

**Exploratory Study: How Do Somali Shop Owners (SSO) Succeed in Running
Businesses in Soweto – A South African Perspective**

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I. INTEGRATIVE SUMMARY

This is a qualitative study which seeks to understand how Somali shop owners run successful businesses in the township of Soweto in South Africa. This research report has three sections, namely (1) the academic paper which comprises a shortened literature review, the research method, findings, and the discussion; (2) an extended literature review and (3) the research methodology. It is important to mention that these three sections are related and not necessarily stand-alone sections.

Despite the hostilities faced by the Somali shop owners from the host communities in South Africa, it is notable that they are successful, small-sized entrepreneurs in most townships of South Africa (SA). Previous research on Somalis has predominantly focused on their assimilation into the societies in their host countries, and on how they are led into self-employment because of the unfavourable labour markets in the host country. In this vein, there is a need to understand how they run successful businesses in the townships of SA. This study seeks to answer the following research question:

How Do Somali Shop Owners Succeed in Running Businesses in Soweto, South Africa (SA)?

In pursuit of answers to the above research question, this study was confined to three locations in Soweto, namely Orlando West, Chiawelo and Rockville which have a relatively high number of Somali entrepreneurs who have been in operation for longer than three years.

This qualitative study explored the multiple perspectives of reality of Somali shop owners. Purposively, 14 Somali shop owners were identified initially using purposive sampling. Subsequently, theoretical sampling was used to identify Somali shop owners who were interviewed regarding how they successfully run their businesses in the locations of Orlando West, Chiawelo and Rockville in the township of Soweto. A total of eighteen semi-structured, in-depth and face-to-face interviews were conducted with these shop owners as a means of gathering data to the point of

saturating their perspectives. Data collection ceased when new perspectives were no longer evident as interviewees were being repetitive. Open-coding and constant comparison was used to analyse the data.

The findings of the study show that ethnicity plays a predominant role in the success of the Somali shop owners. The intra-ethnic networks and trust-based support systems are pivotal to how Somali shop owners run successful businesses in Soweto. The key findings manifested showed that various forms of support came from Somali communities, family and fellow countrymen which were also central to their success. Another key finding showed that Somali shop owners run their businesses by complementing, rather than predominantly competing with the other local businesses, which ultimately differentiates them in this way. The study also revealed that responsiveness to local customer needs by enhancing the value of their business to the locality is also characteristic of how Somali shop owners build customer loyalty. This study contributes to our understanding of how Somali entrepreneurs conduct successful businesses in a hostile host country. The findings have implications for business development training and programmes which support immigrant entrepreneurs. The findings may also be extended to inform how business development programmes would be designed to equally support local entrepreneurs.

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1: ACADEMIC REPORT

1.1 ABSTRACT

This is a qualitative study which focuses on understanding how Somali shop owners run successful businesses in Soweto, South Africa (SA). Using purposive sampling, this study identified and interviewed 14 shop owners who had been in business for more than three years in the locations of Orlando West, Chiawelo and Rockville. A total of eighteen (18) semi-structured and in-depth interviews were conducted with Somali shop owners, whilst the other 4 were interviewed as part of verification interviews. These individual interviews were stopped when there was evidence of data saturation. Open-coding and constant comparison technique was used for data analysis to induce emerging themes from the data.

Findings of this study reveal that Somali shop owners predominantly used intra-ethnic networks and trust-based support systems which were critical to their success in running businesses in the township of Soweto. Equally critical was their paradigm of businesses as complementary rather than competitive in a particular locality which informed them around their business practices.

In addition to these two aspects, Somali shop owners also highlighted that responsiveness to local customer needs enhanced the value of their business to the locality and helped to build customer loyalty. Lastly, self-determination and experiential business practices were also singled out as critical to how they ran their businesses.

Precisely, this research is valuable as it brings together individual, business and ethnic aspects of how Somali shop owners run successful businesses. Implications of these findings for business development training or the type of business support required by migrant entrepreneurs are highlighted.

1.2 INTRODUCTION

The history of clan wars and a collapsed state has forced Somalis to seek temporary asylum in different countries which include South Africa, and to pursue entrepreneurship as a necessity (Commey, 2007:28). Entrepreneurship is a strong tool for immigrants' economic and social integration and is a means by which immigrants without education or technical skills can escape poverty (Serrie, 1998:212). The entrepreneurial success of Somalis has attracted the envy of their host communities (Commey, 2007:29). Despite coming from a country without a record of peace, Somalis have succeeded as entrepreneurs in other countries as well, such as England and Australia (Commey, 2007:29).

In a study conducted in Africa, Nwanko (2005:34) concluded that psychological variables, race and ethnicity are important predictors of entrepreneurial activity. This resonates with the view of the American psychologist McClelland (1998:334) who also stated that self-belief directly shapes movement towards action. It is values like self-belief that result in entrepreneurship.

Interestingly, Nkealah (2011:125) reported that entrepreneurship seems to be thriving among the immigrant population in South Africa while the same is not true among local South Africans. Waldinger (2002:20) concurs that some immigrant groups are more entrepreneurial than others. Reasons for being entrepreneurial are related to culture, structure, ethnic enclave and the situation in which the business is operated (Waldinger, 2002:20). Social networks are crucial for entrepreneurs who are struggling to survive in competitive markets. Aldrich and Zimmer (1986:47) indicate that networking allows entrepreneurs to enlarge their span of action, save time, and gain access to resources and opportunities that are otherwise unavailable to them. Succinctly, Granovetter (2002:23) asserts that weak ties act as bridges to information sources that are not necessarily contained within an entrepreneur's immediate (strong-tie) network. Empirical studies have indicated that another source of information for entrepreneurs is informal network contacts like family, friends and business people more than formal network contacts like bankers, accountants and lawyers (Aldrich and Zimmer 1986:48). Rutashobya (2002:18) found that although Indian and African entrepreneurs were victims of discriminatory legislation in the

United States of America (USA), Indian entrepreneurs were able to utilise resources provided by their families and communities. Very few networks were found among African entrepreneurs, which could be ascribed to the low status of small businesses in the African community. The perception that traditionally African entrepreneurs have very few entrepreneurial role models was a further explanation for this lack of networks (Rutashobya, 2002:18).

Somalians, among other immigrants in South Africa are successful in running spaza shops in townships; whether factual or not, this seems to fuel xenophobic sentiments and actions. Consequently, Somalis have generally endured intermittent, but persistent, and at times fatal attacks (Nkealah, 2011:125). Thus, there is a need to understand the phenomenon of migrant entrepreneurs in South Africa from the viewpoint of Somali entrepreneurs.

Local South Africans complain bitterly that foreigners are taking their jobs and are taking over businesses and sometimes entire industries - for example, the taxi industry (Nkealah, 2011:125). This notion therefore, needs to be understood in the light of unemployment rates in post-apartheid South Africa which remain extremely high, with unemployment especially among black South Africans worsening since 1994 (GEM, 2011). A study by Mitchell (2004:45) indicated that there are two types of constraints to migrant entrepreneurs, namely informal and formal. Informal constraints refer to socially-transmitted information which includes norms and codes of behaviour; whereas formal constraints include political and economic rules. In a study of migrant entrepreneurs conducted in the Netherlands, Sahin, Nijkamp, and Baycan – Levent, (2006:3) highlights the positive impact of different ethnic group cultures on entrepreneurship. In this regard, migrant entrepreneurs have important values like social or business attitudes, and use of close family, religious ties and trust to compete successfully in business. In South Africa studies of migrant entrepreneurs have generally focused on reasons why migrants are inclined to become entrepreneurs, geographical areas and types of businesses that they actually undertake (Rogerson, 1999), how they cope with violence and also on issues of human rights (Crush, 2001).

In particular, this study looks at how Somali entrepreneurs run their businesses successfully despite the challenges they are faced with in SA. In this study the following key research question is used:

How do Somali Shop Owners (SSO) succeed in running businesses in Soweto, South Africa (SA)?

In exploring this key research question, the following are the sub-questions:

- a. What resources are used by Somali entrepreneurs and how do these resources contribute to the formation, maintenance and success of businesses?
- b. What obstacles do Somali entrepreneurs experience when starting and/or running businesses in Soweto?
- c. How do migrant Somali entrepreneurs deal with the obstacles which they encounter in starting and/or operating their current businesses?

This study is valuable to enriching our understanding of how Somali shop owners as entrepreneurs run successful businesses in Soweto where conditions for running small scale businesses are not conducive. Fundamentally, while the study focuses on immigrant entrepreneurs, the findings are generally useful to small business development practitioners as they highlight critical aspects of entrepreneurship, which may also be extended to other forms of entrepreneurship irrespective of the status of the entrepreneur.

As a point of departure, this paper explores the meaning of entrepreneurship and the three perspectives of entrepreneurship. Thereafter, the paper discusses migrant entrepreneurship with a focus on Somali entrepreneurs. The next part of this paper describes the method used in conducting this study in respect of the research paradigm, description of participants, data collection and analysis. Finally, the findings of the study are then presented and discussed before highlighting their implications.

1.3 LITERATURE REVIEW

This section seeks to unpack the concept of entrepreneurship, and also to develop our understanding of Somali entrepreneurs.

1.3.1 Understanding the concept of entrepreneurship

There have been numerous debates through the years among scholars, educators, researchers and policy-makers trying to agree on the definition of entrepreneurship ever since the term was first introduced in the early 1700s. The term entrepreneurship comes from the French *entreprendre* which means 'to undertake'. Petrin (1994:2) holds that people still find it difficult to define entrepreneurship; there are almost as many definitions of the term as there are scholarly books on the subject.

As there is no universal agreement on the definition of entrepreneurship, it is meaningful to view a few definitions. 'To some, entrepreneurship means primarily innovation, to others it means risk taking. To others, it means a market stabilising force, and to others still, it means starting, owning and managing a small business'(Kalitanyi and Visser, 2010; 378).

Co, Groenewald, Mitchell, Nayager, Van Zyl, and Visser (2006:4) state that entrepreneurship means creating something new, accepting financial risks, handling emotional and social stress and receiving rewards of financial and personal pride. With a focus on start-up and growth of business, Timmons and Spinelli, (2009:101) posit that entrepreneurship is the emergence and growth of new business. Alternatively, entrepreneurship is 'the way of thinking, reasoning and acting that is opportunity-obsessed, holistic in approach and leadership-balanced for the purpose of value creation and capture' (Timmons and Spinelli, 2009:101). It is vital to emphasize that entrepreneurship has two key parts, namely the discovery and exploitation aspects of opportunity.

In a slightly different vein, Timmons (2000) cited in Nieman and Nieuwenhuizen, (2012:9) believes entrepreneurship is the process of creating or seizing an opportunity and pursuing it, regardless of the resources currently controlled. This

definition captures the two key aspects of entrepreneurship, namely discovery of an opportunity and exploitation of that very opportunity. This study adopts the definition by Timmons, mindful that Somalis as migrants may have challenges to secure support to run businesses in their host countries.

The definition by Timmons alludes to the vision which allows the entrepreneur to see beyond the confines of resource constraints and locate opportunities missed by others (Keogh and Polonsky, 1998:4), or on creating and building something of value from practically nothing in the middle of uncertainty and risk, and having the determination to succeed against all odds (Bates, Botha, Botha, Goodman, Ladzani, De Vries, De Vries, November, and Southey). This study upholds this view of entrepreneurship which has the following important aspects: (a) identifying of opportunity; (b) innovation and creativity; (c) obtaining resources; (d) creating and growing a venture; (e) taking risks; (f) being rewarded and (g) managing of the business (Nieman and Nieuwenhuizen, 2009: 9).

With the above definition in mind, it is important to understand that the concept of entrepreneurship is categorised into three perspectives, namely economic, psychological, and behavioural. Firstly, the economic perspective of entrepreneurship focuses on the function of an entrepreneur in the economic system (e.g. bringing together factors of production, taking risks and getting rewarded with profit, innovators etc.). From an economic perspective, Schumpeter (1934:195) defined entrepreneurship as innovation or carrying out unique combinations of resources to create new products, services, processes, organisational forms, sources of supply and markets. Some of the criticisms levelled against this perspective include (a) a failure to recognize that entrepreneurs actually create rather than simply detect already existing opportunities, and (b) the view that an entrepreneur is alert and obtains additional information needed for exchange is simplistic as anyone can do this.

Secondly, the psychological perspective of entrepreneurship is marked by a shift away from the focus on the function of an entrepreneur towards highlighting the characteristics of an individual. This perspective posited that there were certain characteristics which enabled some people to become entrepreneurs (e.g. a need for

achievement, autonomy, creativity and innovation etc.). This approach has been criticised because (1) no specific traits or characteristics have proven to be good predictors of behaviour; (2) personality factors can and do actually change over time and that the pursuit of a single factor does not resonate with the complex nature of entrepreneurship; and (3) that it actually does not take into account the influence of the environment or context in which entrepreneurs practice. However, it is always pivotal to appreciate what has been highlighted as characteristics of an entrepreneur (e.g. risk taking, need for achievement, autonomy, creativity and innovation).

Thirdly, the behavioural approach to entrepreneurship explores business behaviour and business context (e.g. ethnicity, gender, culture, family background etc.) in order to understand entrepreneurship. As such, entrepreneurship focuses on (a) stages of business development, and (b) different contexts in which entrepreneurs operate (e.g. migrant entrepreneurs, technical entrepreneurs, social entrepreneurs etc.). Criticisms against this approach underscore that behaviour alone is not sufficient to influence the occurrence of businesses. Another criticism is that identification of an entrepreneurial opportunity is not pronounced in this approach.

1.3.2 Role of entrepreneurship

Massey (1998:6) maintains that entrepreneurship the world over contributes substantially to the social and economic development of a country, while also addressing issues such as unemployment and poverty alleviation. Entrepreneurship plays a major role in reforming and revitalising economies because it establishes new businesses and helps existing ones to grow. In this view, entrepreneurial activity is a prerequisite for the success of economic growth, development, social well-being, job creation and political stability in a country (Botha, Fairer-Wessels and Lubbe, 2006).

Additionally, entrepreneurship is important to business because of the value it adds, the innovation it creates, the wealth it produces and the additional employment it creates (Co *et al.*, 2006:7). Furthermore, there is general agreement that entrepreneurship builds strong economies and presents choices, while generating more opportunities (Timmons and Spinelli, 2007:50; Co *et al.*, 2006:7).

1.3.3 Somalis – adaptive entrepreneurs

Generally, Rogerson (1999:19) maintains that immigrant entrepreneurs in South Africa are visible in a narrow band of activities of Small, Micro, Medium Enterprises (SMMEs), mostly in retail or service rather than in production. They are clustered in the clothing sector, where they are involved in making traditional African clothes (e.g. West Africans), wedding dresses, and carrying out general tailoring activities (e.g. Nigerians). They are also involved in activities such as operating hairdressing salons (e.g. Ghanaians), retailing ethnic clothes and foods, motor-car repairs/panel beating and selling curios (e.g. Malawians). Other activities include operation of nightclubs, restaurants, music shops, cafes, several import-export businesses and traditional healing practices.

It is imperative to understand that Somalis have also proven, in other parts of the world to be successful business people and run sustainable business. Several sources (Carlson, 2006; Horst, 2006; Siyad, A., Bildsten, C. & Hellevang, C., 2007) claim that Somalis are entrepreneurs; they are used to making a living doing small-scale trade or other business in Somalia and in Kenya. In Minnesota several Somali immigrants have started their own businesses (Samatar, 2005), while Oslo has the highest percentage of self-employed Somali immigrants in Norway (Pettersen, 2009).

However, it should be noted that it is not always smooth sailing for all Somalis trying to start their own business. In the report, 'Somalis in exile in Norway', informants claim that the Norwegian bureaucracy is too complicated and the start-up costs are too high, causing few Somalis to start on their own (Engebrigtsen and Farstad, 2004). In a study of migrant entrepreneurship conducted in the Netherlands, Sahin *et al.* (2006:3) suggest that there is a positive impact of different ethnic group cultures on entrepreneurship. Peberdy and Rogerson (2000:25) state that 'economic recession has led to diminishing labour opportunities for South African nationals and non-nationals alike, pushing many into self-employment'. Further to this, the troubled way in which migrants settle in their newly found home after fleeing from their own

country compels them to become entrepreneurs. It is then in this regard that migrants develop 'a diasporic culture of solidarity' based on similar and tough migratory experiences, coupled with the difficulty of economic incorporation in South Africa (Sadouni, 2009:236).

Somalis are not that different from most foreign small-scale traders, as they also face a number of challenges such as: (a) not being allowed citizenry of the resident country; (b) government regulation that may not necessarily protect them and (c) cultural differences with communities in the resident countries. In South Africa in particular, Somalis face challenges such as xenophobic attacks and attacks that are disguised as xenophobic when in fact they may be fuelled by competing local businessmen and criminality. 'Somali refugees in South Africa have been gunned down, robbed, assaulted and abused, their houses and shops have been ransacked and burnt down' (Baily and Hoskins, 2007:17036). Not only do they have to deal with nationals of the country but also the government which is also not making things easy for them. Peberdy and Rogerson (2000:23) aptly surmise that 'new policies and practices, increasingly exclusionary and xenophobic, seem to be directed mainly towards black African migrants and immigrants, both documented and undocumented'.

1.3.3.1 Model of successful factors of necessity immigrant entrepreneurs

A model by Chrysostome (2010:141) with five success factors of necessity immigrant entrepreneurs was adapted by Radipere (2012:119) who added personal factors to reflect a greater variety of success factors of immigrant entrepreneurs. The adapted model which depicts the six success factors is presented in figure 1 to aid our understanding of the various factors that contribute to the success of necessity immigrant entrepreneurs.

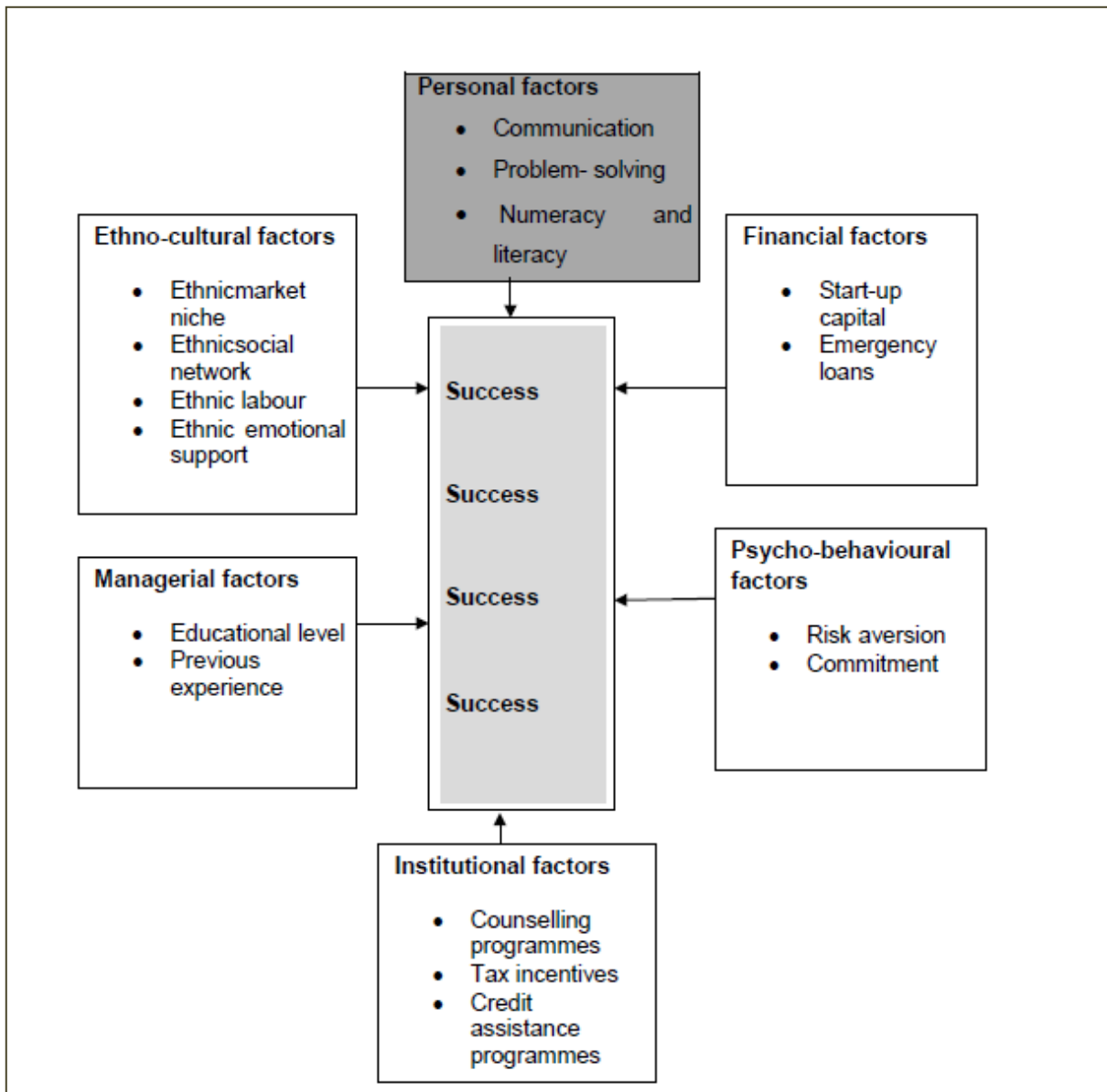


Figure 1: A model of success factors for necessity immigrant entrepreneurs
 (Source: Radipere, 2012:119)

1.3.3.1.1 Ethno-cultural factors

The factors in the model of success factors for necessity immigrant entrepreneurs include ethnic niche markets, ethnic social networks, and ethnic labour and emotional support. Firstly, ethnic niche markets refer to the market in which mainstream entrepreneurs (local entrepreneurs) are not doing business, given the opportunity structure of the host country (Radipere, 2012:119). The ethnic niche market is the co-ethnic consumers of the immigrant entrepreneurs. This ethnic market is critical for the survival of the immigrant entrepreneurs because of the entrepreneurs' competitive advantage (Chrysostome, 2010:143).

Secondly, ethnic social networks refers to the formal and informal ethnic connections of immigrant entrepreneurs (Sequeira and Rasheed, 2006:144; Chrysostome, 2010:141). The informal connections of the immigrant entrepreneur include his family members and friends in the host country and his connections in other countries. (Radipere, 2012:120). The importance of the ethnic social network depends on the size of the network, the degree of inter-connection among the individuals in the network and the frequency of their mutual communication (Chrysostome, 2010:144; Chrysostome and Arcand, 2009:9).

Thirdly, ethnic labour is an important aspect for the businesses of immigrant entrepreneurs (Waldinger, 2002:56). Ethnic labour provides the immigrant entrepreneur with access to a social network of ethnic newcomers (new immigrants) as a larger ethnic labour pool in the form of low-cost ethnic co-workers who are loyal and willing to accept demanding work schedules. The jobs of co-ethnic workers enable them to survive in the host country and sometimes to be integrated into the host country (Chrysostome, 2010:145).

Fourthly, verbal encouragement and other forms of attention a member of the ethnic social network can give the necessity immigrant entrepreneur are deemed as emotional support (Chrysostome and Arcand, 2009:10). Since immigrant entrepreneurs run businesses in an environment that is sometimes hostile and culturally challenging, it is important that they have emotional support because this activity is stressful and risky.

1.3.3.1.2 Financial factors

Besides ethnic-cultural factors, finance is also considered as important for the survival of necessity migrant entrepreneurs in the model (Radipere, 2012:119). Since their businesses do not involve any innovative product or activity that can impress financial institutions, immigrant entrepreneurs face challenges obtaining financial support. Procurement, lease, energy, taxes and unexpected lawsuits are expenses that are critical to the survival of a business. (Radipere, 2012:121). The two financial factors that are most considered as vital for the success of necessity immigrant

entrepreneurs are start-up capital and emergency loans (Chrysostome and Arcand, 2009:10). Adequate start-up capital is a critical factor to prevent the immigrant entrepreneur from failing.

1.3.3.1.3 Managerial factors

It is also notable that managerial factors in terms of professional education and experience of immigrant entrepreneurs are also vital in this model. Higher education helps immigrant entrepreneurs to understand the challenges existent in the host country and what the best approaches to meet them are (Chrysostome, 2010:146).

An immigrant's previous experience refers to his or her previous work and business ownership experience. For the immigrant entrepreneur, previous business ownership experience is a critical factor for his or her business survival (Vinogradov and Elam, 2010:55). If the previous business was successful, the immigrant entrepreneur will tend to replicate the previous successful business practice.

1.3.3.1.4 Psycho-behavioural factors

These include risk taking and commitment. When immigrant entrepreneurs limit their exposure to risk, they then limit their chances of success by not taking advantage of business opportunities they could have exploited (Chrysostome, 2010:147).

Given the challenging circumstances of their businesses, commitment ensures the continuous existence of the business and is therefore the critical factor for necessity immigrant entrepreneurs. Immigrant entrepreneurs face many constraints, such as market and financial, such that entrepreneurial activities are their last resort in the host country. Failure of their entrepreneurial activities is also a failure of the dreams they have been nurturing for many years. Immigrant entrepreneurs make incredible sacrifices to overcome the challenges they face (Chrysostome, 2010:148).

1.3.3.1.5 Institutional factors

Institutional factors are central to the survival of immigrant entrepreneurs and the development of entrepreneurial activities. Institutional environments that are favourable for economic growth provide incentives for efficient production and investment in human and physical capital (Chrysostome, 2010:149; Chrysostome and Arcand, 2009:16). Several government programmes exist to support entrepreneurs; these include counselling programmes, a tax incentives system and credit assistance programmes. In South Africa, immigrants do not benefit from any of these programmes. Furthermore it is noteworthy, as Radipere (2012:121) asserts that personal factors such as numeracy, literacy and communication problems are also vital and need to be considered in terms of success factors of necessity entrepreneurs.

Despite the variety of challenges at home and also in their resident country, Somalis run successful businesses in Soweto township, South Africa. The aim of the study was to gain multiple perspectives of how Somali shop owners themselves think they run successful businesses in Soweto. Privileging the views of Somali shop owners as entrepreneurs, the study seeks to understand critical aspects contributing to successful migrant entrepreneurs.

1.4 RESEARCH METHODOLOGY

The constructivist paradigm is used in this qualitative study as it is recognised that there are multiple perspectives of reality and that knowledge is constructed through contextualised interactions. The researcher interacted with informants to construct reality. In this study, the researcher explored the research question ‘to discover new relationships of realities and build up an understanding of the meaning of experiences’ and ‘to gain insight and comprehension of the context’ (Babbie and Mouton, 2007:80). This was appropriate as this study intends to describe and understand a particular phenomenon in a specific context rather than predict (Remenyi, 1998). Furthermore, this allowed the researcher to understand the influence that context has on the actions of actors, and understand how events, actions and meanings are shaped by the unique circumstances in which they occur (Maxwell, 2005).

Somali shop owners who participated in this study were only those who have been running their businesses in Soweto for a period of over three years. Precisely, these were Somalis trading in household consumables (e.g. soaps, mielie meal, and bread etc.) in Soweto corner shops. With the fear of xenophobic attacks, it was very unlikely that Somalis would disclose their income to help in gauging the enterprise size. As such, size and success of the business was dependent on the entrepreneur's own understanding. There was a total of 18 Somali shop owners who met the criteria for inclusion in the study (e.g. operating for more than three years in Soweto). Initially, 14 Somali shop owners were identified initially using purposive sampling, and subsequently using theoretical sampling and later four more were interviewed for verification.

Data was gathered through 18 semi-structured, in-depth, one-to-one interviews with the selected shop owners. All interviewees were based in Soweto, South Africa; data collection took place between January and February 2013. Each interview took approximately 45 minutes. Eventually, a total of 18 were interviewed, where four more were interviewed for verification purposes. Data collection ceased when the data was saturated and there were high repetitions in what the interviewees said. Follow-up interviews, member check discussions, and a detailed description of steps used in this study reflect effort to ensure credibility, dependability and confirmability. Notably, credibility also known as internal validity entailed assurances of a fit between the interviewees' views of their reality and the researcher's reconstruction and representation of the same (Schwandt, 2007: 299). In this respect, dependability focused on the process of inquiry and how the researcher provided documented details of how the processes or various steps were done in this study for ease of replication by any researcher (Schwandt, 2007: 29).

The researcher used the services of a Somali national who was recommended by the Somali Islamic Centre (SIREC) as the gate keeper in the Somali community to conduct the interviews in order to cultivate a feeling of openness and trust. Although the Somali national had conducted qualitative studies before, he was trained in interviewing skills and also briefed that the study was purely for academic purposes so that the same was communicated to the interviewees.

All interviews were recorded and transcribed. Data was analysed using open coding and constant comparison techniques to induce common themes (Babbie, 2011: 299).

1.5 FINDINGS

Findings in this study show that (1) intra ethnic networks and trust-based support systems and (2) complementary business paradigm as a differentiator were the two predominant aspects in how Somali shop owners run successful businesses in Soweto, South Africa. Besides these two, Somali shop owners also attributed their business success to (3) being responsive to local customer needs which enhanced the value of their businesses to the customers and which helped to build customer loyalty. Subsequent to these three factors, Somali shop owners also underscored (4) self-determination and experiential business practices as important to how they run successful businesses in Soweto. Each of these four aspects which reflect on how Somali shop owners run successful businesses and deal with obstacles which they encounter in business are discussed.

1.5.1 Intra ethnic network and trust-based support systems

Pre-dominantly, Somali shop owners (SSO) attributed their success in business to a variety of unique resources which flowed in a closed, ethically oriented network and trust-based support system characterised by (1) institutionalised ethnic support, (2) nurturing familial support and (3) buttress of informal partnership.

1.5.1.1 Institutionalised intra-ethnic support for Somali shop owners (SSO)

According to all the 18 Somali shop owners interviewed in this study, a cooperative named the Somali Islamic Resource and Education centre (SIREC) provided critical business development assistance to only Somali entrepreneurs at different stages of the business life cycle. With reference to this unique type of institutional support, one Somali shop owner characterised it as generally nurturing, affordable, easily and readily available to them. In the views of another Somali shop owner, the financial support was really distinctive and foundational to their success in running enterprises:

'I started my business with finance from the cooperative and sold only cigarettes and snacks.....Even these days, I get support whenever I hit bad spells and cannot make up enough money to buy stock. The funding is readily and easily accessible. The only people who can provide us with funding are SIREC [Somali Islamic Resource and Education centre].....because they will give you as long as you are Somali. I continuously contribute to remittance fund at SIREC. There is nothing like repayment or interest...but contribution which I always make...I feel obliged to contribute so that some Somali can also get help... I don't qualify for South African bank loan...I don't have a South African ID...needed to qualify for a loan'. (SSO 5)

Alternatively, some of the Somali shop owners echoed that the institutionalised financial assistance was offered to help their businesses in various circumstances such as the acquisition of newly introduced products to attract more customers, but also in instances when expansion of the container to create more shop space was valuable:

'I go to cooperative [SIREC] for money when there is a product that has come in and I don't have enough cash to buy stock.....When Maq...the washing powder was introduced....demand was high, I needed thatWith an increase in stock and an introduction of new products comes a need for more space. I used the cooperative again for funds to increase my shop space and accommodate new.... more stock'. (SSO 3)

Additionally, SIREC also facilitated the availability of non-financial forms of ethnic support. In this regard, Somali shop owners elaborated on how they were benefiting from business development services exclusively by Somalis for Somali migrants. Emphasizing the ethnical and closed dimension of ethnic resources, Somali shop owners disclosed the value of the ever-present mentorship support within the Somali community. More importantly, the business mentors were Somali elders who also had prior employment relationships with fellow Somalis as shop keepers. In this regard, one of the Somali shop owners underscored that personal trust underpinned these relationships and connections (e.g. employee, brother, fellow Somali) within

the Somali community to buttress effective relationships between the mentor and the mentee in business.

'Yes, I got help from the elder who owned the shop I used to work in as a shop keeper before I started my own.....We know each other well... He mentored me when I opened my own shop and continues to provide mentorship on operational functions...such as monitoring stocks sold in the business... It is difficult to track sales.... ...without his support my business would have not succeeded'. (SSO12)

While the ethnic network was predominantly characterised as being inwardly focused and closed within the Somali community, there were instances in which the ethnic network was a reliable vehicle to stretch to specific resources outside this network to benefit and shape how Somalis were doing their business. With emphasis on sourcing of certain products in the upstream of the supply chain, Somali shop owners alluded to the cost benefits of internal capabilities of effective negotiation for the ethnic network and structured group purchasing arrangement by SIREC, which enhanced contact efficiency in getting products from some of the suppliers to customers. More importantly, one of the Somali shop owners reiterated how these served as a basis of differentiation as Somali shop owners were positioned as unique by the specific products which they offered cheaply to meet the needs of their price sensitive customers in the township. In this way, these traders undercut local spaza shops in a unique way that could not be imitated or replicated cost-effectively by others.

'The cooperative has already established agreements and relationships with the major brand companies and...they recommend that we buy through these agreements....this makes sourcing less costly....easy...cuts out the middle...but we need to buy in groups and we also buy at specific dates.... these are the dates that the suppliers have set out for bulk buying of the magnitude we buy at.....as such the buying is regulated by the cooperative.....it is good for all of us because we get good prices on products....we can then offer products at lower prices to our customers... So because of bulk-buying we sell the same products...this is good because wherever there is a Somali owned shop in Soweto it is easily identifiable and this helps in customers

knowing that they are going to get good prices for specific quality products from the Somali shop always'. (SSO 12)

1.5.1.2 Nurturing familial support

Notably, Somali shop owners also received various types of nurturing support at the family level where personal attachment was paramount. In this regard, one of these Somali shop owner revealed that he gets support from his brother in the form of financial support, as and when required, continued monitoring of stock and payments to suppliers, and also how to deal with customers.

'My brother provides money when I need funds to increase stock during peak periods, like during the Christian Holidays and Easter....during Easter there is an increase in demand for chocolates and last Easter my brother put in R 2000 worth of stock to meet the demand...my contribution to SIREC on behalf of my brother is seen as repayment to his contribution in my business...my elder brother also makes it a point to come in every month end, for a day, to check my books and ensure correct payments to suppliers. He has taught me that prompt payment of suppliers makes for a successful businessthis also affects proper stock management in the shop. He showed how to pack the merchandise in the shop, how to price the stock and also how to deal with customers...some are rude....call you funny names...others are ok'. (SSO1)

Interestingly, family as a social unit also provided alternative business mentorship to complement SIREC and particularly ensured successful handover or succession of a business to a relative. To illustrate this, one of the Somali shop owners described how the entrepreneurial experiences of his brother shaped and influenced customer service levels to keep the business running as before.

'I took over this shop from my brother.... He has always been interested that the takeover is smooth. The change... didn't mean the shop needed to be closed or that the service provided was of less quality. Proper running of the business was important not to lose customers..... firm grasp of operations.....the technical support, in terms of maintenance of equipment that there is less breakages....equipment, like refrigerators are working.. and

there are no losses of perishable goods... these include milk and ice lollies that need to be sold frozen. He taught me a lot of these things...how to take care of stock that it should not go bad...he comes here to check time and again how things are going. He has set the model'. (SSO14)

Another Somali shop owner highlighted how experienced family members` offered valuable advice on criteria of selecting and recruiting supportive shop assistants.

'He [brother] still comes to assist me, especially during weekends and month ends when there is a lot of business in the shop, he also assists me when I need to employ an assistant in the shop, he tells me what to look for in the person I want to hire... he has to be friendly...ready to work...work longer...trusted...not those that steal much. This is number one'. (SSO5)

1.5.1.3 Buttress of informal partnership

Informality of bonds and cohesion in partnership by some Somali shop owners under the auspices of the cooperative were the backcloth of joint and informal funding for a member to open a shop or become a partner in an existing business. In some instances, partners linked through informal contacts filled skills gaps in the business until such time as a shop trader would run the business on his own. Reflecting how Somali shop owners were driven by relationships in their business, one of the interviewees elaborated not just on the longevity, nature of the bond in the partnership, and variety of entrepreneurial parenting provided, but also the ultimately intended positive outcomes of a business relationship.

'The support from the partnership is given for start-up of new business. The partnership is structured such that we support one member until one can stand on his own ...thereafter we move on to the next one....This includes support with supplies...support with managing the business...support in bad times...knowing that you have back up gives you peace of mind'. (SSO9)

In a slightly different way, there was a notably strong emphasis and orientation towards a consultative approach to enhance success as illustrated below

'The fellow countrymen... made me know what it is to run business. There is need for unity in operating the business successfully. It helps to consult those that have been in the business longer...they know what you don't'. (SSO9)

In a similar vein, one of the Somali shop owners revealed how his elder brother consistently checked whether he was retaining and cultivating the ethnic social capital, sense of community and web of solidarity premised on ethnicity

'... my brother always checks that I am still in good terms with other Somali shop owners. This has helped me a lot to have bridges...great partners....supporters behind this shop success'. (SSO10)

1.5.2 Complementary business paradigm as differentiator

Interestingly, a complementary business paradigm to serve customers was one of the two aspects commonly perceived by all the interviewed Somali shop owners as critical to how they run a successful business. Instead of selling products also sold by local businesses, Somali shop owners claimed to predominantly sell products required by others to run their businesses. This depicts how the complementary business approach helps to reinforce cooperation rather than intensify the pressure of competition on local spaza shop owners.

'That shop sells vegetables, snacks and broken biscuits...so I noticed that every Thursday that shop runs out of packaging plastics so I stock up on those and now they buy from me and they don't have to spend money to go buy the plastics in town and I sell them at cost price which is good for them and this makes them also refer other customers who require plastics and I also refer customers that need their products to them...so there is cooperation not competition'. (SSO9)

Alternatively, another Somali shop owner stressed the avoidance of being perceived as a competitor to local businesses by mostly selling products that were not sold by the other local spaza shops, except for a few popular brands

'In my area the other businesses are not spazas or don't sell fast moving goods or groceries...when I came here I made sure that I find out what the

gap was and I went for that gap...other people sell vegetables...as you can see I don't have a single vegetable or fruit in my shop...then there's cell phone service shops...the people phone there...that one is Cell C kiosk...I sell airtime vouchers but not Cell C...what we sell in common are few products...your popular soft drinks and others popular products'. (SS07)

Ultimately, the complementary business approach which differentiated Somali shop owners reflected that the way they run a business was built not only upon a good analysis and understanding of both competitor and customer behaviour in the market, but also effective responses to circumstances.

'One local shop owner saw how customers were now coming to my shop and so he started saying I am selling low price products because they are rotten and expired. He said my products will make people sick....my shop was almost burnt. Since then I don't stock the same products that he stocks...'. (SS03)

In pursuit of a complementary business paradigm and flexible pricing, Somali shop owners located their outlets far from competitors in the streets of Orlando West, Rockville and Chiawelo in Soweto to differentiate themselves and hopefully avoid rivalry. However, it is this very same way of differentiating themselves and anticipating likely patterns of competitors' reactions which significantly made Somali shop owners locate their shops more conveniently close to price conscious customers in the less competitive and high density areas.

'the local shops are owned by families in the communities and have loyal customers...so one needs to avoid taking away those loyal supporters and as such making the local shop owner be left without business....if the shop must close it must be for other reasons and not because of me...not because I sell at lower prices...so I chose a spot far from the local's shop for that reason...and this keeps everybody in the community happy and I feel I won't be taking business from the local spaza'. (SS07)

Another Somali shop owner agreed as follows:

'Most of our shops are in people's yards, in the middle of the street or at the corner of the street....most of the local shops are housed on sites that were historically zoned for business and shops. Most of these places are minutes away from the residents and as such away from where we open our shops....we are closer to the residents with those products that are not necessarily found in the local shops and that the residents need instantly...'.
(SS09)

1.5.3 Responsiveness to local customer building value of business

Among the various ways of running a successful business, most Somali shop owners asserted that strategies to make the value of their business locally responsive, evident and relevant to customers and other stakeholders was crucial to building customer loyalty. Concisely, Somali shop owners concurred that they were successful amidst a very hostile business milieu because they purposely tailored their business operating practices to respond, add value and meet the real needs of the communities in which they operated. One interviewee reiterated how he worked for long, extended hours, ensured product availability and adopted low pricing as a radical response to what local, price sensitive customers valued most as a criteria for making choice:

'I open the shop very early in the morning and I close very late into the night, it is better that I sleep in the shop since it is easier to open the shop in the morning.... Sometimes I am forced to open even before the normal time since my customers know I am inside...I sleep in the business.....this business is both my home and workplace....It's a cheap way of doing business. People knock if they need something urgently, mostly....those that catch the early morning train. I also close very late ...I am openOpen longer than the local spaza who close early and open late I am different...I am also cheap. Sometimes.....the others are short of stock and... they are very expensive'.
(SS08)

From the standpoint of some Somali shop owners they believed they made their businesses relevant to the local community by not only offering products affordable to many local customers, but also offering employment to help some of the local people help themselves.

'I employ locals so that the community can see I am part of them and that I am willing to put some money in the community....the locals appreciate working for me because for them it is closer to home and they are able to put food on the table for their families because most of the people don't have employment...We make products available cheaply to the people. We also sometimes allow some of the people to get our products and pay us later when they have money'. (SSO3)

In a slightly different vein, some of the Somali shop owners employed local people as a vehicle to get information useful to recover stolen goods from the community. Along the same vein, other Somali shop owners highlighted that their local employees were effective as deterrents to would-be thieves in the neighbourhood.

'The locals in my shop also provide protection from would-be criminals because in the location it becomes common knowledge who the criminals are and what crime they commit...and when there is robbery or stock theft it is easy to find out because word goes out that there are criminals selling what is supposedly stock from the shop and as such they are selling stolen goods...it is then easy to notify the police and/or the CPF (Community Policing Forum) of the perpetrators' whereabouts...though this is sometimes a risk to the local employees in terms of reprisals from the criminals, the employees still report and assist'. (SSO11)

Another Somali shop owner aptly asserted how he was using relationship competences to successfully manage various stakeholders who perceived their own value in the business such as youth groups who regularly extorted protection, as illustrated in this interview text:

'The youth cause violence here ... They come in groups and steal if you do not pay protection. They come time and again to ask for small protection payment. They claim they own the area.... The territory where my business is... they say these are rules of the game. They do not demand much...one cigarette...one packet. They claim to keep an eye, but they also desist from stealing from me....as I am under them'. (SSO 4)

As a way of being responsive to customer needs, Somali shop owners were serving the unarticulated needs of specific customers, developing uncontested customer segments not seen as worthwhile by other traders, and building customer loyalty. In some instances, Somali shop owners elaborated how they purposely and selectively built a strong and mutually beneficial relationship with customer segments by providing ancillary services. This is what one of the Somali shop traders had to say as a way of differentiating their business not only through affordable pricing, but also through novel services to meet unarticulated emotional and psychological needs of security by elderly women (magogos) and their family members especially on paydays.

*'I started with 3 magogos, and now I have 18 that I service....some of them I pick up from their homes to and from their pay stations....the magogos write me a list of what groceries they require and I deliver these on the payday and they pay me COD (Cash of Delivery)....the magogos appreciate this very much and so do the other family members too since this creates a sense of security for the magogos and relief to the family members considering that there are robberies at these pay points. I do not do this to other customers'.
(SS07)*

While augmenting services such as informal credit to ease the pressure on the limited disposable income of a few loyal customers characterised how Somalis shop owners were more customer oriented, it also significantly depicted how empathy rather than exploitation of the elderly women through running high bills and/or debts distinguished their business practices.

'The magogos are good payers but they don't always have money so even during the month I visit them to find out what they require and write them in my 'debtors' book and supply them with the groceries and when payday comes for them they pay me....but I make sure it is not more than R 200.00 because they don't earn much and they may not be able to buy month end after settling their debt and may not even have enough money left over to do other things'. (SS013)

It is in the pursuit of low price positioning that Somali shop owners have adopted flexible pricing by accepting customers to negotiate for cash discounts on products

which have helped them to close sales with some people who could not afford the usual price of products. Succinctly, one of the Somali shop owners described the practice of negotiable pricing permitted by Somali shop owners as very effective in developing a strong customer base and loyalty in a predominantly price sensitive market. This was supported by the popular notion that Somali shop owners consistently delivered on negotiable, flexible and low prices as illustrated in this interview:

'Customers know that they can negotiate prices on some of the products I sell.....this is possible for me and other Somali shop owners because we buy in bulk and as such we get products at lower prices than other shops and we can play around with the prices to keep our customers happy...but I don't do it for all products....standard products like bread are not negotiable....but products like canned food....roll on...those that are not your everyday use products like milk and bread.... I negotiate prices with my customers and the customers will always come to my shop because of this....I also give some of them goods on credit'. (SSO11)

Subsequently, Somali shop owners believed that this way of running a business which responds to the genuine needs of their customers positioned them appropriately as the valued and reliable alternative to local spaza shops. Inevitably, this has provoked local competitors who sometimes orchestrate hostilities towards foreign owned businesses in a subtle struggle to recapture lost markets.

1.5.4 Self-determination and experiential business practices

Relatively few Somali shop owners shared the view that single-minded self-determination shaped how they run their businesses in Soweto. In this respect, the Somali shop owners concurred that they were more persistent, ready and determined to face uncertainty but also tolerated the possibility of financial loss primarily because they had limited options of economic activity to make money in the restrictive environment of South Africa. These shop owners highlighted that being engaged in business was a singular means with reasonable chances of helping them to survive in their hostile host country. This is how one of these Somali shop owners illustrated the primary necessity and survivalist undertones embedded in their self-determination.

'...I fled from my country and as such I do not have documents of identity...getting the document of identity through my embassy is also a long process in that first I required to produce the documents lost in my country when I was fleeing. The fact is that we don't have the same government departments running like they are in South Africa to be able to access documents....in that time I can't get a job without the documents..... I go hungry....I need something to do to keep alive...and this is the easiest business to start...'. (SSO1)

In tracing the root of self-determination, Somali shop owners corroborated on how single-minded determination to pursue business arose from frustration and a predominant sense of being systematically excluded or closed out of economic alternatives on the one hand, and a strong desire to basically survive on the other.

'When you want a business permit...to start a different type of business you are expected to state how much you have. The amounts set as the requirements are too steep for someone who has never had a job or a business before...and the types of businesses that are awarded permits are business we have no knowledge in...like construction, consultanciesas such going into a spaza shop business is the quickest and easiest....with quick money and constant cash flow...we just start ...work hard and get something. Because there is nowhere to run to'. (SSO13)

Notably, one of the Somali shop owners revealed that business experience acquired through various ways (e.g. working as a shop keeper, learning from the experience of others) was a valuable repertoire of successful business practices being adapted to how they were running businesses in Soweto. Another Somali shop owner tersely underscored that his self-determination in business was repeatedly grounded in incidents of customer-centrism and a focus on selling more products quickly which form indispensable cornerstones of how he runs his business.

'I learned this business while I was working for an elder from the cooperative....I learned that the customer comes first and that all decisions, like price setting, must be made with the customer in mind....how much can he pay. And how soon is new stock needed.... business is nothing but selling more....selling more than others... this means that there is also cash

flow....business is about selling more to happy customers. This is what I have seen my brother do...this is what others do...and this is also what I have been doing all along and continue to....I have to keep on doing to have happy customers..’. (SSO12)

Clearly, every Somali shop owner was aware of the intensity of resentment, insecurity, uncertainty and personal risks (e.g. looting and burning of their shops, xenophobic or criminal attacks) that they were faced with in their day to day running of their businesses in Soweto. In the subtle words of one of the Somali shop owners, their learnt resilience was evident in the positive attitude, persistence and recovery despite regular setbacks.

‘...this metal gate is strong...but does not help when the locals are in a mob and have tools to get in. They get in and take everything. I abandon the stock and hide myself while the looters loot. I ran away when they come...then I come again later....re-start with support from my fellow Somalis. This is the risk of doing business here’.

Mindful that they would not normally get assistance from the police, Somali shop owners mutually supported each other to recover from robberies, but also collaborated among themselves to creatively manage risks to their business interests and personal life.

‘I have experienced theft of stock and robberies many times...this was mainly due to the lack of security....to stop this I have been collaborating with other Somali business people in my area and centre to employ security personnel....we all contribute our share to pay the salary of the security’.

Innovation was another experiential business practice of Somalis in how they run their businesses. One Somali shop owner exemplified how an innovative solution pertained to the use of unique public relations to earn public understanding and acceptance as a way to manage risks to their business interests, as illustrated by this interviewee.

‘Most of the time the criminals are young members of the community and as such are known by the community...to stop the theft or to identify the culprits

I joined the community policing forum....the community has street committees that provide night street patrols as a service...and during the day point guards are placed in busy area...and more during peak times during the month....like pay days...as such my business is protected....I support the forum by providing bottled water when there are meetings and I also have sponsored t-shirts to identify them'.(SSO6)

In particular, some Somali shop owners demonstrated their 'never-give up' attitude by engaging in preventive and striking solutions to the risk of theft by lobbying for partners not directly related to business such as the church.

'Next to my shop there is a church and the church members always come to my shop after the church service and as such have also noticed that I experience crime in my shop because on 3 occasion they came to find my shop door locks broken...since then I have made pleas to the church structures to assist in the prevention of these crimes...the church has started 'believers against crime' campaign in the community and have collaborated with the local community policing forum to this effect'. (SSO9)

1.6 DISCUSSION

The way Somali shop owners run successful businesses in Soweto South Africa is predominantly due to the variety of intra-ethnic resources that they access and how these influence the way their business is done (e.g. financial support, mentorship, trusted-based support systems such as family and partnerships etc.). While Somali shop owners suggest that the ethnic support which they received was vital to their success, it is essential to note that this was dependent on identification of an opportunity (e.g. an opportunity to expand the business, to start a business, or to get more stock). This finding resonates with a number of other studies of Somali entrepreneurs in Canada and America. For example, a survey by Lo, Teixeira and Truelove (2003:176) which investigated the support that Somalis get to start or expand a business, found that it is not strange for Somalis to rely much more on their co-ethnic friends, their community agencies and organizations. Similarly, another study conducted in Minnesota by Samatar (2005:84) also concluded that Somali entrepreneurs tended to raise capital mainly from family, friends, and acquaintances.

Additionally, the study by Samatar (2005) highlighted that there was often no discussion about the rate of return or conditions of repayment.

Drawing from the model of success factors for necessity immigrant entrepreneurs by Radipere (2012:119), it is evident that ethno-cultural factors may shed some light on how Somali shop owners run successful businesses. Radipere (2012:119) posits that ethno-cultural factors such as an ethnic market niche, ethnic social networks, and ethnic labour and ethnic emotional support are crucial, as they affect not only the key resource but also the process of doing business to create value, as well as generating profits and succeeding as a Somali immigrant entrepreneur. While this study indicates that Somali entrepreneurs in Soweto do not depend on an ethnic market niche, it is clear that ethnic social networks (e.g. family members, friends, and the Islamic resource centre), ethnic labour and ethnic emotional support are critical in their entrepreneurial activities which also help them to manage risk and stress (Radipere, 2012:119; Chrysostome, 2010:143). In this way, the model of success factors for necessity immigrant entrepreneurs helps to illuminate the finding that a variety of intra-ethnic resources that the Somali shop owners access and use in their businesses is pivotal to how they run successful businesses in Soweto.

It is also noteworthy that the model of success factors for necessity immigrant entrepreneurs by Radipere (2012:119) acknowledges the value of institutional factors (e.g. counselling programmes, tax incentives, credit assistance programmes) and financial factors (e.g. start-up capital and emergency loans). What is not clear is whether these types of assistance are driven by ethnic-oriented institutions or not. In this regard, the model of success factors for necessity immigrant entrepreneurs by Radipere (2012:119) is inadequate in offering an explanation for the unique and various forms of institutionalised support (e.g. finance, counselling and credit assistance, business start-up and growth loans) that Somali shop owners received. It is relevant to note that this study has shown that the type of support in the case of Somali shop owners is distinctively not only institutionalised, but more importantly limited to intra-ethnic network boundaries.

From a social network perspective, Granovetter (1973:102) elaborates that the strength of a tie is determined by the frequency of contact, reciprocity between individuals and friendship. Strong ties contain great emotional investment and exist among individuals who have frequent affective contact, such as family members, close friends and ethnic members. These strong ties often serve as sources of assistance in uncertain times and can influence, persuade and be relied upon when implementing a major change like planning a start-up.

Two of the key findings of this study, namely (1) complementary business paradigm as differentiator and (2) responsiveness to customer needs in order to build loyalty and the value of their business to local people, reflect how Somali shop owners create and deliver value to their target market. These findings relate to how Somali shop owners do business and create value for customers. Interestingly, the use of a complementary business paradigm to serve customers helps Somali shop owners not to think of individual consumers as their only customers. Instead, by considering other businesses as competitors, they actually consider them as customers for whom they can also create and deliver value, albeit as business customers. Johnson, Christensen and Kagermann; (2008:52) advise that 'every successful [business] operates according to an effective business model. By systematically, identifying all of its constituent parts, [one] can understand how the model fulfils a potent value proposition in a profitable way using certain key resources and key processes'. Thus, a model may be explained in terms of (1) customer value proposition, (2) profit formula, (3) key resources and (4) key processes.

Somali shop owners use innovative ways of ensuring that they create and maintain value for their customers. For example, they not only identify a target customer (e.g. low income price sensitive township resident, sometimes based on age i.e. magogo), they also find ways to satisfy the day-to-day needs of their customers for basic survival in very affordable and negotiable ways. According to Johnson *et al.* (2008:52), what Somali shop owners do is termed identifying customer value proposition. Johnson *et al.* (2008:3) assert that a 'successful [business] is one that has found a way to create value for customers—that is, a way to help customers get an important job done'. In the case of a magogo, some Somali shop owners were helping them address issues of security or attacks when they go to get their monthly income. The personal service provided to the elderly may have created loyalty from

the locals and also makes the shop owners part of the community. Furthermore, literature on business models also illustrates not only how Somalis shop owners are responsive to local customer needs but also how they sustain customer value proposition and making an income. For example, this may be partly explained by low flexible pricing, and discount pricing, all of which not only reflect how Somali shop owners are responsive to local price conscious customers' needs, but also how they are making an income.

Researchers such as Charman, Peterson and Piper (2012) agree that Somali shop owners are more compassionate than local businessmen as they allow goods to be bought on credit and when a customer is a few cents short, they would accept the money anyway. This is contrary to South African shop owners who were 'strictly cash' and offered no discounts. Charman *et al.* (2012; 52) found that most opportunities were taken by Somalis since they offer cheap prices. In their research an informant stated that locals will find it tough to compete on prices. This is because Somali shop owners offer credit, cheaper products and alternative products (i.e. generic brands) when consumers cannot buy expensive ones. They further found that operating times of the Somali shop owners are more convenient as they open from 5am and close after 10pm. The shop owners are also always willing to assist customers with the aim of getting the sale (Charman *et al.*, 2012; 69).

Secondly, key processes are 'part of the interlocking elements, [which] taken together, create and deliver value' (Johnson *et al.*, 2008:52). This study has highlighted a number of key processes which are characteristic of how Somali shop owners run successful business in Soweto; these include long opening hours, co-option, payment of protection, and using local employees for both market and security intelligence among others. In particular, group procurement was useful to get products at a lower price as possible. This is why Somali shop owners can offer their goods at a lower price to the average South African. In terms of both cost and revenue, this key process has a great impact on their profit formula. While it is notable that the literature on business models illuminates the findings of this study from the perspective of creating and delivering value through the four interlocking elements of a business model, it fails to explain findings of this study at the level of the Somali shop owner as an *individual*.

Chrysostome (2010:147) is adamant that whenever immigrant entrepreneurs limit their exposure to risk, they also limit their chances of success by not taking advantage of business opportunities they could have exploited. It is on this premise that the psychological perspective of entrepreneurship may shed light on self-determination, innovation and resilience. The findings that Somali shop owners demonstrate these entrepreneurial characteristics echoes the view of scholars such as Gurol and Atsan (2006:28) who posit that the characteristics of the entrepreneur are often the most influential factors in the performance and competitiveness of SMEs (small, medium enterprises). This echoes the view that entrepreneurs, notably, need determination and persistence to be able to continue trying in the face of difficulties. True entrepreneurs do not easily give up but learn from previous mistakes (Nieman and Nieuwenhuizen, 2009:33; Lo *et al.*, 2006:46).

Notably, Somali shop owners concurred that they were more persistent, ready and determined to face uncertainty but also tolerated the possibility of financial loss primarily because they had limited options of economic activity to make money in the restrictive environment of South Africa. These shop owners highlighted that being engaged in business was a singular means with reasonable chances of helping them to survive in their hostile host country. In this regard, one may be tempted to speculate that being an immigrant entrepreneur of Somali origin predisposes one to succeed as an entrepreneur. Drawing from the model of success factors for immigrant entrepreneurs, literature from business models and psychological perspectives in order to answer the research question in this study, the following is proposed as a model of how Somali shop owners run successful businesses in Soweto, South Africa. The model has five elements, namely (1) customer value proposition, (2) Somali ethnic community resources, (3) key resources, (4) key processes, and (5) the Somali shop owner.

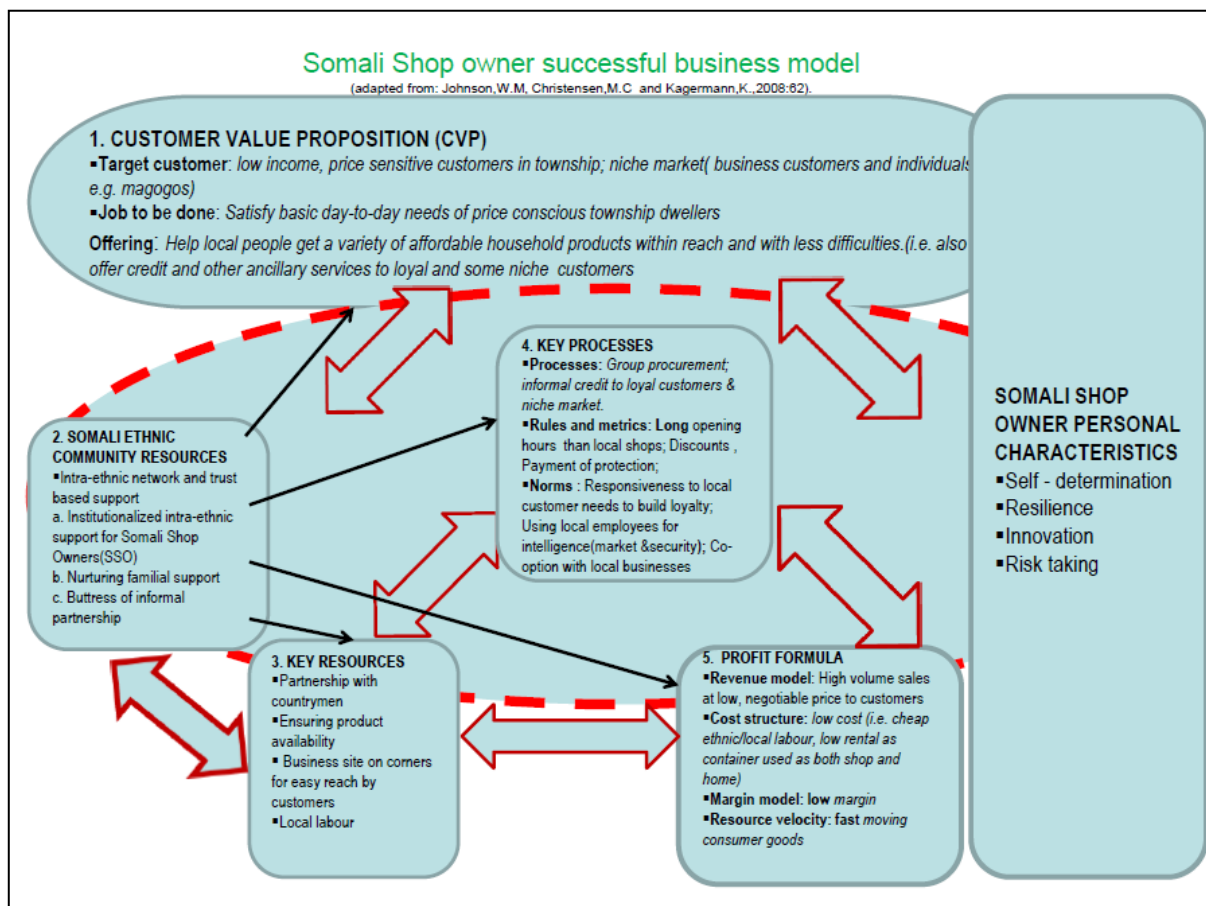


Figure 2: A model of success factors for Soweto Somali shop owners

In a nutshell, the model reflects that the Somali community provides a variety of key resources, influences the profit formula and key processes of doing business. Additionally, the Somali community is very pivotal as it also influences customer value proposition in terms of the market offering. Another key aspect of the model is the interaction between key resources, and profit formula to create and sustain customer value proposition. Lastly, the individual Somali shop owner as an entrepreneur is vital in ensuring that customer value is created and delivered in a hostile host country. Inevitably, this requires certain personal and entrepreneurial characteristics. In this way, the findings of this study have been discussed from the perspective of ethnic networks, business models and personal entrepreneurial characteristics to answer the question of how Somali shop owners run successful businesses, irrespective of the various obstacles which they encounter or surmount.

1.7 LIMITATIONS OF THE RESEARCH

This study was based in only one township (Soweto) and as such may not be a full reflection of the success factors of Somali shop owners in South Africa.

Another limitation is that all data collected was mainly based on interviews. Interviewees generally volunteered information and were comfortable sharing this information but this data of course was subject to various weaknesses such as perceptions and misperceptions on the part of the shop owners and some meanings may have been lost in translation on the part of the Somali interviewer.

Mindful that this topic is associated with violence and victimisation of Somali shop owners, there is a likelihood that even the use of the Somali national to enhance openness may not actually have achieved the intended openness and disclosure. This is a contextual limitation of this study.

1.8 VALUE OF THE RESEARCH

This study provides practical and elaborate actions that can be taken by other entrepreneurs and not only immigrants. The study is vital as it reveals that there are multiple factors at an *individual level* (e.g. psychological factors such as self-determination, resilience, empathy); at the *business level* in the form of a business model (e.g. how do Somali shop owners create value, who they create value for, what is their source of competence, how do they compete, how do they make money, what do they aim in terms of income models, and growth) and finally the *ethnic level* which influences how Somali shop owners run successful businesses. The study is also valuable to business development practitioners as it implies that entrepreneurial characteristics alone are insufficient to succeed such that there is also a need for business development to focus on business models.

1.9 FUTURE RESEARCH

Consideration for further research should be made to extend this study to cover multiple locations in one country within the same parameters in order to explore the extent to which this phenomenon may be systemic. The premise here would be to verify whether the phenomenon identified is localised or is inherent within the ethnic context of Somali shop owners as a whole.

Future research should be considered which would include looking at the same phenomenon across different geographical locations but focusing on the same factors to assess whether the findings are location specific. This would be useful to refine various aspects of the model proposed in this exploratory study.

1.10 CONCLUSIONS

The review of literature conducted showed that research in this area has predominantly been based on the link between entrepreneurship and immigrants. This study, on the other hand, went a step further and sought to evaluate how the shop owners perform successfully within the context of the host country. No similar studies could be identified that have been conducted in Soweto, South Africa in the small business industry, with a focus on Somali shop owners in particular. Data was collected from Somali shop owners in Soweto using in-depth interviews.

Four key issues were identified in this study which impacted the successful running of businesses by the Somali shop owners in the location of Orlando West, Rockville and Chiawelo in the Township of Soweto. These were (1) intra-ethnic network and trust-based support systems, (2) self-determination and experiential business practices, (3) responsiveness to local customer needs, and (4) complementary business paradigms as differentiator. An exploratory model was proposed to bring together all aspects of how Somali shop owners run successful businesses in Soweto.

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2 LITERATURE REVIEW

Throughout the world, entrepreneurship is seen as the driving force behind economic development. Some authors, such as Morris, Schindehutte and Lesser (2002:35) argue that entrepreneurship is a fundamental value-driven activity. Rogerson (2003:4) argues that personal values seem to have important implications not only for the decision to pursue entrepreneurship, but also the way in which the entrepreneur approaches a venture. It is important to explore how much influence a common set of values has on entrepreneurial development. Morris *et al.* (2002:36) highlight that values reflect the entrepreneur's conscious view of himself or herself. Some studies in Africa (Nwanko, 2005:34) conclude that psychological variables and race and ethnicity are important predictors of entrepreneurial activity. McClelland (1998:334) indicates that self-belief directly shapes movement towards action. It is values like self-belief that result in entrepreneurship, and entrepreneurship is seen as the most significant driver in the future development of societal welfare.

In particular, Nkealah (2011:125) reported that entrepreneurship seems to be thriving among the immigrant population in South Africa. He also observes that this does not seem to be the case among local South Africans. Somalians, among other immigrants are successful in running spaza shops in townships; whether factual or not, that seems to fuel xenophobic sentiments and actions. In South Africa there have been intermittent but persistent, and at times fatal attacks on non-South African entrepreneurs. Many shop owners have been killed by groups purporting to represent unemployed people in South Africa (Nkealah, 2011:125; Human Science Research

Council, 2008:26). These people complain that foreigners are taking their jobs and are taking over businesses and sometimes entire industries – for example, the taxi industry (Nkealah, 2011:125).

It is within this context that the aim of this literature review is to explore the concept of migrant entrepreneurs. In pursuit of this, the section starts by discussing entrepreneurship in general; this is followed by discussing the notion of migration. Eventually, the discussion unpacks the concept of migrant entrepreneurship.

2.1 UNDERSTANDING ENTREPRENEURSHIP CONCEPT

There have been debates among scholars, educators, researchers and policy-makers trying to agree on its definition, ever since the term 'entrepreneurship' was first introduced in the early 1700s. The term, entrepreneurship comes from the French *entreprendre* which means 'to undertake'. Petrin (1994:2) holds that people still find it difficult to define entrepreneurship. There are almost as many definitions of the term as there are scholarly books on the subject.

As there is no universal agreement on the definition of entrepreneurship, it is meaningful to view a few definitions. 'To some, entrepreneurship means primarily innovation, to others it means risk taking. To others, it means a market stabilising force, and to others still, it means starting, owning and managing a small business' (Petrin, 1994:2)

Co *et al.* (2006:4) state that entrepreneurship means creating something new, accepting financial risks, handling the emotional and social stress and receiving rewards of financial and personal pride. With a focus on the start-up and growth of a business, Timmons *et al.* (2009:101) posit that entrepreneurship is the emergence and growth of new business. Alternatively, entrepreneurship is 'the way of thinking, reasoning and acting that is opportunity-obsessed, holistic in approach and leadership-balanced for the purpose of value creation and capture' (Timmons and Spinelli, 2009:101). To contextualise entrepreneurship, the discovery and exploitation aspects of opportunity, aspects of leadership and management are aptly reflected in the model below in figure 2.

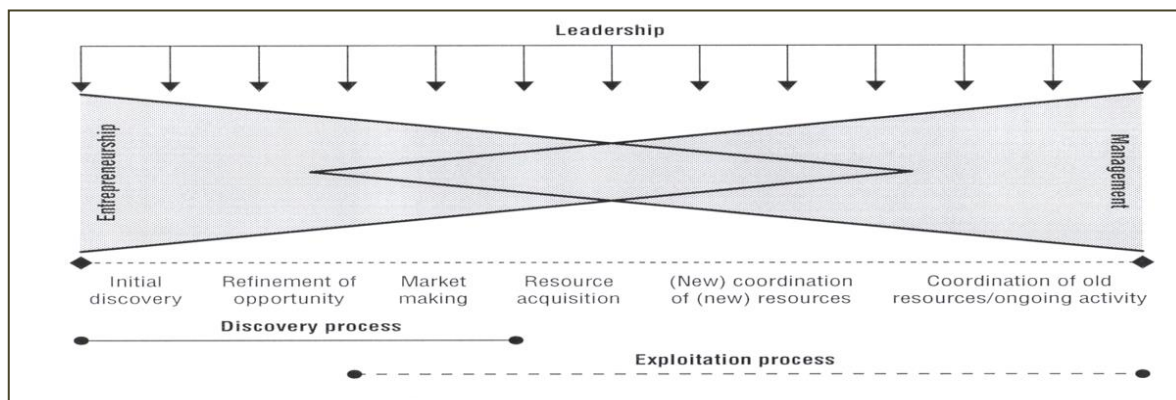


Figure 3: *The domains of entrepreneurship, management and leadership*

(Source: Nieman and Nieuwenhuizen, 2012:09)

Furthermore, entrepreneurship is also construed as any attempt by individuals to start a new business, including any attempt for self-employment (GEM, 2007:80). In this respect, the Global Entrepreneurship Monitor (GEM, 2011) reported South Africa to be performing low (9.1%) in entrepreneurship, with total entrepreneurial activity (TEA) being below the average of comparable economies around the world. In a country where entrepreneurial ventures account for one-third of total employment, this is a problem. In post-apartheid South Africa the unemployment rate remains extremely high, with unemployment, especially among black South Africans worsening since 1994 (GEM, 2011).

Schumpeter (1934:195), from an economists view, defined entrepreneurship as innovation or carrying out unique combinations of resources to create new products, services, processes, organisational forms, sources of supply and markets. Martinelli (2001:4545) echoes that sentiment: 'it was Joseph Schumpeter, the economist who above all, conceptualized entrepreneurship as innovativeness, thus giving it a dynamic quality lacking in earlier formulations'. The behaviourist-oriented definition of entrepreneurship focuses on behaviour and the understanding of the characteristics of an entrepreneur (Nieman and Nieuwenhuizen, 2009: 6-9).

In a slightly different vein, Timmons (2000), cited in Nieman and Nieuwenhuizen, (2012:9) believes entrepreneurship to be the process of creating or seizing an opportunity and pursuing it, regardless of the resources currently controlled. The definition captures the two key aspects of entrepreneurship, namely discovery of opportunity and exploitation of that opportunity. This study adopts the definition but is mindful that Somalis as migrants may have challenges to secure support to run businesses in their host countries. Thus, entrepreneurship is a process by which

individuals, either alone or inside organisations, pursue opportunities regardless of the resources at hand.

The definition by Timmons alludes to the vision which allows the entrepreneur to see beyond the confines of resource constraints and locate opportunities missed by others (Keogh and Polonsky, 1998:4), or on creating and building something of value from practically nothing in the middle of uncertainty and risk, and having the determination to succeed against all odds (Bates *et al.* 2005:48). This study upholds this view of entrepreneurship which has the following important aspects: (a) identifying of opportunity, (b) innovation and creativity, (c) obtaining resources, (d) creating and growing a venture, (e) taking risks, (f) being rewarded and (g) management of the business (Nieman and Nieuwenhuizen, 2009: 9).

2.1.1 Three Perspectives of Entrepreneurship

The perspectives of entrepreneurship are categorised into three categories, namely economic, psychological, and behavioural (Smith, 2010).

2.1.1.1 Economic Perspective

The economic perspective of entrepreneurship focused on the function of an entrepreneur in the economic system. Cantillon portrays the entrepreneur as a pivotal figure within markets who acts as an organiser of production, that is, someone who brings together factors of production such as land, labour and capital (Smith, 2010:177-178). Notably, other economists such as Knight have construed that entrepreneurs are risk takers as they get inputs at known prices and sell at prices that are still unknown. (Smith, 2010:178). As such, it stands that anyone who pursues the risk of starting and managing his or her business is also engaged in making judgements about an uncertain future and where profit is the reward.

Alternatively, Schumpeter, another economist, propagated the notion that entrepreneurs were innovators and engines of the economy while Kirzner highlights the entrepreneur as someone who identifies an opportunity created by the lack of complete knowledge by others (Smith, 2010:178). As Kirzner (1973: 15-16) writes, 'the entrepreneurial element in the economic behaviour of market participants consists ... in their alertness to previously unnoticed changes in circumstances

which may make it possible to get far more in exchange for whatever they have to offer than was hitherto possible'. Thus, an entrepreneur is characterised as an alert person who perceives opportunity for exchanges. There are criticisms levelled against this perspective and they include a failure to recognize that entrepreneurs actually create rather than simply detect already existing opportunities, and the view that an entrepreneur is alert and gets additional information needed for exchange is simplistic as anyone can do that.

2.1.1.2 Psychological Perspective

The emergence of this perspective began in the 1960s and shifted away from the focus on functions to highlight the characteristics of an individual (Smith, 2010:178). Thus, there was a shift from a functional level to the individual level. This perspective posited that there were certain characteristics which enabled some people to become entrepreneurs. Core to this approach is that the basic unit of analysis is the entrepreneur, and the entrepreneur's traits and characteristics are seen as key to explaining entrepreneurship as a phenomenon (Gartner, 1989).

Extensive work has been done using this perspective to understand an entrepreneur and entrepreneurship; to this effect Gartner (1990) explored the underlying meanings held by researchers and practitioners about entrepreneurship and identified a number of themes, which characterised the major issues and concerns about entrepreneurship as a field of study. Reaching a conclusion at the end of his study, Gartner found that no clear definition of entrepreneurship could be presented as a wide range of beliefs and perceptions about entrepreneurship existed. This then led to him calling for entrepreneurship researchers to make clear what they are talking about when discussing entrepreneurship (Gartner, 1990:28).

Generally, this approach has been criticised because (1) no specific traits or characteristics have proven to be good predictors of behaviour; (2) personality factors can and do actually change over time and that the pursuit of a single factor does not resonate with the complex nature of entrepreneurship, and (3) that it actually does not take into account the influence of the environment or context in which entrepreneurs practice. As such again criticism directed towards the trait

approach relates to the over-emphasis on the individual entrepreneur at the expense of contextual (i.e. environmental and social) issues (Ucbasaran, 2004:26). Johnson (1990) contested that there were strong voices in the field of entrepreneurship research suggesting that the individual entrepreneur should be de-emphasised as the focal point of research. Rather, more sophisticated multidimensional models of venture creation and growth should be developed that considered, at a minimum, the individual, the venture, and the external environment or social context. To this end, Aldrich and Zimmer (1986) point out that lessons can be learnt from the research on leadership, where after three decades of study using the trait approach, identifying leaders outside the group context was found to be virtually impossible. While the 'person' is of crucial importance in entrepreneurship, the trait approach largely ignores important external environmental interactions. However, it is pivotal to quickly explore what has been highlighted as characteristics of an entrepreneur.

2.1.1.2.1 The characteristics of the entrepreneur

Gurol and Atsan (2006:28) posit that the characteristics of the entrepreneur are often said to be the most influential factors in the performance and competitiveness of SMEs. Mostly, studies on the entrepreneurial process purposely examined the entrepreneurial personality or psychological profile of the entrepreneur to determine individual traits of successful entrepreneurs compared with those of non-entrepreneurs (Rwigema, Urban and Venter, 2008:64). No existence of a single all-encompassing personality profile of the entrepreneur was found and as such it is widely thought that there are certain characteristics that are necessary to meet the tasks and challenges of new venture creation without which the entrepreneurial process is inhibited. The closer the match between an individual's personal characteristics and these required characteristics of being an entrepreneur, the more successful it is supposed the individual will be (Markman and Baron, 2003:281). The said characteristics are discussed below.

2.1.1.2.1.1 Passion

Innately, people must pursue business activities they have a passion for. Entrepreneurs who pursue business activities they find interesting and fascinating are more likely to succeed (Nieman and Nieuwenhuizen, 2009:32; Shane, 2003:5). Entrepreneurs who are passionate about business have a strong commitment to their

businesses and even if they fail, they do not give up easily (Groenewald *et al.*, 2006:45).

2.1.1.2.1.2 Locus of control

Generally, entrepreneurs have an internal locus of control as opposed to an external one. The locus of control refers to the extent to which an individual identifies the outcome of an event to either be within or beyond his or her personal control. An internal locus of control is the belief of entrepreneurs that they can control success and setbacks and that they can influence the findings of their actions (Groenewald *et al.*, 2006:46). Individuals with an external locus of control believe that outside forces like luck, fate or powerful others control and determine the outcomes of what they do (Kunene, 2008:50). Entrepreneurs possess a high degree of autonomy and do not want to be told what to do by others (Nieman and Nieuwenhuizen, 2009:32; Vecchio, 2003:309).

2.1.1.2.1.3 Independence

Usually, entrepreneurs like to do things in their own way and have a difficult time working for someone else (Nieman and Nieuwenhuizen, 2009:33; Hisrich, Peters and Shepherd, 2010:63). The prospect of being their own boss has made many people embark on entrepreneurship. Entrepreneurs do not like to be tied down by rules and regulations.

2.1.1.2.1.4 Achievement

The heightened desire to achieve drives entrepreneurs; they set themselves challenging goals and are very competitive because they want to excel. Entrepreneurs have a great need for achievement compared with individuals who are not entrepreneurs (Nieman and Nieuwenhuizen, 2009:32; Groenewald *et al.*, 2006:46). Undeniably, Maslow's (1965:10) hierarchy of needs and conception of the socio-cultural dimensions influencing workers' attitudes towards motivation (work) are helpful in exploring the implications of entrepreneurship development. His hierarchy of needs is explained below:

- *Level 1: Physiological needs.* These are basic survival and biological needs – for example, for food, drink, clothes, shelter, sex and air.

- *Level 2: Security needs.* These are needs for self-preservation and the protection of others' futures, for example for employment.
- *Level 3: Social needs.* This refers to the need or desire to belong, the need for affiliation and the need to be part of a reference group.
- *Level 4: Self-esteem needs.* These are the needs for self-esteem, self-confidence, self-image and recognition by one's peers.
- *Level 5: Self-actualisation needs.* The desire to stretch one's capabilities includes the need for achievement, the need for self-fulfilment, and the need to develop one's own skills and to express oneself.

Of the above needs, self-actualisation, which is a level-5 need, is where the need to succeed in business lies and it is linked with the need for achievement and accomplishment of goals as the driving trait in the personality of successful entrepreneurs (McClelland, 1961:322; Gupta, and Muita, 2012: 88). There is a need for achievement finding in high ambition and self-drive which are necessary if entrepreneurs are to realise large goals against many odds (Kunene, 2008:49; Rwigema and Venter, 2004:54). The achievement motivation is linked to personal self-efficacy, self-esteem, attitudes, optimism and hard work (Kunene, 2008:49).

2.1.1.2.1.5 Risk-taking and uncertainty

Generically, entrepreneurs have proven to be risk-takers; they are aware of the risks they face and they positively manage those risks. They predominately take calculated risks and not high or wild risks. They take risks after taking into consideration all the factors and deciding whether the chances of success are high. These risks that entrepreneurs face include financial (as there could be loss of money they invested in the business if the business fails), career and health risks like stress. There is also a possibility of putting their families at risk because they may not have time to spend with them due to the amount of time it requires to start and manage a business (Groenewald *et al.*, 2006:46; Niemand and Nieuwenhuizen, 2009:32; Vecchio, 2003:309).

2.1.1.2.1.6 Creativity and innovation

Creativity refers to the development of new and unusual ideas for products and services, while innovation refers to the development of these new ideas into

marketable products or services to take advantage of a business opportunity (Groenewald *et al.*, 2006:46). Creativity and innovation are seen as the key ingredients required to establish a niche market and to determine an organisation's competitive edge (Rwigema and Venter, 2004:65).

2.1.1.2.1.7 Determination and persistence

Entrepreneurs, notably, need determination and persistence to be able to continue trying in the face of difficulties. True entrepreneurs do not easily give up but learn from previous mistakes (Nieman and Nieuwenhuizen, 2009:33; Groenewald *et al.*, 2006:46).

2.1.1.2.1.8 Ability to gather resources

Entrepreneurs, inherently, must have the ability to gather and control the resources necessary to start, run and grow a business. Those entrepreneurs who are successful are known to be resourceful (Hisrich *et al.*, 2010:7).

2.1.1.2.1.9 Tolerance of ambiguity

Rwigema and Venter (2004:65) assert that since market conditions are uncertain and change continuously, the entrepreneur needs to be able to adapt. They must be able to adapt their ideas and new ventures due to uncertainty and ambiguity. Successful entrepreneurs display a higher tolerance of ambiguity than non-entrepreneurs (Gurol and Atsan, 2006:28).

2.1.1.2.1.10 Adapting to change

Adaptability and flexibility become a critical strategy for the success of a venture, when entrepreneurs find their environment destabilising, (Rwigema and Venter, 2004:55). Andries and Debackere (2007:81) found that an intolerant response to change can lead to denial, risk-averting behaviour and the imposition of arbitrary constraints and structures that stifle the owner's ability to adapt.

2.1.1.2.1.11 Self-efficacy

This term is the belief in one's ability to organise the necessary resources, skills and competencies to effectively execute actions to attain a certain level of achievement in a given task (Markman and Baron, 2003:287; Kunene, 2008:50; Vecchio, 2003:309).

2.1.1.2.1.12 Opportunity alertness

Discovery and exploitation of new opportunities is a key trait of an entrepreneur. A key factor in the success of an entrepreneur is the ability to spot opportunity and to quantify and refine it into a set of ideas with a positive impact (Rwigema and Venter, 2004:57). Opportunity alertness and identification is linked to creativity and innovation. In 2010 the GEM (2010:17) reported that South Africa had the lowest number of opportunity-based entrepreneurs in the GEM participating countries.

2.1.1.2.1.13 Optimism

Rwigema and Venter (2004:59) underscore that entrepreneurs are known to possess eternal optimism and that this helps them to believe they will avoid well-known drawbacks. This quality, however, can also lead to the optimism fallacy which contributes to business failure.

2.1.1.2.1.14 Problem-solving

The success or failure of his or her business is determined by the way in which the entrepreneur solves or faces business problems (Rwigema and Venter, 2004:55; Kunene, 2008:53). Problem-solving skills include the ability to handle stress and time management.

2.1.1.2.1.15 Ability to learn

Learning is the acquisition of knowledge by actors who are willing and able to apply new knowledge in decision-making or by influencing others in the organisation (Kunene, 2008:53; Rogerson, 2004:785). Successful entrepreneurs have the capacity and ability to learn.

2.1.1.2.1.16 Motivation

An elucidation by Stokes, Wilson, and Mador, (2010:122) explains that if the entrepreneur's reason for starting the business originated in pull or opportunity-driven

motives like the desire to exploit a market opportunity, the resulting enterprise is more likely to flourish. If, however, his or her reason for starting the business originated from push or necessity-driven motives such as unemployment, the resulting enterprise is more likely to flop. The difference is also made by the commitment of the entrepreneur to grow.

2.1.1.2.1.17 Previous management experience

The entrepreneur's previous experience in managing people and processes is valuable in maintaining growth (Stokes *et al.*, 2010:122).

2.1.1.2.1.18 Demographics of the entrepreneur

The age and education of the entrepreneur can influence the growth of the business. Highly educated and qualified entrepreneurs are more likely to found high-technology and knowledge-based companies which tend to generate higher growth rates (Stokes *et al.*, 2010:122; Gupta and Muita, 2012: 89).

2.1.1.2.1.19 Number of entrepreneurs involved

A business founded by one person is less likely to grow than a business founded by a group of entrepreneurs (Stokes *et al.*, 2010:123). An entrepreneurial team is more likely to have the attributes needed than just one person and in order for a business to grow, it needs to have access to a wide range of skills, experience and resources and these come with the team. Timmons and Spinelli (2009:110) suggest that entrepreneurship is a highly dynamic process that is opportunity-focused, driven by a lead entrepreneur and an entrepreneurial team, and is cost-conscious and creative. A link exists between entrepreneurship and personality; this is because personality has powerful intuitive appeal that binds it to entrepreneurship. Entrepreneurial personality will be discussed below.

2.1.2 Researching the entrepreneurial personality

Gupta and Muita (2012:87) elucidate that most of the personality-related entrepreneurial research was observed for traits to determine who is more likely to start a business. McClelland (1961) pointed out that entrepreneurs have a higher need for achievement than non-entrepreneurs. Most researchers investigate why some individuals seem to be able to establish and grow profitable new ventures while

others do not. To solve this problem, authors like Kuratko and Hodges (2007:114) have considered factors like personality, motivation, social capital, social networks, cognitive biases and heuristics, social models, intelligence, critical thinking ability and experience, hoping that research will lead them to an evolving understanding of entrepreneurship. Kuratko and Hodges (2004:115) state that entrepreneurship in its simplest form should be considered a function of the entrepreneur I, that is: $E = f I$.

2.1.2.1 *The personality approach: characteristics and traits*

No consensus exists among entrepreneurship scholars about the role of personality in entrepreneurial inclination. Wickham (2004:17) states that there is no correlation between entrepreneurial performance and personality types like introvert, extrovert, aggressive, passive, internally or externally orientated (as measured by personality tests).

2.1.2.2 *Personality as viewed by different schools of psychological thinking*

Wickham (2004:71–77) concluded that different schools of psychological thinking define, characterise and measure personality differently:

- The psychodynamic school sees personality as the result of a series of internal psychological processes, mostly unconscious, that determine human behaviour.
- The dispositional school claims that an individual has a tendency to act in a particular way in a particular situation; these features are referred to as personality traits.
- The biological school states that personality is a biological process dictated by one's genes.
- The premise of the evolutionary school is that modern human cognitive skills are the result of evolution through selective forces. They focus on the commonality of the personality of the species and not on the individual.
- The phenomenological school emphasises the uniqueness of each individual and prioritises subjective experience over objective classification. They do not even try to explain why some people are entrepreneurs and others not.

- The behavioural school focuses on what can be observed, but has been superseded by cognitive psychology.
- The social-cognitive learning school perceives personality as resulting from social experience and interaction. This school recognises the role of mentors and leadership, and personal learning styles and strategies.
- Attribution-based scholars suggest that personality is not possessed by the individual but awarded to the individual by others, based on levels of consistency, distinctiveness and consensus.

Wickham (2004:77) also discovered that no real evidence emerges that there is a single entrepreneurial personality, from all the schools. People of all personality types become successful entrepreneurs and exhibit ambition, drive, hard work and effort in learning to understand a business and practise as a manager. There is no single entrepreneurial personality profile. Wickham (2004:78) concludes that the idea that for an entrepreneur to be successful, the entrepreneur must have a particular type of personality is a myth.

Vecchio (2003:306) pointed out that the scholarly literature on entrepreneurial behaviour, attitudes and predispositions is fairly substantial. He further emphasized that a set of five attributes that is invariably at the forefront of discussion of entrepreneurial profiles or the big five personality dimensions like risk-taking, need for achievement, need for autonomy, self-efficacy and locus of control, is the fruit of these efforts.

2.1.2.3 Behavioural Perspective

Subsequent to criticisms of the psychological perspective, this approach explores business behaviour and business context (e.g. ethnicity, gender, culture, family background etc.) to understand entrepreneurship. As such, entrepreneurship focuses on (a) stages of business development, and (b) different contexts in which entrepreneurs operate (e.g. migrant entrepreneurs, technical entrepreneurs, social entrepreneurs etc.). Criticisms against this approach underscore that behaviour alone is not sufficient to influence the occurrence of business. Another criticism is that identification of an entrepreneurial opportunity is not pronounced in this approach.

2.1.3 Role of entrepreneurship

Massey (1998:6) maintains that while it also addresses issues such as unemployment and poverty alleviation, entrepreneurship the world over contributes substantially to the social and economic development of a country. Entrepreneurship plays a major role in reforming and revitalising economies because it establishes new businesses and helps existing ones to grow. Entrepreneurial activity is a prerequisite for the success of economic growth, development, social well-being, job creation and political stability in a country (Botha *et al.*, 2006).

Entrepreneurship is important to business because of the value it adds, the innovations it creates, the wealth it produces and the additional employment it generates. It helps businesses grow, and many businesses may fail to reach their full potential without it, may stagnate and even fail. Furthermore, there is general agreement that, while generating more opportunities, entrepreneurship builds strong economies, provides employment and presents choices (Timmons and Spinelli, 2009:50; Co *et al.*, 2006:7).

Entrepreneurs are also construed as agents of changes. Schumpeter's (1934:257) work underscores the entrepreneurial action of an agent who, by deciding to challenge a given order or equilibrium, brings about a new way of doing things. The agent of change is an individual searching for new personal opportunities and is driven by the wish to change by recombining what he already possesses – given personal resources like virtue, knowledge, experience and education (Betta, Jones and Latham, 2010:232; Watson, 2013:4). As entrepreneurship involves the production of new and innovative products and services and the creation of value for those involved, it is useful to understand who and what is involved in bringing about new and innovative things (Stokes *et al.*, 2010:31; Baltar and Icart, 2013:201; Shane, 2003:3).

The most important aspect of entrepreneurship is constituted by self-employment. Some choose it as a career while others are motivated by the desire to be their own bosses. Another role of entrepreneurship is revenue generation. For example, in the UK the average income of an entrepreneur in 2002 was £121 per week higher than

that of employees (Moreland, 2006:6). Having briefly explored the notion of migration, and extensively reviewed the concept of entrepreneurship, it is vital to turn to immigrant entrepreneurs as a concept.

2.1.4 Immigrant Entrepreneurship

It is vital to consider a cursory view of the term migration as such, being mindful that this study is about entrepreneurs who are migrants. Throughout the history of the world, people have been migrating across continents for various reasons (e.g. searching for food, shelter, safety and hospitable weather, refuge seeking, overpopulation and job relocation) (Grabianowski, 2008:6).

Goetz (1999:18) and Helton (2003:2) both uphold that no universally-accepted single definition of migration exists. Goetz (1999:18) asserts the definition of migration in the USA refers to the movement of people from one state to another in order to seek new places of residence. From a global perspective many people are on the move; international migration has become a key feature of a modern open society (Gorter, Nijkamp, and Poot, 1998). Accordingly, migrants are defined as persons who have been outside their country of birth or citizenship for a period of 12 months or longer (Sasse and Thielemann, 2005). A number of factors, such as former colonial links (previous areas of labour recruitment) or ease of entry from neighbouring countries shape the trends in international migration (Stalker, 2002). Generally, various migrant flows can be classified into four broad categories of entry: asylum seekers, undocumented workers or illegal immigrants, family reunification, and labour migration. Other categories of entry are however formed by students studying abroad for more than one year, international retirement migration, and expatriate professionals on long-term assignments (Baycan-Levent and Nijkamp, 2009).

Migrant, is thus a wide-ranging term that covers people who move to a foreign country for a certain length of time – not to be confused with short-term visitors such as tourists and traders. Fundamentally, migrants are different from refugees and thus are treated very differently under international law. Migrants, especially economic migrants, choose to move in order to improve their lives. Refugees are forced to flee to save their lives or preserve their freedom.

In this study, the term migrant will mean 'the movement of people across country lines within the continent of Africa, and South Africa in particular, with the establishment of a new place or seeking peace and stability as the purpose'. It can be argued that whether people originate from Somalia, Ethiopia, one of the Great Lakes states or a more distant country, migrants to South Africa know that they will be able to count on the support and solidarity of friends and family members from their own country. In a detailed study of 70 immigrant entrepreneurs who have created small businesses in South Africa's major city, Johannesburg, Rogerson (1999) concludes that foreign immigrants operate in the inner-city, which they have actually taken over. Entrepreneurship is a strong tool for an immigrant's economic and social integration; it is a means by which immigrants without education or technical skills can escape poverty (Serrie, 1998:212). Guler (2005:4) suggests that a group's success in attaining business ownership is determined by three characteristics: pre-migration experience, post-migration experience and how these characteristics interact with one another. A group's position therefore depends on the cultural, social and economic resources it brings.

Mitchell (2004:45) raises an argument that institutional forces like laws, norms, beliefs, policies and values in a particular social setting shape entrepreneur preferences and social processes. A study by Mitchell (2004:45) indicated that institutions can be seen as not imposing but providing an environment where the individual entrepreneur can live and act. Furthermore, Mitchell argues that there are both informal and formal constraints: informal constraints refer to socially-transmitted information which includes norms and codes of behaviour; whereas formal constraints include political and economic rules.

Waldinger (2002:20) emphasizes that some immigrant groups are more entrepreneurial than others. Reasons for being entrepreneurial are related to culture, structure, ethnic enclave and the situation in which the business is operated (Waldinger, 2002:20). Furthermore, Light and Gold (2002:19) argue that one of the most important research discoveries in the last generation is the contribution of social networks to entrepreneurship. Social networks are crucial for entrepreneurs who are struggling to survive in competitive markets. Aldrich and Zimmer (1986:47) indicate that networking allows entrepreneurs to enlarge their span of action, save

time, and gain access to resources and opportunities that are otherwise unavailable to them.

Succinctly, Granovetter (2002:23) asserts that weak ties act as bridges to information sources that are not necessarily contained within an entrepreneur's immediate (strong-tie) network. Empirical studies have indicated that another source of information for entrepreneurs is informal network contacts like family, friends and businesspeople more than formal network contacts like bankers, accountants and lawyers (Aldrich and Zimmer, 1986:48). Rutashobya (2002:18) found that although Indian and African entrepreneurs were victims of discriminatory legislation in the USA, Indian entrepreneurs were able to utilise resources provided by their families and communities. Very few networks were found among African entrepreneurs, which could be ascribed to the low status of small businesses in the African community. The perception that traditionally, African entrepreneurs have very few entrepreneurial role models was a further explanation for this lack of networks.

2.1.4.1 *The market disadvantage theory*

Light (2006:140) underlines that there a lot of problems faced by immigrants that prevent them from entering the job market of the host country and, as such they turn to self-employment. These entrepreneurs work very hard to avoid any failure in their businesses and use all the possible resources accessible to them to keep their businesses on track. From this theoretical perspective, the survival factors of immigrant entrepreneurship are the immigrant's commitment and determination to succeed (Chrysostome and Arcand, 2009:6).

2.1.4.2 *The cultural perspective*

Waldinger (2002:90) points out that cultural factors also contribute towards entrepreneurship. Since the governments of China and India could not provide jobs to all their citizens, people had to find alternative ways of surviving and taking the business initiative to survive can be considered as culture (Waldinger 2002:90). Immigrant entrepreneurship is a continuation of the immigrant's cultural habits in the host country. It stems from the entrepreneurial mentality immigrants carry with them when they immigrate to their host country. Immigrant entrepreneurship can also be explained by means of two other critical factors: the social network and the ethnic

niche market(s) in the host country (Chrysostome, 2010:141; Chrysostome and Arcand, 2009:6). The social network provides the financial resources, employees who will be flexible regarding long working hours and poor remuneration, information and the trust the entrepreneur needs (Chrysostome, 2010:141; Chrysostome and Arcand, 2009:6). The niche market is co-ethnic customers who cannot be targeted by mainstream competitors because of their cultural specificities.

2.1.4.3 *The neoclassic perspective*

According to the neoclassic perspective, entrepreneurship is the result of arbitration between the earnings expected from self-employment and wages expected from being an employee (Chrysostome, 2010: 141). This means that a person becomes an immigrant entrepreneur if he or she realises that the earnings expected from being an entrepreneur are higher than the wages expected from being an employee. Entrepreneurship is by nature a risky activity that requires specific skills. The entrepreneur is someone whose level of aversion to risk is low, particularly the risk to innovate. For someone to have the courage to leave his or her country and settle in another country is evidence of risk-taking (Chrysostome, 2010: 141). Therefore, from the neoclassical perspective, the survival factors for immigrant entrepreneurs are risk management, innovative ideas, managerial skills, education level and work experience.

2.1.4.4 *The institutional perspective*

Institutional structures include government policies, widely-shared social knowledge and value systems. The emergence of immigrant entrepreneurship is the result of value systems and formal support provided to potential entrepreneurs through governmental policies in the host country (Light, 2006:143; Chrysostome, 2010:141). The rate of immigrant entrepreneurship varies, depending upon the policy initiatives designed by the government to promote it. These initiatives can take the form of financial support, information provision regarding managerial skills, relaxation of regulations and trading. Table 1 below reflects a summary of the various perspectives on immigrant entrepreneurship, motives of immigrant entrepreneurs and survival factors.

Table 1: A theoretical explanation of immigrant entrepreneurship

Theory or perspective	Motives of immigrant entrepreneurs	Survival factors
<i>Disadvantage theory</i>	Obstacles and discrimination in job market	<ul style="list-style-type: none"> • Determination and commitment
<i>Cultural perspective</i>	Cultural traditions of home country	<ul style="list-style-type: none"> • Pre-migration entrepreneurial mentality • Ethnic network • Ethnic market niche
<i>Neoclassical perspective</i>	Self-employment earning higher than salaried earning	<ul style="list-style-type: none"> • Risk management • Managerial skills • Innovative ideas
<i>Institutional perspective</i>	Institutional support	<ul style="list-style-type: none"> • Government pro-immigrant business programmes

Source: Chrysostome, 2010:141

Radipere (2012) proposed a model of survival factors for immigrant entrepreneurs which will now be discussed. The model has five factors: ethno-cultural, financial, managerial, psycho-behavioural and institutional factors.

2.1.4.5 Model of successful factors for necessity immigrant entrepreneurs

A model on success factors of immigrant entrepreneurs developed by Radipere (2012:119) reflects a variety of survival factors of immigrant entrepreneurs as adapted from Chrysostome (2010:141). The model is presented in figure 3.

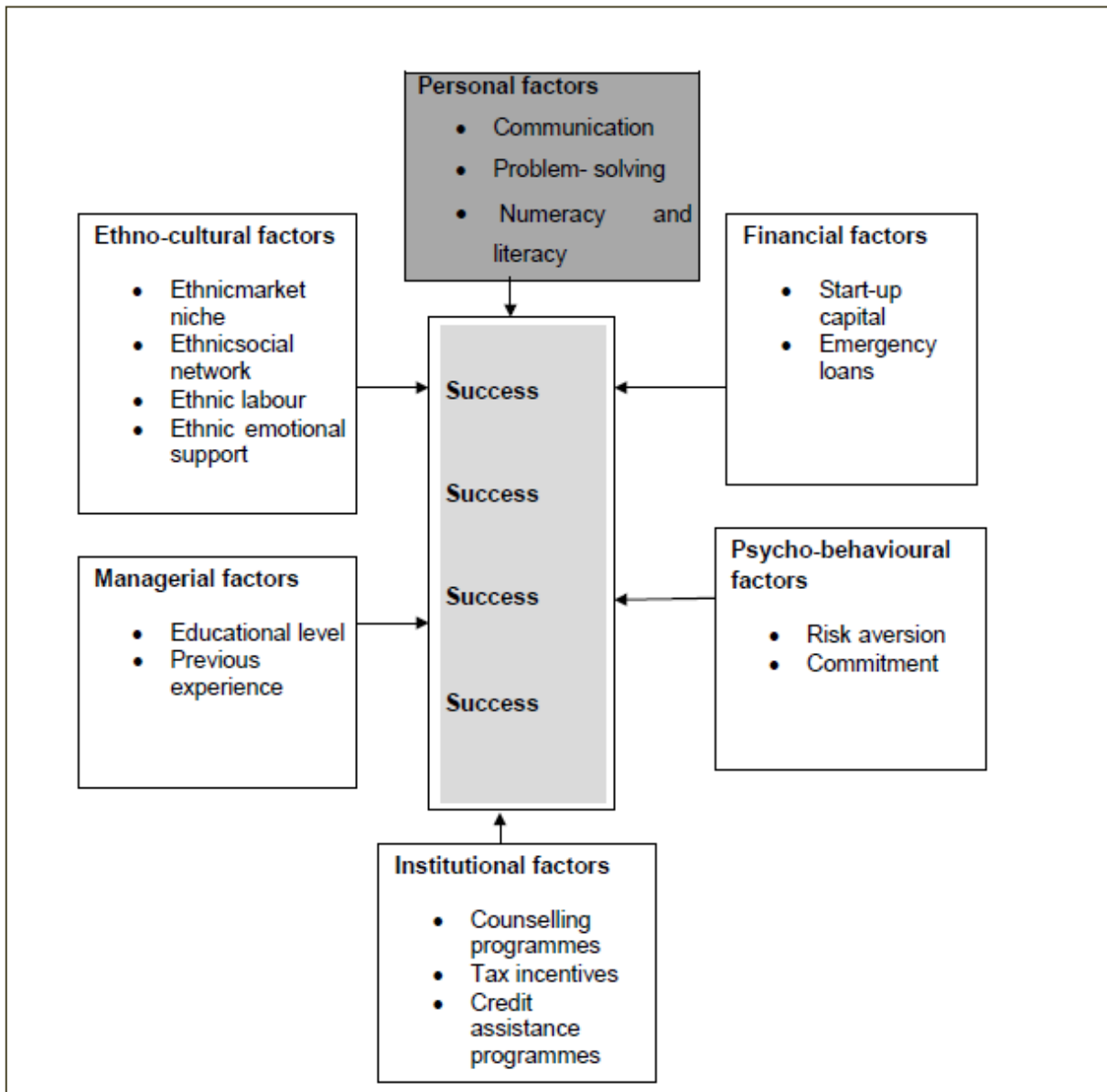


Figure 4: A model of success factors for necessity immigrant entrepreneurs
 (Source: Radipere, 2012:119)

2.1.4.5.1 Ethno-cultural factors

These factors include ethnic market niches, ethnic social networks, ethnic labour and ethnic emotional support.

2.1.4.5.1.1 Ethnic market niche

This refers to the market in which mainstream entrepreneurs (local entrepreneurs) are not doing business, given the opportunity structure of the host country (Radipere 2012:119). This is a very important factor in the survival of immigrant entrepreneurs. Insufficient economic reward and limited skills in the market has rendered native (local) entrepreneurs with low interest in such a market. The two types of market

niches are the ethnic market and the non-ethnic market niche. The ethnic market niche is the co-ethnic consumers of the immigrant entrepreneurs. This ethnic market is critical for the survival of the immigrant entrepreneurs because of the entrepreneur's competitive advantage. The size of the ethnic market share of the immigrant entrepreneur is the most important determinant of the survival of this business (Chrysostome, 2010:143).

2.1.4.5.2 Ethnic social network

The ethnic social network refers to the formal and informal ethnic connections of immigrant entrepreneurs (Sequeira and Rasheed, 2006:144; Chrysostome, 2010:141). The informal connections of the immigrant entrepreneur include his family members and friends in the host country and his connections in other countries (Radipere, 2012:120). The importance of the ethnic social network depends on the size of the network, the degree of inter-connection among the individuals in the network and the frequency of their mutual communication (Chrysostome, 2010:144; Chrysostome and Arcand, 2009:9). Immigrant entrepreneurs perceive the social environment of their host country as a hostile environment and they tend to rely on their ethnic community and develop strong social ties within that ethnic community.

2.1.4.5.3 Ethnic labour

Ethnic labour is an important aspect for the business of immigrant entrepreneurs (Waldinger, 2002:56) as it provides the immigrant entrepreneur with access to the social network. Ethnic newcomers (new immigrant) who face challenges in finding a job in the host country provide a larger ethnic labour pool available to the immigrant entrepreneurs in the form of low-cost ethnic co-workers who are loyal and willing to accept demanding work schedules. The jobs of co-ethnic workers enable them to survive in the host country and sometimes to be integrated into the host country (Chrysostome, 2010:145).

2.1.4.5.4 Ethnic emotional support

Verbal encouragement and other forms of attention a member of the ethnic social network can give the necessity immigrant entrepreneur are deemed as emotional support (Chrysostome and Arcand, 2009:10). Since immigrant entrepreneurs run a business in an environment that is culturally challenging and sometimes hostile, it is

important that they have emotional support because this activity is risky and stressful.

2.1.4.5.5 Financial factors

Since their businesses do not involve any innovative product or activity that can impress financial institutions, immigrant entrepreneurs face challenges to get financial support. They need financial resources to effectively cover the operating expenses of their businesses. Procurement, lease, energy, taxes and unexpected lawsuits are expenses that are critical to the survival of a business (Radipere, 2012:121). The two financial factors that are most considered are start-up capital and emergency loans (Chrysostome and Arcand, 2009:10).

2.1.4.5.5.1 *Start-up capital*

Adequate start-up capital is a critical factor to prevent the immigrant entrepreneur from failing.

2.1.4.5.5.2 *Emergency loans*

These are non-traditional emergency loans that represent a back-up strategy the necessity immigrant entrepreneur can use to deal with unexpected liquidity crises.

2.1.4.5.5.3 *Managerial factors*

The managerial factors refer to the professional education and experience of immigrant entrepreneurs.

2.1.4.5.5.3.1 *Education level*

The education level of immigrant entrepreneurs is very important for their survival in the host country. If they have higher education, it will help them to understand the challenges in the host country and the best approaches to meet them. Chrysostome (2010:146) reports that a lower level of education is one of the barriers to business performance. Necessity immigrant entrepreneurs would usually have acquired their education in their home country.

2.1.4.5.5.3.2 Previous experience

An immigrant's previous experience refers to his or her previous work and business ownership experience. For the immigrant entrepreneur, previous business ownership experience is a critical factor for his or her business survival (Vinogradov and Elam, 2010:55). If the previous business was successful, the immigrant entrepreneur will tend to replicate the previous successful business practice.

2.1.4.5.5.4 Psycho-behavioural factors

2.1.4.5.5.4.1 Risk aversion

Scholars like Schumpeter (1934) studied the influence of risk aversion in entrepreneurial activities. They found a significant negative correlation between risk aversion and productive investment. In a study conducted in the USA about the relationship between risk aversion and earnings among immigrants and natives in the country, it was found that the higher the degree of risk aversion, the lower the earnings (Chrysostome, 2010:147). If immigrant entrepreneurs limit their exposure to risk, they also limit their chances of success by not taking advantage of business opportunities they could have exploited.

2.1.4.5.5.4.2 Commitment

Given the challenging circumstances of their businesses, commitment ensures the continuous existence of the business and is therefore the critical factor for necessity immigrant entrepreneurs. Immigrant entrepreneurs face a lot of constraints, such as market-related and financial; entrepreneurial activities are their last resort in the host country. Failure of their entrepreneurial activities is also failure of the dreams they have been nurturing for many years. Immigrant entrepreneurs make incredible sacrifices to overcome the challenges they face. The sacrifices they make include long working hours, readiness for demanding work, less time for family and social life, and inadequate salaries (Chrysostome, 2010:148).

2.1.4.5.5 Institutional factors

Central to the survival of immigrant entrepreneurs and the development of entrepreneurial activities are institutional factors. The institutional environments that are favourable for economic growth provide incentives for efficient production and investment in physical and human capital (Chrysostome, 2010:149; Chrysostome and Arcand, 2009:16). There are several government programmes to support entrepreneurs, including counselling programmes, a system of tax incentives and credit assistance programmes. In South Africa, immigrants do not benefit from any of these programmes.

2.1.5 Immigrant Entrepreneurship in South Africa

Rogerson (1999:19) asserts that immigrant entrepreneurs in South Africa are noticeable in a narrow band of activities of small businesses, and these are mostly in retail or service rather than in the most profitable production SMMEs. Their products and services are mostly limited to selling curios, selling ethnic clothes and foods, motor-car repairs and/or panel beating and operating hairdressing salons. Their other activities include operation of restaurants, internet cafes, nightclubs, cafes, music shops, several import-export businesses and traditional healing practices. Most immigrants are clustered in the clothing sector within the group of production SMMEs and here they are involved in making traditional African clothes, wedding dresses, and carrying out general tailoring activities.

2.1.6 Somalis – adaptive entrepreneurs the world over.

Somalis have proven in other parts of the world to be successful business people and have run sustainable business. Several sources including Carlson (2006), Horst (2006) and Siyad *et al.* (2007) claim that Somalis are entrepreneurs: they are used to making a living doing small scale trade or other business in Somalia and in Kenya. Several Somali immigrants in Minnesota have started their own businesses; for example, in 2004 there were 600 Somali run businesses in the state of Minnesota (Samatar, 2005). Notably, Oslo has the highest percentage of self-employed Somali immigrants in Norway (Pettersen, 2009).

Drawing from the above salient aspects of entrepreneurship, the entrepreneurial success of Somalis has attracted the envy of their host communities (Commey,

2007:29). Despite coming from a country without a record of peace, Somalis have succeeded as entrepreneurs in different countries, like England and Australia. Furthermore, the history of clan wars and a collapsed state has forced Somalis to seek temporary asylum in different countries which include South Africa and pursue entrepreneurship as a necessity (Commey, 2007:28).

It is not always smooth sailing for all Somalis trying to start their own businesses. In the report, 'Somalis in exile in Norway', informants claim that the Norwegian bureaucracy is too complicated and the starting costs are too high, causing few Somalis to start on their own (Engebrigtsen and Farstad, 2004). In a study of migrant entrepreneurship conducted in the Netherlands, Sahin *et al.* (2006:3) highlight the positive impact of different ethnic group cultures on entrepreneurship. In this regard, migrant entrepreneurs have important values like social or business attitudes, use close family and religious ties and trust to compete successfully in business. Like most foreign small scale traders, Somalis face a number of challenges such as (a) not being allowed citizenry of the resident country, (b) government regulation that may not necessarily protect them and (c) cultural differences with communities in the resident countries. In South Africa, Somalis face challenges such as xenophobic attacks and attacks that are disguised as xenophobic when in fact they may be fuelled by competing local businessmen and criminality. 'Somali refugees in South Africa have been gunned down, robbed, assaulted and abused; their houses and shops have been ransacked and burnt down' (Baily and Hoskins, 2007:17036). Not only are they to deal with nationals of the country but also the government which is also not making things easy for them. Peberdy and Rogerson (2000:23) aptly surmise that 'new policies and practices, increasingly exclusionary and xenophobic, seem to be directed mainly towards black African migrants and immigrants, both documented and undocumented'.

Somali owned businesses in city centres, townships and rural areas across South Africa have provided goods at cheaper prices, and longer trading hours. This has resulted in fierce competition for business (Jinnah, 2010:97). In Misago's (2009) report on the causes of xenophobic violence in South Africa, perceptions around business competition is listed as a trigger for the May 2008 xenophobic violence.

According to Benton (2007:2), the former Western Cape Premier, Mr I. Rasool, told a gathering at Masiphumele Township in southern Cape Town that locals could learn from some Somalis, 'as they went about earning an independent livelihood through their trading stores'. At the same time, Mr Rasool said that 'Somalis could learn lessons from South Africans in terms of a growing culture of human rights that ensures equality between all people, including across the gender divide'.

Contrary to the negativity that some Somalis are faced with that comes from the locals in some South African townships, elsewhere Somali business people are looked up to. Helskog claims that in Minneapolis, people look upon the Somalis as hard working and as experienced traders (Helskog, 2008:93). This success is not without its challenges for the Somali immigrants. Samatar (2005) describes challenges facing Somalis who are starting their own businesses in Minnesota with financing, planning and market isolation being some of them. He lists examples of successful entrepreneurship, but also of businesses encountering difficulties due to lack of adequate planning, scarce knowledge about rules and regulations and insufficient financial control. Samatar (2005) emphasises lesson-learning from the business owners who *do* succeed in business planning, book-keeping and management.

In their research on Ethnic Minority Business (EMB), Ram, Theodorakopoulos and Jones (2008:432) argue that it should be noted though that not all Somali are refugees and that many of the respondents in the EMB study state quite explicitly that they shifted from mainland Europe to the UK because of the greater freedom to develop a business.

Peberdy and Rogerson (2000:25) state that economic recession has led to diminishing labour opportunities for nationals and non-nationals alike, pushing many into self-employment. Furthermore, the troubled way in which migrants settle in their newly found home after fleeing from their own country compels them to become entrepreneurs. In this regard, migrants develop 'a diasporic culture of solidarity' based on similar and tough migratory experiences, coupled with the difficulty of economic incorporation in South Africa (Sadouni, 2009:236). In South Africa, studies of migrant entrepreneurs have generally focused on the reasons why migrants are

inclined to become entrepreneurs. Rogerson (1999:2) and Posel (2003:5) both hold the view that there has been an increased influx of foreign migrants and refugees into South Africa since 1990. These people would not choose to be labour migrants, but would rather migrate to, and settle permanently in the places where they work. For the most part, they originate from South Africa's traditional supply areas, including the SADC countries; others also come from elsewhere in Africa and further afield.

Most studies of Somali shop owners in South Africa were around how they survive the hostility and still run businesses. African immigrants have been met with and exposed to severe manifestations of hostility to their presence in South Africa. A significant number of these migrants have successfully applied their entrepreneurial flair in establishing small enterprises and employing workers, often to the envy of their local counterparts (Jinnah, 2010:97; Kalitanyi and Visser, 2010). Modest entrepreneurial success and a close knit communal outlook has not always gone down well in the poverty stricken informal settlements and townships where Somalis have dared to operate (Commey, 2007:28).

The study conducted was beneficial at different levels. The shop owners interviewed had the opportunity to voice some of their challenges and also realised that their reaction to these challenges are recognised as innovative. The shop owners also realised the value of, and had a new appreciation for, the 'Cooperative' SIREC – Somali Islamic Resource Centre. They also had a strong resolve to stay on and run their businesses and to constantly seek new ways to keep their Customer Value Proposition high and on the other hand keep developing value for their businesses too.

The researcher, looking to exert some influence on how small business in South African townships can be developed, expanded and sustained, took on this research to have a 'blueprint' for such an elaborate outcome. In the back of the researchers mind was the rapid shut down of historically local shops, and most evidently the inability for the existing local shops to open a second shop. This study can be used as a proposed business model for business development and its sustainability. The researcher, being part of a professional services firm that is involved in business

development, albeit on a small scale, performed this study mindful of the potential that his perspectives would unexpectedly intrude into the study. As the study became close to saturation, the researcher also converted his perspectives to questions which were posed and responded to by the interviewees. This action in effect was useful in ensuring that data that only those perspectives of the researcher that were validated by interviewees, found their way into this study. Additionally, this also helped the study to be more robust as the researcher had some knowledge of small business in townships and therefore could probe issues fully. In addition, the process of conducting the research itself was richly rewarding from a personal perspective. The study raised questions about our local entrepreneurs' self-determination and their unfounded sense of entitlement that is overshadowed by the lack of action to strive to pursue businesses and make them succeed. Also that there are programmes out there that are government initiated but never get to the people that need them most, and when they do, those people for whom these are meant, are either not capacitated or are not necessarily driven to take them as opportunities to improve their livelihoods. The key learning point for the researcher here was the simplicity of how collaboration/cooperation and not competition can ensure success for all parties involved and that it is possible to still make enough money and have enough of a share of the 'slice of the cake' if the collaboration is structured and regulated, but key to this is the willingness and united front approach of the business owners involved.

This study provides practical and elaborate actions that can be taken by other businesses and not only the small businesses; this can also be the basis of the next generation of grant funding requirements from government. It has been proven before through the stokvels 'clubbing' that the concept of people working in a group towards a common goal and for the improvement of each member's livelihood is most rewarding personally and financially. In it there is also a sense of belonging and actualisation.

Consideration for further research should be made to extend this study to cover multiple locations in one country within the same parameters to evaluate the extent to which this phenomenon may be systemic. The premise here would be to verify whether the phenomenon identified is localised or is inherent within the sub-culture prevailing in Somali shop owners as a whole.

Another avenue worth exploring is what findings would come out if the same research was conducted but this time considering the prohibitions in the regulations set out by the government with regards foreigners seeking citizenship, delving into the effects of these prohibitions in terms of the inability to access credit from conventional banks, a lack of access to grant funding for business development by the foreigners and what effect this has on the economy.

The review of literature conducted showed that research in this area has predominantly been based on the link between entrepreneurship and immigrants. This study, on the other hand, goes a step further and sought to evaluate how the shop owners perform successfully within the context of the host country. No similar studies could be identified that have been conducted in Soweto, South Africa in the small business industry, with a focus of Somali shop owners in particular.

The findings of the research showed that there was sufficient evidence to identify the factors that influence the success of the Somali shop owners as business people. Four key issues were identified in this study which impacted the successful running of businesses by the Somali shop owners in the location of Orlando West, Rockville and Chiawelo in the Township of Soweto: (a) intra ethnic network and trust-based support systems, (b) self-determination and experiential business practices, (c) responsiveness to local customers and business value and (d) complementary business paradigm as differentiator. In essence it is clear that the manner in which most of the small businesses that are run on street corners are not designed to grow beyond what they currently are and will remain small and as single units.

This study looked at how Somali entrepreneurs run their businesses to be successful despite the challenges they are faced with.

3 DESCRIPTION OF RESEARCH METHODOLOGY

3.1 INTRODUCTION

This section will describe the process that the researcher followed to answer the key research question:

How do Somali Shop Owners succeed in running businesses in Soweto, South Africa (SA)?

To do so, the goals of this research were firstly, to broadly understand the concepts of entrepreneurship, and migrant entrepreneurship. In exploring this question, the following are sub-questions:

- a. What resources are used by Somali entrepreneurs and how do these resources contribute to the formation, maintenance and success of businesses?
- b. What obstacles do Somali entrepreneurs experience when starting and/or running business in Soweto?
- c. How do migrant Somali entrepreneurs deal with the obstacles which they encounter in starting and/or operating their current business?

The research conducted was a qualitative study which sought to explore the multiple perspectives of reality. This research focused on the perspectives of the Somali shop owners regarding how they run their business successfully.

Three locations in the township of Soweto were used for this study as these were the locations that had most of the Somali shop owners that had run their businesses for more than three years and have since become household spots and shops within the local community. Not many locations in Soweto have Somali shop owners with these attributes since in some locations there are more Pakistani shop owners and those are fairly new with most operating for less than three years. These locations are unique in this sense and suitable for this study. For the purpose of this study only the Somali shop owners who were in business for more than three years were assessed.

As suggested by Remenyi (1998:22) research is not only about asking why the research is done, but it is also about asking what to research and how to conduct the research. Thus, the section begins with a discussion on the research paradigm after which the research process will be described in respect of the interview guide, the sampling process, description of interviewees, data collection procedures, individual interviews, data capturing and data analysis procedures. The section then concludes with a summary.

3.2 RESEARCH PARADIGM

Paradigm, according to Greene and Caracelli (1997:6) frames the world into a set of interrelated concepts and assumptions that guides understanding about the world and how it works. It is a model for observation that allows researchers to assess reality so that they understand the reality that they see (Babbie, 2011: 32). To understand reality in the world, three world logical questions which are part of a paradigm are key and very helpful. These questions pertain to ontology, epistemology and methodology.

As suggested by Guba and Lincoln (1994:108), ontology addresses the question of 'what is the form and nature of reality', while the question of epistemology refers to the nature of the relationship between the researcher or the knower and what can be known about reality (Guba and Lincoln, 1994:108). Finally, the methodology question seeks to understand how the researcher can go about finding out about reality (Babbie, 2011:4).

It is based on this understanding that this research followed the constructionist paradigm to understand subjective ontology (Babbie, 2011:34). The researcher, in understanding reality, took a subjective epistemology which entailed interaction with interviewees (Babbie, 2011:34). This research is based on an inductive approach to identify themes and common categories identified in interview data (Babbie, 2011: 299). Grounded theory, as developed by Glaser and Strauss in 1967, allows the use of a scientific and creative approach to research by using a six stage framework as follows (Babbie, 2011:299-300):

- Think Comparatively: compare various points of view to avoid bias;
- Obtain Multiple Viewpoints: use different observational techniques;

- Periodically Step Back: check data against data interpretations of accumulated data;
- Maintain an Attitude of Scepticism: assess new data against data collected; and
- Follow the Research Procedures: make comparisons, ask questions and sample appropriately.

This study followed most of these steps mindful that the goal was not to develop a theory but rather induce not only common but also unique themes from the data.

3.3 DESCRIPTION OF INTERVIEWEES

Notably, the premise that qualitative research is primarily based on the perceptions of people's reality makes it open to bias (Remenyi, 1998:111). In this regard, Remenyi (1998: 113) posits that the choice of participants is a key aspect of research as it can affect the outcome of that research.

This study was confined to three locations, in Soweto namely Orlando West, Chiawelo and Rockville which have a relatively high number of Somali entrepreneurs who have been in operation for longer than three years and are still continuing. Being able to run a business for such a long time would give the shop owner the ability to reflect on experience, and challenges to determine whether they are successful or not.

The interviews explored the multiple perspectives of reality of Somali shop owners. Purposively, 14 Somali shop owners were identified initially using purposive sampling. Subsequently, theoretical sampling was used to identify Somali shop owners who were interviewed regarding how they successfully run their businesses in the locations of Orlando West, Chiawelo and Rockville in the township of Soweto.

A total of eighteen semi-structured, in-depth and face-to-face interviews were conducted with these shop owners as a means of gathering data to the point of saturating their perspectives. Data collection ceased when new perspectives were no longer evident as interviewees were being repetitive. Open coding and constant comparison was used to analyse data.

3.4 SAMPLING

Purposive sampling was used to identify 18 Somali shop owners (initially 14 of the 18 were interviewed) who had more than three years hands-on experience of running a spaza shop in Soweto and were willing to voluntarily share their experiences. Thereafter, theoretical sampling was pursued to ensure data saturation.

3.5 DATA COLLECTION

One of the keys to acquiring accurate and reliable data where qualitative research is involved is to provide the informants several key assurances: (a) the researcher should not have any hidden agendas; (b) the researcher should be open and honest; (c) the researcher should declare any conflict of interest that existed that may influence the data gathered, and (d) the researcher should not gather evidence from informants that are under duress.

Data was gathered through semi-structured, in-depth and face-to-face interviews with each of the 18 shop owners to gauge their perceptions of the factors that promote success in their businesses. A further four shop owners were interviewed for verification, on top of the 14 initially interviewed. Each interview took approximately forty five minutes and all were conducted in Orlando West, Chiawelo and Rockville in Soweto. These three locations were chosen for this study as there are relatively more shop owners who have operated for more than three years than elsewhere. Interviews with shop owners were conducted at their shops as interviewees felt this was a secure and private setting for them and provided an element of some privacy. Data collection took place between January and February 2013. Data collection stopped when interviewees were repetitive so that no more new data was being collected.

The researcher solicited permission and assistance from the Somali Islamic Resource Centre (SIREC) in Mayfair, Johannesburg. The Islamic Resource Centre was requested to provide a formal endorsement or authenticity of this academic study and also encourage support from Somali shop owners. The endorsement came in the form of identification, by the Islamic centre, of a Somali national who conducted interviews in English. Interviews in this study were conducted by the Somali national, who is employed by an organization called African Askari. For

reasons of trust and a cultivation of openness this Somali national (endorsement) was used to approach the shop owners and to conduct the interviews. The Somali national was identified because of his prior experience of conducting interviews in research projects; however, he was briefed that the study was purely for academic purposes so that the same could be communicated to the informants. He was also trained and briefed on the research objectives and goals; ethical issues were also emphasized to ensure informed voluntary consent. Anonymity and confidentiality were not just assured to interviewees but also adhered to at all times during data collection.

This identified Somali national who was an interviewer in this study was trusted and endorsed by Somali Islamic Resource Centre (SIREC) also known as the Cooperative. SIREC is a body which serves as the gatekeeper in the Somali community. The Somali national interviewer gave an introduction, explaining the intent of the visit and also seeking informed consent from the interviewees, outlining the nature of the study, and alleviating any fears of this being a government sponsored initiative and for this purpose a letter bearing the Rhodes University logo was shown to interviewees as well before the interview. Mindful that this topic is associated with violence and victimisation of Somali shop owners, there is a likelihood that even the use of the Somali national to enhance openness may not actually have achieved the intended openness and disclosure. This is one of the limitations of this study.

Where necessary, follow up interviews were used to gather additional information or to clarify developing concepts and themes. This process was also used to validate data gathered during previous interviews with the same individuals. An interview guide was used in these interviews, which was based on the key research question and its set of goals. The questions used relate to three key areas; Financial Support and Familial Support, Collaborative practices, and Mentorship and Individual Self-Determination. The first set of questions sought to profile the interviewees and to understand the reasons why they chose this type of business and what support they received, from whom, when and why.

The second part of the guide was centred on the interviewees' perceptions of problems and/or challenges they face and understanding how they thought they dealt with these challenges to continue with their trade. Follow up interviews to collect more data were arranged where necessary to gain a deeper understanding and to saturate the data.

3.6 DATA CAPTURING

Each interview was audio-recorded with the permission of the interviewee. All individual interviews were thereafter transcribed.

3.7 DATA ANALYSIS PROCEDURES

The analysis of the data collected was based on the inductive approach to identify emerging themes.. Data analysis was based on the constant comparison technique between the different interviews with the view to categorise similar and recurrent themes together.

As proposed by Spiggle; 1994 qualitative researchers must work systematically using a series of stages namely (a) categorization, (b) abstraction, (c) comparison, (d) dimensionalisation, (e) integration, (f) iteration, and (g) refutation. This study did not follow all these stages, instead used only the following:

- Categorization: grouping and labelling themes and trends;
- Abstraction: goes beyond categorisation and involves expanding or collapsing categories into fewer more general ones;
- Comparison: assess data to uncover similarities or differences;
- Dimensionalisation: identified the attributes of each category;
- Refutation: deliberate and robust exposure to scrutiny to identify weaknesses in the research process.

Notably, credibility also known as internal validity entailed assurances of a fit between the interviewees' views of their reality and the researcher's reconstruction and representation of the same (Schwandt, 2007: 299) .In this respect, dependability focused on the process of inquiry and how the researcher provided documented details of how the processes or various steps were done in this study for ease of

replication by any researcher (Schwandt, 2007: 29). This study has therefore ensured credibility by conducting follow-up interviews, member check and ensuring that the researcher's interpretation remains as close as possible to the data by using actual words used by interviewees where possible, and by collecting an accurate account of the data using clear procedures outlined in the study. Furthermore, elements in the collected data that were unclear or seemed incomplete were further discussed with interviewees to clear up any potential ambiguity. As such, the depicted findings are the interviewees' responses and have been provided by quoting passages of these responses when creating categories and themes.

In this research, the researcher also ensured that all categories and themes covered data that no relevant data was inadvertently or systematically excluded or irrelevant data included thereby observing credibility. This was done through constant comparison of data as themes emerged until no data was unaccounted for in the analysis of the research findings in this study. Sufficient data has been included in this research to 'allow the reader to judge whether the interpretation proffered is adequately supported by the data' (Mays and Pope, 2000:51). This is also another way in which this study has enhanced dependability.

In pursuit of confirmability, the researcher used member check to allow participants to comment on the collected data and findings, and also audit trail to enhance replication of the study by future researchers.

3.8 ETHICAL CONSIDERATIONS FOR RESEARCH

The researcher ensured that all ethical considerations were covered with regards to confidentiality, and gaining of access to study participants at research sites. This meant that the researcher and/or the interviewer had an endorsement from the gatekeepers that was used to gain (i) informed consent by shop owners, (ii) openness and avoidance of deceit by the researcher; (iii) adherence to confidentiality (not only to shared information or business traits) of commercial secrets accessed during the research; (iv) benefits of the research to the participants; (v) ensure the rights of participants are not violated. Other procedures during data collection involved gaining the permission of individuals in authority (e.g., gatekeepers) to

provide access to study participants at research sites. This often involved writing a letter that identified the extent of time, the potential impact, and the outcomes for the research (Creswell, 2007:73).

The nature of the research topic may have resulted in bias or apathy from the research interviewees for fear of victimisation under the perception that the research was sponsored or requested by the government (South African). To overcome this issue, participation in the research was voluntary and the safeguards described under the section on data collection as suggested by Remenyi (1998) were used. Anonymity and confidentiality were guaranteed by the researcher to provide assurances to the interviewees in order that more accurate findings were obtained.

3.9 SUMMARY

This section discussed the methodology followed in conducting the research. The section centred on the key tenets of qualitative research, description of interviewees, sampling, qualitative data collection and analysis used in this study.

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