	X	-	X	X	6	
International networks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	-	X	-	-	2

### 6.3 THEME 2: HOW NETWORKS ARE DEVELOPED

The second theme relates to Research Question 2, which focuses on how immigrant entrepreneurs develop the networks in the entrepreneurial ecosystem that influence their business development. This theme has nine sub-themes: *trust, interacting and socialising, idea pitching, engagement in sub-communities, advertisement, quality service delivery, referrals, outsourcing and subcontracting, and transparent communication and mutual understanding*. Figure 6.2 shows Research Question 2, the theme emerging from the research question and sub-themes emerging from the main theme.

**Figure 6.2: Summary of Research Question 2 - related theme and sub-themes**



**Source:** Author's compilation

#### 6.3.1 Trust

Previous research identified trust as one of the many methods that entrepreneurs use to develop their networks (Chen & Redding, 2017:13; De Klerk, 2012). Trust is regarded as the foundation of any relationship. As it is difficult for people to know everything about other people's lives or motives, most decisions and actions are based on trust. As a result, trust is an important component of any interfirm or business relationship. According to the findings of this study, immigrant entrepreneurs in the South African entrepreneurial ecosystem

develop networks based on trust. Most of the participants (24 of 25) built networks through trust:

*Yeah, the basis of any business relationship is about trust, if you do not trust the person you are dealing with, then you cannot do business with that person. Remember, as a businessman, business is not something that you do on a once-off basis. Since it is not something that you do on a once-off [basis], it means you need to have clients upon clients and so on, and on a regular basis so you need to have that trust for each other, and I think this is the only way that such a relationship can work or even last (IE12).*

*Also, people come and keep their cars in my dealership for me to sell on their behalf, maybe through a recommendation from one of my networks who tells them that you can go and leave your car at Mr X's shop, he will sell it and give you the money, so that also works on trust, because somebody will not just give you a car like that which cost R100k, you understand (IE14).*

*Yes, you know if there is no trust then the business relationship between you and another business partner may not work, so yes, we build networks on that trust which we have built over the years. Like most of the properties that I manage, it is through trust that the people had in me, which made them to say that you can take and manage this property for me (IE18).*

These descriptions of how immigrant entrepreneurs develop their networks through trust are consistent with previous research, which contends that trust is one of the best ways to develop networks or business relationships (De Klerk, 2012; Ebers, 1997; Wang *et al.*, 2019; Wickham, 2006). Moreover, networks developed on trust are essential for developing a long-term business (Wickham, 2006). This trust must be reciprocal because if one party trusts the other but the opposite is not true, the network will fail. Regarding this reciprocity, one participant shared an example of how they thought they had developed a network through trust, but the other individual in the network failed them:

*On trust, it is a bit difficult for me to say that I develop networks through trust, I think exactly five years ago, I overtrusted this "white guy", he is Afrikaans, he duped me and I ended up in shit [sic] with my subordinates, they thought I was paid all the money, until they realised later on...I overtrusted this guy and he ran away with the money, I did the job, but he ran away with the money, nowhere to be found (IE5).*

Some businesspeople may develop their networks by simply trusting others. However, it is difficult to know all of their motives, thus developing networks with others through trust without conducting some informative background checks, as highlighted by IE5, may be detrimental to the entrepreneur.

### **6.3.2 Interacting and socialising**

Some participants stated that they developed their networks by interacting and socialising with friends, friends of friends, and other business owners. These interactions and socialising took place at social gatherings or informal outings; implying that such networks can be developed either intentionally or unintentionally at these events, gatherings, or outings. According to the findings of this study, many (19 of the 25) participants developed networks that influence their business development by interacting and socialising:

*But initially, you usually get a start from the people you interact with, for me that was through the university. Yeah, I develop my networks through interactions, whether intentionally or by luck (IE13).*

*Yes [I develop the networks through social interactions]; social interactions are the best way to win business and develop a relationship (IE17).*

Other participants who developed their networks by interacting and socialising mentioned that this usually occurs at restaurants or over drinks or coffee. For example:

*Yes, we do develop networks over coffee and drinks and sometimes we just .... So, I used to ask myself why Indians and Jewish people are very successful in business while we Africans struggle. So, I decided to look for a way to tap into their networks, so I used to go to their restaurants have a drink, start conversations with them and the next thing is that we exchange contacts. Then I will call them again and ask if we can meet and have a drink, then when we meet, we take our conversation to the next level and that's the development of networks. That is when I realised that there are some businesses that are locked in the hands of Indians and the Jewish people. They do collaborate with one another. Africans struggle because they do not collaborate, we do collaborate but not a very large scale like you have with others, which is also why we do have a lot of business failures (IE11).*

*Yes, you know sometimes, I go out to relax, then meet foreign guys that I have never met before, then we start chatting and then we end up exchanging contacts and sometimes, I even end up getting customers and repeat business from there. I have got that a lot (IE14).*

These experiences shared by participants are consistent with prior literature, which posits that entrepreneurs frequently use events such as “hackathons, conferences, meetups and informal drinks as a means of building their social networks” (Rocha *et al.*, 2021:3). The opinions also indicate that there is no specific manner or formula that can be used to develop a network. Thus, two businesspeople may meet at an event, and while socialising, could discover that they have the same mindset, and can even end up bouncing business ideas, paving the way for their business relationship or a network.

### **6.3.3 Idea pitching**

An idea pitch is the presentation of a business idea to people formally or informally. Idea pitching is especially important because it allows those pitching ideas to find potential investors to take the idea forward, as well as individuals who may be interested in becoming co-founders or teams interested in becoming involved in the idea. This is exactly how networks can also be developed. Participants pointed out that they developed their networks through idea pitching, either at the family level or in formal pitching competitions:

*So, on the family networks, I will not say that I have done something special [in terms of developing the network] I just have to pitch my idea to them, and they will have to support me with the little funds that they have, and that’s what helped me get started in 2019 (IE2).*

*So, we finally got a deal for 325k, and I got my lawyers to seal the deal. So, the guy came with an idea and pitched it to me, then I bought into the idea, and we ended up not spending a cent but made over 100k in profits ... So, this guy just brought an idea and pitched it to me and we ended up making profits, that is already a network that I have developed with that guy. Imagine what will now happen when he goes around and spread the information, others will obviously come to me when they have such deals (IE11)*

*Then out there I have competitions that I have joined, and you know, I interact with other participants, and we are in a group, which forms an Alumni of some sort. So, in these competitions, you pitch an idea, and that cohort becomes a network as well (IE12).*

The descriptions provided by participants indicated that there is no specific formula for developing a family network; however, you can get the family's attention by presenting viable business ideas to them, which are mostly used to attract funding or to get interested partners involved in the idea. It is also important to note that pitching is not only limited to ideas (IE2) but also extends to existing opportunities; as in the case where an individual sees a lucrative opportunity but lacks the capital, then pitches the opportunity to attract funds to exploit the opportunity, while also developing a network with the funder in the process (IE11).

#### **6.3.4 Engagement in sub-communities**

Past research shows that immigrant entrepreneurs can develop networks by engaging in sub-communities of their nationality or by engaging with members of the business community (Stephens, 2013:241). This study found that seven of the 25 participants developed networks which influence their business developments in the South African entrepreneurial ecosystem by engaging in their sub-communities. For example:

*So, another one is our normal association, either religion or church group and “Njangi”, I don’t know how to call it, uhm! Stokvel, yes. I also play soccer, so the sports club and things like that yeah. So, in general I develop networks from those different groups, religions, sports and business associations (IE2).*

*It’s a very difficult one to say specifically, we meet in churches, cultural occasions, so there is no one that is mutually exclusive. Yes, so I have met people here with whom we have managed to form networks and do business together (IE12).*

*In the past yes in some form, but that is not like Alumni from the university per se, but from like organisations that I am part of, you know like on campus, we had organisations like ENACTUS, we had TedX, we had the consulting society, so you develop networks in these organisations (IE13).*

According to the descriptions given by the participants, there is no specific place where you can meet potential people to have networks with. Fortunately, you can develop networks

anywhere, such as meeting people in the church, cultural associations, and stokvels and thus end up having networks with them.

### 6.3.5 Advertisements

An advertisement is a form of communication in which a product or service is promoted to a target audience to generate interest, engagement, and possibly sales (Rosenbaum-Elliott, 2020:8). This is a significant way for immigrant entrepreneurs to reach their clients, who are also their networks. This study's findings show that immigrant entrepreneurs (nine of the 25 participants) in South Africa's entrepreneurial ecosystem develop their networks through advertisements:

*I just take the car and I drive around, if I find people building, I stop there and I have a chat with them, and tell them that if you guys finish to build maybe you need to remove the rubble and stuff, that's my job, I can do it or if you have something that you want to transport from builders warehouses or any hardware where you purchase your stuff, you can call me; then I also give them my business card and pass. Then that is how I started creating my networks (IE7).*

*First, I told you about advertising. South Africa is not a small country, it is a big country so for you to get to know people and market your products, you have to market them mostly online; Facebook, Gumtree, Junk Mail, and Google ads. So, I develop my networks through advertising (IE14).*

*So, then we used to take our documents to the police station and introduce ourselves and tell them that please, I am a contractor and I do this and that. Then they put me on their database, I go to home affairs and courts and do the same thing and they put me on their database, so that is how I develop my networks. So, from there they get to know the name of your company, then from there they kind of call you when there is a job that matches your profile (IE19).*

The opinions expressed by participants show that advertising is an important way to develop networks, particularly with clients. When the relationship first begins, it is simply a business owner-client relationship but after continuous repeat business, the client becomes an important network for the business owner. As a result, when it comes to developing networks

through advertising, participants use a variety of methods, such as word of mouth (as with IE7 and IE19) or social media (as with IE14).

### **6.3.6 Quality service delivery**

Quality service delivery refers to the ability of a firm or a service provider to offer a service that meets the needs and expectations of the client or the person who is seeking the services. The findings of this study indicate that half (13 of 25) of participants developed their networks through quality service delivery. The following quotes support this finding:

*... when you offer a good service to clients and they are very happy, they will spread the message out there and sometimes I get calls mostly as a result of referrals. So, some of the networks I built them as a result of good customer service (IE11)*

*...even if it is your first time to meet a client, do their job nicely because doing the first job well will obviously lead to bigger jobs. Most of the times, when I meet a client the first time, they do not give me their number, they only take my own, then when I do the job well, they give me my contact. So, with those big companies that I mentioned earlier, when you do a contract for them well, they keep calling you when more jobs are there not because you are the only one who can do that job, but because you did it the first time well, so that is well the good service helps in building the network between you and the others (IE25).*

Drawing on the stories shared by IE11 and IE25, it is clear that networks can be developed with other stakeholders, for instance, clients, through offering a quality service. Quality service also leads to referrals, which is another way in which immigrant entrepreneurs in the South African entrepreneurial ecosystem developed the networks that influence their business developments.

### **6.3.7 Referrals**

This study found that immigrant entrepreneurs (22 of the 25 participants) in the South African entrepreneurial ecosystem developed networks which influence their business developments through referrals. For example, a client may recommend the immigrant entrepreneur's products or services to a friend, a member of another network, or a new

prospect. Following receipt of information about the product or service offered by the immigrant entrepreneur, the new prospect may initiate contact with the immigrant entrepreneur. The newly formed relationship will then grow into a strong network:

*Some of my networks are developed through referrals; for instance, somebody that I did business in the past with referring me to another person or another business referring their client to me, and this client ends up as one of my business contacts (IE17)*

*Yes, through referrals, people refer other people and business owners to buy from me and people also refer me to other places to get goods when I need them. In business there must be referrals and it is a good way to develop a network too (IE22).*

IE17 and IE22's narratives indicate that they expanded their networks or established new business relationships with other businesses or clients through referrals from their clients or friends. This does not imply that all referrals result directly in the formation of new networks but it does pave the way for network formation because the parties involved take time to get to know each other before engaging in business transactions.

### **6.3.8 Transparent communication and mutual understanding**

Participants in this study pointed out that they developed their networks through transparent communication and mutual understanding. Open and clear communication between two people allows them to understand each other, which can lead to a long-term mutually beneficial relationship. Participants expressed how clear they were when speaking with other businesspeople, which made the network development process easy. Just over half (14) of the participants developed their networks through communication and mutual understanding. The following quotes support this:

*Well, again, yeah. I mean, as a human being regardless of your gender, your word should be your own, the moment your word is not your own, then it becomes problematic. If you are unable to honour an obligation on what you agreed upon, then you need to quickly communicate the people's concern. So yes, communication is a vital way to build any networks (IE12).*

*Yes, [I develop networks through transparent communication and mutual understanding]— and that helps as well. When you do business with people you must be*

*very transparent, because when you are not transparent, you or they will lose trust, and without that trust people would not like to have anything to do with you or your business. So as a businessman, you must always keep transparency as it will draw more partners and customers to your business, and it eventually will lead to a network (IE17).*

Another participant who shared a similar story to IE12 and IE17 added that they approached some businesspeople and told them their intentions and aspirations, which is what led to the development of a network. Transparent communication facilitates the network development process as the parties involved get to understand and know who they are dealing with:

*The way I developed my social networks, mentally, put it in this way; whenever I am given space, or I am in a certain environment, I reach out to people, introduce myself to them and I tell them that I specialise in 123, and then despite that I am from another end, when even I bump into an individual or a certain group of people, I interact with them, I bring something on the table, that's me and [that is how I develop my networks] (IE5).*

This opinion shared by IE5 is consistent with the findings of Kaandorp *et al.* (2020:539) who posit that networks can be developed through initiating. For instance, IE5 initiated contact with other people, all to have a beneficial relationship with them.

### **6.3.9 Outsourcing and sub-contracting**

Participants also pointed out in the study that they developed their networks through outsourcing and sub-contracting. Outsourcing is a cost-cutting strategy in which firms or a business hires a third party to perform a certain agreed-upon task that was traditionally performed in-house. Subcontracting occurs when a company hires a third party to complete specific tasks that cannot be completed internally. Only six of the 25 participants who participated in the study stated that they developed their networks through outsourcing and subcontracting. Two of these participants said:

*Yes, that's very true, because the sub-contracting in some cases may even become permanent business relationships. There are even other businesses that are surviving by offering just sub-contracting services. They look for work, but some of them do not even have vehicles, they just look for work and they are given contracts and they sub-contract (IE4).*

*Yeah, I do partner with other digital marketing businesses also, most especially for work that we do not offer services for and also, they do give us work that they do not specialise in, so we do have that business relationship and it is a win-win relationship...similar to what I was saying, so I operate a business here in South Africa and I outsource services that I do not specialise in and the South African entrepreneurs also outsource services to me that they do not specialise in... (IE13).*

According to the participants, doing outsourced and sub-contracting services eventually led to a permanent business relationship or network. Therefore, it is usually just an agreement between two businesses (outsourcing and subcontracting), and as one firm continues to outsource the service and another consistently provides the service, it becomes a permanent business relationship or network - as pointed out by IE4. Table 6.2 below is a summary of the second theme and sub-themes deduced from the thematic analysis per participant, as shown in the sections above.

**Table 6.2: Summary of thematic analysis of theme two and related sub-themes per participant on the development of networks**

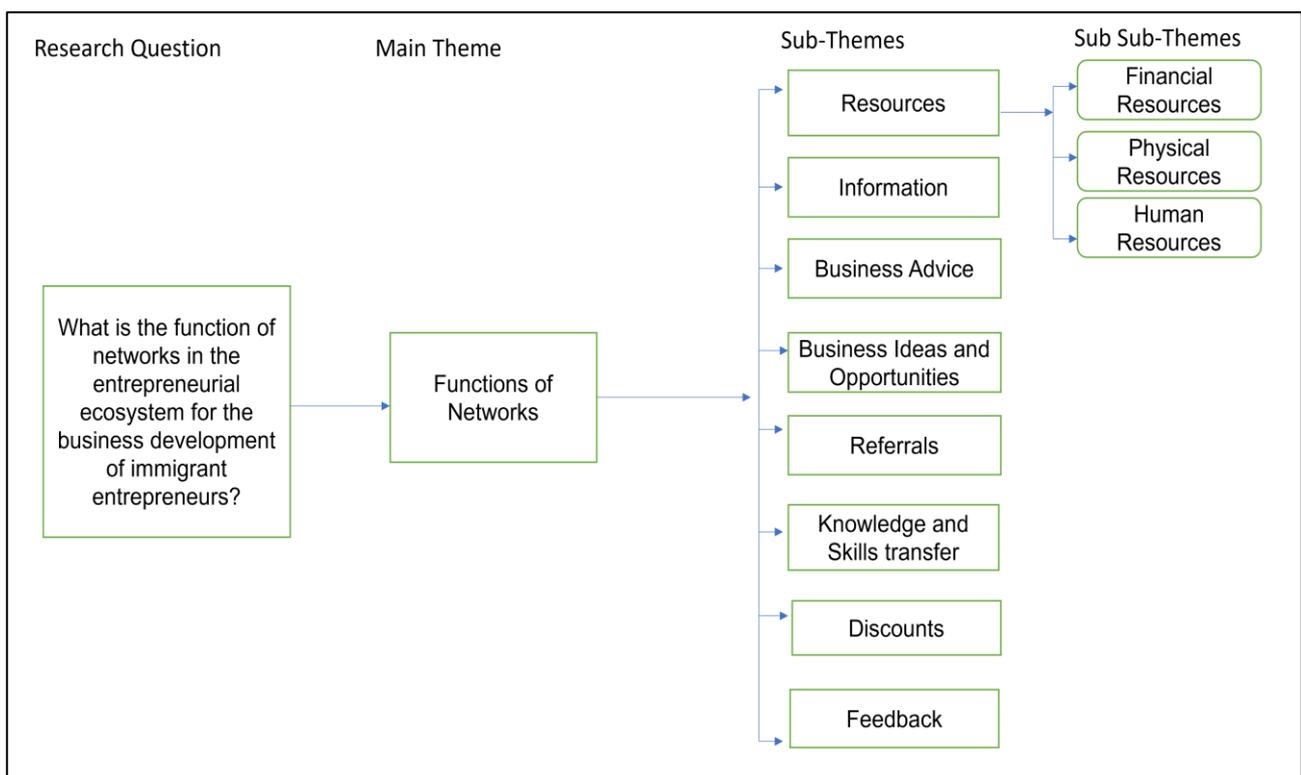
Network development	Participants																									Total	
	IE1	IE2	IE3	IE4	IE5	IE6	IE7	IE8	IE9	IE10	IE11	IE12	IE13	IE14	IE15	IE16	IE17	IE18	IE19	IE20	IE21	IE22	IE23	IE24	IE25		
Through trust	X	X	X	X	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	24
Interacting and Socialising	X	X	X	-	X	X	X	X	X	-	X	X	X	-	-	X	X	X	-	X	X	X	-	X	X	X	19
Idea Pitching	-	X	-	-	-	-	-	-	-	X	X	X	X	-	-	-	-	X	-	-	-	-	-	-	-	-	6
Engagement in sub-communities	X	-	-	-	-	-	X	X	-	-	X	X	X	-	X	-	-	-	-	-	-	-	-	-	-	-	7
Advertisements	X	-	-	-	-	-	X	X	-	-	-	-	X	X	X	-	-	X	X	X	-	-	-	-	-	-	9
Quality service delivery	-	-	-	-	X	X	X	-	X	X	X	-	X	X	-	X	-	-	X	X	X	-	-	X	X	X	14
Referrals	X	X	X	X	X	X	X	-	X	X	X	X	X	X	X	X	X	X	-	-	X	X	X	X	X	X	22
Transparent Communication and mutual understanding	-	-	-	-	X	-	-	-	X	X	X	X	X	X	X	X	X	X	-	X	-	-	-	X	X	X	14
Outsourcing and subcontracting	-	X	-	X	X	-	-	-	-	-	-	-	X	-	-	-	X	-	-	-	-	-	-	-	-	X	6

**Source:** Author's compilation

## 6.4 THEME 3: THE FUNCTIONS OF A NETWORK

The third theme relates to Research Question 3, and it focuses on the functions of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs in South Africa. This theme has eight sub-themes: *resources, information, business advice, business ideas and opportunities, referrals, knowledge and skills transfers, discounts, and feedback*. Figure 6.3 shows Research Question 3, the theme emerging from the research question and sub-themes emerging from the main theme.

**Figure 6.3: Summary of Research Question 3, related theme and sub-themes**



**Source:** Author's compilation

### 6.4.1 Resources

Networks have been identified as being critical in the business development of entrepreneurs, including immigrants. A significant difference in the performance of immigrant entrepreneurs has also been attributed to their use of networks. For example, an immigrant entrepreneur may use networks to acquire resources, whereas another immigrant entrepreneur may underperform because they do not belong to any networks and thus lack

access to critical resources that networks could provide. According to the findings of this study, a major function of networks is the provision of resources to immigrant entrepreneurs. The resources mentioned by participants were financial, physical, and human resources.

#### **6.4.1.1 Financial resources**

Financial resources are the 'monies' that a business needs to keep its operations ongoing (Bhasin, 2019). These financial resources can either be internal or external. Internal financial resources are funds generated within the business, for example, profits. External financial resources are those sourced from external organisations or external sources; examples include loans and credits from banks or business acquaintances. The findings of this study show that 21 of the 25 participants source their finances from their networks or external sources. A participant mentioned that their family networks were their first port of call for raising capital for their business:

*So, when I wanted to start my business, I had to raise funds from the brother's side and fathers' side and sisters' side, which is my family networks... (IE2).*

Another participant also pointed out that their family networks are a source of financial resources for their business. Their family provide these financial resources in the form of grants:

*Family [family network] provides capital as grants to help me grow my business (IE13).*

Since families can only provide a certain amount of money or capital, immigrant entrepreneurs should not rely solely on their family networks for financial resources. In light of this, two participants stated that banks were an excellent source of financial resources for them:

*The relationship with the banks, it grows from you just being an ordinary customer to a stage where you now have a private banker, who looks after your portfolio, then it grows from there to a level where you then get an investment consultant from the bank because you have got an investment portfolio. So, when I need credit, I do not go like an ordinary client who needs credit, I trigger it from the top, I have a conversation which is on another level. So I go to the private banker and have the discussion from there, and then he will take it to another level and the way they will evaluate me will be different from the way*

*they evaluate an ordinary customer, because they take into account that I have an investment portfolio which is worth an X amount, because an ordinary customer will come and put a request for a loan and they will look at his risk factor which is different from mine (IE11).*

*Yes, I have networks with Standard Bank and the banks have once provided me with a loan which I invested in my company, and I am still paying the balance of the loan (IE18).*

These narratives provided by IE11 and IE18 emphasise the importance of developing strong relationships with financial institutions because they can provide immigrant entrepreneurs with access to large amounts of loans when needed. As IE11 pointed out, they found it easier to obtain a bank loan. However, another immigrant entrepreneur may not be as fortunate because they do not have a good credit record/good investment portfolio/good relationships or networks with the banks. There are some instances where the business owner needs urgent cash to carry out some urgent business transactions. In cases where the bank may not provide an urgent loan, the immigrant entrepreneur turns to other networks:

*Yes, I also go for informal cash assistance from my networks in instances where I need urgent cash and the banks cannot assist. Some of them will give you the money and say I am not charging you interest, do what you want to do with the money and bring it back- some of the people who provide the loans are businesspeople too, while others are ethnic networks that you affiliate yourself with (IE17).*

*Yeah, they [social networks] do provide me with loans- and sometimes these loans come with interest and sometimes, interest-free. When it comes without interest, I make sure I add something on the lump sum when I am giving back the money to the owner. So, I put something there just to say thank you to the person for assisting me with the money (IE19).*

The descriptions given by IE17 and IE19 indicate that instead of going to the bank, they could easily get their short-term financial resources (loans) from their networks in an informal manner. It is, however, important to note some informal loans from networks might come with very high-interest rates compared to rates at the banks. In support of these high-interest rates from informal loan sources, one participant stated:

*But I have had a reason to take loans from individuals [social networks] and companies [business networks] that are not necessarily banks and the interest rates have been out of this world, too high, it is not something I would wish to ever find myself in such situations again. So, I would not advise starting entrepreneurs to go for those informal loans. They should rather go through financial institutions as they are cheaper (IE12).*

The study's findings also revealed that other participants simply received financial resources from their networks as a result of their participation in rotative stokvels, which is what keeps the network operational. This was mostly in the case of ethnic networks:

*Yes, [ethnic networks provide me with financial resources]; we have our ethnic community here in South Africa, we come together, do balloting and the first person is the one who takes the "Njangi" [who benefits—takes home the money], and it continues to the second person, third person. And that money when you get it, it is a huge sum of money which you can invest it in your business (IE18).*

*Yes, like I told you before that cultural meeting where we do those contributions, everyone has their own turn to benefit and when it is my turn, I get the money. Also, in that same cultural meeting, we do savings and members are allowed to take loans at a certain interest rate. So, I go for loans there also when I am in need of cash for my business. You know the situation that foreigners are facing here, it has made it difficult to get loans from banks, so we only depend on ourselves (IE24).*

As stated, the narratives from IE18 and IE24 indicate that as a result of their membership in the rotative stokvels, they have the opportunity to obtain financial resources from their ethnic networks, as well as access to loans, as the ethnic networks also provide loans to their members (IE21). Some participants preferred loans from ethnic networks compared to loans from banks:

*I also prefer the ethnic loans to bank loans because, it is kind of a brotherly fraternity and in such cases, when business does not go well, they can extend the period of payment, whereas with the bank, when the period of payment comes and you are unable to repay your loans, the interest keep mounting. So, I prefer the loans from the ethnic groups than the commercial banks (IE8).*

Other participants simply believed that being a “foreigner” in South Africa meant they could not get financial resources or loans from banks, so they preferred to ask their social networks whenever they required financial resources such as loans for business operations. In support of this, one of these participants stated:

*You know South Africa is a country of racism in terms of foreigners, in-direct racism, they do not give foreigners loans. so, as a foreigner, foreigners help foreigners; sometimes some Nigerians and Cameroonians, depending on the relationship that you have with a friend, they can give you a loan maybe on interest or interest-free (IE22).*

Narratives from participants also indicated that they sourced their financial resources from their transnational family networks. One of the participants who depended on the financial resources from their transnational family networks posited that:

*Hm, no I do not have any family here, but my family back home support my business here, whenever I need urgent money to do a big job with it and I cannot get a quick loan from my friends here, I ask for their assistance. They usually send the money that I need, if not all, part of it, then I use it to do the job and I send it back to them when I complete the job (IE9).*

#### **6.4.1.2 Physical resources**

Another major resource identified by study participants was physical resources, which refer to tangible inputs that a business requires to function properly. Examples include raw materials, a business place, storage facility, machinery, transportation, and vehicles (Bhasin, 2019; Wochoo, 2021). This study found that networks provide access to physical resources to 16 of the 25 participants. The following quotes support this finding.

*Yes, I mean for instance, I was trying to buy a truck and most dealers that I know do not deal with trucks, so I made a phone call to one of my networks and some people that I know, and they were able to connect me with a reliable dealership that has trucks (IE12).*

*Then not long ago, I was sharing an office with a friend. So, I had a mutual agreement with my friend who was operating another business, so we were operating from one office and that helped to offset some of the expenses in the sense that we could use the same office supplies since we were operating different businesses from one office (IE13).*

*Yes, so networks have provided me with a trailer. so, when I get a job and the luggage is more than my carrying capacity, I always hire a trailer. But now, I have got a friend who has a trailer and when I get such luggage, I reach out to him, then I go fetch the trailer and I use it for the job. So, my networks provide me with that trailer (IE15).*

As indicated in the narratives shared by participants, networks provide them with access to physical resources both on a temporary and permanent basis. For instance, networks provided IE13 and IE15 with office space and a trailer, respectively, temporarily. This also helped them to reduce operating costs because acquiring or renting their own office space or trailer would have been much more expensive.

#### **6.4.1.3 Human resources**

Human resources are the group of individuals who make up the workforce of an organisation (Bhasin, 2019). Even if an entrepreneur (immigrant entrepreneurs included) possesses all of the skills required to run their business, they will require the assistance of others in areas where they are less skilled. Furthermore, as the business develops and grows, the tasks become too onerous, and the entrepreneur will need to hire more human capital to alleviate the burden on themselves or the available workforce. According to the findings of this study, networks provided access to human resources to 19 of the 25 participants. This finding is supported by the following quotes:

*Yes, definitely, because you cannot; even right in the training business, networks assisted me in getting especially guys from Zimbabwe who have certificates. Sometimes you get a training project from the government and you need guys who have the experience to go and provide this training to a group of municipal councillors in Polokwane and you need people who can deliver, you go into your networks and you broadcast your request there and you get one or two recommendations there and you get the recommended guys to go and do the job (IE11).*

*Yes, so there was an organisation that I hired from extensively and it was because I knew the owner of the organisation, we were friends, and we meet through another organisation on campus. So, this friend of mine has an organisation that matches students with part-time work and stuff, so I use him to get some human capital (IE13)*

*Yes [provide me with human resources], I always get my workers through my networks- even now, I am busy searching for one to fill that seat over there; as you see this desk now, I need somebody to sit there, somebody who knows something about this business that I am into; it is my networks out there who will bring somebody to sit there; so networks help in almost everything. I will send information to my contacts and tell them that I need a clearing agent, I need a sales representative, then they will go out and source one that will suit my business (IE17).*

These participants' narratives indicate that they did less regarding recruiting skilled labour for their business. All they had to do was contact their networks and inform them that they required workers, and the networks searched for and matched them with workers who met their requirements. While some participants recruited human capital through their networks, it is important to note that recruitment through networks may not provide immigrant entrepreneurs with the best labour force. Some immigrant entrepreneurs, such as IE11, were extremely fortunate to find skilled labour through their networks, whereas others were not so fortunate:

*Yes, I have recruited people via my networks, however, it does not mean that I got the best candidates via such networks. So sometimes, I ended up getting worse than what I needed (IE12).*

This experience shared by IE12 indicates that though networks may provide immigrant entrepreneurs with access to human capital, the human capital may not have the required skills. The study's findings also show that family networks were a source of human capital for immigrant entrepreneurs in the South African entrepreneurial ecosystem:

*I do have immediate family members; brothers and sisters who provide me with assistance both... and physical support in my business when the need be. Some of them do it just as help while the other ones do it for monetary returns, but usually at a cheaper rate compared to the other employees I have (IE21).*

Other study participants stated that their ethnic networks served as a source of human capital in the South African entrepreneurial ecosystem. With regard to this finding, one of the participants stated:

*Yes, ethnic networks play a big role because in the scrap business, you cannot just take someone you do not know and give them money to run a business, because this business works in such a way that, the boss, the owner of the shop himself does not stay there throughout, he usually have people who work for him and stay on the business premises and there is someone there who also works as the manager. In this sense, the person who is managing the business must be a trusted person, in most cases, me in particular, I consider taking a brother from our ethnic group to be my manager, so I will say ethnic networks play a lot of roles in the direction of providing the needed manpower (IE8).*

This finding is consistent with prior literature, which highlights that immigrant entrepreneurs depend on their ethnic networks for the labour force in the host country (Guercini, Milanesi & Ottati, 2017; Iyer & Shapiro, 1999:86, 89; Zolin *et al.*, 2016). The study also identified information as a function of networks for immigrant entrepreneurs.

#### **6.4.2 Information**

According to the findings of this study, information is another critical resource provided by networks. Information consists of facts provided or learned about someone, a product, a service, an event, or a place, among others. Many (17 of 25) of the study participants confirmed that one function of their networks was to provide them with information that assisted them in operating their businesses in the South African entrepreneurial ecosystem:

*Uh, So the networks also provide me with information on possible locations where I can get second-hand construction material such as roofing tiles, sinks and wash-hand basins at very cheap prices (IE1).*

*Yes, networks provide me with information on opportunities all the time, and whether I get it or not is a different thing. You know, contracts do not get given, you tender for it (IE12)*

*Yes, networks have provided me with much information especially on how to register a company in South Africa and the benefits. Also, sometimes you meet a client who wants to construct but they do not have a building permit. So, I rushed to my contacts and ask for information on how to go on with applying for a building permit so that my client can know what to do (IE25).*

The stories shared by participants with regard to information from networks show that information is a crucial resource that businesses cannot function without. As indicated in the narratives, participants obtained information about business deals, where to buy cheap products, how to register a business and where and how to obtain a building permit from their networks. It is, however, important to note the narrative of IE11 - networks can provide information but not all information from networks may lead to positive outcomes in the business. Another participant confirmed that networks provide them with the information and stated that information is extremely expensive but their networks provided it to them for free:

*...the business networks, it is mostly the information, remember, information is pricy, so that free information actually makes me to save a lot. Information on repairs, to improvements to the type of tenant that you should have...(IE2).*

### **6.4.3 Business advice**

The quality and source of business advice, as well as the business owner's willingness to accept the advice, play an important role in business development. Advice comes from different sources, both formal and informal, from friends, family and business acquaintances among others. The findings of this study show that a major function of networks for immigrant entrepreneurs in the South African entrepreneurial ecosystem is its ability to provide them with invaluable business advice. Most (23 of 25) of the participants confirmed that their networks provided them with business advice, for example:

*I have got my uncle who is close to 55 years old, and he has experience in marketing and doing business, so every now and then, I invite him to teach me and give me advice on one or two things here in the shop. So, my family networks provide me with assistance and advice. So, my uncle gives me the advice for free, so I benefit from him by him teaching me a lot of things (IE10).*

Another participant backed up IE10's comments, saying that their family networks provided them with a lot of business advice (such as advising them on how to deal with customers). It is worth noting that the family network to which this participant was referring was their family networks in their home country (transnational family networks):

*You know the scrap business is something that is not known everywhere around the world, here in South Africa it is well known, but back home [country of origin], no one knows it... So, in that direction, since they do not know what the scrap business is [back*

*in the home country], my family networks just come in to support me with some advice (IE8).*

Other participants not only received advice from their business, ethnic, or social network but they also provided a great deal of advice to other entrepreneurs, including immigrants in the South African entrepreneurial ecosystem. One of those receiving and giving advice said:

*When I talk in most of these groups that I am into, in terms of sensitising the importance of investments, sometimes, I do mentorship, based on social issues that I have identified in the community then I will advise them and most often, I will then conclude to say... if you are interested and you have a problem in this line of business, meet me and sit down with me and we will look at your specific case and I can recommend you to my professional network and that is how I have helped guys who have bought properties.... That has happened quite a lot and it is still happening now. I do a lot of coaching and I give advice in the networks, and I also receive a lot of coaching and advice from the networks (IE11).*

Another participant, who also thought their networks were very helpful in providing advice, mentioned that networking events were sometimes the best place to get advice. Those who want to learn can seek advice from experienced entrepreneurs at such networking events:

*Yeah, definitely, like I said, when you go to those events, you talk to entrepreneurs, you are networking, so if you are intentional to learn about what you do not know, if you are honest, yeah definitely you will learn something from there, personally I have gotten advice from such events and I have also learnt a lot from such events (IE13).*

According to IE13's story, some immigrant entrepreneurs who require advice may not receive it because they do not ask for it. For example, one study participant did not receive advice because he simply did not request it:

*No really. I did not get any advice from the networks because I did not demand or ask for it (IE16).*

It is also important to note that not all business advice is beneficial. As a result, when the advice comes from various sources, the entrepreneur is well-placed to decide which advice

to implement in the business and which advice to disregard. In line with this, another participant described the negative aspects of advice received from their networks:

*Yes, I got advice from networks to establish another branch for my business before and I did establish a new branch, but it did not bring out what I was looking for and it became difficult to manage two branches and I shut it down to come and be where I am not so that I can be able to control what I have (IE17).*

#### **6.4.4 Business ideas and opportunities**

This study also found that another important function of networks to immigrant entrepreneurs in the South African entrepreneurial ecosystem was its ability to provide them with access to business ideas and opportunities. Out of the 25 participants who took part in the study, 22 confirmed that their networks provided them with access to business ideas and opportunities, for example:

*You see, my philosophy is that you can never be knowledgeable in everything, and you cannot have all the eyes to see every business opportunity around you and that is where social networks come in as being very important. Just by sitting with friends and let them know what you are doing, they will spot a business idea out there which they may not be able to capitalise on and they bring the idea to me (IE11).*

*Yeah, they do in a way. Like my friend and business partner X he can just go out there and market himself, when he comes back, he then tells me that I have got this person in the municipality, he said we must come and register on their database so that we can get jobs from there. So those networks bring us such opportunities (IE19).*

The narratives by IE11 and IE19 were supported by another participant, who elaborated on how their networks provide them with business opportunities. This participant said:

*Yes, exactly, they do provide me with business opportunities because, for instance, if you... like where I am working or next to my shop there are garages, mechanic shops, and panel beaters. If a panel beater has a car that is out of order or is beyond repairs and he want to sell it, if I am into plastics only, then I will have to call a friend who deals with steel to come and buy the car. So, I would say that we exchange a lot of business opportunities in the networks (IE8).*

Another participant who posited that their ethnic networks do provide them with business opportunities went on to say that their current business came as a surprise; it was the ethnic networks that inspired and gave them the idea to start the business. Recently, the same ethnic networks have given them another lucrative business idea:

*They proposed something to me because I did not know anything about fashion business [networks gave him the idea of starting a fashion business], so it was them [ethnic networks] who proposed the idea to me...the networks in the sense of my meeting [ethnic networks] ...; because from this business [the fashion business], they also introduced me into a car business as well. So, they taught me also that I could raise money and then buy an accident car, fix it, and sell it. So, networks have given me business ideas and opportunities...(IE16)*

This narrative by IE16 again highlights the importance of belonging to ethnic networks. As previous research indicates (Chen & Redding, 2017:258), ethnic networks are typically the first network to which immigrants who have never been members of networks join. This is because such a network gives the immigrant access to critical information on potential business ideas and opportunities, as well as how to engage in entrepreneurial activities in the host country (Chen & Redding, 2017:258), as IE16 described. Similarly, another participant pointed out that their ethnic networks have provided them with business opportunities which have helped in increasing their sales:

*The cultural group [ethnic networks] in particular host their meetings here and other cultural events for instance wake keep services, which are opportunities for me to make money since they buy drinks from me (IE21).*

#### **6.4.5 Referrals**

Referrals in business occur when a member of a network recommends another member of the network, or a friend or business partner, to a new prospect, and this can occur spontaneously or as a result of conscious referral marketing efforts. Referrals emerged strongly in this study as a function of networks in the business development of immigrant entrepreneurs in the South African entrepreneurial ecosystem. Participants confirmed that their networks assisted them with referrals:

*But most of my clients are obviously through referrals from family members and friends, like a family member knows that I build websites, my friends know that I build websites, so they put a word out there for me and that is how I get clients (IE3)*

*As I said to you earlier, I work frequently with managing agents that would give a good referral about your company to the property investors that look, we know this company that offers good facilities management services that they will not disappoint you if you appoint them in garden services and cleaning services and this (IE6).*

*Yeah, sometimes. Like I do a job for a client and then the client can then recommend me to another person who wants a builder. That has happened to me several times because when my client refers me to another person and I do the job, if that person likes the job the way I do it, then we already have a relationship, and they can call me for more jobs or refer me again and that is how it continues (IE25).*

The narratives given by these participants (IE3, IE6 and IE2) point to one direction - referrals as a way through which they get more clients for the service they offer as business opportunities. Another participant shared:

*Yeah, a lot; this deal that we are in [referring to the property where the interview was conducted] was actually referred, rather than me applying. So ok, it was referred by my networks; like contact this guy, he might be interested. Yeah, so it is a big push in networks (IE2).*

That is, while some opportunities came directly from networks, others came through referrals from networks. Some participants also received referrals from their transnational networks, primarily for business (or job) opportunities. In light of this, one of the participants said:

*Then, when they see a big welding job back in Togo, they also inform me and link me up with the person who has the job, and we talk. Sometimes, I may go to Togo to do the job, or I can take the job, but I will send some of the friends who are in the same job like me around Togo to go and do the job (IE9).*

#### 6.4.6 Knowledge and skills transfers

This study also found that networks provided immigrant entrepreneurs with knowledge and skills which they used in their business operations in the South African entrepreneurial ecosystem. Knowledge refers to a practical or theoretical understanding of phenomena or subject matter (Pritchard, 2018:20). Skills, on the other hand, refer to the learned ability to do something well or the ability to do something that comes from training, experience, or practice (Britannica Dictionary, 2023). Only 6 of the 25 participants in the study confirmed that networks provided them with access to knowledge and skills. The following quote from one of the participants supports this finding:

*These networks to be honest with you impacted some knowledge which I never had before, also they create some good interaction skills, whenever we happen to meet in seminars and conferences or life circles, how you interact and how you approach a certain individual, how you relate with clients and things like that (IE5).*

This finding aligns with prior research which highlights that ethnic networks (ethnic diaspora networks) in the host country enable skills and knowledge sharing between newcomers and incumbents (Stoyanov & Stoyanova, 2022:342,353). Those who do not have the necessary skills (such as problem-solving skills, financial skills, strategic thinking and planning skills among others) have the opportunity to learn such skills from those who have the skills. While some participants were learning the skills from their networks, others who had accumulated the skills over time were teaching the skills to others in the networks. With regard to this, one participant said:

*The other thing that I have done is I took upon myself to say let men transfer this knowledge to anyone who want to invest in real estate in this community. So, most of the stokvel clubs that I am a member in, I have actually played a key role to sensitise and stress on the importance of investing in real estate (IE11).*

Another participant also said that they encouraged those who did not have the necessary skills to learn them as having those necessary skills (technical skills) could provide them with access to business (and job) opportunities. Therefore, networks do not only provide skills but also point those who need the skills in the right direction:

*I even encourage electricians from the ethnic network to write a trade exam. Some of them did and now they can issue a certificate of compliance for electricity (IE11).*

#### **6.4.7 Discounts**

Another interesting finding from the study was the fact that networks provide immigrant entrepreneurs with access to discounts. A discount is the reduction of either the monetary amount or a percentage of the normal selling price of a product or service. Some (5) of the 25 participants in the study pointed out that their networks provided them with access to discounts, for example:

*...When I get there the salesperson informs the manager that I am around, and I tell them the quantity that I want, and they give me a personal discount due to the relationship that I have with them. I always buy in bulk. I also have these relationships with meter mate, uhm, the company that provides prepaid meters, I deal directly with the managers, so I have a special rate based on the volumes that I push. Almost everywhere, when I need tiles, I deal with the managers, you have to trigger it from there to get the discount that you deserve (IE11).*

*Yes, those Korean businesspeople that I mentioned earlier, I deal one on one with the manager of that business, that is even how I end up getting discounts from the stock I buy from them and on the repairs, they do on my machine; that big printing machine you see standing there like that (IE24).*

The narratives from IE11 and IE24 indicate that they received discounts on their purchases as a result of their networks with business managers. This also implies that other customers who shop at the same store may not be able to take advantage of such discounts because they do not have beneficial relationships or networks with the managers of these stores.

#### **6.4.8 Feedback**

Only three of the 25 participants in this study stated that another function of their networks was the ability to provide feedback. Feedback is information or statements of opinion about something, such as a new product or service, which can indicate whether the product or service is successful or liked. It may also contain information about one's performance

(Hattie & Timperley, 2007:81); for instance, whether a service provider is good at what they do or not. Of the three participants, two mentioned the following regarding feedback:

*So, another resource is feedback, so for example, you know TUKS has got this food tasting thing they have got. So, in my case, you know I build websites, then they tell me if it is looking nice, maybe I have to change something. So that feedback for me is a resource which assist me in rebranding my services to meet the needs of my clients (IE3).*

*And getting feedback as well, that comes from the networks. You know, this feedback is what puts you back on track, I mean if the clients are not happy with your service, then their feedback can help to move to the right or left to keep the customer happy (IE13)*

The narratives by IE3 and IE13 highlight the importance of feedback as being crucial to the next steps and decisions that a business owner could take to meet the needs of the clients or to attract more clientele. Therefore, depending on how the immigrant entrepreneur uses the feedback provided by the networks, feedback can result in better business outcomes. Table 6.3 below is a summary of the third theme and sub-themes deduced from the thematic analysis per participant.

**Table 6.3: Summary of thematic analysis of theme three and related sub-themes per participant on the functions of networks**

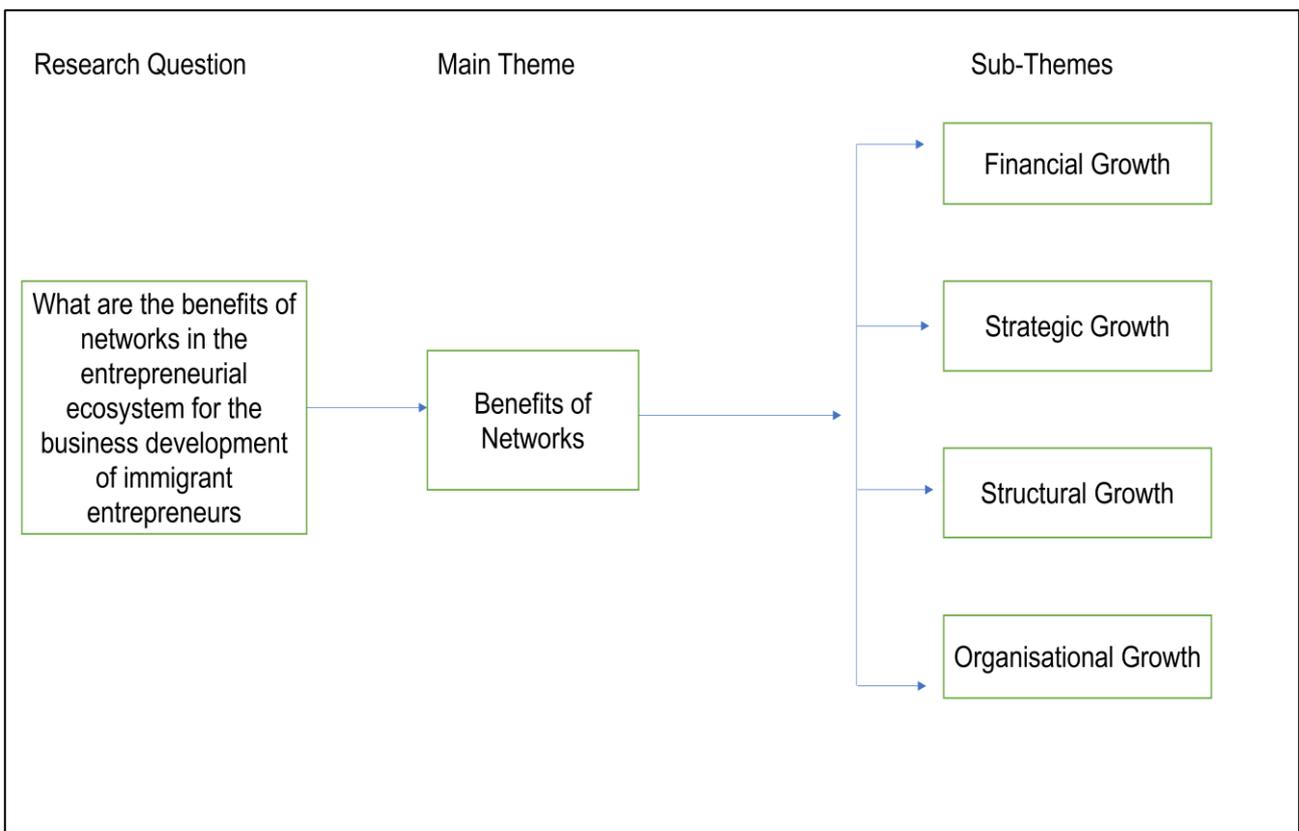
Functions of networks	Participants																									Total
	IE1	IE2	IE3	IE4	IE5	IE6	IE7	IE8	IE9	IE10	IE11	IE12	IE13	IE14	IE15	IE16	IE17	IE18	IE19	IE20	IE21	IE22	IE23	IE24	IE25	
Financial Resources	X	X	X	X	-	X	X	X	X	X	X	X	X	-	-	X	X	X	X	X	-	X	X	X	X	21
Physical Resources	X	X	-	-	-	X	-	-	X	X	X	X	X	X	X	-	-	-	-	X	X	X	X	X	X	16
Human Resources	X	X	-	-	-	X	X	X	X	-	X	X	X	X	-	-	X	X	X	X	X	X	X	X	X	19
Information	X	X	-	X	X	X	X	X	X	-	X	X	X	X	X	X	-	-	-	X	X	-	-	X	X	18
Business Advice	X	X	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	X	X	X	23
Business Opportunities and Ideas	X	X	X	X	X	X	X	X	X	-	X	X	X	X	X	X	-	X	X	X	-	X	X	X	X	22
Referrals	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	25
Knowledge and Skills transfer	-	-	X	-	X	X	-	X	-	-	X	-	-	-	-	-	-	-	-	-	X	-	-	-	-	6
Discounts	-	-	-	-	-	-	-	-	X	-	X	-	-	-	-	-	-	-	-	X	-	-	-	X	X	5
Feedback	-	-	X	-	X	-	-	-	-	-	-	-	X	-	-	-	-	-	-	-	-	-	-	-	-	3

Source: Author's compilation

## 6.5 THEME 4: BENEFITS OF NETWORKS

The fourth theme relates to Research Question 4, and it focuses on the benefits of networks in the business development of immigrant entrepreneurs in the South African entrepreneurial ecosystem. This theme has four sub-themes: *financial growth*, *strategic growth*, *structural growth*, and *organisational growth*. Figure 6.3 shows Research Question 4, the theme emerging from the research question and sub-themes emerging from the main theme.

**Figure 6.4: Summary of Research Question 4, theme and related sub-themes**



**Source:** Author's compilation

### 6.5.1 Financial growth

Financial growth refers to increases in the value of the company/business and the ability of the company/business to generate returns that can be distributed to its stakeholders while remaining functional and sustainable (Wickham, 2006:516; 2017). According to the findings of this study, networks contribute to the financial growth (changes in capital, profits and

revenues) of immigrant businesses in the South African entrepreneurial ecosystem. Most (24) of the 25 participants in the study confirmed that there was an improvement (or increase) in their finances thanks to their networks, for example:

*It [networks] actually increased my total assets. Yeah, I said, in terms of family networks, I have free capital meaning I am saving on a monthly basis since I do not have to pay an interest right (IE2).*

As IE2 mentioned, their total assets have increased because family networks provided them with free capital. As a result, they were not required to pay any interest on the capital; however, someone who borrows capital from a bank may be required to repay it with interest and thus may have a different claim than IE2. Other participants who confirmed that their finances improved as a result of their networks said that referrals from their networks also helped:

*It [networks] has always improved my revenues and profits; yeah, over the years that is how my business grow, because whenever I have got like someone or a friend refers me to someone, then I always capitalise on that. So those frequent referrals from my contacts are what improves my finances (IE15).*

*Then I also get referrals and the more referrals from networks also mean more income, so networks have definitely increased my profits and revenues, but sometimes it is up and other times it is down (IE16).*

One important point to note is that, though networks improve the finances of immigrant entrepreneurs, sometimes there are fluctuations; not just a continued increase as narrated by IE15. Another participant who confirmed that networks improved their finances shared a similar story on the fluctuations as IE16:

*Definitely, networks have played a role on the state of finances in my business, you know all those contributions [from ethnic network stokvels], when I benefit, it comes as a lump sum and it increases my capital which also mean that I will get more revenues and profits; I must also tell you that sometimes there are decreases, or let me say fluctuations, but in general networks have had a positive role on my finances. Also, all the referrals you get, uh, you know they also mean more income, though not all no end up paying for the service, but you see a difference (IE24).*

IE8 mentioned that networks improved their finances while giving an example:

*Yes, so I will confirm that it [networks] has improved my finances beyond imagination. Let me give an example; when I was still in the apprenticeship, my boss then benefited R30K [from ethnic network stokvel] and we bought stuff for 3 weeks and at the end we sold it for about 90k... when I completed my apprenticeship, and started saving [in the ethnic network stokvel], I benefited njangi [the ethnic network stokvel] for R10k and I used the money for about 3 weeks and I will say I generated a profit of about 20k, and there are many instances of such (IE8).*

Surprisingly, there was an instance where networks decreased the profits of one of the participants:

*...but there have been times that networks were not benefiting me in anyway because I was making wrong decisions with some of my colleagues. For instance, I got a job, and then I thought my friend had nothing and I took him to come and do the job with me, meanwhile he had his own job that he was doing privately, so in the end, that reduced the profits I could make for myself (IE19).*

### **6.5.2 Strategic growth**

Strategic growth relates to the changes that result from a firm's interaction with the environment (Nieman & Struwig, 2019:326). Another significant finding from the study is that networks promote the strategic growth of immigrant businesses in South Africa's entrepreneurial ecosystem. Participants (19 of the 25 participants) stated that their networks improved their sales and customer bases over time, for example:

*...yeah, there have been an increase; you know, customers come and go while others come and stay; with the referrals that I get from my contacts, my customers also telling their friends to give me their jobs, I can say that my customers have increased (IE9)*

*So, networks have increased our customer base 100%, yeah so some of our work is once off, so a client comes through, they need their website revamped, or they need something designed or whatever the case maybe right, we do have some that stay on retainer, so I am just focusing on both. So, from day one, the number of clients that we engaged with*

*on a yearly basis has obviously increased due to the continued referrals and services needed by our contacts and one of the things that I mentioned as well is that the value of that pool has also increased (IE13).*

*Yes, my sales have improved over the years because they patronise my business and also refer it to others who refer to their own friends who come to relax here. So, I can say that networking has improved my sales (IE20).*

IE9 and IE13's narratives were supported by another participant, who said:

*It has increased my customer base, because when my contacts refer me for jobs, I get more customers and when they refer tenants to stay in my properties, I also get more customers and these customers also refer me to other people and I get again more customers, so networks have increased my customer base (IE18).*

IE17, on the other hand, stated that their customer base had decreased over the years, but that this was due to life circumstances, and that they were hoping that their networks would help them improve their customer base:

*Over the years, my customer base has decreased due to live situations, but we will not close our doors because customers decreased, we will just have to go out and force our way in- we have to struggle to build more networks so that they can link us up with new customers through referrals- whether you like it or not, networks are always there to help you; networks job is to help (IE17).*

This perspective shared by IE17 again highlights the importance of networks towards the strategic growth of immigrant business ventures, such as improving sales and customer base, which is a major benefit of networks.

### **6.5.3 Structural growth**

Some (11 of 25) participants also confirmed that their businesses had experienced structural growth as a result of their networks. Though there were some changes in the number of employees, it is important to note that they were only temporary. For example, in cases where participants had a large job that required a large number of employees to complete, they hired employees solely for that job or service:

*Yes, as there are more referrals from networks, more jobs come and when there are more jobs, I take even the guys on the street looking for jobs to come and work with us on the site. So it is not like full employment, it is just for that specific job, because there are also sometimes that I get a job that I can do by myself, so I don't employ anyone to do it with me (IE25).*

Another participant also confirmed that networks have played a role in the change in the size and location of their business. This is what he said:

*No, I have not opened a new branch, but like I said earlier, I have changed the location of the business and the business has also increased in size because of assistance from my networks like the frequent referrals (IE24).*

#### **6.5.4 Organisational growth**

The findings of this study indicate that networks contributed to the organisational growth of immigrant businesses in the South African entrepreneurial ecosystem; considered in the study as changes in management style. Several (17) participants stated that they received advice on how to deal with clients from their networks, or that they simply visited other businesses and observed how they operated, then implemented the same management style in their own business. The following quotes support this:

*Networks have also changed my management style. So, I do not leave a room empty at any time because a tenant cannot afford, as it was the case before. so, what I have learnt from the networks is that I should rather negotiate with a tenant to pay R3.3k per month, then to leave a room empty for 3 months because I cannot see a tenant who can pay 3.5k (IE1).*

*Yes, somehow, you know at first, it was just buy online and sell, we were not having a sales book. You just buy and you sell, the customer brings the money and take the car, without us issuing any slip. But now, we have got vat number, we have to pay taxes, and deal with people who have to claim their tax returns from the government. So, there has been a lot of changes in our management style resulting from the insights I get from networks and networking events (IE14).*

*Yes, my management style is not the same as when I started the business; you know when you are meeting people, you learn. I like when I hear people talking, I would like to be in their midst, but I do not talk, I am just there to listen and learn. Sometimes, I do go to other people's shops to see how they treat their own customers because I want to learn from them. So when I use this pattern, what I learn from someone, I add it to what I already know and I am able to make customers happy and that is how I have improved my management style over the years; like before we did not use to give customers coke and food; but I learnt it from another shop, when a customer comes to my shop whether they buy or not we offer them coke and this is like a motivation for the customer. So, I cannot lie on that; the way we used to treat customers is improving every day since I learn from what other businesses are doing (P23).*

All these perspectives shared by participants indicated that network forums are one of the best places to learn how to interact especially with clients. Table 6.4 below is a summary of the fourth theme and sub-themes deduced from the thematic analysis per participant.

**Table 6.4: Summary of thematic analysis of theme four and related sub-themes per participant on the benefits of networks**

Network Benefits	Participants																									Total	
	IE1	IE2	IE3	IE4	IE5	IE6	IE7	IE8	IE9	IE10	IE11	IE12	IE13	IE14	IE15	IE16	IE17	IE18	IE19	IE20	IE21	IE22	IE23	IE24	IE25		
Financial Growth	X	X	X	X	X	X	X	X	X	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	24
Strategic Growth	X	-	-	-	X	-	-	X	X	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	19
Structural growth	-	-	-	-	-	X	-	-	-	X	X	X	-	X	-	-	-	X	X		X	X	X	X	X	13	
Organisational growth	X	-	X	X	X	X	X	X	-	-	X	X	X	X	X	X	-	-	-	X	X	-	X	-	X	17	

**Source:** Author's compilation

## 6.6 CHAPTER SUMMARY

Chapter Six focused on the presentation of the study's findings. The findings on each research question were presented along with supportive quotes from the participants. The chapter also presented the identified themes and related sub-themes, and these emerged directly from the four research questions.

The first theme identified was the *types of networks used by immigrant entrepreneurs*. This theme had eight related sub-themes namely, social networks, family networks, business networks, managerial networks, ethnic networks, local networks, transnational networks, and international networks. The second theme which emerged directly from the second research question was *how networks are developed*. The second theme had nine related sub-themes including trust, interacting and socialising, idea pitching, engagement in sub-communities, advertisement, quality service delivery, referrals, outsourcing and subcontracting, and transparent communication and mutual understanding. The third theme was *the functions of networks* and this theme had eight sub-themes namely resources, information, business advice, business ideas and opportunities, referrals, knowledge and skills transfers, discounts, and feedback. The fourth theme was *the benefits of networks* and it had four related sub-themes including financial growth, strategic growth, structural growth, and organisational growth.

The chapter used figures to present the themes emerging from each research question and the sub-themes emerging from the themes. Tables were also used to summarise the thematic analysis of the themes and related sub-themes per participant. The next chapter, Chapter Seven, focuses on the discussion of the research findings and conclusions are presented based on each research objective.

## 7 CONCLUSIONS AND RECOMMENDATIONS

### 7.1 INTRODUCTION

In Chapter One, the study's research questions and aims were discussed. Thereafter, the theoretical framework of this study was covered in Chapters Two to Four. Chapter Two explored the extant literature on entrepreneurship and the entrepreneurial ecosystem. These two constructs were defined from the global perspective and discussed in the South African context. Chapter Three expanded on networks in detail with the inclusion of business development, whose outcome in this study was considered as growth. Chapter Four then focused on immigrant entrepreneurship and the conceptual framework formulated from the review of literature in Chapters Two to Four. Chapter Five explained the methodology that was used to conduct the research and the strategic choices that were made in the study. The focus of Chapter Six was reporting the empirical findings from the semi-structured interviews with the study participants.

Chapter Seven now discusses the findings of the study with attention to the study's research objectives and questions and conclusions are drawn based on each research objective and question. This chapter also highlights the main contributions of the study, beginning with theoretical contributions followed by practical and/or managerial contributions. The chapter then concludes with a discussion of the study's limitations and recommendations for future research.

### 7.2 CONCLUSION PER RESEARCH OBJECTIVE

As stated earlier in Chapter One, the aim of any research can be achieved through the research objectives, defined as a specific "goal-directed statement of the research intent" (Doody & Bailey, 2016; Venter *et al.*, 2017:48). In this study, the formulated research questions emerged directly from the research objectives. Moreover, defining a research question is important since it narrows the aims and objectives of the research to the specific point that the research is set out to address (Creswell, 2014). Furthermore, formulating the

right research question is vital since it also guides the type of methodology the study can adopt for data collection (Doody & Bailey, 2016:19). These research questions emerging from the objectives were answered in Chapter Six. Therefore, Chapter Seven discusses the findings in Chapter Six concerning the research objectives. The research objectives of the study are stated in Table 7.1.

**Table 7.1: Revisited- the study's research objectives**

<b>Primary objective of the study</b>	
To explore the role of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.	
<b>Secondary research objectives</b>	
<b>SRO1</b>	To identify the types of networks that are used in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs
<b>SRO2</b>	To explore how immigrant entrepreneurs develop the networks that influence their business development in the entrepreneurial ecosystem
<b>SRO3</b>	To explore the functions of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs
<b>SRO4</b>	To explore the benefits of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs

**Source:** Author's compilation

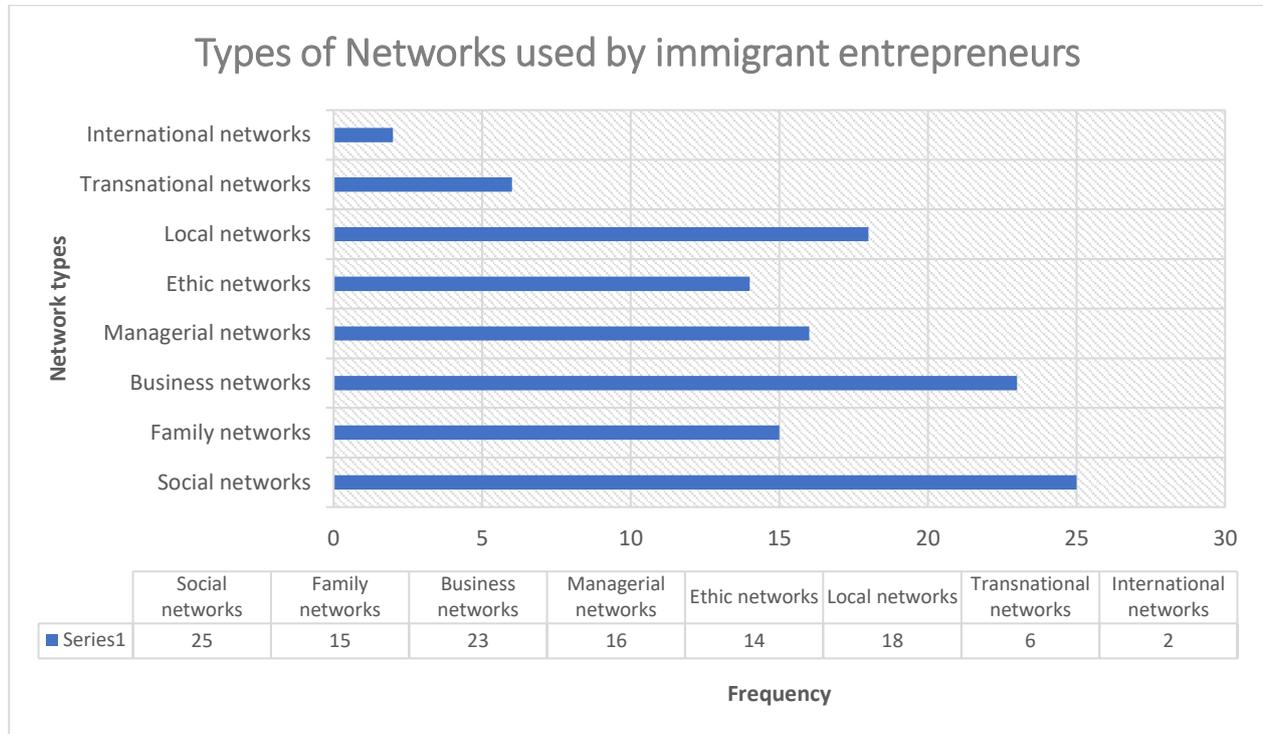
The following sections present the conclusion be each of the research objectives stated in Table 7.1. These are presented alongside tables and figures for ease of reference.

### **7.2.1 Conclusion— Research Objective 1**

The first objective of this study was to identify the types of networks that are used in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs, with a focus on the South African entrepreneurial ecosystem. Prior literature calls for more research on the role of networks in the entrepreneurial ecosystem context (Audretsch *et al.*, 2018:472). In the South African entrepreneurial ecosystem, evidence also suggests that immigrant entrepreneurs limit themselves to co-ethnic networks and do not move to other networks (Fatoki & Patswawairi, 2012:139), while also lamenting the lack of local networks (Muchineripi *et al.*, 2019). According to the findings of this study, immigrant entrepreneurs in the South African entrepreneurial ecosystem use a variety of networks in the development

of their businesses, including social, family, business, managerial, ethnic, local, transnational, and international business networks. Figure 7.1 was deduced from Table 6.1, which presented the types of networks identified per participant.

**Figure 7.1: Revisited: networks used by immigrant entrepreneurs**



Based on the tally of the sub-themes identified by each of the 25 research participants in Table 6.1 and the overall frequencies presented in Figure 7.1, it is clear that immigrant entrepreneurs use social networks the most in their business development when compared to other types of networks identified in the study. This is closely followed by business networks, local networks, managerial networks, family networks, and ethnic networks. Transnational networks and international business networks were the least used.

As the findings indicate, immigrant entrepreneurs do not only limit themselves to co-ethnic networks and fail to move to other networks as identified by prior research (Fatoki & Patswawairi, 2012:139); they move to try out other networks such as those that have been identified in this study. The finding on their use of ethnic networks is consistent with prior research in the same context, namely that immigrant entrepreneurs use ethnic networks in their business activities (Tengeh, 2011:215; Tengeh, Ballard & Slabbert, 2011:362). One of the participants made an interesting observation, which raised some questions about

whether a specific network should be labelled as a business network or a managerial network, or whether the terms can be used interchangeably. If the business manager is acting on behalf of the business, it is argued that the business and managerial networks should all be regarded as business networks or managerial networks or used interchangeably, rather than as two distinct types of networks.

This study's findings also show that immigrant entrepreneurs use local networks, which were identified as the third most commonly used type of network. It is also important to note that the local networks identified by immigrant entrepreneurs can either be social, business, managerial or any other type of network which exists within the South African entrepreneurial ecosystem. This finding (on the use of local networks by immigrants) contradicts previous research (Muchineripi *et al.*, 2019:5) - that immigrant entrepreneurs lacked local networks, which hampered their entrepreneurial activities in the South African entrepreneurial ecosystem. Furthermore, another significant finding of the study is that immigrant entrepreneurs in the South African entrepreneurial ecosystem do not only network within South African borders but also cross borders to use their transnational networks (and international business networks) to mobilise resources for use in the host country and to capitalise on opportunities in the home and host country (and other countries). These findings on their use of networks are consistent with the social network theory, which emphasises the critical role of social relationships in entrepreneurial outcomes. Thus, immigrant entrepreneurs in South Africa entrepreneurial ecosystem who use various networks such as those identified in this study are more likely to achieve better business development outcomes than those who use little to no networks.

Another significant point to note is that the majority of the participants in this study were from West and Central Africa (Cameroon, Nigeria, Togo, and Congo) and Southern Africa (Zimbabwe and Malawi), with the exception of one participant from South America. Only Zimbabwe (six participants), Cameroon (seven participants), and Nigeria (eight participants) were considered for comparisons on the types of networks used because these countries had the highest number of participants in the study. These comparisons are in Table 7.2 below.

**Table 7.2: Types of networks per country**

Pseudonym	Nationality	Social network	Family networks	Business networks	Managerial Networks	Ethnic networks	Local networks	Transnational networks
IET 3	Zimbabwean	X	X	-	-	X	-	-
IET 4	Zimbabwean	X	X	X	X	-	X	-
IET 5	Zimbabwean	X	-	X	X	-	X	-
IET13	Zimbabwean	X	X	X	X	-	X	-
IET15	Zimbabwean	X	-	-	X	X	X	-
IET25	Zimbabwean	X	X	X	X	X	X	X
IET1	Cameroonian	X	-	X	X	X	-	-
IET2	Cameroonian	X	X	X	X	X	X	X
IET 8	Cameroonian	X	-	X	-	X	X	X
IET 11	Cameroonian	X	X	X	X	X	X	-
IET14	Cameroonian	X	-	X	X	-	X	-
IET18	Cameroonian	X	X	X	X	X	-	-
IET24	Cameroonian	X	-	X	X	X	-	X
IET6	Nigerian	X	X	X	X	-	X	-
IET 12	Nigerian	X	X	X	X	X	-	-
IET 16	Nigerian	X	X	X	-	X	-	-
IET 17	Nigerian	X	-	X	X	X	-	-
IET 19	Nigerian	X	-	X	-	-	X	-
IET 20	Nigerian	X	X	X	-	X	X	-

Pseudonym	Nationality	Social network	Family networks	Business networks	Managerial Networks	Ethnic networks	Local networks	Transnational networks
IET 22	Nigerian	X	X	X	-	-	X	X
IET 23	Nigerian	X	X	X	-	-	X	-

**Source:** Author's compilation

International business networks were excluded from Table 7.2, as it was only mentioned by two participants - one from Nigeria and the other from Bolivia. This implies that immigrant entrepreneurs from Cameroon, Zimbabwe, Malawi, Togo, and Congo do not use international business networks in their business operations in the South African entrepreneurial ecosystem. Based on the data in Table 7.2, immigrant entrepreneurs from Nigeria use family networks more than immigrant entrepreneurs from Cameroon and Zimbabwe. This is because only two of the eight Nigerian participants stated that they do not use family networks in their business development in the South African entrepreneurial ecosystem; whilst four of the six Zimbabwean immigrant entrepreneurs use family networks, as do three of the seven Cameroonian participants. As a result, it can be concluded that Cameroonian immigrant entrepreneurs are the group in the study that uses family networks the least in their business development in the South African entrepreneurial ecosystem. This could be because they have no family members in South Africa or because they purposefully exclude their family members from their business operations. It is also possible that they do not use family networks in their business operations in the South African entrepreneurial ecosystem because the family members lack the necessary skills. In line with this point, research points out that overreliance or involving a family member in the business, whilst ignoring their lack of business skills may have negative consequences on the business (Wang & Altinay, 2012:9).

Drawing in Table 7.2, immigrant entrepreneurs from Cameroon use managerial networks the most, followed by those from Zimbabwe and Nigeria. The findings revealed that six of the seven Cameroonian participants use managerial networks; on the other hand, five of the six Zimbabwean participants use managerial networks, while two of the eight Nigerian participants (the most represented country in the study) use managerial networks, representing the country with the least use of managerial networks in their business development in the South African entrepreneurial ecosystem. Nigerian immigrant entrepreneurs limited use of managerial networks could be due to the fact that they have not developed networking relationships with business managers or that they are still planning to establish networking relationships with other managers.

Immigrant entrepreneurs from Cameroon use ethnic networks the most (six out of the seven participants), followed by Nigeria (four out of eight participants) and Zimbabwe (three out of

six participants). Immigrant entrepreneurs from Nigeria and Zimbabwe use local networks more than Cameroonians. In terms of transnational networks, the findings in Chapter Six indicated that six of the 25 participants used transnational networks, with Cameroon accounting for half of these participants or immigrant entrepreneurs (who use transnational networks). As a result, immigrant entrepreneurs from Cameroon primarily rely on their transnational family networks. This also explains why they make the least use of family networks within the South African entrepreneurial ecosystem as presented in Table 7.2.

From the foregoing, the following summaries and conclusions can be drawn:

- It can be concluded that there is equal use of social networks amongst the most represented countries which took part in the study (Nigeria, Cameroon and Zimbabwe). Also, there is equal use of business networks between immigrant entrepreneurs from Cameroon and Nigeria, with immigrant entrepreneurs from Zimbabwe lagging. While there is equal use of local networks between Nigeria and Zimbabwe, Cameroon is lagging;
- It can be concluded that immigrant entrepreneurs from Cameroon use ethnic and managerial networks the most when compared to immigrant entrepreneurs from Nigeria and Zimbabwe;
- It can be concluded that immigrant entrepreneurs from Nigeria take the lead with the use of family networks in their business developments in the South African entrepreneurial ecosystem when compared to immigrant entrepreneurs from Zimbabwe and Cameroon; and
- Business networks and managerial networks can be used interchangeably but not as separate types of networks, since the manager who is the main player in the managerial network (also a major player in the business) acts on behalf of the business.

When comparing industries, only the three main industries with the highest number of participants (and these industries had four participants each) are used. They are compared on their use of networks (the most used network types only) in their business developments in the South African entrepreneurial ecosystem. Table 7.3 represents the major industries identified in the study.

**Table 7.3: Major industries and their use of networks**

<i>Pseudonym</i>	<i>Social networks</i>	<i>Family networks</i>	<i>Business networks</i>	<i>Managerial networks</i>	<i>Ethnic networks</i>	<i>Local networks</i>
<b>Construction industry</b>						
IET5	X	-	X	X	-	X
IET12	X	X	X	X	X	-
IET19	X	-	X	-	-	X
IET25	X	X	X	X	X	X
Total	4	2	4	3	2	3
<b>Clothing industry</b>						
IET10	X	X	X	-	-	X
IET16	X	X	X	-	X	-
IET22	X	X	X	-	-	X
IET23	X	X	X	-	-	X
Total	4	4	4	0	1	3
<b>Transport industry</b>						
IET4	X	X	X	X	-	X
IET7	X	-	X	X	X	X
IET15	X	-	-	X	X	X
IET17	X	-	X	X	X	-
Total	4	1	3	4	3	4

**Source:** Author's compilation

According to Table 7.3, immigrant entrepreneurs in the construction, clothing, and transportation industries use social, family, business, managerial, ethnic, and local networks to help them grow their businesses in the South African entrepreneurial ecosystem. As shown in the table, social networks are the most used network type by immigrant entrepreneurs in these three industries for business development. Family and ethnic networks are the least used by those in the construction industry. This could be because the majority of them work on a subcontracting basis or because they mostly deal with government contracts that require specific skills that some family members do not have. Their limited use of ethnic networks could also be because their ethnic brothers do not work in the construction industry. As a result, they tend to network primarily with managers to obtain discounts (on material purchases) and with local and social networks to obtain jobs.

There is little or no use of managerial networks in the clothing industry. This could be because they buy their stock abroad and resell it in South Africa. They may have established managerial networks in these areas, but those networks have yet to be established in South Africa. Since the clothing industry involves dealing with anyone interested in what is available on the market, those in the industry prefer to deal with customers who may or may not be ethnic clients, resulting in their limited use of ethnic networks.

The limited use of family networks by immigrant entrepreneurs in the transportation industry can be attributed to the fact that they mostly work with other players in the transportation industry. As some participants pointed out, they deal directly with other managers of transportation businesses and individuals they meet on the street who require their services, whether they are from their ethnic groups or other locals.

Based on Table 7.3, it can be concluded that participants in the construction industry primarily use social and business networks; whereas participants in the clothing industry primarily use social, family, and business networks, with minimal use of ethnic networks and no use of managerial networks. Those working in the transportation industry primarily use social and managerial networks, with little use of family networks.

To do comparisons on the types of networks based on age groups (to see if age can influence the type of network used by an immigrant entrepreneur), only the frequently used network types were considered. Thus, transnational and international business networks were excluded. Table 7.4 presents the types of networks according to age groups in the study.

**Table 7.4: Network types according to the age groups of the participants**

<i>Pseudonym</i>	<i>Age</i>	<i>Social networks</i>	<i>Family networks</i>	<i>Business networks</i>	<i>Managerial networks</i>	<i>Ethnic networks</i>	<i>Local networks</i>
<b>Age 26-30</b>							
IET3	26	X	X	-	-	X	-
IET13	26	X	X	X	X	-	X
IET23	30	X	X	X	-	-	X
IET25	28	X	X	X	X	X	X
<b>Total</b>		<b>4</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>

<i>Pseudonym</i>	<i>Age</i>	<i>Social networks</i>	<i>Family networks</i>	<i>Business networks</i>	<i>Managerial networks</i>	<i>Ethnic networks</i>	<i>Local networks</i>
<b>Age 31-35</b>							
IET2	33	X	X	X	X	X	X
IET6	35	X	X	X	X	-	X
IET9	35	X	X	X	X	-	X
IET10	33	X	X	X	-	-	X
<b>Total</b>		<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>Age 36-40</b>							
IET5	38	X	-	X	X	-	X
IET8	36	X	-	X	-	X	X
IET14	40	X	-	X	X	-	X
IET19	38	X	-	X	-	-	X
<b>Total</b>		<b>4</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>4</b>
<b>Age 41-45</b>							
IET1	42	X	-	X	X	X	-
IET7	45	X	-	X	X	X	X
IET15	43	X	-	X	X	X	X
IET22	42	X	X	X	-	-	X
<b>Total</b>		<b>4</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Age 46-50</b>							
IET4	50	X	X	X	X	-	X
IET16	46	X	X	X	-	X	-
IET20	47	X	X	X	-	X	X
IET24	47	X	-	X	X	X	-
<b>Total</b>		<b>4</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Age 51-55</b>							
IET11	53	X	X	X	X	X	-
IET12	52	X	X	X	X	X	X
IET18	52	X	X	X	X	X	-
<b>Total</b>		<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>1</b>
<b>Age 56-60</b>							
IET17	56	X	-	X	X	X	-
<b>Total</b>		<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>

<i>Pseudonym</i>	<i>Age</i>	<i>Social networks</i>	<i>Family networks</i>	<i>Business networks</i>	<i>Managerial networks</i>	<i>Ethnic networks</i>	<i>Local networks</i>
<b>Age 61-81</b>							
IET21	80	X	-	X	-	-	X
<b>Total</b>		<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

**Source:** Author's compilation

As shown in the table above, all age groups make extensive use of social and business networks. In addition, as shown in Table 7.4, immigrant entrepreneurs between the ages of 26 and 30 and between the ages of 31 and 35 heavily rely on family networks in their business operations. This could be because they are just starting and require a lot of financial assistance from their families as well as business advice. Table 7.4 also shows that immigrant entrepreneurs aged 36-45 make little or no use of family networks in their business development. This could be because they have shifted their focus from seeking help (financial and business advice) from their families to dealing with managers, other businesses, or local entrepreneurs. The table also indicates that all the age groups make some use of managerial networks and local networks. Since immigrant entrepreneurs are operating in a foreign environment, they require assistance from locals and incumbents to understand how the market works, which highlights the use of local networks by different age groups. The limited use of local networks by immigrant entrepreneurs over the age of 46 may be because they have been in this economy for a long time and prefer to deal with their ethnic and managerial networks. Immigrant entrepreneurs aged 26-40 also make limited use of ethnic networks. This could be due to a lack of trust in others based on their ethnic and cultural background. Thus, from the aforementioned, it can be argued that immigrant entrepreneurs aged 26-35 use social, family, business, managerial and local networks the most. On the other hand, immigrant entrepreneurs aged 41-50 make little or no use of family networks. However, they use social, business, managerial and local networks the most with more use of ethnic networks, when compared to those aged 26-35.

To determine if the level of education influences the types of networks used by immigrant entrepreneurs, comparisons were made between the most commonly used network types and the immigrant entrepreneurs' level of education. Table 7.5 presents the different levels of education and network types used.

**Table 7.5: Level of education and types of networks used by immigrant entrepreneurs**

<i>Pseudonym</i>	<i>Social networks</i>	<i>Family networks</i>	<i>Business networks</i>	<i>Managerial networks</i>	<i>Ethnic networks</i>	<i>Local networks</i>
<b>Below matric (grade 7-11)</b>						
IET 5	X	-	X	X	-	X
IET 9	X	X	X	X	-	X
IET 15	X	-	-	X	X	X
IET 16	X	X	X	-	X	-
IET 25	X	X	X	X	X	X
<b>Total</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>4</b>
<b>Matric (high school diploma)</b>						
IET 4	X	X	X	X	-	X
IET 7	X	-	X	X	X	X
IET 8	X	-	X	-	X	X
IET 10	X	X	X	-	-	X
IET 13	X	X	X	X	-	X
IET 14	X	-	X	X	-	X
IET 17	X	-	X	X	X	-
IET 18	X	X	X	X	X	-
IET 19	X	-	X	-	-	X
IET 20	X	X	X	-	X	X
IET 22	X	X	X	-	-	X
IET 23	X	X	X	-	X	X
IET 24	X	-	X	X	X	-
<b>Total</b>	<b>13</b>	<b>7</b>	<b>13</b>	<b>7</b>	<b>7</b>	<b>10</b>
<b>Undergraduate and honours degree</b>						
IET 1	X	-	X	X	X	-
IET 2	X	X	X	X	X	X
IET 3	X	X	-	-	X	-
IET 6	X	X	X	X	-	X
IET 12	X	X	X	X	X	X
<b>Total</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>2</b>
<b>Master's degree (Master of Business Administration and Master of Science)</b>						
IET 11	X	X	X	X	X	X
IET 21	X	-	X	-	-	X

<i>Pseudonym</i>	<i>Social networks</i>	<i>Family networks</i>	<i>Business networks</i>	<i>Managerial networks</i>	<i>Ethnic networks</i>	<i>Local networks</i>
<b>Total</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>

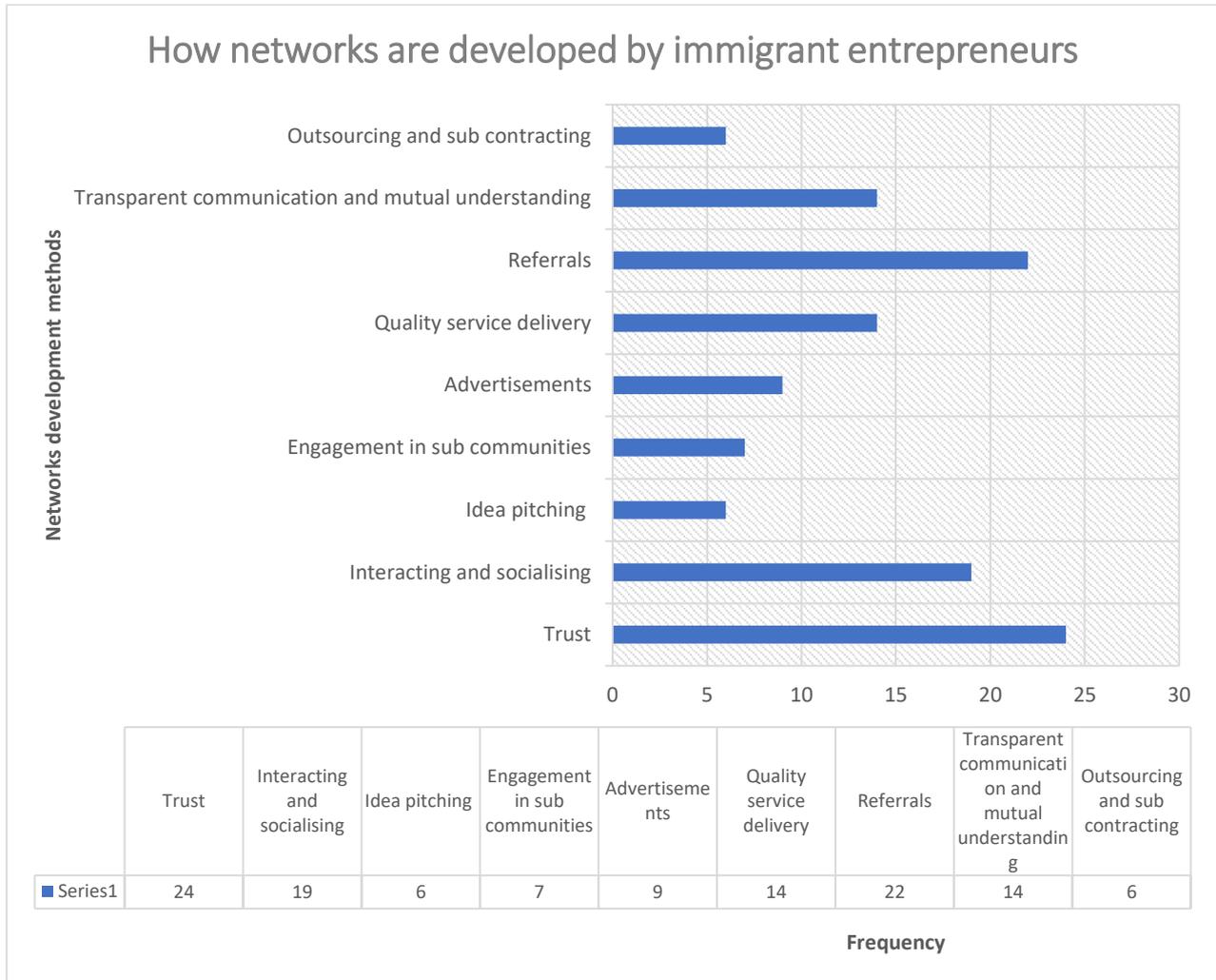
**Source:** Author's compilation

Table 7.5 shows that those with some primary education, a high school diploma, an undergraduate degree, and a master's degree make extensive use of social and business networks. In the case of managerial networks, four of the five participants with primary education use the network, indicating significant use, while more than half of the 14 participants with a high school diploma use the network, also indicating significant use. Those with at least a diploma and a master's degree also make extensive use of managerial networks. Furthermore, more than half of all network types in the table are used by more than half of the participants in each educational level bracket. Thus, it can be argued that an immigrant entrepreneur's level of education by itself does not determine the type of network they use in their business development.

### **7.2.2 Conclusion—Research Objective 2**

The second objective of this study was to explore how immigrant entrepreneurs develop the networks that influence their business development in the entrepreneurial ecosystem. The findings of this study (presented in Chapter Six) indicate that immigrant entrepreneurs use different ways of developing the networks in the entrepreneurial ecosystem which influence their business development. These different ways include trust, interacting and socialising, idea pitching, engagement in sub-communities, advertisements, quality service delivery, referrals, transparent communication and mutual understanding, and through outsourcing and sub-contracting. Figure 7.2 is derived from Table 6.2, and it shows the different ways that immigrant entrepreneurs develop networks.

**Figure 7.2: How immigrant entrepreneurs develop their networks**



**Source:** Author’s compilation

Figure 7.2 shows that the majority of immigrant entrepreneurs in the South African entrepreneurial ecosystem develop their networks through trust with a frequency of 24, while outsourcing and idea pitching were the least used ways (used in developing networks) both with a frequency of six (6). Drawing on the aforementioned, it is safe to say that most immigrant entrepreneurs who took part in the study develop their networks through trust. This is consistent with prior research which posits that trust is an important way to develop sustainable networks with other entrepreneurs (De Klerk, 2012:5846; Ebers, 1997:18; Wang *et al.*, 2019:940; Wickham, 2006). The finding of this study is also consistent with prior research that networks can be developed through transparent communication and mutual understanding (De Klerk, 2012:5846), and engagement with subcommunities (Stephens, 2013:241). With regards to interacting and socialising as a way through which networks are

developed as mentioned by participants, it is important to note that this can take place at events, social gatherings, or informal outings and conferences. This is consistent with the previous research that “entrepreneurs frequently use events such as hackathons, conferences, meetups and informal drinks as a means of building their social networks and social capital” (Rocha *et al.*, 2021:3). Therefore, new insights emerging on how networks are developed by immigrant entrepreneurs include through advertisements, idea pitching, referrals and through outsourcing and sub-contracting, which are limited or scarce in research.

Though participants did not clearly state which networks were developed in which way, the study's findings indicate that there is no specific formula or systematic approach that can be used in developing networks—it can happen intentionally at times, but it can also happen unintentionally. An example of this is when two immigrant entrepreneurs meet at a business event and begin talking about their private businesses and how their operations are going, eventually exchanging contacts and paving the way for a network between them. According to the study's findings, a network, like a family network, is typically formed through idea pitching and trust, as IE2 and IE4 pointed out. It is also worth noting that, while some immigrant entrepreneurs may need to go through a specific process to develop a beneficial relationship with their family members, others do not; the family in general is obligated to help one another, which explains why some participants stated that they did not follow any guidelines or procedures in developing their family networks.

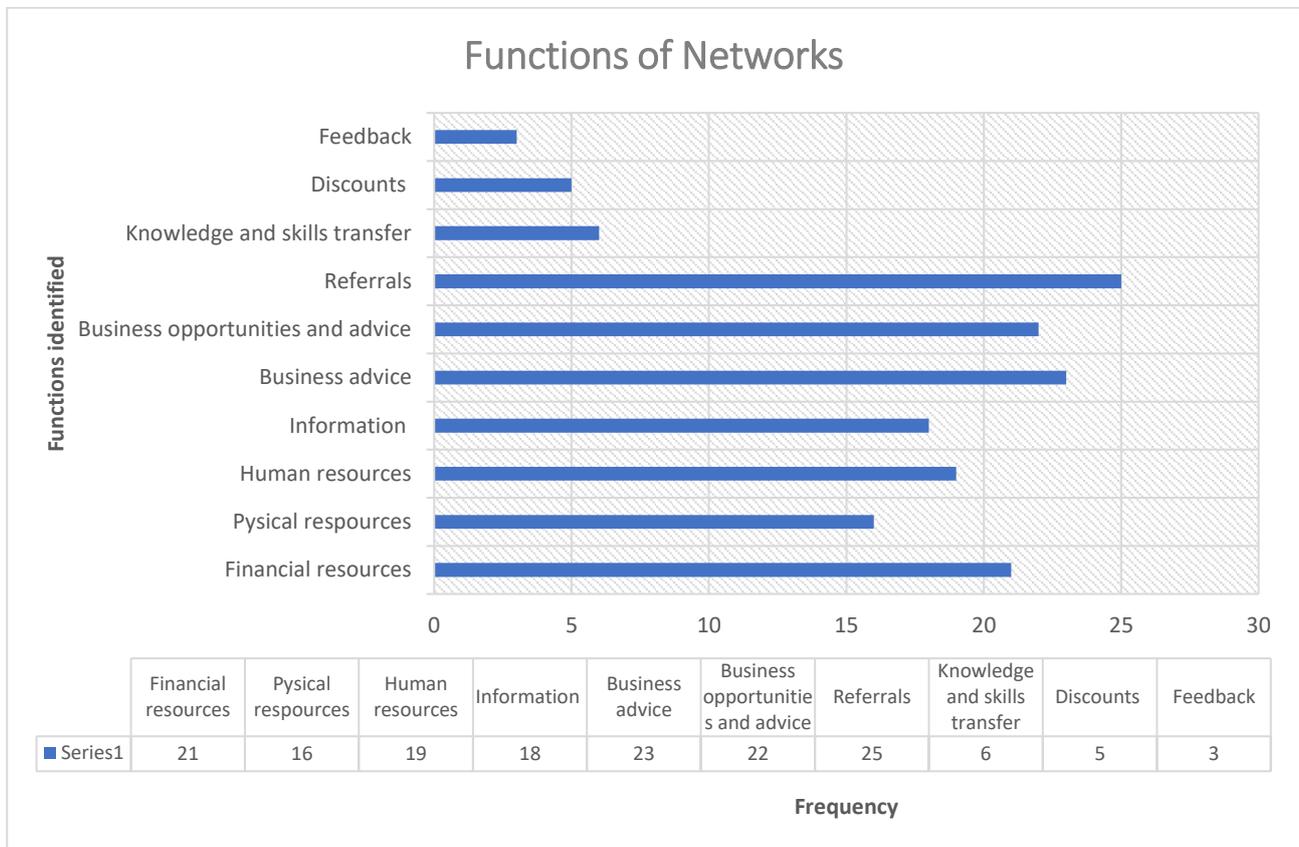
In terms of social, managerial, and business networks, it is reasonable to conclude that they can each develop in the various ways that the participants identified. For example, at a social event attended by various business owners, managers of businesses, or CEOs, two managers may meet, and exchange contacts or important information related to business management; it is then concluded that they developed their networks through interacting and socialising. Other managers may not be able to meet people with whom they can talk about business at the same social event, and thus may not develop any networks from those social events. The conclusion here is that, while some entrepreneurs develop their networks in a specific way, others do not. Furthermore, there is no one way to develop a network; it varies and is also dependent on the immigrant entrepreneurs themselves. It is also reasonable to conclude that immigrant entrepreneurs from various industries can develop

networks that influence their business development in the same way or procedure. Participants in transportation, digital marketing, and construction, for example, stated that they developed their networks through outsourcing and subcontracting, implying that the same procedure or method can be used by different immigrant entrepreneurs across different industries to develop the networks that influence their business developments.

### 7.2.3 Conclusion—Research Objective 3

The third objective of this study was to explore the functions of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs. The findings of the study show that networks have the following functions towards immigrant entrepreneurs: providing resources (financial, physical and human), information, business advice, business ideas and opportunities, referrals, knowledge and skills transfer, discounts and feedback. Figure 7.3 is a summary of the functions of networks and their frequencies deduced from Table 6.3 in Chapter Six.

**Figure 7.3: Functions of networks**



**Source:** Author's compilation

As presented in Figure 7.3, the greatest function of a network for immigrant entrepreneurs operating their businesses in the South African entrepreneurial ecosystem is referrals with a frequency of 25, with the least function being its ability to provide feedback to immigrant entrepreneurs with a frequency of three. These networks provide access to referral services on any important aspect of the business, be it on business opportunities, on where to seek expert business advice, on where to seek loans or on where to establish the business as was stated by participants.

The study also found that another important function of networks for immigrant entrepreneurs was to provide them with access to business advice and access to business opportunities and ideas. These findings back-up prior research which posits that networks provide business owners with access to business advice, ideas and opportunities (De Klerk & Kroon, 2008:30; Moos, 2019:241). As is always the case, advice is priceless and a novice entrepreneur, including an immigrant who just arrived in the host country and wants to establish a business, cannot go without it. This expert advice comes from incumbents, and it can be on which type of products to buy, which type of business to engage in or in which location to establish so that the entrepreneur can have access to customers.

The findings also show that another function of networks for immigrant entrepreneurs is providing access to critical resources which the entrepreneur cannot operate without. This is consistent with prior research which posits that networks provide entrepreneurs, including immigrants, with access to critical resources (Skarpova & Grosova, 2015:92; Sullivan & Ford, 2014; Witt *et al.*, 2008). This study went a step further and identified three critical resources which networks provide to immigrant entrepreneurs. These were financial resources, physical resources and human resources, as presented in Figure 7.3. It is important to note that while some immigrant entrepreneurs may have access to financial resources, they may struggle to obtain physical or human resources since they are operating in an economy that is highly regulated with immigrants not being included in policy discussions. Also, the immigrant entrepreneur may have access to human resources (those from the same ethnic group) but lack access to financial resources, which will in turn affect their business development negatively. Therefore, an important conclusion will be that there

must be some balance between the different resources (financial, physical and human resources) to enable the business development of the entrepreneur.

As with referrals, networks also provide immigrant entrepreneurs with access to information, and this is consistent with prior research which points out that networks provide entrepreneurs with access to invaluable information on business issues (Sullivan & Ford, 2014; Uzzi & Dunlap, 2005:2). It is important to highlight that this information was on almost everything that relates to the operation of a business. It can be information on where to get resources or information on business opportunities somewhere. Other minor functions of networks identified in the research were access to knowledge and skills and access to discounts, as presented in Figure 7.3 and their frequencies.

One important point to note is that it is very difficult to attribute a specific function to a specific type of network. For instance, family networks can be the first source of start-up capital for one entrepreneur, but the social network, managerial network or business network can be the source of start-up capital for another entrepreneur. Thus, in this study, participants pointed out that their family networks provided them with start-up capital, while other participants rather mentioned their social and business networks as the source of their start-up capital. With regards to access to discounts, it was very clear from the study that, that is a major function of managerial networks. These findings are consistent with the resource dependence theory, which states that entrepreneurs rely on others in their business environment for resources to use in their operations. As a result, in this study, immigrant entrepreneurs rely on their networks for resources (finance, human capital, information, among others) that they can use to grow their businesses in the South African entrepreneurial ecosystem.

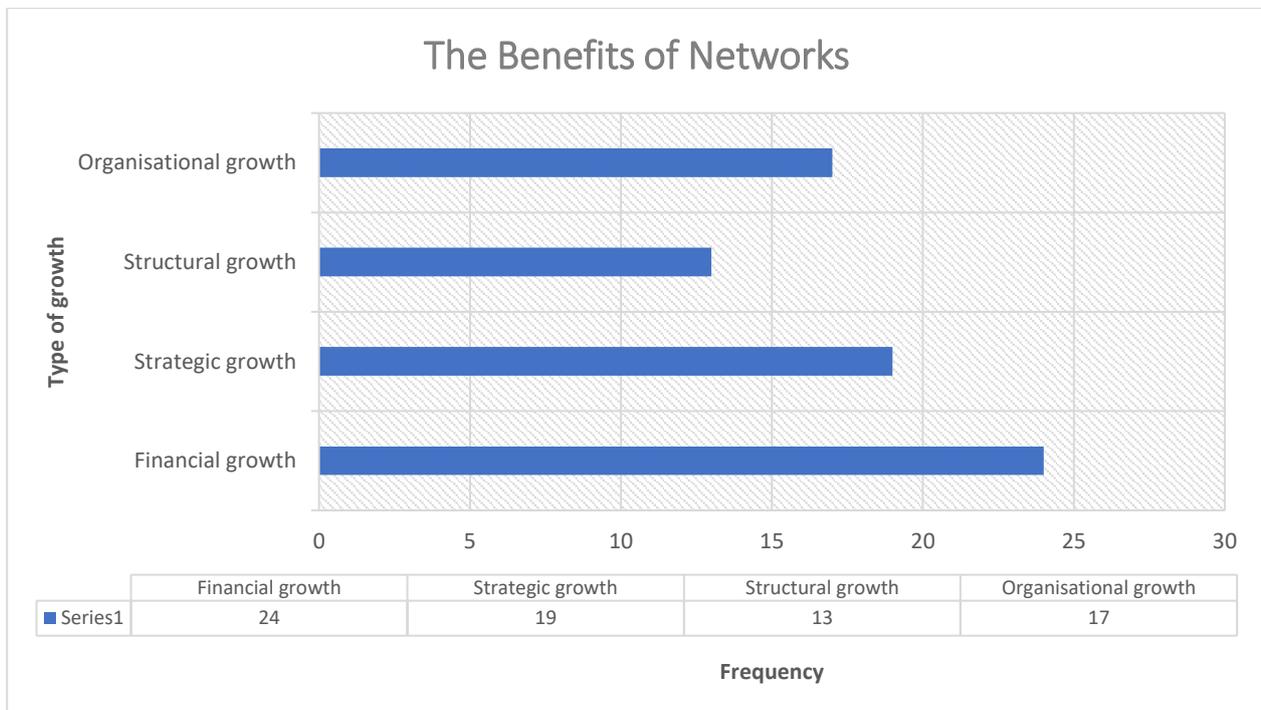
Based on the aforementioned, it can be concluded that the most important function of networks in the business development of the immigrant entrepreneur is referrals (with a frequency of 25), followed by access to business advice (with a frequency of 23), business opportunities and ideas (with a frequency of 22), access to resources (financial - 21, human - 19, physical - 16), and information (with a frequency of 18). While networks provide immigrant entrepreneurs with access to resources, the most important resource provided by

the networks is financial resources. With the exception of managerial networks that provide access to discounts, no function can be directly attributed to a specific network.

#### 7.2.4 Conclusion—Research Objective 4

The fourth objective of this study was to explore the benefits of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs. The findings of this study indicate that the benefits of networks can either be financial, structural, strategic, or organisational growth. This was stated in the introduction and Chapter Three - the outcome of business development in this study will be considered growth which is also the benefit of networks. Entrepreneurs, including immigrants, join networks primarily to gain access to resources, business advice, business opportunities, and the other functions discussed in the preceding section (the findings of Research Objective 3). Thus, the researcher considered those functions to be the direct outputs from networks and the benefits of networks (the types of growth in this study) to be the outcomes and impacts of those outputs (the network functions in this study). Figure 7.4 is based on Table 6.4 and depicts the benefits of networks for immigrant entrepreneurs.

**Figure 7.4: Revisited: Benefits of networks**



**Source:** Author's compilation

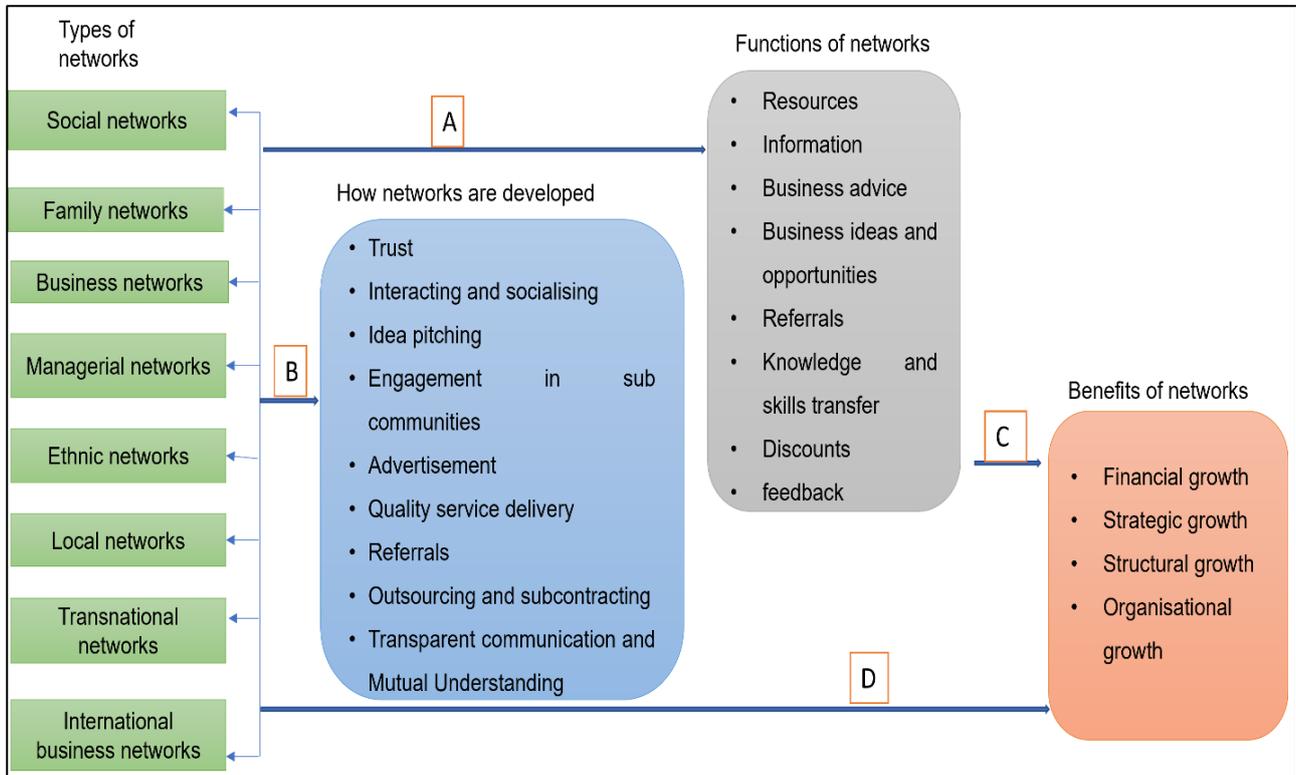
The findings suggest that network benefits arose directly from network functions. For example, a major function of networks was referrals, either for job opportunities or referrals to prospective customers. So, when this happens, or as participants stated, the more referrals they get, the more sales they make, resulting in financial growth (increase in capital, profits, and revenues). This is consistent with literature which posits that financial growth relates to the ability of a business to generate revenues and profits which can then be distributed to its shareholders (Nieman & Struwig, 2019; Wickham, 2006:516; 2017). The same referrals, for example, mean more customers, increasing their customer base and sales—strategic growth. Thus, immigrant entrepreneurs consider their networks as a critical source of resources which can give them a competitive advantage over those who do not have networks. This is consistent with strategic growth, which refers to how a business uses its resources to capitalise on market opportunities and gain a competitive advantage over other businesses (Wickham, 2006:516).

When immigrant entrepreneurs receive more business opportunities through their networks, it means that they have a lot of work to do, and in some cases, the current labour force is insufficient to complete the task within the time frame. As a result, the immigrant entrepreneur is forced to hire more workers (mostly temporarily), which results in structural growth. It can also be deduced from the findings that participants receive advice from networks, while others acquire skills that cause them to change their operation styles, management styles, or customer interactions - organisational growth.

Based on the foregoing and Figure 7.4, it can be concluded that the greatest benefit that immigrant entrepreneurs derive from their networks in the entrepreneurial ecosystem is financial growth (with a frequency of 24). This is followed by strategic growth with a frequency of 19, organisational growth with a frequency of 17, and structural growth with a frequency of 13. It is important to note, however, that there must be some balance between the different types of growth for the immigrant entrepreneur to claim that their business is growing or that there is business development. This means that, in addition to financial growth, there should be strategic, structural, and organisational growth.

The overall objective of this study was to explore how networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs. Thus, the findings of this study are synthesised in Figure 7.5.

**Figure 7.5: A synthesis of the research findings**



**Source:** Author's compilation.

As presented in Figure 7.5, the findings of the study show that different types of networks - including social, family, business, managerial, ethnic, local, transnational, and international networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs. These networks can be developed in different ways including through trust, interaction, socialising, engagement in subcommunities and referrals (among others identified in the study). The study found that the different networks developed in different ways (mentioned earlier) provide immigrant entrepreneurs with access to resources, business advice, business opportunities and ideas and access to referrals (amongst others) and this eventually leads to the financial, strategic, structural, and organisational growth of the immigrant business ventures. It is important to note that the benefits of networks emerge directly from the functions of networks.

## 7.3 CONTRIBUTIONS OF THE STUDY

The study provides several theoretical, empirical, and practical contributions. These are discussed below.

### 7.3.1 Theoretical contributions

In reviewing and examining prior literature on the topic, it appeared that the topic in the current study had not been thoroughly explored, especially in the developing world context such as South Africa. A review of the literature also indicated that extant literature had explored networks in immigrant entrepreneurship (Bates, 1994; Chimucheka *et al.*, 2019; Duan *et al.*, 2021; Mustafa & Chen, 2010), entrepreneurial ecosystems (Cao & Shi, 2020; Fernandes & Ferreira, 2021; Jones & Ratten, 2021; Rocha *et al.*, 2021) and business development (Bratkovič Kregar & Antončič, 2016; Das & Goswami, 2019:2). However, how exactly these networks are developed remained underexplored, especially from the perspective of immigrant entrepreneurs in the South African entrepreneurial ecosystem context. This study, therefore, makes a significant contribution and adds to the academic literature by revealing the various/specific ways in which immigrant entrepreneurs develop the networks that they use in their business development in the entrepreneurial ecosystem.

Existing literature on immigrant entrepreneurship in the developing world context such as South Africa also indicated that immigrant entrepreneurs limit themselves to co-ethnic networks (Fatoki & Patswawairi, 2012:139), while a majority of them lament the lack of networks (and local networks) which negatively impacts their business developments (Muchineripi *et al.*, 2019). Furthermore, while networks are frequently lauded for their positive role in business development, there was a lack of research/limited empirical evidence on the specific types of networks that entrepreneurs use in their business development, particularly from the perspective of immigrant entrepreneurs in the South African entrepreneurial ecosystem context. This study, therefore, offers another significant contribution since it reveals the various/specific types of networks used by immigrant entrepreneurs in the entrepreneurial ecosystem to grow their business ventures.

The review of existing literature on the topic under exploration resulted in the development of a conceptual framework that synthesises four constructs, namely entrepreneurial ecosystem, networks, business development, and immigrant entrepreneurship. This framework provides insights into the different networks used in the entrepreneurial ecosystem, in business development and the networks used by immigrant entrepreneurs. Synthesising these constructs was important because it demonstrated the invaluable and independent role that networks, as a component of the entrepreneurial ecosystem and BDS, play in the business development of immigrant business ventures in the entrepreneurial ecosystem, thus another important contribution of the study.

Another contribution of this study is that some constructs in the study were based on theories that have only recently been tested from the constructs' perspective. For example, there was scarce/limited research on entrepreneurial ecosystems through the lens of systems and network theory (Alvedalen & Boschma, 2017:895-897). Also, most research on immigrant entrepreneurship had used theoretical frameworks such as embeddedness, capital theory and institutional theory (Dabić *et al.*, 2020:30). This research, therefore, offers empirical insights on the entrepreneurial ecosystem and immigrant entrepreneurship from the perspectives of network theory, systems theory and labour market disadvantage theory respectively, thus advancing the use of these theories in these emergent and interesting areas of research.

An additional contribution of the proposed study is that it clearly defines the differences between network functions and benefits. Previous studies had muddled the two together. For instance, previous studies had mishmash facts relating to network functions and network benefits. They reported functions as benefits and only a few studies (including Moos (2019) had separated network functions from network benefits, while other scholars muddled the two and reported them as one. There was a need to define the difference between network functions and network benefits, to inform academia and policymakers. This study clearly defines those two concepts and proposes that benefits should account for the positive effects (outcomes and impacts) of networking, whereas network functions should be the outputs of those networks, implying that networking benefits should be the result of the functions.

### **7.3.2 Empirical contributions**

This study made an empirical contribution by extending the contextual reach of knowledge on entrepreneurial ecosystems and networks, immigrant entrepreneurship and business development as called for by previous research (Dabić *et al.*, 2020; Fernandes & Ferreira, 2021). Past evidence suggested that most empirical studies on entrepreneurial ecosystems and networks (Alvedalen & Boschma, 2017:887-903; Cao & Shi, 2020:1-36; Fernandes & Ferreira, 2021; Ter Wal & Boschma, 2009) had been conducted in the developed countries context, hence neglecting the developing world context. As a result, Fernandes and Ferreira (2021) called for more research in this direction to be conducted on the entrepreneurial ecosystems and networks in emergent countries. Dabić *et al.* (2020:34) also argued that most research on immigrant entrepreneurship had been conducted in the Western world context and called for further empirical research to be conducted in the developing world context. Furthermore, most research on business development focused on large corporations, with little or no attention directed to SMEs; thus, there was a need for empirical evidence on business development from the perspective of SMEs. Drawing on the above, this study has extended the contextual reach of empirical knowledge on entrepreneurial ecosystems and networks, immigrant entrepreneurs and immigrant entrepreneurship and business development in the developing world contexts and from the perspective of SMEs, as called for by scholars (Achtenhagen *et al.*, 2017; Dabić *et al.*, 2020; Fernandes & Ferreira, 2021).

## **7.4 PRACTICAL BENEFITS/CONTRIBUTIONS OF THE STUDY**

The findings from this study hold several practical benefits/contributions. These are discussed below.

### **7.4.1 Benefits to immigrant entrepreneurs as ecosystem actors**

Previous research on entrepreneurial ecosystems in emerging countries, including South Africa, found that immigrant entrepreneurs limit themselves to co-ethnic networks and made no efforts to move to other networks (Fatoki & Patswawairi, 2012:139). They also lamented the lack of networks (Muchineripi *et al.*, 2019:5). This was despite the fact that scholars

identified other networks such as family networks, business networks, managerial networks, ethnic and inter-organisational networks that could have a positive impact on the business development of immigrant entrepreneurs in entrepreneurial ecosystems. As a result of this assertion, this study has contributed by raising awareness among immigrant entrepreneurs of (i) the various types of networks they can participate in to accelerate their business development in the entrepreneurial ecosystem and how these networks are developed; and (ii) the functions and benefits that these networks can have on the business development of immigrant entrepreneurs in the entrepreneurial ecosystem. Networking between immigrant entrepreneurs and local entrepreneurs is especially encouraged since it will enable the sharing of skills and know-how between the two groups. Also, locals could venture into international markets through the transnational networks which immigrant entrepreneurs still have in their country of origin. Finally, immigrant entrepreneurs are encouraged to make use of their transnational networks since they can mobilise resources through these networks and use them in their business developments in the host country.

#### **7.4.2 Benefits to policymakers**

As scholars (Achtenhagen *et al.*, 2017; Cao & Shi, 2020; Dabić *et al.*, 2020; Fernandes & Ferreira, 2021) report, the lack of empirical evidence on entrepreneurial ecosystems and networks, immigrant entrepreneurs and immigrant entrepreneurship and business development from the lens of SMEs could leave policymakers without sufficient evidence necessary for the formation of entrepreneurship policies. In addition, entrepreneurs, including immigrant entrepreneurs in the entrepreneurial ecosystem, are often faced with a lot of challenges; some of these challenges in the developing countries' entrepreneurial ecosystems include the lack of (local) networks and lack of government support (presented in Chapter Three). This is despite the role they play in host countries - such as employing locals; for instance, one participant mentioned that they and their siblings employ over 800 South Africans. Drawing on this, this study will inform policymakers on the critical role that immigrant entrepreneurs play in the entrepreneurial ecosystem (such as employment creation). Through this study, policymakers might see and rethink why immigrant entrepreneurs should be included in policy discussions, especially discussions focusing on support provided to businesses/immigrant businesses. Furthermore, the South African entrepreneurial ecosystem appears to be very exclusive (from the review of literature) in

terms of immigrant entrepreneurs. As a result, a more inclusive entrepreneurial ecosystem will benefit not only immigrant entrepreneurs but the entire South African economy.

## **7.5 LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH**

This study was not without limitations. This study developed a conceptual framework but did not test the framework's relationships by developing hypotheses. As a result, future research can concentrate on putting the proposed conceptual framework's relationships to the test. Another limitation of this study was the small sample size of 25 participants. Perhaps future research could increase the sample size or use a quantitative method to obtain more robust results. Although numerous networks can play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs, this study focused solely on six types of networks. Thus, future research could concentrate on investigating other networks, such as personal networks, international networks, and knowledge networks, and their role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.

It is important to note that while inter-organisational networks were discussed in the literature review, the findings of this study showed that immigrant entrepreneurs (those interviewed) do not use this type of network in their business development in the entrepreneurial ecosystem. Therefore, future research could investigate this specific network in other settings to see whether they are used by immigrant entrepreneurs or not.

Furthermore, while this study focuses on immigrant entrepreneurs, including local entrepreneurs in future studies could provide invaluable insights into the role of networks in the entrepreneurial ecosystems for an entrepreneur's business development. Future research could also conduct a comparative analysis of the networks used by immigrant entrepreneurs and those used by locals, which could spark more debates on network discussions in this specific context and academia in general. With the exception of one participant from South America, this study focused solely on African immigrant entrepreneurs; therefore, future research should investigate the perspectives of other immigrant entrepreneurs from other regions on the same issue (how networks play a role in their business development). Also, future research could look into whether demographic factors such as age, gender, and education levels influence the type of network used by

entrepreneurs (including immigrants). Future research could use the same demographic factors to investigate whether they have an impact on how networks are developed.

## **7.6 PERSONAL REFLECTIONS ON THE RESEARCH EXPERIENCE**

A researcher's reflection is considered a critical part of the research process. The data collection for this current study took place between June and September 2022. The researcher approached potential interview participants and informed them about the study before agreeing on a date for the interviews. While some participants availed themselves of the interviews, others changed their minds not to take part in the study, but they did not inform the researcher of this decision, rather they did not answer their phones or respond to emails regarding the interview. Furthermore, all of the female immigrant entrepreneurs who agreed to participate in the study later changed their minds, which is why data was collected from only male immigrant entrepreneurs. Some approached participants were hesitant to participate in the study because they did not have the proper documentation to reside in South Africa, and they believed that participating in the study would reveal their immigration status, whereas others believed that the study was intended to scrutinise their business activities. Since female immigrant entrepreneurs did not take part in the study, this limited the researchers' ability to make comparisons between female and male immigrant entrepreneurs and their use of networks.

In general, this doctoral research journey has been an eye-opener for me as I have learnt how to review large volumes of literature and also how to conduct both empirical and conceptual research. I was also able to learn how to analyse large volumes of data using software like Atlas.ti. Further, the journey provided me with insights into how to interpret raw data and discuss research findings.

## **7.7 CONCLUSION**

This chapter concludes this thesis which explored *networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs*. The objectives of the study were to (i) identify the types of networks that are used in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs; (ii) explore how immigrant

entrepreneurs develop the networks that influence their business development in the entrepreneurial ecosystem; (iii) explore the functions of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs, and (iv) explore the benefits of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.

The findings of the study identified the different networks used by immigrant entrepreneurs as per the first objective; social networks emerged as the most frequently used type, with international business networks being the least used. In terms of the second research objective, the findings showed that immigrant entrepreneurs develop their networks in a variety of ways, with trust being the most frequently used way and transparent communication and mutual understanding the least used. The study stressed the importance of reciprocity of trust which emerged as the most frequent method used in developing networks. Concerning the third research objective, referrals emerged as the most important function of networks for immigrant entrepreneurs. Finance stood out as the most important resource provided by networks alongside other resources (physical and human resources). Finally, regarding the last objective of the study, financial growth emerged as the most important benefit of networks for immigrant entrepreneurs.

The researcher, therefore, considers the objectives of the study to have been achieved. The contributions and limitations of the study were stated, and the research also identified some areas which future research can explore to continue the debate on the topic.

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**APPENDIX A: CONSENT FORM**



**Consent for participation in an academic research study**

**Dept. of Business Management  
Exploring networks in the entrepreneurial ecosystem for the business development of  
immigrant entrepreneurs**

Research conducted by:

Mr. C.N. Fubah (19192292)

Cell: 0739547045

Dear Participant,

You are invited to participate in a research study conducted by Clavis Fubah, a PhD student from the Department of Business Management at the University of Pretoria, South Africa.

The purpose of this generic qualitative study is to explore how networks play a role in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.

Please note the following:

- This study involves a semi-structured personal interview. Your name and that of your business will not appear in the final research report and the answers you give during the interview will be treated as strictly confidential. You cannot be identified in person based on the answers you give.
- Your participation in this study is very important to me. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences to you or your business.
- The interview duration will be a minimum of 60 minutes and a maximum of 80 minutes.
- The results of the study may be published in an academic journal. I will provide you with a summary of the findings on request.
- Please contact my supervisor, Dr M. Moos, on tel. +27 (0)12 420 4667 (e-mail: [menisha.moos@up.ac.za](mailto:menisha.moos@up.ac.za)) if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

\_\_\_\_\_  
Participant's signature

\_\_\_\_\_  
Date

## **APPENDIX B: DISCUSSION GUIDE**

Good day,

Thank you for agreeing to participate in this study- *Exploring networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs.*

As discussed, (i) the interview will have an estimated duration of between 60 minutes and 80 minutes, (ii) the interview will be recorded, and (iii) all information provided will be treated as strictly confidential and will be used only for academic purposes.

Thank you.

### Demographic Questions

1. How old are you?
2. Which country are you from?
3. What is your level of education?
4. What is your ethnic background?
5. How long have you been in South Africa?
6. Where do you live in South Africa?
7. What type of business [products, service, and industry] are you operating in South Africa?
8. Where is your business located in South Africa?
9. How long have you been operating your business in South Africa?
10. Has there been any growth or development in your business since its inception?

Research Questions	Interview Questions
<p><b>1. What types of networks are used in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?</b></p>	<ol style="list-style-type: none"> <li>1. Can you please tell me more about the types of networks you use for your business development?</li> <li>2. Do you conduct business with your family members, or do they assist your business in any way?</li> <li>3. Do you conduct business with friends and friends of friends and members of your social club?</li> <li>4. Do you conduct business with other businesses closely related to yours?</li> <li>5. Do you conduct business with managers of other businesses?</li> </ol>

Research Questions	Interview Questions
	<ol style="list-style-type: none"> <li>6. Do you conduct business with individuals from your ethnic group or cultural associations?</li> <li>7. Do you have networks with lawyers, accountants, and academics?</li> <li>8. Do you conduct business with local entrepreneurs or do locals play a role in your business?</li> </ol>
<p><b>2. How do immigrant entrepreneurs develop the networks in the entrepreneurial ecosystems which influence their business development?</b></p>	<ol style="list-style-type: none"> <li>1. Please tell me how you develop your networks?</li> <li>2. How do you develop networks with other businesses, accountants, lawyers, banks, and other government department?</li> <li>3. How do you develop networks with your family members?</li> <li>4. How do you develop networks with friends, friends of friends and social clubs?</li> <li>5. How do you develop networks with managers of other businesses, your customers, and suppliers?</li> <li>6. How do you develop networks with people from your ethnicity, or cultural association?</li> <li>7. Do you develop any of these networks through trust, understanding and reciprocity?</li> <li>8. How do you build trust?</li> <li>9. Where do you meet these people with whom you build networks?</li> </ol>
<p><b>3. What is the function of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?</b></p>	<ol style="list-style-type: none"> <li>1. Please can you tell me if networks have assisted you in getting resources (physical, human, and financial resources)?</li> <li>2. Please can you tell me if networks have assisted you in getting opportunities?</li> <li>3. Please can you tell me if networks have provided your business with support such as advice,</li> </ol>

Research Questions	Interview Questions
	<p>coaching, emotional support, moral support and mentoring?</p> <ol style="list-style-type: none"> <li>4. Please can you tell me if your ethnic networks/cultural group provide some form of social capital? Human capital and loans at low interest rates or at no interest rates?</li> <li>5. Can you please tell me if ethnic networks have provided you with ethnic informal channels that have assisted you in your business?</li> <li>6. Have or did your ethnic/cultural networks provide you with advice that aided in the formation of your business?</li> <li>7. Have the networks provided you with access to business opportunities?</li> <li>8. Could you please elaborate about these opportunities and how they help you in running your business?</li> <li>9. Have these networks helped in providing you with information such as information about support opportunities?</li> </ol>
<p><b>4. What are the benefits of networks in the entrepreneurial ecosystem for the business development of immigrant entrepreneurs?</b></p>	<ol style="list-style-type: none"> <li>1. Has networking improved, increase, or decrease your total assets such as buildings, capital, revenues and profits?</li> <li>2. Has networking improved, increase or decrease your sales and production volumes?</li> <li>3. Has networking improved, increase, or decrease your cost of sales/production?</li> <li>4. Has networking improved, increase, or decrease your customer base?</li> <li>5. Has networking improved, increase, or decrease the number of your employees?</li> </ol>

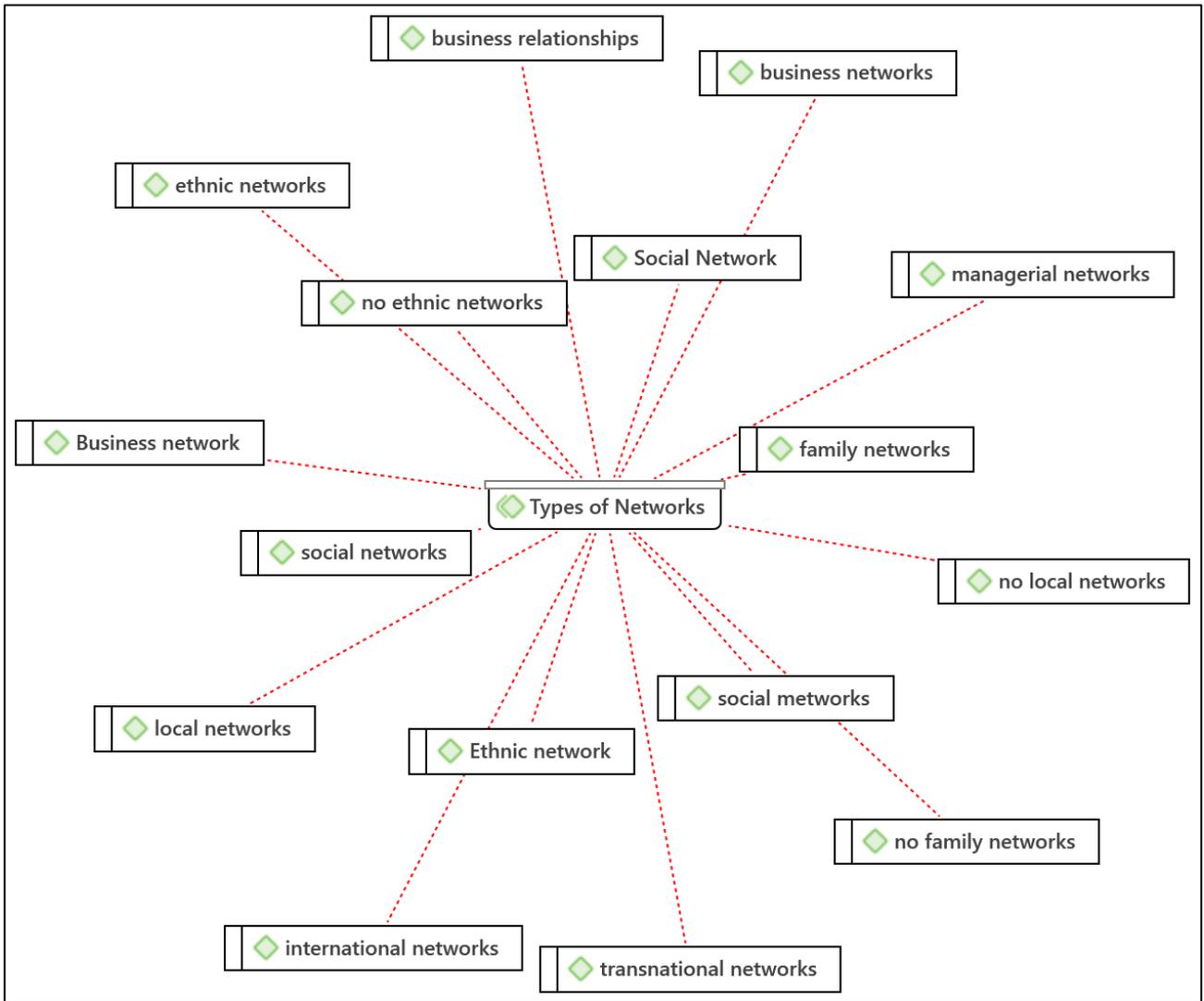
Research Questions	Interview Questions
	<ol style="list-style-type: none"><li data-bbox="667 259 1442 349">6. Has networking improved, increase, or decrease the size and location of business premises?</li><li data-bbox="667 367 1442 405">7. Has networking improved your management style?</li></ol>

## Conclusion

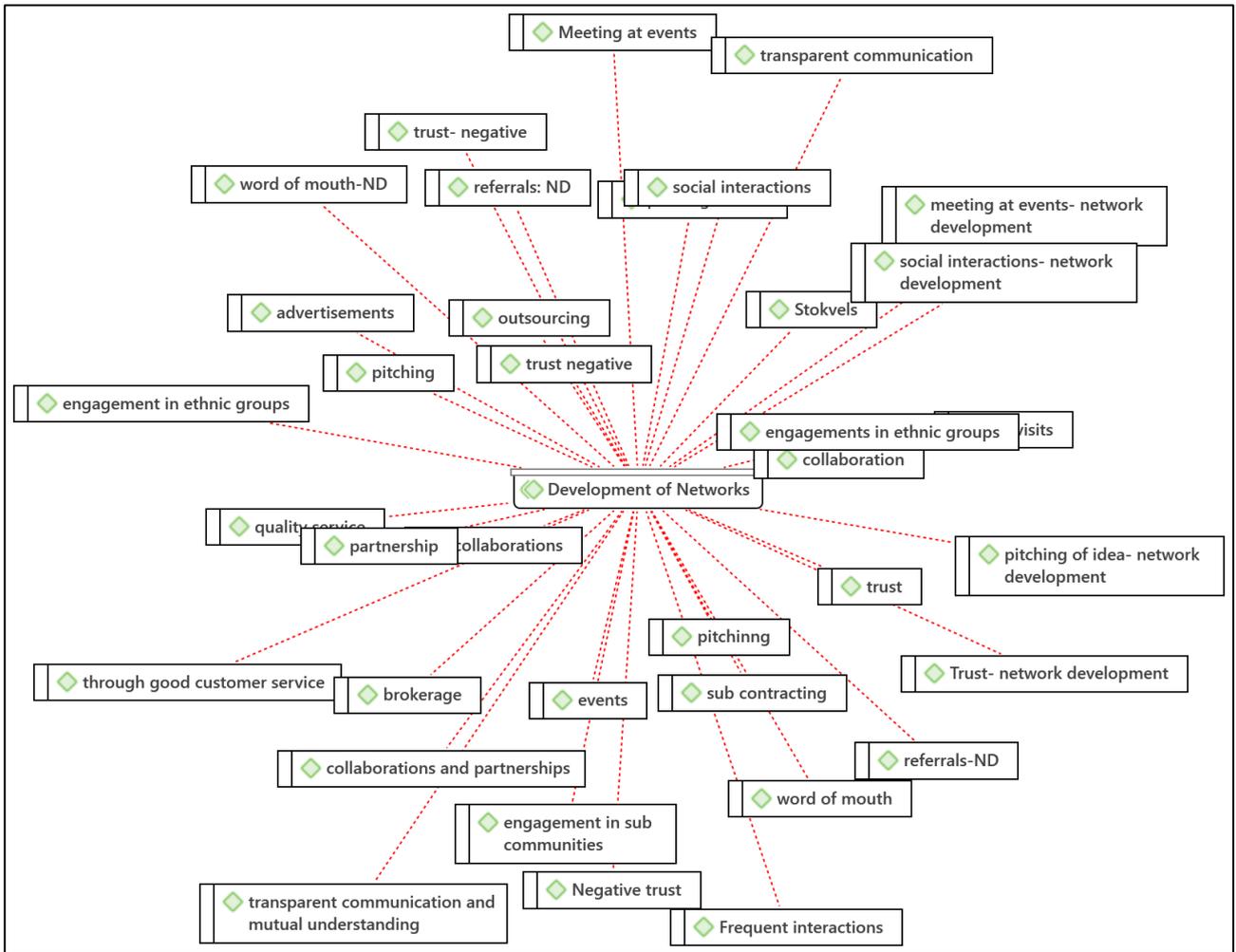
Thank you for your time and exuberance for sharing your perspective and experiences with me.

## **APPENDIX C: NETWORK VIEW OF THEMES AND RELATED SUB-THEMES**

### Network view of theme 1 and sub-themes



## Network view of theme 2 and sub-themes



## Network view of theme 4 and sub-themes

