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A Framework for Acquiring the Resources Vital for the Start-up of a Business in South Africa: an African Immigrant's Perspective

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Abstract

Using a triangulation of three methods, we devise a framework for the acquisition of the resources vital for the start-up of a business in South Africa. Against the backdrop of the fact that numerous challenges prohibit African immigrants from starting a business, let alone growing the business, we set out to investigate how those who succeed acquired the necessary resources. Within the quantitative paradigm, the survey questionnaire was used to collect and analyze the data. To compliment the quantitative approach, personal interviews and focus groups were utilised as the methods within the qualitative approach paradigm. The research revealed that an African immigrant entrepreneur is most likely to be a male between the ages of 19 and 41 who has been forced to immigrate by political circumstances. Once in South Africa, limited job opportunities forced these immigrants into starting-up a business. In order of importance, financial, informational, human and physical, resources were identified as being critical for the start-up a business. With respect to the acquisition of resources, African immigrant entrepreneurs unwillingly made use of personal savings to finance their businesses during the start-up phase of the business. Financial resource played a double role in that it determined the main sources of physical resources used. From a human resource perspective, African immigrant entrepreneurs preferred employing South Africans during the start-up phase of the business, and the reverse was true during the growth phase. To a limited extent family labour was involved at both the start-up as well as the operation phases of the business; with formal education and prior experience playing an indirect role as far as the human resources mixed were concerned. In terms of information, African immigrant entrepreneurs made use of two primary sources of information namely; their ethnic networks and friends from somewhere else.

Keywords: South Africa, African immigrants, business start-up resources, SMMEs, framework, self employment.

1. Introduction

Just as the small business sector has been acknowledged to be the backbone of every economy (Agupusi, 2007:2), so too has the fact that a healthy economy thrives on new business start-ups has been emphasised in numerous studies (Sinha, 2003:3; Lee, Florida & Acs, 2004:1; Markova & Petkovska-Mircevska, 2009:598). The belief in the favourable outcome for the economy associated with a huge Small Micro and Medium-Size Enterprises (SMME) sector has promoted both developed and less developed countries to consciously put in place policies aimed at promoting the start-up, growth and development of the SMME sector (Gries & Naude, 2008:1). According to Chandra, Moorty, Nganou, Rajaratnam, and Schaefer (2001:12), having a huge SMME sector has been argued to form the basis for job creation and poverty eradication which happens to be one of the fundamental indicators of development.

In the United States of America (USA), SMMEs in the last decade created 60-80% of the net new jobs (Markova & Petkovska-Mircevska, 2009:598). In this light, it has also been acknowledged that understanding the factors that promote or mitigate new firm birth is crucial for regional economic development (Lee et al, 2004:1) and the role of enterprising individuals or groups in particular cannot be over emphasized in this process (Shook, Priem & McGee, 2003:279). Many would argue that the entrepreneur is instrumental in combining the factors of production and how well these resources are combined determines the vibrancy of the small business sector. It is from this angle that emerging research suggests what role immigrant entrepreneurs can play in this process.

When a business idea is conceived, it is the entrepreneur who forges ahead with organizing and combining the resources necessary for the business to be started. Studies on immigrant-owned businesses have found certain owner characteristics to be instrumental in fostering the start-up and operation of immigrant-owned businesses. This bundle of entrepreneurial attributes also known as characteristics some argue, differ from that of the indigenous population. According to Kloosterman and Rath (2001:191), the composition of immigrants particularly from less developed countries is different from that of the indigenous population in that the new comers tend to differ in the bundle of resources (human, social, financial and cultural capital) at their disposal when compared to their counterparts.

Studies on migrant entrepreneurship in both the USA and Europe have recognised the significant share of immigrants in SMME activities (Sahin, Nijikamp & Baycan-Levent (2006:1). Halkias, Abadir, Akrivos, Harkiolakis, Thurman and Caracatsanis (2007:2) in a recent study have shown that immigrant entrepreneurship has a direct impact on the host economy. Despite the prevalence of such literature at the international level, little is known about the contribution of immigrant-owned businesses in South Africa. Notwithstanding the perceived and acknowledged role small businesses and particularly entrepreneurs can play in the economy, one finds that several attempts by African states to strengthen the position of the small business sector have increasingly failed (Hallberg, 2000:1; Cobweb Information, 2007:1). Among the reasons acknowledged for constraining the development of this sector, the lack of finance has come up in numerous South African studies (Gumede, 2000:21; Luiz, 2001:65; Beyene 2002:143; SBP, 2005: 75; Von Beoembsen, Wood & Herington; 2005:11; Rogerson, 2007:15; Rogerson, 2008:62). Even in countries where attempts have been made to address the issue of lack of finance for instance, often than not, the marginalized informal sector and immigrant entrepreneurs have not benefited significantly (Tesfom, 2006). The importance of a conducive regulatory environment has been highlighted in a number of studies (Rankin 2006:72; Rogerson, 2008:62). The list of obstacles that SMMEs face is long and tends to vary over time as a result of changes in the external and internal factors that influence business start-ups as well as their growth.

Against the backdrop of the Millennium development goals which among other things emphasise reducing world poverty by the year 2014, new business start-ups may become a necessity regardless of whether these start-ups are initiated by nationals or immigrants. This is particularly so because, regardless of the source, new business start-ups benefit the economy as a whole in the short run and even more in the long run as they mature.

Against the backdrop of the fact that limited job opportunities force African immigrants into self employment and the fact that numerous challenges prohibit their businesses from taking off the ground, let alone grow, we set out to investigate how those successful acquired the necessary resources. We argue that most of those businesses that fail to take off or fail just after take off do so because their owners did not have the right resource-mix, in sufficient quantity and quality. In an attempt to develop a framework for the acquisition of the resources vital for the start up of an immigrant-owned business in South Africa, the following questions were adopted to guide the study:

- Why do African immigrants of Cameroonian, Ghanaian, Ethiopian, Senegalese and Somalia origin immigrate to South Africa? The literature suggests that immigrants are either pulled or pushed into emigrating. And this leads to the next questions.
- What motivates African immigrants to turn to self employment activities upon arrival in South Africa?
- What resources do African immigrants perceive as being critical to the effective start-up and operation of a business in South Africa?
- How do African immigrants acquire the resources marked to be critical to the effective start-up and operation of a business in South Africa?

2. Literature Review

The literature on small business development in general and immigrant entrepreneurship in particular is inconsistent as well as inconclusive. Although small business and entrepreneurship in general has been widely researched, this cannot be said of immigrant-owned businesses in South Africa. In the countries where entrepreneurship has been extensively studied, it has been approached from varying angles. With emphasis on what makes up a successful entrepreneur, some studies have looked in the direction of the personal characteristics of the owner, while others have turned to environmental conditions (Jiangyong & Zhigang, 2007:27). In view of the fact that personal characteristics vary and are both influenced by environmental conditions and vice versa, other studies have found regional variations in business start-ups to be associated with factors such as population, industrial structure (Gries & Naude, 2008:12), human capital (Jiangyong & Zhigang, 2007:27), the availability of finance (Jiangyong & Zhigang, 2007:27; Von Beoembsen, et al.; 2005:11; Luiz, 2001:65; Beyene, 2002:143; SBP, 2005: 75; Rogerson, 2008:62) and entrepreneurial characteristics (Lee et al., 2004:3).

In the direction of immigrant entrepreneurial activities, while the empirical studies have to date commonly sought to explain variations in new business start-up rates (Bates, 1996; Saxenian, 1999; Fairlie & Meyer, 2003; Lee et al, 2004; Halkias et al, 2007), the descriptive studies (Tesfom, 2006) often focus on owner traits as well as the operating environment of the immigrant businesses. Despite the prevalence of these studies in developed countries, there is little coverage as far as African countries are concerned. To the best of our knowledge there has not been a study in South Africa that addresses how African immigrants acquire the resources vital to starting-up and operating a business.

2.1. African Immigrants in South Africa

Since the 1994 democratically-held elections, South Africa has witnessed an influx of immigrants, with a majority of them from African countries (Simalane, 1999:3; Landau & Jacobsen, 2004:44). So many reasons may explain this sudden influx. Firstly, with sanctions removed after many years of apartheid, South African became a logical destination to be explored. Secondly, increasing poverty and conflict in Africa have made South Africa a haven for fleeing refugees. Thirdly, joining the global economy

brought with it investment opportunities that foreigners are eager to exploit (Crush, Williams & Peberdy, 2005:1).

With the recent changes in immigration patterns and ‘immigration markets’, comes a heated debate of the impact of immigration on host countries (Borjas, 1994:1667). Shying away from the traditional country of origin debate, Borjas (1994:1667) notes that the focus of this debate now centres around three issues, namely:

- How immigrants perform in a host country;
- The impact that immigrants have on the employment of natives; and
- The policies that would benefit the host country most.

From a South African perspective, Landau and Jacobsen (2004:44) note that the influx of tens of thousands of migrants and refugees from across the African continent is not only changing the country’s demography, but it is also having a visible effect on public attitudes and political rhetoric. The 2008 and 2010 xenophobic attacks on African immigrants in South Africa are an attestation to this. Although the 1998 Refugees’ Act demonstrates a strong and progress commitment to refugee protection in line with international standards, refugees continue to be subjected to all sorts of discriminations. These immigrants face police harassments, anti-foreigner violence and invisible discriminations in the labour markets on a daily basis (Landau & Jacobsen, 2004:44). Commenting on the shortfall in the available skills levels as indicated by various studies (including the World Bank-Greater Johannesburg Metropolitan Area (WB/GJMA) and ICA), Rankin (2006:25) notes that onerous immigration requirements prevent firms from hiring foreigners with the requisite skills. One may therefore suggest that these discriminations negatively impact on immigrants’ ability to contribute meaningfully to the national economy.

In the absence of sufficient paid jobs and in some case discrimination in the labour market (Bates, 1996:24; Simalane, 1999:3), immigrants equipped only with abundance of human capital, which in most cases is not recognised in the host nations (Sanders & Nee, 1996:232; Clark & Drinkwater, 2000:2), and perhaps limited financial capital (Tesfom, 2006), turn to business, notably self employment, as the major economic activity in their host countries. In recent years and contrary to popular belief, most immigrants of African origin, particularly from countries such as Cameroon, Ghana, Ethiopia, Somalia, and Senegal, are cognisant of the limited paid employment opportunities available in South Africa but they are, lured by lucrative self-employment opportunities. This view is supported by the Centre for Development and Enterprise’s (CDE) study of immigrants in the Witbank area of Johannesburg (CDE, 2006:5).

Profiling South Africa’s stock of entrepreneurs, the 2006 Global Enterprise Monitor (GEM) Report, which compares entrepreneurial activity across 42 countries, re-enforces the increasing need for new firm start-ups (Berry et al, 2002:72; Bosma & Harding, 2007:7). According to the same study, the early-stage entrepreneurial activity indicates that the percentage of the population that is willing and able to undertake an entrepreneurial venture in South Africa is only 5.3%, as compared to 22.5%, 20.3%, 19%, and 16% for Columbia, Jamaica, Indonesia, and China respectively (Bosma & Harding, 2007:7). Based on these statistics, one may conclude that South Africa lags behind with regard to new venture creation.

The recent upsurge of entrepreneurial activities and most importantly of new venture creation, brings to the fore their immense importance, although doubts are increasingly cast as to how these new business start-ups can be promoted. While many governments and aids agencies acknowledge the important role that the small business sector can play, especially from an economic and social development stand point, small businesses need to overcome many obstacles (Jeppesen, 2005:465). Numerous studies conducted in both developed and developing countries have identified limited access to formal business resources, such as finance, as a major obstacle to the development of this sector, and it is even more acute (Bank of England, 1999:14) when it comes to ethnic minorities and foreign nationals who quite often not only lack collaterals but also may not have the necessary documentations. Under these circumstances, these foreign nationals, in their dire need to earn a living, take the most

available opportunities and finance for business start-up from any unconventional means. In contrast to the assumptions underpinning current South African government policy (notably that SMMEs development is dependent on formal financial support initiatives), enterprise among ethnic minorities in developed countries is based on informal finance, rather than credit from formal sources (CDE, 2004:25).

At the level of the immigrant, on the one front, one may suggest that with access to formal resources such as bank finance, immigrants could curb the growing tension between locals and immigrants as they compete for scarce resources and business opportunities. Such a competition has in the recent past (2008) pushed immigrants into South African townships, resulting in outbursts of xenophobic attacks against these foreign nationals. The basis of these attacks is the perception by locals that immigrants lure away jobs and business opportunities. Borjas (1994:1713) however, posits that there is little evidence to suggest that immigrants have an adverse impact on native employment. On the other front, access to formal financing by immigrants may facilitate the creation of thriving jobs that would, in turn, lessen the competition between immigrants and natives for scarce resources; this may go a long way to intensify the fight against poverty thereby fortifying the overall objectives of the South African government in respect of the Millennium Development Goals.

2.2. The Construction of the Proposed Framework

In developing the framework for acquiring the resources vital for the start-up of immigrant-owned businesses in South Africa, this study makes use of two important models of entrepreneurship. The first model of entrepreneurship considered is that introduced by Waldinger and associates decades ago. The second model considered in this regard is one proposed by Nieuwenhuizen (2003:11). These models are chosen for this study due to their relevance to the aim and objectives of this study. Firstly, the Waldinger model gives an overall picture of immigrant entrepreneurship. It is an interactive model in that it elaborates on the challenges and other dynamics that may impact on an immigrant's ability to start-up and operate a successful business. However, being an internationally developed model, the second model proposed by Nieuwenhuizen (2003:11) is chosen to provide a South African perspective, although the focus is on entrepreneurship development in general and not immigrant-owned businesses per se.

From these models the following key components are identified as important “corner stones” for the effective start-up and operation of immigrant-owned businesses:

- Home country conditions;
- Host country conditions;
- Resources required to start and operate a business;
- Immigrant characteristics; and
- Host country business environment

2.3. A Theoretical Background on Immigrant Entrepreneurship

The literature on immigrant entrepreneurship emphasizes the role of three interlocking factors shaping the way immigrants acquire the resources necessary to effectively start-up and operate a business. Grouped under schools of thoughts, these factors include: an immigrant's personal characteristics, the ethnic community and the general conditions of the host country.

As the first school of thought, an immigrant's entrepreneurial traits are seen to play a significant role as far as the start-up and operation of a business is concerned. Proponents of this school of thought emphasize the fact that the ability of an immigrant to effectively start-up and operate a business depends on possession of certain personal characteristics (Lee et al., 2004:3; Nieuwenhuizen; 2004:40; Tesfom, 2006).

The second school of thought, which looks outside an immigrant's personal characteristics, emphasizes the role of the ethnic community (Aldrich and Waldinger, 1990:114). According to this

school, also referred to as the theory of social embeddedness, the ethnic community provides an important set of entrepreneurial dynamics that go to compliment or shape an immigrant's personal entrepreneurial traits (Aldrich & Waldinger, 1990:130; Rath, 2006:4). The concept of social embeddedness was introduced by Rath as a critic to Aldrich and associate's 1990 model of immigrant entrepreneurship. According to Rath (2006:4), the underlying assumption behind the concept of social embeddedness is that individual entrepreneurs participate in an ethnically specific economic network that facilitates their business operations (especially in obtaining knowledge, distributing information, recruiting capital and labour and establishing relations with clients and suppliers). Accordingly, social embeddedness suggests that the proliferation of immigrant enterprises would be mainly the result of the mobilisation of the immigrant entrepreneur's ethno-social networks (Rath, 2006:4).

Because the process of starting up and operating a business does not happen in a vacuum the impact of the host environment therefore becomes an important part of the entrepreneurial dynamic (Nieuwenhuizen, 2003:11; Jiangyong & Zhigang, 2007:27). The foregoing drives us to the third school of thought also referred to as theory of mixed embeddedness. Recognising the relative importance of regulation as well as market dynamics, researchers have proposed a mixed embeddedness approach to immigrant entrepreneurship (Kloosterman, Van der Leeun, & Rath; 1999:259; Kloosterman & Rath; 2001:198). According to the concept of mixed embeddedness, the socio-economic position of immigrant entrepreneurs and consequently their prospects with regards to the mobilization and subsequent start-up and operation of a business can only properly be understood by considering not only their embeddedness in the social network of immigrants but also their embeddedness in the socio-economic and political institutional environment of the country of settlement (Kloosterman, et al.1999:259).

The circumstances under which immigrants leave their home countries or get into self employment activities may influence the bundle of resources that they bring to the host country. With the foregoing debate paying little attention as to what motivates immigration and self employment, and what role "preparedness" as far as resource mobilization is concerned; one may only partially understand how African immigrants acquire the resources necessary to start-up a business in South Africa.

2.4. Push - Pull Factors of Migration

The theories that attempt to explain why people move from one country to another have been many. One of such theories is the "push-pull" factor theory. Push factors force people to move while pull factors entice people. According to this theory, for people to leave their countries of origin (sending countries) to other countries (receiving countries) there have to be push factors or disadvantages, which influence them to move (Simelane, 1999:3). Such disadvantages, Simelane (1993:3) suggests, may include low wages compared to other countries, scarce employment opportunities, political unrest, and lack of social amenities like good roads, piped water, electricity and so forth. From this perspective, emigration is deemed 'forced' as may be the case where there is economic decline and environmental degradation (Maharaj, 2009:3). On the other hand, in the destination country there have to be pull factors or advantages that tend to attract potential movers.

Examples of pull factors are high prospects of getting a job, availability of job opportunities, higher wages, political stability, better social amenities and so forth. Simelane (1999:3) claims that although such advantages as well as disadvantages may exist in both sending and receiving countries, the potential migrant's decision to move is arrived at after weighing these against each other. In support of Simelane's claim, Light, Bhachu and Karageorgis (1989:1) advance that migration networks formed in countries of destination by earlier migrants have been noted to foster immigration by reducing the social, economic and emotional cost associated with migration. Sometimes the journey of an immigrant takes him or her across other countries. In between the sending and receiving countries, Simelane (1993:3) believes that there are always obstacles, which may influence the decision of the would-be immigrant. These obstacles may include distance, travel expenses, availability and speed of

transport, and migration laws. Once an immigrant overcomes all the related obstacles related to the decision to emigrate, the newly arrived immigrant is sometimes faced with another dilemma of what form of economic activity to pursue in the host country.

2.5. Push – Pull Factors of Self Employment

Various theories have been advanced as to why immigrants resort to self employment as an economic activity in their host country. Three schools of thought have emerged explaining this phenomenon.

The first school, often referred to as the theory of ‘blocked opportunities’ or ‘push factors’ advocates that immigrants get into self employment due to inherent bias and discrimination in the host labour markets (Sanders & Nee, 1996: 232, Bates, 1996:24; Bates, 1998:4; Raijman & Tienda 1999:6; Clark & Drinkwater, 2000:2; Basu & Altinay, 2002:3; Salaff et al., 2002:2; Greve & Salaff, 2005:7; Van Tubergen, 2005:711; Sahin et al., 2006:6; Halkias, 2007:4; Levent et al., 2007:4; Heilbrunn & Kushnirovich 2008:693). In countries with high unemployment rates among natives, Van Tubergen (2005:711) notes that immigrants are pushed out of the labour market into self employment.

The obstacles that stand in the way of immigrants turn to vary and are not limited to lack of educational credentials (Landau, 2010:72), inappropriate work experience, and limited facility of the English language (Aldrich and Waldinger, 1990:122). For instance, Greve and Salaff (2005:7) noted that the credentials of a doctor from china will not be accepted in Canada. In South Africa, Landau (2010:72) reports that even those immigrants with employment rights find that they are turned away by employers who do not recognize their papers or professional qualifications. Proponents of this theory argue that immigrants take up self employment due to the fact that they face limited employment opportunities and on the other hand business ownership allows them to use their human capital and class resources (Nee & Sanders 2001:393). Landau (2010:72) reports on South Africa supports this view when he states that when turned away because their credential are not recognized, immigrants who do not have the money to pay for their credentials to be evaluated by the South African qualifications Authority (SAQA) are left with no other choice but to seek other ways to generate an income.

Although discrimination may work as a motivation for self employment, Guzy (2006:5) warns that on the other hand discrimination can cause problems at different levels including when starting the business and dealing with administration, owners of business premises, suppliers, clients, banks and so forth.

Sanders and Nee (1996: 232) noted that an immigrant that has middle class or elite origin has greater access to financial capital. It has been suggested by Levent et al., (2007:4) that the grip of the “block opportunities” on the immigrant varies from one generation to another. Raijman and Tienda (1999:23); Halkias et al. (2007:7) posit that although a particular generation of immigrants face bias in the labour markets as explained by the blocked mobility theory, their offspring and future generations tend to face fewer biases as that human capital and particularly educational credentials are recognised. Supporting this view, Nee and Sanders (2001: 402), noted in the US that immigrants whose education has been entirely foreign experience a higher rate of transition into self employment than immigrants who obtained some, or all of their education in the United States.

Facing limited employment opportunities, immigrants are drawn to certain types of business sectors in order to earn money quickly. Under the middleman minority theory also known as the “blocked opportunity” theory, it is assumed that the immigrant starts out as a temporary resident in a host country and that they plan on returning to their home country (Halkias, 2007:4). Under such circumstances, it is assumed the immigrant’s main goal in the country is to make money quickly to either send back home to his family or take back with him upon returning home (Halkias, 2007:4; Zhou, 2007:279). According to Zhou (2007:279), in the past, the “middleman-minority” entrepreneurs established their businesses in poor minority neighborhoods or immigrant ghettos in urban areas deserted by main stream retail and service industries or business owners of a society’s dominant group. In recent years Zhou (2007:279) maintains that these entrepreneurs have been found to open up

businesses in affluent urban neighborhoods and middle class suburbs and not only in the secondary sectors but even in the primary sectors of the host country's main stream economy. The blocked mobility or opportunity school of thought has been criticized for ignoring the fact that some ethnic groups may have a cultural propensity towards entrepreneurship (Basu & Altinay, 2002:3). These cultural differences may be the result of national, regional, ethnic, social class, religious, gender, and language variations (Basu & Altinay, 2002:3). Levent et al. (2007:4) notes that while the first generation entrepreneurs in general encounter more push factors, the second generation on the other hand may exhibit more pull factors.

The second school of thought often referred to as the "ethnic market niche" or "pull" factor theory advocates that immigrants are drawn into self employment in general and certain sectors by business opportunities. The ethnic market niche theory is formulated around the idea that immigrants find business start-up opportunities in market niches created by the interaction between opportunities in society and the characteristics of the immigrant group (Halkias, 2007:4). In line with the ethnic market niche theory, Halkias (2007:6) posits that immigrants become entrepreneurs in order to find alternatives to traditional employment options for immigrants in unattractive industries. According to Clark and Drinkwater (2000:2) some of the specific factors that may pull immigrants into self employment include such things as the existence of ethnic enclaves which may provide a self-sustaining economic environment, the influence of religion and access to informal sources of finance and labour through familial ties or shared culture and language.

The third school of thought is based on what is also referred to as the "ethnic enclave theory". In contrast to middleman minority entrepreneurs, Zhou (2007:280) posits that the ethnic-enclave entrepreneurs include mainly those who are bounded by ethnicity, an ethnic community's social structures and geographical location. The ethnic enclave economy theory is built on the fact that immigrant entrepreneurs typically find business start-up opportunities within the immigrant communities and neglected business sectors of the broader economy (Clark & Drinkwater, 2000:2; Greve & Salaff, 2005:9; Halkias, 2007:5, Zhou, 2007:280). Under this assumption, immigrants who are sojourners are inclined to seek employment in industries where start-up cost is relatively low, competition is minimal, capital can be quickly raised and assets can be quickly or easily liquidated and turned into cash.

An important issue in the literature on self employment in general and immigrants in particular is the predominance of immigrants in self employment activities in their host country. Pinkowski (2009:30), concurs with Van Tubergen, (2005:709) that the self employment rates among foreign-born are generally higher than among the natives. At the level of the immigrant groups themselves, significant differences in the rates of employment among immigrants have been noted. Van Tubergen (2005:710) advanced two factors that influence an immigrant group's participation in self employment activities. On the one front, he argues that an immigrant's country of origin contributes significantly to an immigrant group's self employment rate. On the other front, he argues that the differences between immigrant groups could also indicate what he calls "setting" or "community" effects, which refer to properties of the combination of the country of origin and the country of destination.

Elaborating on the "setting" or "community" effects, Van Tubergen (2005:710) suggests that the fact that Korean immigrants may show higher rates of self employment in the US than Mexicans, with the opposite being true in other societies cannot be accounted for solely by either the characteristics of country of origin or destination but rather a combination of both. Several arguments proposed in the literature such as variance in the ethnic capital available to an immigrant population in one destination and not in the other may explain these "setting" effects as could be the relative size of the group (Van Tubergen, 2005:710).

2.6. Immigrant Entrepreneurship

From a historical perspective the word entrepreneur is loaned from the French word 'entreprendre', which means 'to undertake'. Looking at entrepreneurship from the process dimension as noted by

Stoke et al (2007:7), the word entrepreneur, according to Pinkowski (2009:4), is simply someone who starts or operates their own businesses. Bringing in the behavioural and outcome dimensions, Markova and Perkovska-Mircevska (2009:598) state that entrepreneurs often have strong beliefs about a market opportunity and organise their resources (land, labour and capital) effectively to accomplish an outcome that changes existing interactions.

Looking at entrepreneurship from an immigrant perspective, Basu and Altinay, (2002:371) and Sahin et al (2006:2) concur that entrepreneurship or self-employment normally involves setting up a new business or buying an existing business. And, when the process of entrepreneurship is carried out by an immigrant, the phenomena is referred to an immigrant entrepreneurship (Sahin et al 2006:1). Immigrant entrepreneurship refers to entrepreneurial activities carried 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. The businesses owned and run by immigrants are referred to as immigrant-owned businesses. Other terminologies used to describe immigrants who carry out entrepreneurial activities include: ethnic entrepreneur, immigrant entrepreneurs and minority entrepreneurs.

While noting that in reality the difference between an entrepreneur and a non-entrepreneur does not clearly exist, Fertala (2006:7) suggests that an immigrant entrepreneur is one who has either:

- Established a business venture or acquired a (family) business alone or with a group of partners, or
- Indicates himself to be self-employed in an incorporated versus unincorporated business.

Considering that there is probably no significant difference between an entrepreneur and a non-entrepreneur as suggested by Fertala (2006:7), the question that comes to mind would be whether there is a difference between entrepreneurial activities carried out by foreign-born and native entrepreneurs. The answer to the preceding question may lie in the preponderance of business start-up between the two groups as well as the success of these establishments.

2.7. New Small Business Start-ups and Entrepreneurship

From a business perspective, the process of employment and economic development begins with the humble start-up and operation of successful small businesses. According to Basu and Parker (2001:2) and the Federal Reserve Bank of Dallas (2010), in recent years there has been a growing awareness of the importance of new business start-ups for long term economic growth and employment creation. With economic growth and employment as a central objective, many governments today are actively involved in promoting small business start-ups. According to Van Praag (2003:1), it is increasingly acknowledged that an effective policy to decrease unemployment is to stimulate the number of new businesses. It is widely recognised that a key element of successful start-ups is adequate financing (Basu & Parker, 2001:2).

Behind successful small business start-ups and operations is entrepreneurship. And, entrepreneurship has been recognised as one of the driving forces for market competition and economic growth (Jiangyong & Zhigang, 2007:3). Existing studies have uncovered a set of personal attributes of would-be-entrepreneurs, such as gender, marital status, age, education, financial conditions, and attitude for taking risks that may affect entrepreneurial activities (Jiangyong & Zhigang, 2007:3). According to a study by Jiangyong and Zhigang (2007:24), older people are less likely to be entrepreneurs. Although the impact of education on entrepreneurship is difficult to predict, Jiangyong and Zhigang (2007:25) argue that people with higher education have a stronger ability to start their own businesses, and hence the impact of education on entrepreneurship decisions should be positive (the ability argument). In a study of Asian-owned and white-owned businesses in the USA, Robb and Fairlie (2009:833) confirm the positive relationship between education and business outcome. In support of this argument, Gries and Naude (2008:12) suggest that entrepreneurial start-up rates will be higher in localities that have a relatively highly educated population and an economic environment favourable to the accumulation of knowledge.

In an unrelated direction, other studies have found no relationship between the level of education attained and start-up/survival. For instance, in a case study of African immigrants in Finland, Habiyakere, Owusu, Mbare and Landy (2009:65) conclude that immigrants with university education were not more successful than those who had high school or vocational school diplomas. Advancing this argument, Jiangyong and Zhigang (2007:25) note that people with higher education have higher opportunity costs of leaving their current employment and therefore become more risk averse toward entrepreneurship (the opportunity cost argument). Regarding the impact of would-be entrepreneurs' attitude for taking business risks, Jiangyong and Zhigang (2007:27) found that parents' entrepreneurial experiences have positive effects on respondents' decisions for becoming entrepreneurs.

According to Greve and Salaff (2005:8) enclave conditions allow new immigrants to create ethnic businesses in several ways:

- Firstly, the enclave spurs the desire to become an entrepreneur.
- Secondly, some immigrants ran a business in their country of origin and feel most comfortable establishing a firm in a culturally similar setting.
- Thirdly, co-ethnics often help new-comers start up, as they themselves were once helped.

Under the conditions suggested by Greve and Salaff (2005:8) and listed above, if all factors remain constant, immigrants would stand a better chance of starting up and operating a successful business than their native counterparts. However, the foregoing statement would all depend on how success is defined and measured.

2.8. Business Start-Up Resource

Starting a business involves combining the factors of production which include land, labour, capital and a function carried out by an entrepreneur (Jacobs; 2004:3). How well the factors of production are combined depends in part on an entrepreneur's abilities or character. Gries and Naude (2008:2) point out that entrepreneurial characteristics have been found to differ within and across societies and even over time. Although profound disagreement seems to exist on whether differences exist among individuals that influence how they combine the other factors of production, and even explanation for the inherent differences, there is the suggestion that these characteristics explain the difference in approaches used to overcome business development hurdles (Basu & Altinay, 2000:23) or to identify and acquire the resources required to effectively start-up and operate a business. On this basis, Markova and Perkovska-Mircevska (2009:598) suggest that some entrepreneurs may therefore see opportunities where others see obstacles.

Traditionally creating any good or service has often involved combining what has since been referred to as factors of production (Pennant-Rea & Emmott, 1983:28; Jacobs (2004:3). So far, the acknowledged factors of production have included: land, labour, capital and the entrepreneur. According to the Federal Reserve Bank of Dallas (2010), all of the economies around the world possess land, labour, capital and entrepreneurship. Land represents natural resources—the soil, food crops, trees and lots we build on. An example of labour includes the farmers, accountants, cab drivers, dry cleaners, assembly-line workers and computer programmers who provide skills and expertise to build products or offer services in exchange for wages and salaries. Capital represents the buildings, equipment, hardware, tools and finances needed for production. Entrepreneurship represents ideas, innovation, talent, organizational skills and risk. This notwithstanding, the availability of these resources has been noted to vary from region to region, with some areas having abundance and others scarcity (Smith, 2007). The impact of which may be positively or negatively felt by individuals depending on the geographical space they occupy at any one time.

Although the advent of globalisation has minimised the shortage of some of these factors such as labour, entrepreneurship and capital in that they can be transferred from a region of abundance to a region of scarcity, the degree to which these factors can be moved is still limited by both man-made and natural factors. The natural factors on the one hand include weather, disasters and so forth. On the other hand the man-made factors include laws and regional policies that hinder mobility (Smith, 2007).

Capital as a factor of production can be classified into financial (such as savings and loan), physical (land, buildings and machinery), human (education and skill enhancement) and social capital (trust, reciprocity and mutuality) based on its source (Coleman 1988:118; Smallbone, Evans, Ekanem & Butters (2001:21). Sanders & Nee (1996: 231) noted that, despite being an important factor of production, the foreign earned human capital of most immigrants is not highly valued by employers in their host countries who frequently rely on educational credentials and work experience as proxies for direct measures of skills and the potential productivity of employees. Being one of the factors of production itself, the entrepreneur is most valued in the role it plays in organising the other factors (Federal Reserve Bank of Dallas, 2010).

Acknowledging a variation in the quality and quantity of the factors of production available to individuals would logically suggest that business success drivers would vary from region to region, between sectors and even over time. In a study of exporting firms in the clothing industry for instance, Gumede and Rasmussen (2002:162) identified networks, access to finance, access to information and level of education to be fundamental in shaping success.

The following factors have been identified to be fundamental in shaping business success at the level of the individual (Van Praag, 2003:9):

- Relevant previous experience (self employment, or same industry or occupation) affects the success of a business founder;
- Age of the business founder. The younger the business founder is, the better his performance will be given the level of relevant experience;
- Finance: the more own capital, the more successful the business owner would be. However some empirical studies have found no significant evidence to support this view. For instance Van Praag, 2003:17 conclude that people starting owned capital are as successful as those that start with debt capital.
- Motivation: Small business owners that have been pulled into the job rather than pushed have a higher chance to be successful; and
- Education: higher educated business founders perform better.

According to Elfring and Hulsink (2003:12), entrepreneurs rarely possess all the resources required to start-up and operate a successful business.

2.9. Defining and Measuring Business Success

Acquiring the necessary resources for business start-up and operation has been noted to be a challenging task (Jacobs, 2003:111). Success draws one's attention to a task satisfactorily completed according to specified standards. In order to measure success, a standard or bench mark must have initially been set, against which the end result would be compared. In business, different dimensions have been used to indicate success. For instance, profit is commonly used to indicate success (Kloosterman & Rath, 2001:198). Other indicators of success include survival or numbers of years that the business has existed, which is ultimately indirectly linked to profit, in that a business that does not break even is doomed to close down.

In a study in Germany, Fertala (2006:7) defined a successful immigrant entrepreneur along the following lines:

- The longer an immigrant survives in business the more successful he or she is.
- The faster the process of incorporating new information than relying on past experience, the more successful the entrepreneur is.
- The greater the sales volume, the more successful the entrepreneur is.

In this study, the duration in business and sales volume are seen as the fundamental indicators of success. Knowing what success is and how to measure it provides the basis on which to screen participants for study, in an attempt to investigate what drives success.

2.9.1. Entrepreneurial Attributes or Business Success Drivers

Having the right entrepreneurial attributes account for the difference between successful businesses as evident in the ability to acquire the resources necessary to start-up and operate a business. The preponderance of immigrants in self employment and their perceived high success rate suggest that successful entrepreneurs possess certain characteristics that is undoubtedly a characteristic of immigrant entrepreneurship.

Bygrave (1997:3) argued that there are no given set of entrepreneurial attributes that allows one to separate an entrepreneur from a non entrepreneur. However, Bygrave (1997:3) suggested that entrepreneurs are high achievers with a high desire to be in control of their own destiny. Nieuwenhuizen (2004:40) maintains that the factors that usually contribute to successful entrepreneurship are also known as key success factors, and can be summarised as follows: Skills, expertise and aptitude; personal qualities; management skills and; external factors.

2.10. Immigrant Entrepreneurial Attributes

Masurel, Njikamp, Tastan and Vindigi, (2002:242) are sceptical about empirical research on the seedbed factors for successful ethnic entrepreneurship and believe that such research has certainly not reached a stage of solid statistical modelling. Masurel et al (2002:242) argue that despite its popularity, the concept of 'ethnic group' is still not clear and that most empirical results generally originate from in-depth interviews and survey questionnaires focussing in particular on barriers to start-up processes of business, internal versus external orientation, survival strategies, the impact of broader socio-cultural support networks, and the role of policy support measures.

Despite their scepticism with the level of empirical research on ethnic entrepreneurship, Masurel et al (2002:255) in a study of Indian, Pakistani and Bangladeshi in Britain, noted that success factors generally vary from one ethnic group to another, as do the factors that contribute to business success.

For clarity, business success drivers may be classified into person orientated and non-person orientated drivers. On the one hand, person oriented drivers include those personal attributes of an individual that positively contribute to the success of the business. On the other hand, business success drivers that are non-person orientated and include the general macroeconomic environment, political environment, cultural environment, and so forth.

Empirical studies indicate that small businesses in general and immigrant-owned businesses in particular face a wide range of problems not limited to finance, limited demand, and so forth. On the contrary and particularly case studies have also indicated that immigrants possess unique entrepreneurial characteristics that assist them in establishing and running successful businesses in their host countries. For instance it is argued that they possess a unique ability to mobilize start-up finance, stronger social ties, strong family support etc. Although there is wide coverage of immigrant entrepreneurs especially in developed countries, much still has to be done as far as developing countries are concerned. From a South African perspective, there is no study so far that focuses on African- immigrant- entrepreneurship. There is equally no South African study or model that explores the operation of African immigrant-owned businesses.

3. Methodology

The study was designed within the quantitative and qualitative research paradigms, in which a triangulation of three methods was utilised to collect and analyze the data. From a quantitative perspective, the survey questionnaire was used. To compliment the quantitative approach, personal interviews and focus groups were utilised as the methods within the qualitative approach paradigm. The primary data collection instrument used was the survey questionnaire which was complimented by personal interviews and focus group debates.

3.1. The Research Population

In choosing the research population for this study, some sort of screening was done. With one of the researchers being an African immigrant, and having been actively involved in entrepreneurial activities since immigrating to South Africa, he developed interest in the topic. Out of curiosity, the researchers wanted to study all immigrants but after preliminary studies and observation it was found to be practically not feasible given the time frame and resources. On this basis, the research population was then narrowed to African immigrants. However, due to communication difficulties and the fact that certain groups were more visible in business activities than others, five countries were chosen for the study. The population for this study, therefore, comprised of all immigrants of African origin that met the following criteria:

- They are from one of the following countries- Cameroon, Ghana, Ethiopia , Senegal and Somalia;
- They must be operating a Small, Medium or Micro Size Enterprise (SMMEs) at the time of interview;
- The business they operate must fall within the Cape Town Metropolitan Area; and
- The business they operate must be three or more years in existence.

3.2. The Sample Design

Using the snow balling technique, a sample of 135 immigrant-owned businesses was drawn. Selected businesses had to be three or more years old. According to the snowballing sampling technique, once a suitable respondent is identified, he or she nominates other respondents. McDonald et al. (1999:7) reckons that this method allows for an element of randomness and ensures that the confidence of the interviewee would be maintained by being referred by a friend. To avoid some of the inherent bias associated with snow balling, once a suitable respondent is found, such a respondent helps identifies at least two other ethnic businesses (and most importantly their owners) within that suburb, and the researcher randomly selects one for interview. By tossing a coin, one of the two nominated candidates is chosen for survey. Two approaches were used to arrive at the sample size of 135 immigrant-owned businesses used in this study. Firstly, a review of the following recent related studies: Basu and Altinay, 2004; Rogerson, 2004a; Tesfom, 2006; Heilbrunn and Kushnirovich, 2008; indicted that on average 118 sample size was used for these studies. All the aforementioned studies made use of the snowballing technique, and the interviews were conducted on a face to face basis. Secondly, in an attempt to justify and to ensure that the same size is big enough to give satisfactory results at a 95% statistical power, the G*Power software was used (see power analysis below). Using G*Power 3.1.2 software, and striving to achieve a statistical power of 95%, a sample size of 134 seemed ideal (Faul, Erdfelder, Buchner, & Lang, 2009).

3.3. Data Collection and Analysis

While using the survey questionnaire as the primary data collection instrument, focus group discussions were used to supplement as well as to test the results of the survey. Two focus group discussions were held in which attempts were made to answer the research questions with particular emphasis laid on the out come of the survey questionnaire. The focus participants were drawn from the same sample from which the survey questionnaire participants were drawn. Two groups of six and seven participants were drawn. In a group session that lasted one and a half hour each, participants shared their experiences as they attempted to provide answers to the research questions. Personal interviews were conducted with key informants, banks and SMME support organisations. The preliminary interviews conducted with key informants was informal and provided information that guided the planning and as well as the identification of the sample population. Furthermore, interviews with key informants like focus group discussion also provided a means of validating the survey results. Specifically, a total of four formal interviews were conducted. The choice of whom to interview

emerged from a preliminary analysis of the quantitative survey questionnaire and served to corroborate and as well as to compliment it. Two interviews were held with officials of standard Bank and the First National Bank respectively. Being banks that are actively involved in SMME development, it was imperative that their own side of the story be heard as it could compliment or contradict that told by immigrants in the quantitative survey questionnaire. Another two interviews were held with SMMEs support organisation. Of particular interest were the Small Enterprise Development Agency (SEDA) and “The Business Place”. It was believed that their viewpoint on things would shade some light on the topic and by so doing strike a balance. These organisations were purposefully chosen with SEDA representing the government and “The Business Place” representing the civil society.

4. Results and Discussions

4.1. Finding One

The finding as noted here is in response to the research question that sought to understand why African immigrants of Cameroonian, Ghanaian, Ethiopian, Senegalese and Somali origin immigrated to South Africa. Closing on the reasons why African immigrants immigrate to South Africa, it can be noted in order of majority response of those interviewed that:

- Political circumstances (68, 2%).
- Economic (31, 1%)
- Studies (0, 7%)
- Family re-union (2, 2%).

From a qualitative viewpoint, the results noted above are consistent with the sentiments shared by the majority of participants in focus group discussions. A participant from Somalia had this to say:

“Before the war in Somalia started, I was running my own business. When the war broke out things turned bad, and we could barely survive. It was then that I decided to flee to South Africa ...with the hope of transiting to Europe after making some money” Said Mohammed, a participant from Somalia.

Based on the abovementioned results, one may deduce that a greater proportion of African immigrants currently residing in South Africa were pushed by political conditions in their home countries. However, the political instability is perceived in varying proportion in the participating countries.

An inter group comparison via cross tabulation revealed that while there was a divide among the Cameroonians with respect to the fact that political circumstances prompted them to immigrate to South Africa, the Ethiopian, Ghanaian and Somali were absolutely sure. It was also noted that 100 % of Senegalese disagreed with the fact that political circumstances back home pushed them to immigrate to South Africa. This finding is consistent with the push-pull factor theory (Simelane 1993:3; Maharaji, 2009:3) which advocates that immigrants are either pushed or pulled by conditions back in the country of origin and country of destination. In this case political instability is the primary motivator.

4.2. Finding Two

The finding reported here is in response to the research question which sought to investigate what motivated African immigrants to turn to self employment activities upon arrival in South Africa. Based on the results of the surveys questionnaire, it is suggested by 67.4 % of the respondents that limited job opportunities push African immigrants into self employment activities. It is furthermore suggested that upon the advice of an older generation of immigrants, 55, 6% of those surveyed reported not engaging in any job search. Participants at the focus group meetings shared the same sentiments as a majority of them noted the undeniable role an earlier generation of immigrants played in influencing a new immigrant’s decision to take up employment based on their experiences and knowledge of the labour

market in South Africa. In narrative terms, one of the participants at the focus group debates had this to say:

“...I was told to keep my qualifications in a safe place as I would not be needing them any time soon. I did as was told and was initiated into the hawking business” [Julius a participant from Cameroon].

The advice given by earlier generation of immigrants is based on their experiences and simply re-enforced the difficulties involved in securing a job in South Africa. This result is in line with the “blocked mobility theory” which notes that immigrants for various reasons, including unacceptable credentials find it difficult to get work in the host country.

4.3. Finding Three

The finding noted here is in response to the research question which sought to understand what resources African immigrants perceive as being critical to the effective start-up and operation of a business in South Africa. By validating the results of the survey questionnaire with the results of the personal interviews and focus group discussions, it was drawn deductively that African immigrant entrepreneurs place emphasis on financial, informational, human and physical resources in order of importance as being critical to the effective start-up and operation of a business. This finding is contrary to the emphasis placed on skills, information and capital by business support organisations.

4.4. Finding Four

The finding noted here is in response to the research question which sought to understand how African immigrant entrepreneurs acquired the resources necessary to effectively start-up and operate a business in South Africa. With regards to the acquisition of the vital resources for business start up identified in the foregoing section, it became apparent that:

4.4.1. Financial Resource

African immigrant entrepreneurs unwillingly make use of personal savings to finance their businesses. It was revealed that the three most dominant sources of start up capital were personal savings only (62, 2%), business credit (16, 9%) and personal savings plus credit from family members (18, 8%). These results are consistent with that of Baycan-Levent and Kundak (2009:293) who studied Turkish immigrants in Switzerland. According to that study, Turkish immigrant entrepreneurs who are well informed about the sources and financial resources in their host country still preferred the use of own capital during the start-up phase of their business. Some representative narratives from the focus group sessions in this study include:

“From my standpoint... I used the balance from my travel expenses, to buy a few items which I moved around selling”. [Julius - a participant from Cameroon].

“Us from Somalia, served others for while as we save to start our own businesses” [Anwa-a participant from Somalia]

4.4.2. Informational Resources

From the results of the survey questionnaire it suggested that African immigrant entrepreneurs in South Africa made use of two primary sources of information namely; their ethnic networks and friends from somewhere else. In the focus meeting held, the majority of the participants concurred with this result but noted that the information shared was more accurate and easily available only in circumstances where a conflict of interest was not the norm. This would be the case where individuals are not in the same vicinity or the same line of business. The results of the personal interviews held with business support organisations further strengthens this finding in that it was unanimously indicated by the interviewees that a negligible amount of African immigrants made used of their services.

4.4.3. Human Resources

In terms of formal education, 43, 7% of those surveyed had a high school diploma and 67, 4% indicated acknowledged the positive role this education played as identifying and acquiring the resources vital for starting their business. When it comes to being able to communicate, 90, 4% concede the positive role of being fluent in the English language as far as the mobilization of resources was concern. The importance of having a prior experienced was also acknowledged as 98, 5% of the respondents had been engaged in self employment activities prior to leaving for South Africa.

During the start up phase of their business, African immigrant entrepreneurs indicated preference for employing South Africans. This may probably be due to the availability as well as low wages involved. This result is contrary to a South African study reported by CDE (2004:58) which suggested that immigrant-owned SMMEs in South Africa employed previously unemployed South Africans only in the growth phase. In the establishment or start-up phase of these new businesses, the report claimed that family or friends from the home country are typically the beneficiaries of the new employment opportunities. In yet another related study of Turkish immigrant entrepreneurs in Switzerland, Baycan-Levent and Kundak (2009:296) noted that the ratio between the number of Turks employed and the Swiss was fifty-fifty.

Bringing in a narrative angle, a participant from Somalia had this to say:

“When I just started, my stock was so small and employing someone was not an option. But as my stock grew, I employed a South African to sit in for me as I hawked around. Today, I have a South African, a distant relative and my wife assisting in the business”.

[Mohammed- a participant from Somalia]

4.4.4. Physical Resources (Land, Machinery, Equipment etc)

Financial resource played a double role in that it determined the main sources of physical resources used. The African immigrant entrepreneurs surveyed, used their personal savings to buy the physical resources needed to start their businesses. Sixty nine point six (69, 6%) percent indicated buying their machinery or any physical resource as opposed to hiring, being donated, family owned and so forth. A participant from Ghana narrates how he acquired the physical resources for his business:

“With the money I saved while working for my brother (a distant relation), I was able to buy a container from where I started my hair salon. Because the money was not enough to cover for the cost of the container and all the accessories he lent me some money which I have since repaid” Said Hanson, a participant from Ghana.

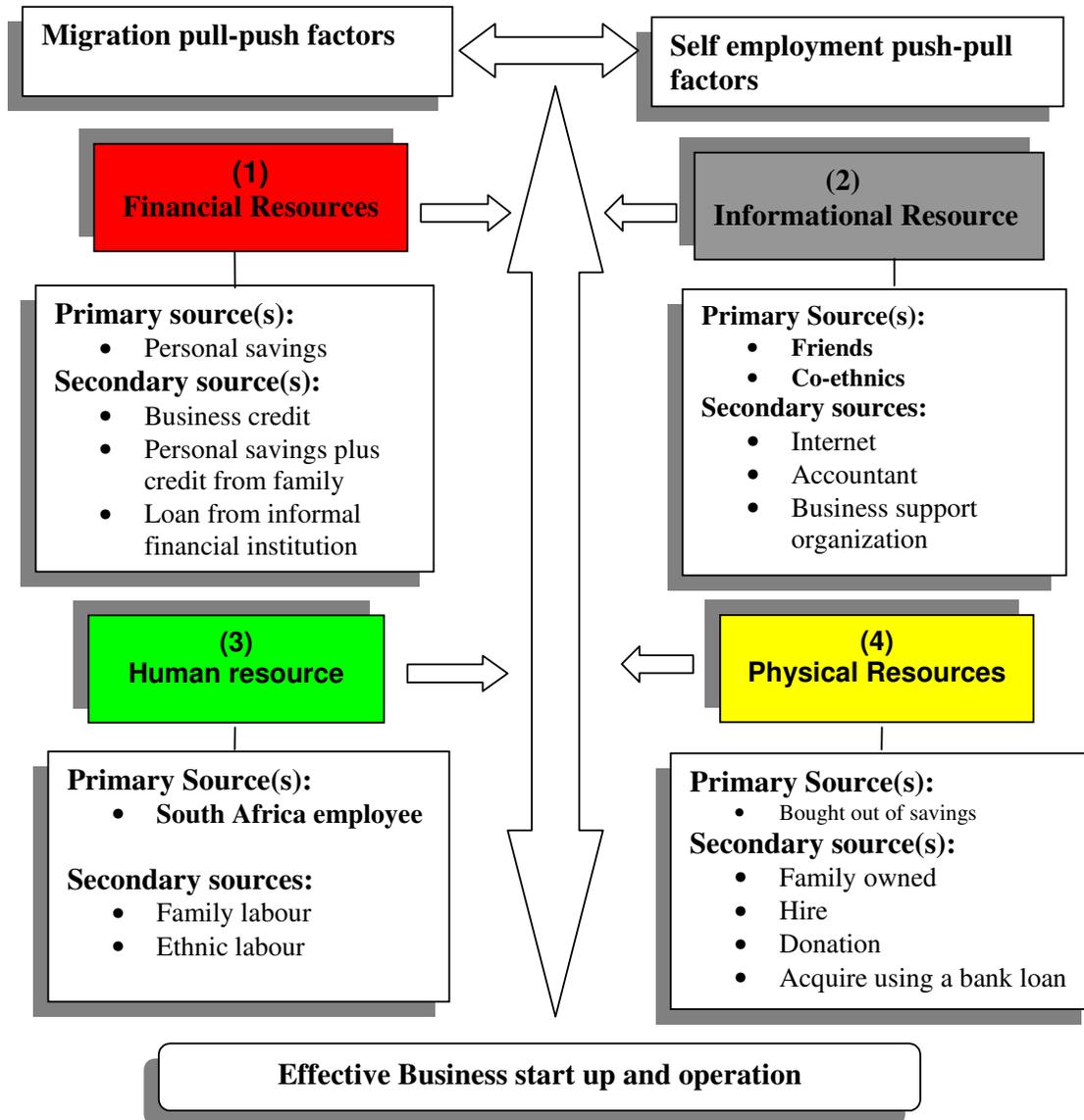
Another participant from Cameroon had this to say:

“From my standpoint... I used the balance from my travel expenses, to buy a few items which I moved around selling” [Julius - a participant from Cameroon].

5. Conclusion

Using a triangulation of three methods we were able to gleam an understanding of the circumstances that motivated immigrants of African origin to immigrate to South Africa and into starting their own businesses. By drawing a sample of those successful in starting and operating their businesses, we were able to understand how they acquired the resources to start-up and operate their businesses in South Africa. We gleamed an in-depth understanding of what resources they deemed critical for the start-up of a business and how they went about mobilizing these resources. We therefore conclude by proposing a framework (figure I). We believe the proposed framework would provide the basis for proper self-evaluation for African immigrants wishing to immigrate to South Africa as well as for those settling in. Specifically, they would be able to gauge what resources in their possession would become critical if they decide to go the self employment route in South Africa.

Figure I: A framework for acquiring the resources necessary to start-up a business in South Africa



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