

**AN ANALYSIS OF CHALLENGES IN RUNNING MICRO-
ENTERPRISES: A CASE OF AFRICAN FOREIGN ENTREPRENEURS
IN CAPE TOWN, WESTERN CAPE**

By

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DECLARATION

I, Risimati Maurice Khosa, declare that the contents of this thesis represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.



Signed

08 September 2014

Date

ABSTRACT

The primary objective of this study was to analyse the challenges in operating micro-enterprises faced by African foreign entrepreneurs in Cape Town. The rationale behind the study is the fact that foreign entrepreneurs are faced with different challenges in operating micro-enterprises; some of these challenges are detrimental to the enterprises and lead some entrepreneurs to stop doing business.

South African entrepreneurs and African foreign entrepreneurs share similar challenges to some extent. However, African foreign entrepreneurs are faced with challenges such as xenophobia and problems obtaining capital from banks, which increases the stressors on these entrepreneurs.

The literature review is divided into two sections, namely: Small-, medium- and micro-enterprises (SMMEs) and immigrant entrepreneurship. Convenience sampling (which falls under non-probability sampling) was employed; resulting in sample of 93 respondents. The study used mixed methods, where data were collected by conducting semi-structured personal interviews and from self-administered questionnaires. The study was limited to the Cape Town central business district (CBD) and surrounding suburbs that host a high number of African foreign entrepreneurs, including Bellville, Mowbray, Woodstock, Salt River and Wynberg.

The findings show that though xenophobia is not a frequent challenge to African foreign entrepreneurs in Cape Town, it is detrimental to their enterprises. Lack of knowledge of local languages also appears to be a problem, making it difficult for African foreign entrepreneurs to converse with local customers. These immigrant-owned micro-enterprises are also affected by sales fluctuations. Competition is a constraint as there are many businesses of the same nature servicing the same market. Obtaining start-up and growth funding is not easy, especially for micro-enterprises owned by African foreign entrepreneurs, as it is extremely difficult to obtain funding from banks and financial institutions. Hence, these entrepreneurs use their own capital or capital from family and friends. Obtaining a business location is also a challenge; it can take as long as 10 years or more to secure a good business premises. High rent and crime are also obstacles to the enterprises.

The recommendations of the study are based on the research objectives aimed at answering the research questions. Recommendations are directed to government departments dealing with African immigrant entrepreneurs and immigrant entrepreneurs themselves.

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DEDICATION

This thesis is dedicated to my son, Nkateko Akholiwe Khosa,
and to my parents, Manasseh Khosa and Tsakani Joy Khosa.

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LIST OF ACRONYMS AND ABBREVIATIONS

Term	Explanation
ABS	Australian Bureau of Statistics
CBD	Central Business District
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
DVD	Digital Versatile Disc
GDP	Gross Domestic Product
NCR	National Credit Regulator
NGO	Non– Governmental Organisation
NSBA	National Small Business Act
SADC	South African Development Community
SBP	Small Business Project
SME	Small Medium Enterprise
SMME	Small Medium Micro-enterprise
Stats SA	Statistics South Africa
UK	United Kingdom
VAT	Value Added Tax

CHAPTER 1: INTRODUCTION

1.1. Introduction

This chapter provides an introduction to the study and its rationale. It begins with the background to the research problem and the statement of the research problem to be investigated. It then provides an overview of literature which is followed by the research questions and research objectives. The chapter also gives a brief description of the research design and methodology employed, significance of the study, expected outcome and research contribution, and lastly, the outline of each chapter.

1.2. Background to the research problem

According to South Africa's National Small Business Act 102 of 1996 (South Africa, 1996), micro-enterprises are those entrepreneurial ventures that generate an annual turnover less than the Value Added Tax (VAT) registration limit of R1 million per annum. Micro-enterprises usually lack formal tax registration, may not adhere to labour legislation and standard accounting procedures, and usually have less than five employees. Micro-enterprises include, amongst others, *spaza*¹ shops, cafés, home-based businesses, mini-taxis, small scale construction, and textile manufacturing (South Africa, 2003). The defining line between the micro-enterprises and survivalist enterprises is often blurred (Cupido, 2002). Although survivalist and micro-enterprises are two separate categories, they are often discussed together for convenience under the term informal sector (Co, Groenewald, Mitchell, Nayager, Van Zyl, & Visser, 2006:10).

Cape Town is the second-most populous city in South Africa, and the provincial capital of the Western Cape Province. As the seat of the National Parliament, it is also the legislative capital of the country. It forms part of the City of Cape Town metropolitan municipality (Maps of World, 2012).

Cape Town has a number of African immigrants who have established micro-enterprises in order for them to survive and fill gaps in the market. Kalitanyi and

¹ The term "*spaza*" is derived from the isiZulu language, meaning "hidden"; it emerged in the apartheid era when business opportunities for black entrepreneurs were restricted.

Visser, (2010) report that most of these African immigrants come from Somalia, the Democratic Republic of Congo (DRC), Zimbabwe, Rwanda, Burundi and Angola. Kalitanyi and Visser (2010) and Ngwema (1988) elucidate further that over 80% of African immigrants in South Africa have had a minimum of 10 to 12 years of education, and at least 30% have had some form of tertiary education, or have completed tertiary education.

Doing business in South Africa becomes tough for these entrepreneurs as they are treated differently. To some extent South African entrepreneurs and African foreign entrepreneurs face similar challenges. However, African foreign entrepreneurs are faced with challenges such as xenophobia, which increases the hurdles faced by these entrepreneurs (Gebre, Maharaj & Pillay, 2010:25; Maharaj, 2002:51).

1.3. Statement of the research problem

African foreign entrepreneurs² in Cape Town and other cities of South Africa are faced with different challenges in operating micro-enterprises, some of which are detrimental to their enterprises and may result in some of them ceasing to do business. Xenophobia is one of the notorious challenges faced by African foreign entrepreneurs. This challenge has been experienced in the past few years, resulting in enterprises temporarily stopping doing business, and some to be out of business permanently. Hence the study's main question is "What are the challenges in operating micro-enterprises by African foreign entrepreneurs in Cape Town, South Africa?"

1.4. Overview of the literature

In the current study, the literature review consists of a direct search of published works, including periodicals and books that discuss theory and present empirical results that are relevant to small, micro and medium enterprises (SMMEs) and immigrant entrepreneurship. As a result, it demonstrates the researcher's knowledge of the literature relevant to the subject and the topic area, namely, the SMME sector in South Africa and globally, as well as immigrant entrepreneurship and its notable contribution to host countries.

² "African foreign entrepreneur" refers to an individual from the African continent that carries out entrepreneurial activities in his or her host county.

1.4.1. SMMEs

The concept of SMMEs is broad and has a different meaning in different countries. According to Rhodes (2012), there is no sole standard definition of what constitutes a small or medium-sized business and various sources employ different definitions. The size of a business can be defined in several ways, including annual sales gross or net revenue, assets, or number of employees. Given these options, the approach using the number of employees to determine the size of businesses is widely employed to categorise businesses (Canada Statistics, 2013). South African thresholds are low compared to developed countries, for instance, some enterprises that are considered as SMMEs in developed countries may be considered as large businesses in South Africa. Though the current study looks at small businesses in South Africa, particularly immigrant-owned micro-enterprises, it is sensible to also look at how small businesses are defined in developed countries.

1.4.1.1. SMMEs in Australia

In Australia, the Australian Bureau of Statistics (ABS) (Australia, 2011) defines a small business as an actively trading business with 0-19 employees. Actively trading businesses are regarded as those that have an Australian Business Number (ABN) and are actively remitting in respect of goods and services tax, or are businesses that are monitored directly by the ABS and are determined to be “active”. On the other hand, micro-businesses are small business with 0-4 employees. A medium-sized business is then defined as an actively trading business with 20-199 employees, and a large business as an actively trading business with 200 or more employees (Australia, 2011).

1.4.1.2. SMMEs in UK

According to Rhodes (2012), in the UK, the following definitions are employed:

- A “micro” business is one with less than 10 employees;
- A “small” business is one with less than 50 employees;
- A “small or medium-sized enterprise” is one with less than 250 employees.

1.4.1.3. SMMEs in Canada

Canada Statistics (2013) defines an SMME as a business establishment with 1-499 paid employees. More precisely:

- A small business has 1-99 paid employees.
- A medium-sized business has 100-499 paid employees.
- A large business has 500 or more paid employees.

1.4.1.4. SMMEs in South Africa

According to the National Small Business Act (NSBA) (Act 102 of 1996) (South Africa, 1996), a small business is a separate and distinct business entity, including cooperatives and non-governmental organisations (NGOs). Co *et al.* (2006:11) believe that small business in South African context can be defined in several ways that merge economic and statistical characteristics. Consequently, a small business is one that:

- Is independently owned, managed and controlled,
- Is not dominant in its field of operation, and
- Employs fewer than 50 people, with a turnover not exceeding R5 million per year.

Compared to developed-country standards, South African thresholds for SMMEs are low. Businesses which Americans or Europeans regard as SMEs would be regarded as large enterprises in South Africa. Furthermore, the fact that the NSBA distinguishes between enterprises in different economic sectors and further employs different thresholds for the different sectors is an acknowledgement that what is considered “small” in the different economic sectors will vary depending on the nature of the activity undertaken (National Credit Regulator [NCR], 2011:26).

1.4.2. Categories of SMMEs

The small business categories as classified by National Small Business Amendment Act 26 of 2003 (South Africa, 2003) follow.

1.4.2.1. Survivalist enterprises

Survivalists are those enterprises where the income generated is generally less than the minimum income standard or poverty line. There are no paid employees and the business asset value is minimal. The economic activity of the business is mainly directed at providing the minimal means to keep the business owner alive (South Africa, 2003).

1.4.2.2. Micro-enterprises

Micro-enterprises are entrepreneurial ventures that generate an annual turnover less than the VAT (Value Added Tax) registration limit of R1 million per annum. Micro-enterprises usually lack formal tax registration, may not adhere to labour legislation and standard accounting procedures, and usually have fewer than five employees (South Africa, 2003).

1.4.2.3. Very small enterprises

These comprise a category unique to South Africa, and refer to businesses employing fewer than ten people, apart from in the mining, electricity, manufacturing and construction sectors where the very small enterprise limit is 20 employees. These enterprises operate in the formal sector, are VAT-registered and have access to limited technology in business operations (South Africa, 2003).

1.4.2.4. Small enterprises

Small enterprises differ from very small enterprises by the higher limit on employee size (of 50 employees) and, in general, such enterprises use more established business practices and supervision and management structures are increasingly sophisticated (South Africa, 2003).

1.4.2.5. Medium enterprises

Medium enterprises employ a maximum of 200 employees and have about R5 million worth of capital assets (excluding fixed property). These medium-size enterprises face obstacles and constraints that cannot be solved through normal market forces and private-sector action (South Africa, 2003).

SMMEs are not all the same in terms of industry or sector, as they differ in number of employees, revenue, and assets by industry or sector. For instance, a medium agricultural firm has fewer than 100 employees, R4 million total turnover, and R4 million worth of assets, whereas a medium mining and quarrying enterprise has fewer than 200 employees, R30 million total turnover, and R18 million worth of assets (South Africa, 2003).

1.4.3. Immigrant entrepreneurship

According to Tengeh, Ballard and Slabbert (2011:11), immigrant entrepreneurship refers to entrepreneurial activities carried out by immigrants just after arrival in their host country either through personal initiative or social networks. Other terms employed to describe immigrants who carry out entrepreneurial activities include immigrant entrepreneurship, ethnic entrepreneurship and minority entrepreneurship. Richtermeyer (2002:4) provides clarity on these terms in Table 1.1:

Table 1.1 Conceptual clarity of definition	
Concept	Definition
Immigrant entrepreneur	An individual who has recently arrived in the country, and starts a business as a means of economic survival. This group may involve a migration network linking migrants, former migrants, and non-migrants with a common origin and destination.
Ethnic entrepreneur	A set of connections and regular patterns of interaction among people sharing common national background or migration experience.
Minority entrepreneur	Business ownership by any individual who is not of the majority population. U.S federal groups include black, person of Hispanic or Latin American ancestry, and person of Asian, Pacific Islander, American Indian, or Alaska Native descent. This group infrequently comprises women.
<u>Source:</u> Richtermeyer (2002)	

In this study, the terms immigrant entrepreneurs, ethnic entrepreneurs and minority entrepreneurs will be employed to refer to foreign entrepreneurs who carry out entrepreneurial activities in their host country. The term African foreign entrepreneur refers to an individual from the African continent that carries out entrepreneurial

activities in his or her host country. All four terms (immigrant entrepreneurs; ethnic entrepreneurs; minority entrepreneurs; African foreign entrepreneur) will be used interchangeably.

1.5. Significance of immigrant entrepreneurship

It is extensively acknowledged that ethnic minority immigrants have an elevated propensity towards entrepreneurship and contribute positively to economic development (Basu, 2011:1). In agreement, Chand and Ghorbani (2011:593) add that ethnic entrepreneurship is increasingly being acknowledged an imperative vehicle for economic growth and the regeneration of economies. Recent studies have painted the vital contribution made by immigrant entrepreneurs from India, China, and other countries, to innovation and job creation (Basu, 2011:1; Kalitanyi & Visser, 2010; Rath, 2010; Rogerson, 1997). Chrysostome and Lin (2010:78) assert that in countries that are main destinations for immigrants, such as the United States, Canada, the United Kingdom and Australia, immigrant entrepreneurship plays a vital role in economic development. It creates employment through new business enterprise that contributes to wealth creation.

Hunter and Skinner (2003:309) report that in the inner city of Durban, South Africa, foreign street traders are making an economic contribution through their use of local suppliers and by creating jobs for South Africans. They further report that contrary to popular perception, most (85 percent) foreigners in non-service trade obtain their goods in South Africa, and not from other countries. Fifty-nine percent of foreign traders in non-service trade said they had suppliers in Durban, which points out that investment in local business is taking place. Forty-four percent of this group have suppliers in other cities of South Africa (chiefly in Johannesburg and Pietermaritzburg), and only 18 percent have international suppliers.

1.6. Research questions

Zikmund, Babin, Carr, and Griffin. (2010:121) assert that research questions express the research objectives in terms of questions that can be addressed by research. Any research stands or falls by the quality of the research question, be it a small independent study for an organisation, a mini-research project for an undergraduate class or a formal thesis or dissertation for higher degree (Maree, 2007: 2).

1.6.1. Main question

What are the challenges in operating micro-enterprises faced by African foreign entrepreneurs in Cape Town, South Africa?

1.6.2. Subsidiary questions

- 1.6.2.1. To what extent does xenophobia present challenges to micro-enterprises run by African foreign entrepreneurs?
- 1.6.2.2. Is lack of knowledge of local languages an obstacle in operating micro-enterprises?
- 1.6.2.3. Are micro-enterprises affected by sales fluctuations?
- 1.6.2.4. Is competition strong enough that it is a constraint to success and growth?
- 1.6.2.5. Are employee relations a challenge to micro-enterprises?
- 1.6.2.6. Is start-up and growth funding easily accessible?
- 1.6.2.7. Is business location problematic to African foreign entrepreneurs?
- 1.6.2.8. Does red tape have an effect on the operation of micro-enterprises?

1.7. Objectives of the research

Research objectives are the goals to be achieved by conducting research (Zikmund *et al.*, 2010: 63). The current study has objectives that are linked to the research questions, as well as academic objectives.

1.7.1. Research objectives

The objective of this study is to discover challenges in operating micro-enterprises by African foreign entrepreneurs in the Western Cape, South Africa. Specifically,

- 1.7.1.1. To find out the impact that xenophobia has on micro-enterprises that are developed by African foreign entrepreneurs.
- 1.7.1.2. To find out if lack of knowledge of local languages is an obstacle in operating micro-enterprises.
- 1.7.1.3. To find out if micro-enterprises are affected by sales fluctuations.
- 1.7.1.4. To ascertain if competition is a constraint in operating micro-enterprises.

- 1.7.1.5. To see if micro-enterprises experience the challenge of employee relations.
- 1.7.1.6. To discover if start-up and growth funding is easily accessible to micro-enterprises ran by African foreign entrepreneurs.
- 1.7.1.7. To find out if obtaining a business premises is a challenge.
- 1.7.1.8. To point out if red tape hinders the success and growth of micro-enterprises ran by African foreign entrepreneurs.

1.7.2. Academic objectives

Many researchers tend to focus on very small, small, and medium enterprises rather than micro-enterprises. Thus, the study aims to be of benefit to other researchers because little research has been done on micro-enterprises.

The study would also be of benefit to the researcher, as he would gain new insights about the phenomenon and increasing his body of knowledge.

1.8. Research design and methodology

1.8.1. Research design

Research design is a master plan that specifies the methods and procedures for collecting and analyzing the needed information (Zikmund *et al.* 2010:66). In the current study, a mixed methods approach is employed. According to Johnson, Onwuegbuzie and Turner (2007:119), a mixed methods study is one that deliberately juxtaposes or combines methods of different types (qualitative and quantitative) to provide a more elaborated understanding of the phenomenon of interest (including its context) and to gain greater confidence in the conclusions generated by the study.

1.8.1.1. Descriptive research

Zikmund *et al.* (2010:55) write that descriptive research explains traits, people, groups, organisations or environments. Therefore, descriptive research tries to address who, what, when, where and how questions. This study employs descriptive research as the main question is “What are the challenges in operating micro-enterprises by African foreign entrepreneurs in Cape Town, South Africa?”

Khothari (2004:2) notes that descriptive research includes surveys and fact-finding enquiries of different kinds. The main purpose of descriptive research is thus description of the state of affairs as it exists at present. In social research and business research, the term “*Ex post facto research*” is often employed for descriptive research studies. The main characteristic of this method is that the researcher has no control over the variables; he can only report what has happened or what is happening.

1.8.1.2. Population

A population is any group that is the subject of research interest. Oxygen molecules in the universe, supercomputers in the world, frogs in South African rivers or dogs in a particular city could all be populations, i.e. groups a researcher wants to study (Goddard & Melville, 2004:34). According to Zikmund *et al.* (2010:387), a population is any complete group of entities that share some common set of characteristics. The targeted population for the study is African foreign entrepreneurs who are running micro-enterprises in Cape Town, South Africa.

1.8.1.3. Sampling technique

Khan (2008) believes that sampling is the selection of a part of a group with a view to obtaining information about the whole. This study employs convenience sampling, which falls under non-probability sampling. Convenience sampling is suitable for the study as the researcher observed that it will be expensive and time consuming to obtain a database of all African foreign entrepreneurs operating micro-enterprises in Cape Town. Zikmund *et al.* (2010:396) note that convenience sampling refers to obtaining people or units that are conveniently available.

1.8.1.4. Sample size

The sample consists of 93 African foreign entrepreneurs operating micro-enterprises in the Cape Town area. Data were collected from a sample of 93 units by conducting personal interviews and distributing self-administered questionnaires. Chapter 3 presents a full discussion of the research methodology.

1.8.1.5. Data gathering

Dorsten and Hotchkiss (2005:30) agree that data gathering is the process of collecting information. Data may be collected by human observers or interviewers, or may be recorded by machines as in the case of scanner data and Web-based surveys. This study makes use of survey research. The reason for employing survey research is that it provides a quick, inexpensive, efficient, accurate means of assessing information about a population.

1.9. Delineation of the research

The study is limited to Cape Town CBD and surrounding suburbs that have a high number of African foreign entrepreneurs, such as Bellville, Mowbray Woodstock, Salt River and Wynberg. The study only covers African foreign entrepreneurs who operate micro-enterprises and in some cases very small enterprises. This means that African foreign entrepreneurs who own or operate small and medium enterprises are excluded from the study.

1.10. Significance of the study

Understanding the importance of micro-enterprises and immigrant entrepreneurship would benefit South Africa. The study aims to contribute to peaceful cohabitation between South Africans and African foreign entrepreneurs, and suggests ways of helping these entrepreneurs, as it touches on xenophobia as one of the challenges faced by African foreign entrepreneurs. South Africans need to understand that African foreign entrepreneurs are job creators rather than job takers and to be aware of the skills brought into the country by these entrepreneurs.

1.11. Expected outcomes, results and contributions of the research

The expected outcome of the research is discovering the challenges faced by African foreign entrepreneurs in operating micro-enterprises in Cape Town. From the findings, the researcher draws conclusions and makes recommendations on approaching these obstacles by both African immigrant entrepreneurs as well as South African entrepreneurs. Thus, the study contributes to solving difficulties encountered by African foreign entrepreneurs in operating micro enterprises and exposes the significance of micro-enterprises.

1.12. Thesis outline

This study consists of five chapters, namely:

Chapter 1: Introduces the research study by providing a brief description of the background to the research problem and statement of the research problem. It outlines the research questions and the research objectives and explains the significance of the study, and expected outcome and research contribution.

Chapter 2: This chapter provides an in-depth discussion of the literature where the discussion of the literature is divided into two parts, namely SMMEs and immigrant entrepreneurship. The first part concentrates on the explanation of SMMEs; the notable contribution of SMMEs to the South African economy, and obstacles in operating micro-enterprises. The second part elucidates immigrant entrepreneurship; the aspects that motivate immigrants to be self-employed, business profile of immigrant businesses, theories of immigrant entrepreneurship and finally the contribution of immigrant entrepreneurship to host countries.

Chapter 3: Presents the methods and procedures employed in carrying out the study. The themes covered in this chapter include: research approach, design technique, targeted population, sampling technique, sample size, pilot study, reliability and validity, and ethical considerations.

Chapter 4: The data collected through self-administered questionnaires and personal interviews are presented and analysed in concurrence with the research objectives of the study. The results are presented by means of tables followed by an analysis. The results are also discussed and compared with the literature.

Chapter 5: This chapter concludes the study and presents recommendations and directions to future research.

1.13. Conclusion

This chapter focused on the research questions and research objectives of the study. It gave an overview of literature, a brief description of the research design and methodology employed, delineation and significance of the study and the expected outcome and research contribution. To conclude, it provided an outline of the study.

The literature defines a small business as an independently owned and managed enterprise; not dominant in its field, employing fewer than 50 people with a turnover less than R5 million annually. Immigrant entrepreneurship is the process of immigrants setting up a business to receive financial rewards soon after arrival in their host country, either through personal initiative or social networks. Immigrant entrepreneurship is crucial to host countries as it creates employment through new business enterprise that contributes to wealth creation and economic growth.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

Zikmund *et al.* (2010:654) write that a literature review is a direct search of published works, including periodicals and books, which discusses theory and presents empirical results that are relevant to the topic at hand. According to Myers (2009:28), the literature review should demonstrate the researcher's knowledge of the literature relevant to the subject and the topic area. A literature review should be more than just a summary of the relevant literature; it should also include the researcher's own critical and analytical judgment of it.

This chapter is divided into two sections, namely: SMMEs and immigrant entrepreneurship. The first section focuses on the elaboration of SMMEs; the remarkable contribution of SMMEs to the South African economy, and different challenges in operating micro-enterprises. The second section focuses on the elaboration of immigrant entrepreneurship; it also looks at the aspects that motivate immigrants to be self-employed, business profile of immigrant businesses, theories of immigrant entrepreneurship and the contribution of immigrant entrepreneurship to host countries.

2.2. SMMEs

2.2.1. Definition of SMMEs

According to Storey (1994:8), there is no single, uniformly accepted definition of a small business. Rwigema and Karungu (2008) suggest that SMMEs are generally defined by revenue, assets (excluding fixed property) or by the number of employees. However, Storey (1994:8) pointed out the danger of using size to define the status of a firm by arguing that in some sectors all firms may be regarded as small, whereas in other sectors there are possibly no firms which are small. As early as 1971 the Bolton Committee (1971) attempted to overcome the problem of defining small businesses by formulating what it called an "economic" definition and a "statistical" definition.

Under the economic definition, a firm is regarded as small if it meets the following three criteria:

- It has a relatively small share of their market place;
- It is managed by the owner, or part-owners, in a personalised way and not through the medium of a formalised management structure; and
- It is independent in that it is not part of a larger enterprise.

On the other hand, the Bolton Committee (1971) states that the statistical definition is employed in three main areas:

- Qualifying the size of the small firm sector and its contribution to the GDP, employment and exports,
- Comparing the extent to which the small firm sector's economic contribution has changed over time, and
- In a cross-country comparison of small firms' economic contribution.

Co *et al.* (2006:11) concur that small business in South African context can be defined in a number of ways that combine economic and statistical characteristics. Consequently, they define a small business as one that:

- Is independently owned, managed and controlled,
- Is not dominant in its field of operation, and
- Employs fewer than 50 people, with a turnover not exceeding R5 million per year.

According to South Africa's NSBA 1996, a small business is a separate and distinct business entity, including cooperatives and non-governmental organisations (NGOs) (South Africa. 1996).

Derived from Co *et al.* (2006:11), in the present study a small business is regarded as an independently owned, managed and controlled enterprise which is not dominant in its field of operation and employs fewer than 50 people with a turnover not exceeding R5 million annually.

2.2.2. Characteristics of SMMEs

According to Co *et al.* (2006:11), each of the SME categories has different characteristics in terms of assistance they get from the state and other organisations. Burns (2001:9) discuss three characteristics of SMMEs: the first is that they are typically short of cash. They cannot raise capital in the same way a large company can. This has major implications as it constrains the strategies they can adopt. For instance, they cannot afford to implement expensive advertising and promotion campaigns, so instead the manager develops close relationships with customers and prospective customers, investing their time rather than money. The second is that small firms are likely to operate in a single market, or a limited range of markets, probably offering a limited range of products or services. Unlike large firms, small firms find it difficult to diversify their business risk, which is another reason they find it hard to raise finance.

Connected to this is the third characteristic, that most small firms are over-reliant on a small number of customers. This means they are particularly vulnerable to losing any one customer and the effect on the firm of such loss will be disproportionately large.

Nieman and Nieuwenhuizen (2009:10) use the following characteristics of SMMEs which are very much in line with the SMME definition in the National Small Business Amendment Act 26 of 2003 (amended in 2003). A small business must:

a) Be a separate and distinctive business entity; b) Not be part of a group of companies; c) Include any subsidiaries and branches when measuring the size; d) be managed by its owner; d) Be a natural person, sole proprietorship, partnership, or a legal person, such as a close corporation or company.

2.2.3. Categories of SMMEs

The National Small Business Act, 1996 (amended in 2003 by Act 26 of 2003) classifies small businesses into distinctive categories, namely: survivalist and micro, small, very small and medium, hence the use of the acronym “SMME” for small, medium and micro-enterprises. However, the acronyms “SMME” and “SME” are employed interchangeably in South Africa. NCR (2011:26) states that compared to developed-country standards, South African thresholds are low. In addition, the fact

that NSBA distinguishes between enterprises in the different economic sectors and further uses different thresholds for the different sectors is an acknowledgement that what is considered “small” in the different economic sectors will vary depending on the nature of the activity undertaken. On the other hand, the Department of Trade and Industry argues that the terms “small business” and “SMME” are employed as synonyms, whereas the “enterprise” refers specifically to entities (especially close corporations, cooperatives and companies) registered with Companies and Intellectual Property Commission (CIPC—formerly known as CIPRO), emphasising the fact that there are different concepts of businesses (South Africa, 2008:4).

2.2.3.1. Survivalist enterprises

Survivalist enterprises are involved in activities that engage people who are unable to find paid employment or get into an economic sector of their choice (Naidoo, 2007:14; Nqebelele, 2004:4). According to NSBA (2003), survivalists are those enterprises where the income generated is generally less than the minimum income standard, or poverty line. There are no paid employees and the business asset value is minimal. The economic activity of the business is mainly directed at providing the minimal means to keep the business owner alive. This group might be identified as pre-entrepreneurial, and comprises hawkers, vendors, subsistence farmers, and others (South Africa, 2003).

2.2.3.2. Micro-enterprises

Micro-enterprises are entrepreneurial ventures that generate an annual turnover lower than the VAT (Value Added Tax) registration limit of R1 million per annum. Micro-enterprises usually lack formal tax registration, may not adhere to labour legislation and standard accounting procedures, and usually have less than five employees (South Africa, 2003). Micro-enterprises include *spaza* shops, cafés, home-based businesses, mini-taxis, small-scale construction, and textile manufacturing. The defining line between the smallest micro-enterprises and survivalist enterprises is often unclear (South Africa, 2003). A very small business is therefore larger than a micro-enterprise and successful micro-enterprises advance into viable very small or small enterprises.

2.2.3.3. Very small enterprises

Very small enterprises comprise a category unique to South Africa, and refer to businesses employing fewer than ten people, apart from in the mining, electricity, manufacturing and construction sectors where the very small enterprise limit is 20 employees (South Africa, 2003). These enterprises operate in the formal sector, are VAT-registered and have access to limited technology in business operations. These business have a turnover of between R150 000 and R2 million and gross assets of R600 000 (South Africa, 2003).

2.2.3.4. Small enterprises

Small enterprises are distinguishable from very small enterprises by the higher limit on employee size (of 50) and, in general, such enterprises use more established business practices and supervision and management structures are increasingly complex. Small enterprises have usually passed the stage of direct supervision by the entrepreneur and have developed secondary management systems (South Africa, 2003). Growth into a Small enterprise usually requires an accumulation of resources over time and access to credit. These enterprise are likely to operate from business or industrial premises and have a total annual turnover of between R2 million and R6 million and gross assets of between R1 million and R5 million (South Africa, 2003).

2.2.3.5. Medium enterprises

Medium enterprises employ up to a maximum of 200 employees and have about R5 million worth of capital assets (excluding fixed property). These medium-size enterprises face obstacles and constraints that cannot be solved through normal market forces and private-sector action (South Africa, 2003). Tustin (2003:12) maintains that in these enterprises power is frequently decentralised in other divisions.

Table 2.1 (next page) provides a summary of definitions of the different categories of business as set out in the National Small Business Amendment Act 26 of 2003:

Table 2.1 Definitions of different business categories			
Enterprise size	Number of employees	Annual turnover (South African rand)	Gross assets, excluding fixed property
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 million, depending upon industry	Less than R2 million to R18 million, depending on industry
Small	Fewer than 50	Less than R2 million to R25 million, depending on industry	Less than R2 million to R18 million, depending on industry
Very small	Fewer than 10 to 20, depending on industry	Less than R200 000 to R500 000, depending on industry	Less than R150 000 to R500 000, depending on industry
Micro	Fewer than 5	Less than R150 000	Less than R100 000
<u>Source:</u> Falkena, Abedian, Blottnitz, Coovadia, Davel, Madungandaba, Masilela, Rees (2001)			

A more detailed list of thresholds for classification for medium, small, very small and micro-enterprises extracted from NSBA (1996) is presented in Appendix A.

2.2.4. The importance of SMMEs

Brenner, Menzies, Dionne and Filion (2010:154) argue that scholars have tended to focus on the characteristics of entrepreneurs themselves, leaving aside the economic contribution made by their firms. Nieman and Nieuwenhuizen (2009:4) believe that the combination of *all* businesses, including small, micro and medium-sized enterprises as well as large national and international businesses, determines the state of the economy. SMEs contribute to a country's national product by either producing goods of value, or through the provision services to both end-users and enterprises. This includes the provision of goods and, to a smaller extent, services to foreign clients, thereby contributing to overall export performance (Abor & Quartey, 2010:223).

Small businesses create opportunities for woman, minorities and immigrants Hodgetts and Kuratko (2008:2). In doing so, they make available a significant way for

millions to enter the economic and social mainstream. Co *et al.* (2006: 14) outline the following reasons to reinforce the importance of SMMEs:

a) They create employment, providing people with livelihoods and an income; b) They increase an economy's productivity; c) They are usually locally owned and controlled, and can strengthen the extended family and other social systems and cultural traditions; d) They provide opportunities for entrepreneurs to prove themselves and to show innovation; e) They tend to use local technologies and are more likely to satisfy the local needs, particularly of people, than large enterprises and foreign technology.

Abor and Quartey (2010:219) assert that it is estimated that 91% of the formal business entities are SMMEs in South Africa, contributing between 52% and 57% to GDP annually and providing 61% of employment. SMMEs thus have a vital role to play in motivating growth, generating employment and contributing to poverty alleviation, given their economic influence in African countries. In the European Union, micro, small and medium-sized enterprises represent 99% of all enterprises (Rath, 2010:5).

Apart from the already mentioned issues of job creation, economic growth and development, and contribution to a country's GDP, Mutezo (2005) and Yanta (2001) detail other potential benefits directly accruing to local governments, namely:

a) The empowerment of local citizens; b) Competition among the developing businesses in tandem with the positive benefits of quality by the suppliers and a broader base and choice for the consumer; c) A reduction in crime rates, since instead of being idle, citizens are productively engaged, and; d) An improvement in the rates base since more citizens can afford to pay for services.

2.2.4.1. Innovation and SMMEs

Innovation is the process of creating something new, which is central to the entrepreneurial process (Barringer & Ireland, 2010:45). Consequently, to innovate means to do something that hasn't been done before (Co *et al.*, 2006:5). Scholars such as Nieman and Niewenhuizen (2009:9); Poutziouris (2003:185); Wickam (2001:24) and Thatcher (1996:20), have distinguished between small businesses and entrepreneurial ventures, associating entrepreneurial ventures with innovation

and small businesses with autonomy and security. Therefore, a question arises: are all small businesses not innovative? According to Laforet and Tann (2006:364), studies from the economic-oriented stream showed that small businesses are a vital driving force for innovation and that they can be as innovative as larger enterprises.

Barringer and Ireland (2010:45) in fact argue that small firms are *twice* as innovative per employee as larger firms. Moreover, small innovative firms produce 13 times more patents per employee than large patenting firms, and their patents are twice as likely as large firm patents to be among the 1% most cited (which is an indication of their influence).

2.2.5. Challenges in running micro-enterprises

According to Azmat (2010), the indistinct geographical boundaries of globalisation and technological advancement result in increased immigrant entrepreneurship. Yet, immigrant entrepreneurs come across challenges resulting from different values, policies, institutional environment, culture and perception of social responsibility in the new country. They are faced with additional challenges in operating micro-enterprises, some of which are detrimental to their enterprises and may lead them to stop doing business. Tengeh (2013:347) adds that limited job opportunities in South Africa push immigrants into developing their own enterprises. Basu (2011:2) believes that many of the market barriers facing ethnic minority immigrant entrepreneurs are similar to those facing small enterprises in general. Below, possible challenges in operating micro-enterprises by African foreign entrepreneurs are discussed.

2.2.5.1. Xenophobia

Crush and Ramachandran (2009:5) explain that xenophobia is derived from the Greek words “xenos” and “phobos” which mean “strange or foreign” and “phobia” respectively. Xenophobia can be viewed as attitudes, prejudices, and behaviour that reject, exclude and often vilify persons based on the perception that they are outsiders or foreigners to the community, society or national identity. According to the Concise Oxford English dictionary (2004), xenophobia is an intense or irrational dislike or fear of people from other countries.

Landau, Ramjathan-Keogh and Singh (2005) concur that South Africa has become a primary destination and transit point for migrants from throughout the region as a

consequence of long-standing patterns of labour migration, conflict and economic hardship in neighbouring countries, and the country's peace and prosperity. Canetti-Nisim and Pedahzur (2003) and Meijerink, Mudde and Van Holsteyn (1998) argue that for many years, the term xenophobia has suffered from a certain degree of vagueness and was mainly used as a collective term for depictions of fear, hate or hostility expressed towards "foreigners" and mostly "ethnic foreigners".

According to Crush (2000) and Human Rights Commission (1999), South Africa has become increasingly xenophobic in recent years, with a large percentage of South Africans perceiving foreigners, especially and almost exclusively black foreigners, as dangerous and undesirable. Hunter and Skinner (2003:311) in their study of foreign street traders in inner city Durban report that problems related to xenophobia surface as further challenges to the trading activities. They (Hunter & Skinner, 2003:311) quote an immigrant entrepreneur from their sample of 170 as saying "*black foreigners are not treated like white foreigners in South Africa, most of the South Africans call us names and we are treated like animals*". Maharaj (2002:51) argues that xenophobia is widespread in the townships, where immigrants are referred to as "*kwerekwere*" a disparaging word for African immigrant.

The term xenophobia became widely used in Cape Town and other cities of South Africa in May 2008. And since then, this notorious challenge to African foreign entrepreneurs is evolving. Landau *et al.* (2005) argue that immigration is not viewed as a public policy tool that could benefit South Africa. Immigrants and migrants (even the most highly skilled) are more often stereotyped as a threat to the economic and social interests of South Africans.

Causes of xenophobia in South Africa

The causes of xenophobia provided by Cronje (2009) include: failure to maintain the rule of law, unemployment and corruption.

Failure to maintain the rule of law

Cronje (2009) believes that the government is partly responsible for xenophobia in South Africa due to its repeated failures to bring levels of violent crime under control, which contributed to an environment that saw people resort to violence without fear of arrest or successful prosecution. In failing to maintain the rule of law, the

government conditioned many poor communities to violent behaviour. The failure to protect communities from criminal elements and to remove those elements allowed criminals to take full advantage of chaos and disorder to rob, rape and loot during the violent uprisings.

Jealousy

Sylvanus Dixon, a community organizer from Sierra Leone, spoke to the BBC about the causes of xenophobia in his adopted homeland of South Africa. Dixon claimed that fear and jealousy related to employment and income were to blame. “*South Africans see foreigners with businesses and they don’t know how they got their money*”, he said. “*That’s where the jealousy is coming from. That’s when the fear becomes xenophobia*” (Bordeau, 2010:6). A study conducted in a Port Elizabeth township (Walmer) revealed that jealousy was one of the main reasons for xenophobic violence there. In the Walmer township, xenophobic violence usually takes place when attackers are jealous of the foreigners’ business success (De Jager, 2013).

Unemployment

Statistics SA (2012:1) reports that 25,5% of South Africans are failing to secure a proper job with 70,9% of unemployed youth (15 – 34 years), resulting in 36% unemployment rate among youth. Moreover, 31,4% or 3,3 million of the youth aged 24 – 25 years are not in employment, education or training (Stats SA, 2012:3). It is thus not surprising that scores of youths were able to conduct days and nights of violent campaigns in informal settlements around the country. Unemployment was and still a direct contributing cause to the violence. In addition, Maharaj (2001:55) argues that xenophobia developed as the vast expectations of the poverty-stricken masses were not met due to the inability of the new democratic government to deliver immediately.

Corruption

In the public sector, corruption became prevalent under the former president Thabo Mbeki and not much was done to restrain it. The examples of Travelgate, Armsgate, and Oilgate served to create the impression that the South African government was corrupt up to the highest levels of government. Such corruption in turn filtered down

into the various government departments at local, provincial, and national level. In the home affairs, social welfare, and law enforcement areas literally tens of thousands of officials were implicated in corrupt dealings (Cronje, 2009).

Cronje (2009) further argues that anger by South Africans at immigrants with illegal documents getting access to services is therefore understandable and was brought about in large part by the failure of the police and the department of home affairs to crack down on fraudulent documents.

Further causes of xenophobia

Crush and Ramachandran (2009:40) analyse the socio-biological approach for explaining the causes of xenophobia. The pair explain that socio-biological approach to xenophobia suggests that human beings are biologically inclined to favouring their own and discriminating against foreigners. The approach employs the analogy of infants shying away from strangers to argue that xenophobia is an inborn behaviour and central to human make-up. Accordingly, conditions of economic and emotional insecurity merely intensify these “natural” tendencies. The approach posits that violence against outsiders is an impulsive, inevitable aspect of the human condition. Following this approach, negative outcomes can be expected from increasing levels of immigration. Some researchers criticise this approach, saying it gives validation to an anti-immigration attitude, and can be employed to justify the marginalisation, exploitation and expulsion of migrant groups.

Crush and Ramachandran (2009:6) describe xenophobia as being associated with the following considerations:

- a) Xenophobia consists of great negative perceptions and practices that discriminate against non-citizen groups as a result of their foreign origin or nationality. The phenomenon has an effect on all categories of migrants, immigrants, refugees and asylum-seekers. The degree of experiencing xenophobia for different groups is, however, dependent on their cultural, racial and ethnic make-up, class composition and migrant status.
- b) Xenophobia is not merely an attitudinal orientation. Hostile and tilted perceptions and migrant groups usually go hand-in-hand with discriminatory practices and poor treatment of such groups. Forms of xenophobia are

escalated and represented by extreme acts of violence, aggression and brutality towards migrant groups.

- c) Xenophobia is not a “natural” response by native populations to the presence of foreigners. It is, like racism and nationalism, a social and political phenomenon that adds to the marginalisation and/or exclusion of migrant groups in social and national settings.
- d) Xenophobia is decisively linked to nation-building and nationalism, in particular, its aggressive forms.
- e) Segregation processes such as racism and exclusionary nationalism can frequently shape xenophobia in distinctive ways, which contributes in part to its resilience.

The diverse outcomes of immigration for host populations make xenophobia a remarkably complicated and sensitive theme. Many South Africans perceive immigrants to be taking away jobs from locals (Kalitanyi & Visser, 2010), lowering wages, increasing crime, spreading diseases and increasing the pressures on health, welfare; safety; correctional services and justice (Maharaj, 2001:52). These negative perceptions largely explain why many South Africans are xenophobic.

2.2.5.2. Language

Hisrich (2010:46) contends that language, sometime considered as the mirror of culture, is composed of verbal and nonverbal components. Messages and ideas are conveyed by the spoken words employed, the voice tone, and the nonverbal actions such as body position, eye contact or gestures. Thus, an entrepreneur or someone on his or her team must have command of the language in the country in which business is being conducted. Hisrich (2010:46) believes that this is not only critical for information gathering and evaluation, but also for communication with all involved and ultimately in advertising campaigns as well.

In their research conducted in Finland, Habiyakare, Owusu, Mbare and Landy (2009:61) report that Finnish language emerged to be an obstacle as it was evidently difficult to navigate the Finnish business terrain without it. Consequently, major delays were caused in transacting crucial business.

2.2.5.3. Sales fluctuation

According to Hodgetts and Kuratko (2008:10), the micro-enterprise owner faces sales, and therefore income, fluctuation more than a person employed in a regular job. In some months sales are very high; in others, they drop radically. The owner must balance cash inflows with the outflows so that there is always enough money to meet expenses. Sometimes this requires the owner to take a short-term loan to help the business get through a tough period. Almost every micro-enterprise has sales fluctuations. For instance, an African foreign micro-enterprise owner selling art work at the V&A Waterfront may find out that his greatest sales volume occurs during festive season, as the V&A is South Africa's most-visited destination, having the highest rate of foreign tourists of any attraction in the country (V&A Waterfront, 2013).

2.2.5.4. Competition

Lamb, Hair, McDaniel, Boshoff and Terblanche (2008:100) concur that the concept of competition regards all enterprises or organisations that satisfy the same consumer needs as competitors. Employing this approach, a customer who buys a motor vehicle buys private transport; thus all firms that satisfy the need for privately-owned transport are competitors.

A person may start a business and prosper for three to four years before meeting insurmountable competition. Zimmerer and Scarborough (200:303) agree that in the maturity and competition stage of a product life cycle, sales volume continues to rise, but profit margins peak and then begin to drop as competitors enter the market. For instance, micro-enterprises dealing with fruits and vegetables may find that they have lost customers to retail chains such as Fruit & Veg City.

Tough competition has a great impact in the growth of an enterprise. After conducting research of African immigrant entrepreneurship in Finland, Habiyakare *et al.* (2009:65) observed that most customers of their respondents were immigrants. Finnish customers were people who had travelled abroad and developed different product tastes. Sub-Saharan African restaurants had less magnetism to Finnish customers. In this regard competition was mainly limited to a small segment of immigrant customer base. Hence, there were few customers in the market and

maintaining them was not an easy task when there were so many enterprises of the same nature.

Lamb *et al.* (2008:101) summarise the four models of competition in Table 2.2 below.

Table 2.2 Types of economic competition					
Types of competition	Number of enterprises	Types of product	Ease of market entry	Price control	Importance of promotion
Monopoly	One	Unique– no substitute	Blocked	Complete	Little or none
Monopolistic competition	Numerous	Similar	Few barriers	Some	Very important
Oligopoly	Few	Similar	Major barriers	Some, with care	Important
Pure competition	Numerous	Homogeneous	No barriers	None	None

Source: Adapted from Lamb, Hair, McDaniel, Boshoff and Terblanche (2008)

2.2.5.5. Employee relations

According to Massmer, Bogardus and Isbell (2008:230), employee relations refers to policies and practices concerned with the management and regulation of relationships between an organisation, individual staff members, and groups of staff within a working environment. Hodgetts and Kuratko (2008:10) maintain that a micro-enterprise owner also needs to be concerned with employee relations: if workers are not happy, sales will suffer.

Massmer *et al.* (2008:230) agree that in today's workplace, to have success, employee relations must be part of an organisation's plan. Employee relations programmes are beneficial to businesses because the way an entrepreneur treats his or her employees can directly affect whether or not they are as productive as possible. It is important that this strategy is focused on creating a people-orientated workplace; for instance, in many retail stores employees are not allowed to converse or socialise on the job (Massmer *et al.*, 2008:230). Research shows that if

employees feel isolated or alone, their attitude towards the job will decline. Solving this problem requires human relations skills (Hodgetts & Kuratko 2008:10).

2.2.5.6. Access to finance

Basu (2011:2) notes that ethnic minority entrepreneurs face greater financial difficulties compared with small enterprises in general, in acquiring credit for business start-up. Ibrahim and Galt (2011:608) contend that the chief difficulty is access to sufficient finance to set up in business, in part, will depend on personal endowments. Zolin and Schlosser (2011:1189) state that immigrants may be disadvantaged by lack of access to human and financial capital, for instance, their credit history may not be simply accessible, making it complicated to apply for credit in their adopted country.

Volery (2007:38) also believes that accumulating the necessary capital for small enterprise creation is one of the major obstacles in the process of venture creation. Aspects such as inner-city locations, extremely competitive market sectors, the absence of a “track record”, language difficulties and discrimination, often comprise difficult conditions for obtaining a bank loan.

Piperopoulos (2010:144) records that in a number of studies, researchers have found that ethnic minority businesses have never used or had access to business and financial support from banks and other financial institutions and thus had to rely on personal savings and ethnic social resources. This is however surprising as immigrants usually arrive with little savings and often earn their living through unskilled labour paying barely enough to survive (Volery, 2007:39).

Early research by Aldrich and Waldinger (1990:125) explained that immigrants often begin as temporary workers in small enterprises, seeking jobs that provide opportunities to work long hours and accumulate savings. Once their plans for return are postponed, immigrants may have learned skills that which present “sunk capital”, and provide an incentive to start-up as self-employed entrepreneurs.

Habiyakare *et al.* (2009:65) report that 74% of their respondents had saved up their own capital and/or borrowed from their relatives to start their enterprises, while only 7% took a loan from a bank and the rest had the start-up capital from elsewhere, mainly from investors who were willing to get a share of the business profits.

Immigrant entrepreneurs who had been in business for more than 5 years (i.e. 81%), did not like the notion of borrowing capital from local banks to foster their business expansion; they would rather use own savings for that purpose. Varied reasons were cited but most respondents maintained that banks and the government have not been supportive of the growth of their enterprises in the past.

Nieman, Hough and Nieuwenhuizen (2003:32) state that access to finance is a major challenge to the successful development of SMMEs in South Africa. Long lists of ideas are not developed into viable new ventures due to a lack of capital. According to Tengeh *et al.* (2011) and Claessens (2006), most segments of SMMEs and households lack access to finance, which probably impedes their growth and decreases their welfare. Mugobo and Ukpere (2012) in their study of rural entrepreneurship, report that 59% of the respondents indicated that access to funding is always a problem, 21% that financing is a frequent problem, and only 2% have never had financing challenges. The study observed that financial institutions demand collateral security before providing credit facilities and most entrepreneurs are not able to provide this.

2.2.5.7. Business location

According to Mugobo and Ukpere (2012), most SMMEs still struggle with the shortage of business premises such as offices, warehouses and factories. In their study of rural entrepreneurship they report that 46% of the respondents indicated that the unavailability of business premises is a difficulty that always occurs, and 32% reported it occurred frequently.

Even though finding a business location is a constraint, entrepreneurs should be very careful in choosing the appropriate location. Many entrepreneurs make the mistake of taking the first available location without considering if it is suitable to the needs of their business. Mariotti and Glackin (2012:491) posit that the selection of business location can make the difference between success and failure. The key aspects in deciding upon a location are dependent upon the nature of the business and customers.

Fakoti and Garwe (2010:731) believe that location also has impacts on the market potential and growth opportunities of new enterprises. Geographical proximity to

either critical buyers or suppliers produces a form of enhanced environmental scanning that enables new firms more easily to identify and exploit growth opportunities in the market. Mariotti and Glackin (2012:492) list the following considerations for deciding on a location: access for customers; access to suppliers; climate and geography; convenience; cost of facilities (rent, construction, etc.); demographics; economic conditions and business incentives; governmental regulations and laws; labour pool; proximity to competitors, and visibility.

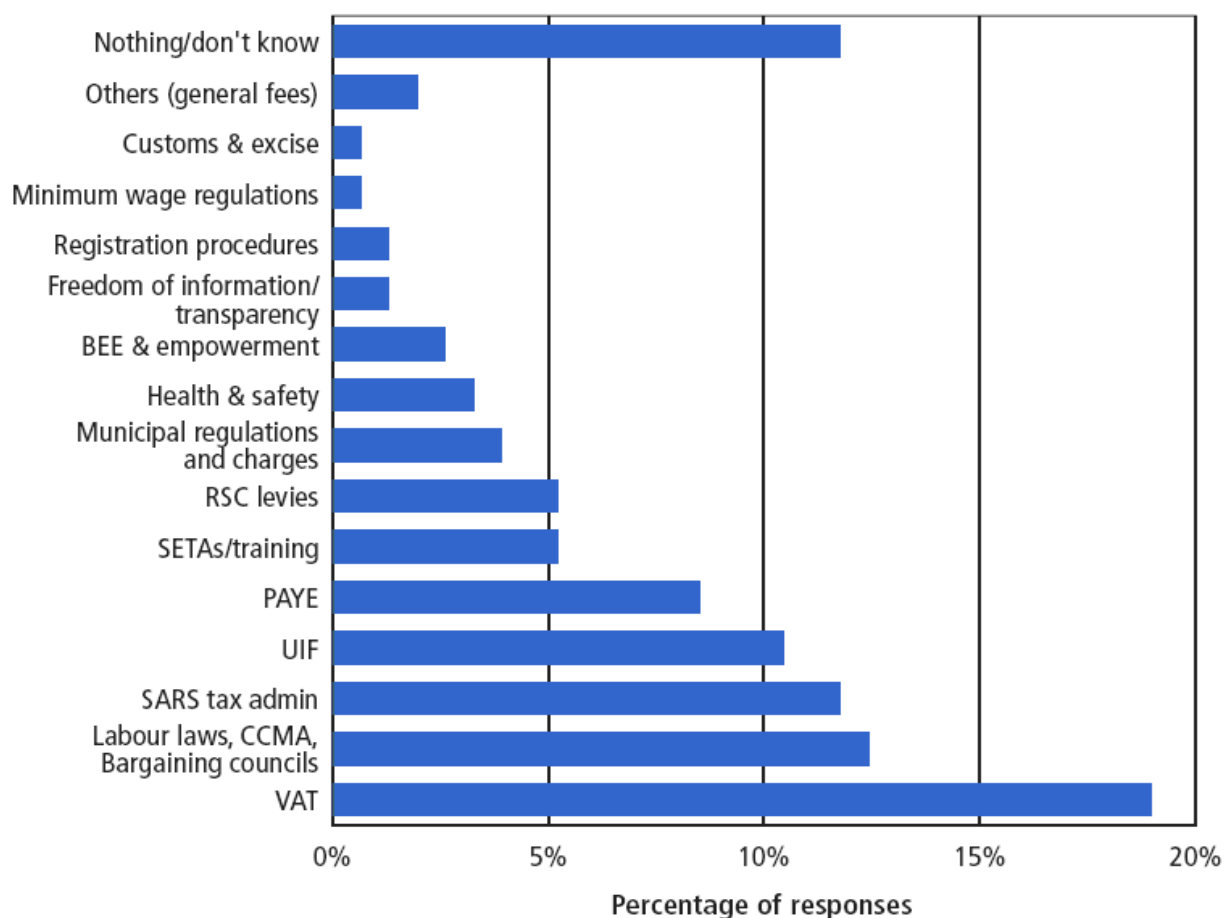
2.2.5.8. Bureaucratic processes

Bizhelp24 (2009) defines red tape as the administration of government paperwork and procedures that are time consuming and costly to businesses, particularly small businesses. According to Small Business Project (SBP) (2008), red tape is the shorthand term for unnecessary or complicated regulations and inefficient administrative processes that multiply compliance costs, and people find it frustrating. SBP (2008) argues that certain regulations are necessary and not all regulations are simply red tape. But standing in long queues to get documents stamped or signed, and filling in complicated official forms with one's business on hold appears to be simply a waste of time and money (SBP, 2008).

Mugobo and Ukpere (2011:834) believe that bureaucracy and complex administration systems are a regular challenge to entrepreneurs. The establishment of the SMME should be a symbiotic process that allows both government and the entrepreneur to benefit; however, this is not the case and entrepreneurs suffer because their businesses must complete a raft of government paperwork and procedures (permits, VAT forms, National Insurance, etc.) (Cupido, 2002).

SBP (2008) states that compliance costs include the value of time spent by entrepreneurs and staff on understanding the rules and complying with them; payments to service providers such as accountants, tax consultants and others who assist enterprises to meet compliance requirements; and the costs to business caused by delays and inefficiencies on the part of government agencies. Bizhelp24 (2010) reports that the time and money used to ensure red tape completion is a burden for small businesses. Figure 2.1 below gives a summary of the most time-consuming and troublesome regulations reported by entrepreneurs in South Africa in a study of counting the cost of red tape conducted by SBP in 2004:

Figure 2.1 Most time-consuming and troublesome regulations



Source: Small Business Project (2004:9)

A study carried out by SPB in Rwanda reports that 53% of respondents cited tax as the most problematic regulatory area, including challenges with compliance with VAT, CIT and PAYE regulations. Business registration and compulsory business closure (closure during business hours because of public meetings and other requirements) were second-most troublesome and time consuming areas. For larger firms, Rwanda's skills deficit was a key concern (SBP, 2008).

2.3. Immigrant entrepreneurship

2.3.1. Defining immigrant entrepreneurship

Venter, Urban and Rwigema (2008:5) and Hisrich and Peters (1998:9) postulate that entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting reward of financial and personal satisfaction and independence.

According to Fatoki and Patswawairi (2012) and Dalhammar (2004), immigrant entrepreneurship is described as the process by which an immigrant establishes a business in a host country (or country of settlement) which is not the immigrant's country of origin. Immigrant entrepreneurship also refers to the entrepreneurship of recent migrants by the means of establishing a business enterprise or engaging in self-employment. Tengeh *et al.* (2011:11) define immigrant entrepreneurship as entrepreneurial activities carried by immigrants just after arriving in their host country, either through personal initiative or social networks. The businesses owned and operated by immigrants are therefore referred to as immigrant-owned businesses. Immigrant entrepreneurship associates the new arrivals with their co-ethnic community in their new country of residence (Chand & Ghorbani, 2011:594).

Ethnic entrepreneurship is generally viewed as comparable to "immigrant entrepreneurship" and the two terms are often employed interchangeably, though a slight difference between the two terms exists (Azmat, 2010 & Volery, 2007). Chand and Ghorbani (2011:594) define ethnic entrepreneurship as a set of connections and regular patterns of interactions among people sharing a common national background or migration experience. According to Azmat (2010) and Volery (2007), "immigrants" include the individuals who migrated over the past decades and exclude members of ethnic minority groups who have been living in the country for centuries; the term "ethnic" is a much broader concept and includes immigrants or minorities. Hence, ethnics are likely to be more recognizable and integrated into host country environment than immigrants. Immigrant entrepreneurship thus refers to the early stages in the process of ethnic entrepreneurship (Azmat, 2010).

In addition to immigrant entrepreneurship and ethnic entrepreneurship, Tengeh *et al.* (2011:11) note that the term “minority entrepreneurs” is also employed to describe immigrants who carry out entrepreneurial activities. Minority entrepreneur thus refers to business ownership by any individual who is not of the majority population.

Azmat (2010) and Dori, Honig and Ginsberg (2006) report that correlated to immigrant entrepreneurship and ethnic entrepreneurship, the term “transnational entrepreneurship” is swiftly gaining currency and is concerned with transnational entrepreneurs who migrate to other countries and simultaneously maintain business links with their home country as well as with host country. According to Henn (2012), the term was probably first used by Poters, Guarnizo and Haller in 2002 who applied it to self-employed immigrants whose business dealings require frequent travel abroad and who depend for the success of their enterprises on their contacts and associates in another country, above all, their country of origin.

2.3.2. Reasons for migration and immigrant entrepreneurs in South Africa

According to Fatoki and Patswawairi (2012) and Vargas (1999), factors such as globalisation, wars and political problems in host countries contributed to the high number of immigrants coming to South Africa. Ibrahim and Galt (2011:607) suggest that in other migrations, for instance between Africa and Europe, the cause of move may be due to the instability of the originating country rather than one of economic choice. While a great deal of cross border activity is labour-seeking employment some includes those who seek to establish business opportunities or become self-employed in the host countries to which they migrate. As a result of necessity, in many instances, the only option will be self-employment (Ibrahim & Galt, 2011:607). Hunter and Skinner (2003:302) add that ethnic conflict and civil war in Angola, DRC, Somalia, Sierra Leone, Rwanda and Burundi have led to large-scale movements of people. South Africa, being economically stronger and more politically stable than its neighbours, is a relatively attractive destination. Fatoki and Patswawairi (2012) and Pendleton, Crush, Cambell, Green, Simelane, Tevera and De Vletter (2006) describe South Africa as a “rainbow nation” comprising diverse racial groups from all surfaces of the earth. With independence in 1994, an increasing number of immigrants migrated to South Africa from other African countries (as well as to other countries) (Fatoki & Patswawairi, 2012).

Rogerson (1997:1) argues that since 1990 South Africa underwent unprecedented political, social, and economic change, which opened it to migrants and immigrants from Africa. The migrants are chiefly from South Africa's traditional supply areas, including many Southern African Development Community (SADC) countries. A rising number, however, are from elsewhere in Africa and further afield. South Africa's new attractiveness to migrants has generated considerable controversy within the country. The policy debate focuses on the implications of migration for the national labour market and for development of new national immigration policy.

According to Rogerson (1997:35), South Africa's establishment of democracy and its economic stability is the reason why it is targeted by immigrants. South Africa is seen as a country of opportunity and propensity. A remarkable pattern among immigrants in South Africa is that most of them are involved in micro-economic activities such as petty trading, flea markets, and street vending (Gebre *et al.*, 2010:25). Rogerson (1997:1) in his study based on a survey of 70 immigrant entrepreneurs who have established small enterprises in Johannesburg, found that large parts of the inner-city have, in fact, been taken over by foreign migrants. SMMEs owned by foreigners are now a particularly important element of the changing economy and landscape of inner-city Johannesburg.

The following conclusions can be drawn about foreign migrant involvement in the SMME sector:

- a) Immigrant entrepreneurs in South Africa are noticeable in a narrow band of activities; most are involved in retail or service rather than production. Their activities include selling curios, retailing ethnic cloths and foods, motor-car repairs/panel beating and hairdressing salons. They also operate cafes, restaurants, nightclubs, musical shops, import-export businesses and offer traditional healing.
- b) In the production SMME group, most immigrants are clustered in the clothing sector, making traditional African clothes, wedding gowns and providing general tailoring activities.
- c) Immigrant entrepreneurs have distinct clusters. For instance, Malawian immigrants tend to focus on clothes production or curio selling while

Zimbabweans and Mozambicans are in motor-car repair or curio selling. West Africans are mainly noticeable in ethnic businesses related to clothes, food retailing and operation of restaurants.

- d) Usually, these enterprises are run by single, young, male entrepreneurs who put long hours of work into the business. On average, they work 64 hours a week with their employees working similar hours.

2.3.3. Immigrant entrepreneurs in Cape Town

Cape Town is the second-most populous city in South Africa, and the provincial capital of the Western Cape Province. As the seat of the National Parliament, it is also the legislative capital of the country. It forms part of the City of Cape Town metropolitan municipality. (Maps of World, 2012).

Cape Town has a number of African immigrants who have established micro-enterprises to survive and fill gaps that were left in the market. Kalitanyi and Visser (2010) believe that most of these African immigrants come from Somalia, DRC, Zimbabwe, Rwanda, Burundi and Angola. Kalitanyi and Visser (2010) and Ngwema (1998) found that over 80% of immigrants in South Africa have had a minimum of 10 to 12 years of education, and at least 30% have had some form of tertiary education, or have completed tertiary education.

2.3.3.1. Success stories of immigrant entrepreneurs in Cape Town

According to Kalitanyi (2007:48), immigrant entrepreneurs in Cape Town are successful entrepreneurs. Kalitanyi found in a study done in 1998 that African immigrants earn substantial salaries as professional and skilled tradesmen. In their study to investigate whether immigrant-owned businesses grow financially, Tengeh, Ballard and Slabbert (2012:23) discovered that a significant majority (71,1%) of immigrants had an estimated start-up capital of between R1 000 and R5 000, which tended to differ across ethnic groups. After three or more years in operation, the estimated financial capital of the majority (39,3%) of participants moved to a new range of R30 001 – R100 000. These results suggest a remarkable growth in capital.

Bezuidenhout (2000) reports that not too long ago, Michael Inegbase, a Nigerian immigrant, was selling potato chips on a pavement near Cape Town's central taxi

rank. Inegbase now owns a successful business selling cell phones and accessories in a city centre shop, just after five years since the 35-year-old accountant migrated to South Africa in search of a better life.

Success did not come easy for Inegbese, like thousands of other immigrants; he had to grapple with prejudice, xenophobia and preconceived notions regarding his character. He explains that just because he is a Nigerian, South Africans tend to associate him with drugs (Bezuidenhout, 2000).

Bezuidenhout (2000) also reported the story of a Nigerian by the name of Fred Egwu who established a sidewalk shoe repair business. Months later he had saved enough to switch to a more profitable enterprise in the hair care industry. Egwu also opened a photographic shop in Strand Street, Cape Town and employed two South Africans. Egwu has now bought a house in Cape Town. He was quoted as saying “*This is just the beginning. I am hoping to grow a lot bigger*”.

2.3.3.2. Successful business model of immigrant entrepreneurs in Cape Town

According to Charman, Petersen and Piper (2011:1), in Cape Town’s township “*spaza*” or grocery market, foreign immigrants, mainly from Africa and the Indian subcontinent, employ price discounting to drive competitors out of business. A large number of South Africans operate *spazas* in a “survivalist” mode, to supplement income rather than to make large profits, and compete on spatial location rather than price. Now, many of these local entrepreneurs are being forced out of this market. The term “*spaza*” is derived from the isiZulu language, meaning “hidden” and emerged in the apartheid era when businesses for black entrepreneurs were restricted (Charman *et al.*, 2012:47).

Charman *et al.*, (2011:1) also discovered that unlike the South African enterprises, which are run by single families to help the household survive, the foreign-run enterprises are run as though part of a chain of mini-supermarkets with an individual entrepreneur owning numerous stores. Groups of entrepreneurs also collaborate to secure discount from suppliers and maximise economies of scale in procurement. It is not unusual for foreign-run *spazas* to generate between R15 000 to R20 000 per month.

Delft south, where Charman *et al.* conducted their study, is a mixed-race locality of 4 500 people of which 61% are under- or unemployed, with most of the working population in semi-skilled jobs in the service and manufacturing sectors. One hundred and seventy-nine *spaza* shops were identified within the study area—averaging one for every 56 households. Ninety (50%) of these *spazas* were owned and operated by foreign entrepreneurs, the majority run by Somalis (Charman *et al.*, 2011:2).

When interviewed, South African entrepreneurs complained about the growing number of *spaza* shops, which have reduced the number of customers for each shop. One of the respondents said that she used to sell on average 200 loaves of bread a day, but now struggles to sell ten (Charman *et al.*, 2011:2).

In most cases, the buildings where business is conducted are owned by South Africans, who once ran *spazas* themselves, but, faced with falling profits, have left, and now rent the premises to foreign entrepreneurs (Charman *et al.*, 2011:2).

The researchers discovered that many of these foreign entrepreneurs (commonly based in Bellville) operate up to a dozen shops. Other than obtaining cheap imported labour willing to work long shop hours, their entrepreneurial advantage lies in the collective or semi-co-operative supply system for procuring stock from wholesalers and manufactures. Each purchasing collective is able to secure premium terms from suppliers. They can also afford to have a delivery vehicle permanently on the road, ensuring that each outlet has an uninterrupted supply of merchandise.

2.3.4. Types of immigrant entrepreneurs and motivational factors for immigrant entrepreneurship

Chrysostome (2010:137) argues that once term immigrant entrepreneurship was a homogeneous concept that referred to one type of immigrant entrepreneur who establishes a business venture as the only way to survive in the host country, but today it is heterogeneous and refers to different types of immigrant entrepreneurs. Nowadays, there are a number of immigrant entrepreneurs who start businesses to exploit a business opportunity and receive financial rewards, rather than because of the unusual obstacles faced by immigrant entrepreneurs in the host country.

According to Verhuel, Thurik, Hessels and Van der Zwan (2010:4), individuals decide to engage in entrepreneurial activities for various reasons. A distinction is made between positive factors that “pull” (opportunity-based entrepreneurship) and negative situational factors that “push” people into entrepreneurship (necessity-based entrepreneurship). Pull factors include the need for achievement and the desire for independence. Push factors include unemployment and family pressure.

Push factors may denote negatives narratives such as inability to find work in the formal mainstream sector, under-employment, under-payment, discrimination in the labour market, and redundancy. On the other hand, pull factors denote positive motivations such as the desire to seek independence, control of one’s future, higher social status, use of one’s own initiative and the desire to leverage personal skills and abilities (Nwankwo, 2005:128).

Kalitanyi (2007) posits that finding a job or something to eat is problematic if the government does not intervene; hence, immigrant entrepreneurs enter necessity-based entrepreneurship. Serrie (1998:213) adds that without education or technical skills, immigrants’ best chance of escaping poverty is through entrepreneurship.

2.3.4.1. Characteristics of necessity immigrant entrepreneurs

Chrysostome (2010:138) argues that necessity immigrant entrepreneurs are immigrants who undertake entrepreneurial activities because they face obstacles that deny them access to the job market of the host country. Chrysostome and Lin (2010) add that the business of the necessity immigrant entrepreneurs is created for the purpose of the survival of its owner in the host country. Thus, its features do not reflect those of traditional small businesses and, consequently, the usual success indicators of small businesses cannot be applied to it effectively. Habiyakare *et al.* (2009:63) agree that immigrants do not enter business as a way of life but rather it is their best chance of making a living.

Chrysostome (2010:138) outlines the following characteristics of necessity immigrant entrepreneurs:

- a) Their entrepreneurial activities represent an attempt to survive in the host country;
- b) In general, contemporary necessity immigrant entrepreneurs are natives of developing countries;
- c) One of the most important challenges faced by necessity

immigrant entrepreneurs is the lack of capital; d) They have a “home country education”, meaning that they are not that educated³; e) They have a solidarity relationship with co-ethnic employees. The co-ethnic employees provide their flexible labour to help necessity immigrant entrepreneurs and in return get the status of worker which is very difficult to acquire in the mainstream job market (Chrysostome, 2010); f) Vast majority of necessity entrepreneurs are middle-aged male immigrants (Chrysostome, 2010 and Collins, 2002).

2.3.4.2. Characteristics of opportunity immigrant entrepreneurs

Opportunity immigrant entrepreneurs are immigrants who freely decide to start a business to take advantage of the business opportunity (Chrysostome, 2010:138). The characteristics of opportunity immigrant entrepreneurs presented by Chrysostome (2010:138); Min and Bozorgmehr (2000); Rumbaut (1995) are:

a) They have a professional profile that enables them better access to start-up capital from financial institutions of the host country; b) They are highly educated and some hold a degree from a university in the host country; c) Distinct from necessity immigrant entrepreneurs, opportunity immigrant entrepreneurs are, in general, proficient in English; e) They do not, in general, hire only co-ethnic employees. They hire host-country employees as well, thereby providing employment to locals.

2.3.5. Business profile of immigrant entrepreneurs

It has been discovered that ethnic immigrant businesses are generally small-scale activities, and share many of the characteristics, problems and support needs of micro-enterprises (Ram & Smallbone, 2001). Volery (2007:31) adds that markets occupied by ethnic entrepreneurs are normally characterised by low barriers of entry in terms of required capital and educational qualifications, small-scale production, high labour-intensity and low added value, while aggressive competition reigns.

Fatoki and Patswawairi (2012) in their study of motivations and obstacles to immigrant entrepreneurship in South Africa, from 101 respondents, report that most

³ Note that there is a controversy about the education levels of immigrant entrepreneurs. Kalitanyi and Visser (2010); Timberg (2005); Ngwema (1998) reject this, arguing that several studies have noted that the level of education and skills of migrants is on the same level as those of host populations. In support, Zolin and Schlosser (2001) agree that compared to native entrepreneurs, immigrant entrepreneurs are more likely to have a university degree. However, all these dissenting researchers are referring to opportunity immigrant entrepreneurs.

respondents (97%) were aged of 25 - 44 years, which is in line with earlier work by Chrysostome (2010) who states that immigrant entrepreneurs are middle-aged.

Fatoki and Patswawairi (2012) further report that all immigrant entrepreneurs interviewed had been involved in business longer than three years. Fifty-six percent of respondents agreed they could speak English fluently; 44% felt their English wasn't adequate. Sixty-nine percent of respondents had post-matric qualifications, 88% were sole proprietors, 7% in partnership and 5% in close corporations. The majority (61%) were in the service sector, 34% in the rural and wholesale sector and 5% in the manufacturing sector.

Following Chrysostome (2010), Table 2.3 below presents a comparison of business profiles against types of immigrant entrepreneurs, viz. necessity immigrant entrepreneurs and opportunity immigrant entrepreneurs:

Table 2.3 Comparison of necessity immigrant entrepreneurs and opportunity immigrant entrepreneurs		
	Necessity Immigrant Entrepreneurs	Opportunity Immigrant Entrepreneurs
Age	Middle age	Middle age
Gender	Male	Male
Education	High school to college degree	College degree
Marital Status	Married	Married
Professional experience	Limited	Good
Host-country language proficiency	Limited	Functional
Home country	Developing countries	Developing and developed countries
Country of education	Home country	Home and host Country
Country of employees	Home country	Host country
Target market	Ethnic market	Mainstream market
Target industry	Challenging to mainstream entrepreneurs	Mainstream industries
Access to start-up capital	Limited	Good
Access to financial system	Limited	Good
Sources of capital	Social network	Formal financial system
Level of integration	Limited to ethnic community	Good
<u>Source:</u> Chrysostome (2010)		

2.3.5.1. Business profile of immigrant entrepreneurs from the South African Development Community (SADC) countries

Rogerson (1997:2), in his study of immigrant entrepreneurs and South Africa's small enterprise economy, presented a demarcation between migrant entrepreneurs from SADC countries and non-SADC migrants entrepreneurs. The following table presents his abstract of differences between SMMEs run by SADC immigrants and those run by non-SADC immigrants.

Table 2.4 Comparison of SMMEs run by SADC and non-SADC immigrants	
SADC immigrant entrepreneurs	Non-SADC immigrant entrepreneurs
SADC immigrant entrepreneurs do not have international ties; they hardly communicate with their fellow countrymen left behind in relation to business opportunities and expansion	Their businesses are integrated and supported by wider international and regional (SADC) immigrant networks; 56% had operated similar businesses in their home countries; have wide international family and business connectivity, including links with West Africa, Canada, USA and Europe
Most SADC entrepreneurs acquired their start-up capital from their previous jobs in South Africa	Most non-SADC entrepreneurs finance their businesses with funds brought in from outside South Africa
Businesses run by SADC entrepreneurs are smaller and seemingly less well-capitalised than those of their non-SADC counterparts	The diversity and strength of the non-SADC-run enterprises derives from their exploitation of such income niches as "ethnic enterprises" and those of Francophone culture
The majority of SADC entrepreneurs had a secondary school education	Immigrant entrepreneurs from non-SADC countries are better educated, which gives them wider horizons in their enterprise development strategies; 50% of non-SADC entrepreneurs had some University education.
<u>Source:</u> Adapted from Rogerson (1997)	

From the data provided in Table 2.4 above, it can be said that immigrant entrepreneurs from SADC countries are more likely to be classified as necessity immigrant entrepreneurs.

2.3.6. Theories elucidating immigrant entrepreneurship

Sociological research on ethnic entrepreneurship has given rise to a number of theoretical breakthroughs since the 1960s. Most of the literature elaborates on why immigrants have a greater propensity for self-employment and why some groups are more likely than others to pursue self-employment as an alternative path to social mobility. Despite variations on this phenomenon, major theories have converged on the independent and/ or interactive effects of some key structural factors and group or individual traits that may have either pre-existed before immigration or are adopted upon arrival in a host country (Zhou, 2004:1046).

2.3.6.1. Middleman minority theory

The concept “middleman minorities”, coined from Hubert Blalock (1967), refers to entrepreneurs who mediate between the dominant and subordinate groups (Kalupahana, 1999:147). Their customers are typically members of marginalised racial or ethnic groups that are segregated from the majority group.

Zhou (2004:1040) maintains that middleman minorities are those ethnic entrepreneurs who do business in between a society’s elite and masses. Most commonly, they establish enterprise niches in poor minority neighbourhoods or immigrant ghettos in urban areas deserted by mainstream retail and service industries or by business owners of a society dominant group. But in recent years, they have been found to establish enterprises in affluent urban neighbourhoods and middle-class suburbs and have shown up not only in the secondary sector, but also in primary sectors of the host society’s mainstream economy.

Volery (2007:33) believes that among economic explanations, middleman minority theory is the primary explanation for ethnic entrepreneurship. Ethnic enterprises rapidly arise with the expansion and growth of an ethnic community and include businesses such as travel agencies, garment shops, specialised grocery shops, tearooms and fast-food stands. According to Bonacich (1973:584), a key trait of middleman minorities is the tendency to be sojourners—temporary residents in a strange country—planning to return to their country of origin when their mission is accomplished. The economic effects include a tendency towards thrift, and attentiveness in certain occupations. Thrift is the product of willingness to suffer

short-term deprivation to hasten the long-term objective of returning to the home country. It is shown in extremely long hours of work, an emphasis on saving (frequently repatriating some of the savings to the home country), and very little time or money spent on consumption. Sojourners are in host country to make money, not spend it, and this “future-time orientation” allows them to accumulate capital. Sojourning also leads the individual to opt for occupations which do not tie him to the host country for long period.

Kalupahana (1999:147) maintains that sojourners’ migration is economically driven; middleman minorities are thrifty while amassing capital. In addition, they maintain strong ties with their fellow citizens in the host and origin countries while remaining detached from the host society. In brief, middleman minorities have little incentive to develop ties in the host society. Moreover, they tend towards enterprises in which assets are quickly accumulated and liquidated.

However, middleman minorities sometimes abandon their intentions to return to their home country, transitioning from sojourners to settlers, and tend to become more integrated into the host society (Volery, 2007:33). Historically, ethnic entrepreneurs were sojourners, interested in making quick earnings from their transferable and effortlessly liquidated enterprises and then reinvest their capital elsewhere, often implying a return home. In addition, many sojourners do not believe their goal of return is important, and can be dealt with later (Bonacich, 1973:585). Hence, one can argue that not all middle minorities are sojourners.

2.3.6.2. Culture perception

The word culture is derived from the Latin word “cultura”, which means “cult or worship” (Hisrich, 2010:44). According to the cultural theory by Hoselitz (1964), culture traits such as religious beliefs, family ties, savings, thrift, work ethics and compliance with social values serve as ethnic resources which partially explain the orientation of immigrant entrepreneurship. It has been argued that some ethnic groups are gifted with social institutions and cultural norms (ethnic resources) that promote entrepreneurial aptitude (Wilson & Portes, 1980).

According to Chrysostome (2010:141), the cultural perception employs cultural aspects to elucidate immigrant entrepreneurship. Numerous previous studies have

shown that some ethnic groups are more endowed with entrepreneurial talent, which helps them start and succeed in their entrepreneurial activities in the host country. i.e. that some immigrants migrate to host country with abilities they have already developed in their home country. This reality is convincingly exemplified by Chinese and Indian entrepreneurs. For instance, cultural factors are particularly popular for explaining the propensity of Asian people, for example, to become self-employed (Volery, 2007:33). Immigrant citizens have to find their own ways to survive. In such a context, taking the business initiative can be considered as part of the culture (Chrysostome, 2010:141).

According to Volery (2007:33), the cultural theory proposes that ethnic and immigrant groups are equipped with culturally determined features such as dedication to hard work, membership of a strong ethnic community, economical living, acceptance of risk, compliance with social value patterns, solidarity and loyalty, and orientation towards self-employment. These features provide an ethnic resource which can facilitate and encourage entrepreneurial behaviour and support the ethnic self-employed. Ethnic people frequently become aware of the advantage of their own culture might present only after arriving in the new environment; regardless of whether one is English, Albanian or Mongolian, the very act of moving to a new society with alien customs and incomprehensible language is in itself likely to amplify awareness of one's cultural and national identity.

Ibrahim and Galt (2003:1108) posit that the assessment of ethnic enterprises on a cultural basis is limited. On the theoretical level, ethnicity as a form of culture is defined in a static manner, implying that ethnic entrepreneurs have cultural dispositions entrenched in their mindsets irrespective of time and location. Nevertheless, this pays no attention to the fact that culture is embedded in a historical context.

2.3.6.3. The “iron cage perspective”: Market disadvantages theory

The “iron cage perspective” is based on what is known as the market disadvantage theory. The reasoning behind this theory is that immigrant entrepreneurs face many challenges that prevent them from entering the job market of their host country. In this desperate state, they turn to self-employment, which remains the only alternative for them. Li (2001:1107) reiterates this theme, that some immigrants engage in self-

employment and ethnic business as a means of self-preservation when faced with unfavourable competition in the open market, and those who are culturally more endowed with certain cultural values and organisational capacities are likely to succeed.

According to Chrysostome (2010:141), some of the challenges faced by immigrant entrepreneurs in the job market include language barriers, lack of recognition of academic credentials and professional experience they acquired in their home countries, limited knowledge of the local culture, and lack of mobility due to poverty. Another critical challenge reported by numerous researchers is discrimination in the host-country job market. Supporting this, Volery (2007,33) concurs that the disadvantage theory suggest that most immigrants face vital disadvantages hampering them upon arrival but which at the same time steer their behaviour. Firstly, they lack human capital such as language skills, education and experience, which prevent them from getting salaried jobs, leaving self-employment as the only choice. Secondly, a lack of mobility due to poverty, discrimination and limited knowledge of the local culture can lead ethnic minorities to seek an alternative to unemployment.

Chrysostome (2010:141) adds that failure is not an option for necessity immigrant entrepreneurs as there is no other choice. Failure of their businesses means the failure of the dreams of the immigration project. This explains, in general, why immigrant entrepreneurs work extremely hard and use all possible resources accessible to them to keep their business on track.

2.3.6.4. Neo-classic perspective

Neo-classic perspective which is a utility-oriented perspective, perceives entrepreneurship as a result of arbitration between the earnings expected from self-employment and the wages expected from being an employee (Ibrahim & Galt, 2003:1109). This means that the decision to become an immigrant entrepreneur will be made if the earnings anticipated through entrepreneurship are greater than wages expected from being an employee. In actuality, the decision to become an entrepreneur is more complex as entrepreneurship is by nature a risky activity that requires specific skills (Chrysostome, 2010:141).

Chrysostome (2010:142) argues that immigrants' courage in leaving their home countries and settling in another is great evidence of risk taking. Given this, from the neoclassic perspective, the survival factors of necessity immigrant entrepreneurs are risk management, innovative ideas, managerial skills, education level and work experience. However, these survival attributes will not have any significance if the immigrant entrepreneur does not have access to start-up capital.

2.3.7. Social capital in support of immigrant entrepreneurship

Venter, Urban and Rwigema (2008:79) concur that social capital refers to the relationship and networks from which individuals are able to derive institutional support. The theory of social capital elucidates the ability of actors to extract benefits from their social structures, networks and memberships. The breadth of the social capital concept reflects primordial traits of social life, namely, that social ties of one kind (for instance, friendship) can often be used for different purpose (for, instance, moral and material support, work and social advice). According to Perreault, Brenner, Menzies, Fillion and Ramangalahy (2003:2), social capital can be defined in a number of ways. While the definitions appear to differ, they share one point in common: the notion of trust.

2.3.7.1. Networks as a form of social capital

Co *et al.* (2006:359) and Light and Gold (2002:19) argue that the input of social networks to entrepreneurship is probably one of the vital research discoveries in the recent history of business science. Almost all ethnic entrepreneurs employ their social networks as these are a central source of social capital (Volery, 2007:37). Venter *et al.* (2008:79) postulate that, in most cases, social capital is operationalised through the identification of networks and network relationships, occasionally defined by the strength of ties, such as retentive group activity including regular meetings and other formal interactions, as well as informal gatherings and social activities, and social and family relationships. Social networks provide financial resources, employees who will be flexible concerning long working hours and poor pay, information, and the trust the immigrant entrepreneur needs (Chrysostome, 2010; Volery, 2007; Co *et al.*, 2006). The influence of an ethnic network is frequently intense and reaches further than is presumed. A good social structure can enable or at least facilitate a job search, hiring, recruitment and training, and, more

significantly, organising the information flows between newcomers and settlers (Volery, 2007:38).

Co *et al.* (2006:357) clarify that networks involve more than just contacts: they involve strong or weak ties. Strong ties (business associates, close friends, family) are typically those in personal networks, and involve trust and mutual benefit. Masurel, Nijkamp, Tastan and Vindigni, (2002:243) agree that social networks comprising the community and the family play a major role in the operation of ethnic enterprises. Co *et al.* (2006:357) concur that because of the effort involved in developing and sustaining a strong tie, most people have only a few strong ties in their network. On the other hand, weak ties require less energy to form, thus they are shorter-lasting and are usually formed for a particular business purpose. Venter *et al.* (2008:81) add that weak ties are handy in obtaining information that would otherwise be unavailable or costly to locate.

Further, Venter *et al.* (2008:80) put forward the significance of diversity (dimensions such as sex, age, occupation, and ethnicity) in network ties, arguing that it increases access to a wider circle of information about potential markets, new business locations, innovations, sources of capital and potential investors.

2.3.8. Contribution and significance of immigrant entrepreneurship to host countries

Dana (1995:57) contends that in recent years entrepreneurship has been a chief source of jobs; it has been connected to economic growth and is believed to guide national propensity. It is also extensively recognized that ethnic minority immigrants have a high propensity towards entrepreneurship and contribute to economic development (Basu, 2011:1). Ethnic entrepreneurship is increasingly being acknowledged as a vital vehicle for economic growth and the regeneration of economies (Chand & Ghorbani, 2011:593). Recent works have highlighted the vital contribution made by immigrant entrepreneurs from India, China and other countries to innovation and job creation (Basu, 2011:1). Chrysostome and Lin (2010:78) assert that in countries that are main destinations for immigrants such as the United States, Canada, the United Kingdom and Australia, immigrant entrepreneurship plays a vital role in economic development. It creates employment through new business enterprise that contributes to wealth creation.

However, in South Africa immigrants are seen to threaten the jobs of locals as well as undermining wages in an economy that has high levels of unemployment, poverty, and income inequality (Fakoti & Patswawairi, 2012:140; Maharaj, 2001:52). However, migrants contribute to the economy by purchasing goods and services, and importing skills. Thus, immigrant entrepreneurship is one of the ways to boost the level of entrepreneurship and lessen unemployment and poverty. A number of scholars have suggested that migrants actually create jobs. Kalitanyi and Visser (2010:387), in their study of African immigrants in South Africa, discovered that 29/40 (73%) interviewed immigrant entrepreneurs from Nigeria prefer to employ South Africans, as do 36/40 (90%) immigrant entrepreneurs from Senegal and 14/20 (70%) other immigrant entrepreneurs from assorted African countries. A noteworthy number of 19/20 (95%) interviewed immigrant entrepreneurs from various African countries prefer to employ South Africans. In short, out of 120 African immigrant entrepreneurs interviewed 98 (82%) employed South Africans. Fakoti and Patswawairi (2012:139) also report that immigrant entrepreneurs employ native South Africans, suggesting that immigrant entrepreneurship can be one of the ways to combat the high unemployment rate in South Africa.

Rath (2010:2) believes that immigrant entrepreneurs differ from immigrant workers as well as from native entrepreneurs. Immigrant entrepreneurs may have expert knowledge on specific demands or specific sources of supply relating to foreign products, as in the case of foodstuffs (for instance, spices from Indonesia), music (for example, rai music from North Africa) or DVDs (such as Bollywood movies from India). By introducing new products and new ways of marketing, even immigrant entrepreneurs at the bottom end of the market can be innovators (Rath 2010:2). One example is the introduction of Nigerian movies by Nigerian entrepreneurs in South Africa. Rath (2010:2) further argues that immigrant entrepreneurs' expertise is hard to copy and can be based on first-hand knowledge from back home or can be generated through transnational networks that bridge the country of origin. Thus native entrepreneurs may

- Lack the credibility for specific kinds of business, as in the case of Chinese restaurants where the owner and employees need at least a Chinese appearance;

- Prefer not to be involved in certain lines of business that require long hours of hard work at low pay, which immigrants are prepared to tolerate.

Consequently, migrant entrepreneurs may broaden the range of goods and services in a country and thus expand consumers' choices (Rath 2010: 2).

2.4. Conclusion

This chapter focused on the discussion of SMMEs and immigrant entrepreneurship. In terms of SMMEs, it provided definitions as well as clarification of their categories as stipulated by the National Small Business Amendment Act 26 of 2003 (South Africa, 2003). The characteristics and the significance of SMMEs were discussed. The chapter also identified and discussed challenges in operating micro-enterprises, including xenophobia, language, sales fluctuation, competition, employee relations, access to finance, business location and red tape.

The section of immigrant entrepreneurship looked at different terms employed to describe immigrants who carry out entrepreneurial activities. This section also discussed reasons for migration, types of immigrant entrepreneurship and business profiles of immigrant entrepreneurs. Theories that elucidate why immigrants have a greater propensity for self-employment were covered, as well as social capital in support of immigrant entrepreneurship, and last, the remarkable contribution of immigrant entrepreneurship to host countries.

CHAPTER 3: RESEARCH METHODOLOGY

3.1. Introduction

In the field of immigrant entrepreneurship, it is best to employ both qualitative research and quantitative research within a single programme of study. Johnson *et al.* (2007:112) maintain that mixed methods is becoming increasingly articulated, attached to research practice, and recognised as the third major research approach paradigm, along with qualitative research and quantitative research. Consequently, this study uses both qualitative and quantitative research methods.

This chapter focuses on the presentation of the methods used in conducting the study, namely: research approach, design technique, targeted population, sampling technique, sample size, pilot study, reliability and validity, and ethical issues.

3.2. Research design

Zikmund *et al.* (2010:66) describe the research design as a master plan that specifies the methods and procedures for collecting and analyzing the needed information. Objectives of the study determined during the early stages of the research are included in the design to ensure that the information collected is appropriate for solving the problem. The researcher also must determine the sources of information, the design technique (survey or experiment), the sampling methodology and the schedule and cost of the research.

According to Johnson *et al.* (2007:119) and Greene and Caracelli (1997), a mixed-methods study is one that juxtaposes or combines methods of different types (qualitative and quantitative) to provide a more elaborated understanding of the phenomenon of interest (including its context) and to gain greater confidence in the conclusions generated by the study.

Mixed-methods research is appropriate for this study as it serves two purposes: first, to help discover and handle threats to validity arising from the use of qualitative or quantitative research only, by applying methods from alternative methodological traditions and can thus ensure good scientific practice by enhancing the validity of methods and research findings (Johnson *et al.*, 2007:120; Kelle, 2006;).

3.2.1. Descriptive Research

Descriptive research describes characteristics, people, groups, organisations, or environments (Zikmund *et al.*, 2010:55). In other words, it tries to “paint a picture” of a given situation by addressing who, what, when, where, and how questions. This study employs descriptive research since the main question is “What are the challenges in operating micro-enterprises by African foreign entrepreneurs in Cape Town, South Africa?”

3.2.2. Targeted population

A population is a defined collection of all individuals or other units (e.g. families, corporations, textbooks, videos) from which data can be collected. A population should be defined to include individuals we want to describe (e.g. all registered voters), not just those who return a questionnaire (Dorsten & Hotchkiss, 2005:28). The targeted population for this study is African foreign entrepreneurs who are:

- Operating micro-enterprises within the Cape Town metropolitan area;
- From any country on the African continent.

Zikmund *et al.* (2010:119) believe that the unit of analysis for a study indicates what or who should provide the data and at what level of aggregation. Hence, African foreign entrepreneurs who are operating micro-enterprise in Cape Town are the unit of analysis as they will provide required and relevant responses for the study.

3.2.3. Sampling Technique

Sampling is any procedure that draws conclusions based on measurements of a portion of the population, and convenience sampling refers to obtaining people or units that are conveniently available (Zikmund *et al.*, 2010:658 and 396). This study employs convenience sampling (which falls under non-probability sampling) because the researcher realised it would be expensive and time consuming to determine all African foreign entrepreneurs operating micro-enterprises in Cape Town. Hence he used the most convenient sample. The advantage of non-probability samples is that they are less complicated and more economical in terms of time and financial expenses than probability samples (Welman, Kruger & Mitchell, 2005:68). However,

Zikmund *et al.* (2010:404) maintain that disadvantages associated with non-probability sampling, specifically convenience sampling are:

- Likely unrepresentative samples;
- Random sampling error estimates cannot be made;
- Data projecting beyond sample is relatively risky.

3.2.4. Sample size

Thus far, in South Africa, there is no official estimate of immigrant-owned businesses (Tengeh, 2010:20). Obtaining a reliable estimate of the population size in studies of this class is difficult, thus, drawing a sample size is challenging. Taking into consideration four studies conducted on immigrant entrepreneurship in South Africa, two of which were in Cape Town, (Fatoki & Patswawairi, 2012; Tengeh *et al.*, 2011; Kalitanyi & Visser, 2010; Rogerson, 1997), an average sample size of 118.75 was arrived at. Therefore, to ensure satisfactory results, a sample size of 130 respondents was drawn. Two hundred questionnaires were printed; 130 were distributed as self-administered questionnaires and the remainder used as interview guides. A total of 93 completed questionnaires was achieved, through 72 interviews and 21 self-completed returned questionnaires. This gave an overall response rate of 72%. The reason for not achieving a 100% response was due to disadvantages associated with self-administered questionnaires, including “respondents whose literacy is limited or whose facility with English is restricted will not be able to answer the questionnaire” (Bryman & Bell, 2011: 233).

3.2.5. Pilot study

Before collecting any data, the researcher carried out a pilot study to test if the selected procedures would work as intended. A pilot study is critical in refining survey questions and reducing the risk of the full study being fatally flawed. According to Zikmund *et al.* (2010: 65), a pilot study is a small-scale research project that collects data from respondents whose characteristics are similar to those that will be used in the full study. For instance, almost all consumers take a test drive before buying a car; a pilot study serves a similar purpose for the researcher. Looking at the sample size of 130 units, the researcher used 13 (10% of the total sample size) units for the pilot study. The results of the pilot study showed:

- Some of the questions on the research questionnaire were not clear.
- Respondents had a difficulty in understanding the questionnaire due to the use academic language.
- Participants gave more than one answer to questions that required only one answer as a result of unclear instructions on how to answer the questions.

In the present study, a pilot study was very helpful as it assisted the researcher in uncovering issues related to the questionnaire's design. The researcher made the necessary amendments on the initial research questionnaire to address the weaknesses discovered.

3.2.6. Questionnaire development

Zikmund *et al.* (2010:336) argues that the research questionnaire development stage is critically important as the information provided is only as good as the questions asked. The nine-page-long questionnaire (see Appendix C) that was also used as an interview guide consists of both open-ended (for qualitative data) and fixed-alternative (for quantitative data) questions. According to Zikmund *et al.* (2010:338), open-ended response questions are questions that pose some problem and ask respondents to answer in their own words, whereas fixed-alternative questions are those in which respondents are given specific, limited–alternative responses and asked to choose the one closest to their own viewpoint. To achieve the best question sequence, the researcher employed the funnel technique when designing the questionnaire. This involved asking general questions before specific questions in order to obtain unbiased responses. Funnel technique allows the researcher to understand the respondent's frame of reference before asking more specific questions about the level of the respondent's information and intensity of his or her opinions (Zikmund *et al.*, 2010:349).

The questionnaire is divided into four sections: Section A covers general information of African foreign entrepreneurs; Section B then looks at entrepreneurial education or knowledge and training that African foreign entrepreneurs had received; Section C covers the business profile; and lastly, section D looks at the challenges that African foreign entrepreneurs face in operating micro-enterprises in Cape Town.

3.2.7. Data gathering

Data gathering is the process of gathering and collecting information. Data may be gathered by human observers or interviewers, or may be recorded by machines as in the case of scanner data and Web-based surveys (Dorsten & Hotchkiss, 2005:30).

The study made use of survey research because it provided a quick, inexpensive, efficient, accurate means of assessing information about the population. Typically, surveys attempt to describe what is happening or learn the reasons for a particular business activity (Zikmund *et al.* 2010:186).

Data was gathered by using personal interviews and questionnaires over a period of six weeks where the researcher and research assistants physically visited African foreign entrepreneurs at their business premises to drop-off research questionnaires or conduct personal interviews. During the data gathering period, the researcher noticed that respondents did not fully complete the research questionnaire when given the responsibility to do it themselves. Thus, the researcher then insisted on personal interviews as a turnaround strategy to achieve a higher response rate.

Maree (2007:156) suggests that a number of different methods can be used to gather data from the sample of respondents. Each method has advantages and disadvantages, and some methods are better in some circumstances than others.

3.2.7.1. Personal interviews

Seventy-two structured personal interviews were conducted; where the researcher read the question in the same tone of voice so that bias was not indicated. Zikmund *et al.* (2010:209) present the following advantages of personal interviews:

- Opportunity for feedback – personal interviews offer a low chance that respondents will misinterpret questions, because an interviewer who senses confusion can clarify the instruction or question.
- Probing complex answers – in probing, the interviewer asks for clarification with standardised questions such as “Can you tell me more about what you had in mind?”
- Length of interview – if the research objective requires an extremely lengthy questionnaire, personal interviews may be the only option.

- Completeness of questionnaire – the social interaction between a well-trained interviewer and a respondent in a personal interview increase the likelihood that the respondent will answer all the items on a questionnaire.
- High participation – although some people are reluctant to participate in a survey, the presence of an interviewer generally increases the percentage of people willing to complete the interview.

Burns and Burns (2008:493) list the following disadvantages of personal interviews:

- They are more costly and time-consuming than questionnaires. Scheduling of interviews becomes a problem. Hence, a smaller number of respondents may be interviewed due to time and financial considerations.
- Finding skilled and trained interviewers with appropriate interpersonal skills may be difficult. High inter-rater reliability is hard to achieve.
- Interviewer effects may bias results from interaction between the interviewer and respondent. These include personal characteristics of the interviewer such as age, gender, educational level, social status, ethnicity, language (first or second), authority (“white coat” effects), stranger effect, and experience at interviewing.
- Respondents may feel that they are being put on the spot.
- Flexibility afforded by unstructured interviews may generate coding difficulties later when attempts are made to categorise and evaluate responses.

3.2.7.2. Questionnaires

The study employed self-administered questionnaires as another method of collecting data. According to Bryman and Bell (2011: 231), with a self-administered questionnaire, respondents answer questions by completing a questionnaire themselves. Zikmund *et al.* (2010: 219) add that no matter how self-administered questionnaires are distributed, they are different from interviews, because the respondent takes responsibility for reading and answering the questions. The researcher made use of printed questionnaires that were personally distributed via drop-off.

All questionnaires had a covering letter (see Appendix B) on the first page. Zikmund *et al.* (2010:222) note that a covering letter that accompanies a questionnaire or is printed on the first page of the questionnaire booklet is an important means of inducing a reader to complete and return the questionnaire.

Bryman and Bell (2011:232) summarise the following advantages of self-administered questionnaires:

- Cheaper to administer – interviewing can be costly. The inexpensiveness of self-administered questionnaires is especially advantageous if you have a sample that is geographically widely dispersed.
- Quicker to administer – self-administered questionnaires can be sent out by post or otherwise distributed in a very large quantities at the time.
- No interviewer variability – self-administered questionnaires do not suffer from the problem of interviewers asking in a different order or in different ways.
- Convenience for respondents – self-administered questionnaires are more convenient for respondents, because they can complete a questionnaire when they want and at the speed that they want to go.

Zikmund *et al.* (2010:222) note that self-administered questionnaires present a challenge to the researcher as they rely on the clarity of the written word rather than on the skills of the interviewer. Disadvantages of self-administered questionnaires as presented by Bryman and Bell (2011: 233) are:

- Cannot prompt – there is no one to help respondents if they are having difficulty answering a question.
- Cannot probe – there is no opportunity to probe respondents to elaborate an answer.
- Cannot ask many questions that are not salient to respondents – respondents are more likely than in interviews to become tired of answering questions that are not relevant salient to them, and that they are likely to perceive as boring.

- Not appropriate for some kinds of respondents – respondents whose literacy is limited or whose facility with English is restricted will not be able to answer the questionnaire.

3.3. Reliability and validity

Reliability is an indicator of a measure's internal consistency (Zikmund *et al.*, 2010:657); conversely, validity refers to the accuracy of a measure or the extent to which a score truthfully represent a concept (Zikmund *et al.*, 2010:660). The issues of reliability and validity are crucial and they are commonly associated with quantitative research. In qualitative research methods, reliability and validity aid the reader in deciding the degree of confidence to afford the outcomes of the study and whether or not to believe the researcher's conclusions. In quantitative research, the focus is therefore on trustworthiness of the research project (Khosa, 2009:18). As the current study uses both quantitative and qualitative methods, reliability and validity were important factors.

Wimmer and Dominick (1997:89) detail techniques that can be employed to enhance the credibility of qualitative research:

- Multiple methods of data collection – the use of various methods to collect data for a research project provides the impression that the topic was examined from various perspectives and therefore builds confidence in the findings. In this study, self-administered questionnaire and 72 personal interviews were employed.
- Member checks – involves allowing your research subjects an opportunity to read your notes and conclusions to ascertain whether or not you have accurately captured their input. As for member checks, all interviewed respondents were given an opportunity to read the captured responses. Participants who completed self-administered questionnaires also had an opportunity to read their responses as they captured the questionnaires themselves.
- Research team – team members should strive to be honest and on target when describing and interpreting data. Sometimes an external person is

asked to observe the process and raise questions of possible bias or misinterpretation where appropriate. In terms of research teams, it was the researcher's top priority to make sure that all research assistants were qualified before assisting in data collection. The researcher then captured all the completed questionnaires with a help of a statistician.

- Audit trail – involves making available a permanent record of original data used for analysis. The audit trail provides others with a platform to examine thought processes involved in the research as well as to access the accuracy of research conclusions. Therefore, the researcher kept all the completed questionnaires and interview transcripts as these documents enable tracing the steps of any process or procedure followed.

3.3.1. Content validity

Content validity refers to the degree that a measure covers the domain of the interest. Do the items capture the entire scope, but not go beyond, the concept being measured? (Zikmund *et al.*, 2010:307.) For the purposes of this study, all content on the research questionnaires or interview guides are aimed only at answering the research questions and achieving the research objectives of the study and nothing more. The content seeks to understand the general information, entrepreneurial education, business profile, and ultimately discover challenges faced by African foreign entrepreneurs in operating micro-enterprises in Cape Town.

3.3.2. Criterion validity

Criterion validity refers to the ability of a measure to correlate with other standard measures of similar constructs or established criteria. Criterion validity may be classified as either concurrent validity or predictive validity depending on the time sequence in which the new measurement scale and the criterion measure are correlated (Zikmund *et al.*, 2010:308). For the purpose of the current study, the research questionnaire was designed to have concurrent validity, to accurately determine the current challenges facing African foreign entrepreneurs in operating micro-enterprises at the time of the survey.

3.4. Research ethics

When collecting primary data from African foreign entrepreneurs (participants), the researcher followed the following principles of ethical issues to be considered when conducting research, as outlined by Neuman (2000:142):

- Refrain from exploring research subject for personal gain.
- The researcher should get consent to conduct research (see appendix D).
- Guarantees of primary confidentiality and anonymity must be honoured.
- A researcher must use appropriate research methods suited to the topic.
- The study design should be released together with the result of the research.
- The researcher must strive to ensure that interpretation of research results is consistent with the data.
- The researcher must use high methodological standards and strive for accuracy.

As far as the literature is concerned, the researcher ensured that all consulted sources are acknowledged, both in the text and in the Bibliography.

3.5. Data analysis

The data collected from the respondents were captured into SPSS-statistical software. Data were then analysed into useful categories then presented by means of tables and cross-tabulations. The findings were compared to the literature reviewed in Chapter 2 and conclusions were drawn based on the information from the analysed questionnaires.

3.6. Conclusion

This chapter focused on the presentation of the methods and techniques employed in carrying out this study. The study employed a mixed-methods approach to provide a more elaborated understanding of the phenomenon of interest. Convenience sampling (which falls under non-probability sampling) was used. To gather primary data, self-administered questionnaires and personal interviews were employed.

The chapter also highlighted the targeted population; sample size; advantages and disadvantages of self-administered questionnaires and personal interviews; reliability and validity; research ethics; and data analysis.

CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.1. Introduction

Data analysis is the application of reasoning to comprehend the collected data. In its simplest form, analysis may involve shaping consistent patterns and summarising the relevant details revealed in the investigation (Zikmund *et al.*, 2001:70).

In this chapter, results of the study are presented and analysed in concurrence with the objectives and research questions previously formulated. The results are presented by means of tables and narrations then followed by an analysis. In all tables, unless otherwise specified, n = 93.

The results are presented under the following sections: general biographical information, business education, business profile, and lastly, challenges faced by African foreign entrepreneurs in operating micro-enterprises in Cape Town.

4.1.1. General information

This section presents results of general biographical information provided by African foreign entrepreneurs under the sub-headings of age category, nationality, length of stay in South Africa, reasons why African foreign entrepreneurs migrated to South Africa, and level of education.

4.1.2. Entrepreneurial education

This section focuses on entrepreneurial education of African foreign entrepreneurs; thus the data and analysis is around entrepreneurial training.

4.1.3. Business profile

In this section, data is presented and analysed under the following sub-headings: business registration, motivation towards self-employment, type or field of business, number of employees, length of business existence, and hours of operation.

4.1.4. Challenges in operating micro-enterprises

This section is the heart of the study as the main objective was to investigate challenges in operating micro-enterprises by African foreign entrepreneurs. Data on

employee relations, funding, business location, xenophobia, red-tape, competition, language, and sales fluctuation is presented and analysed.

4.2. General information

Table 4.1. Gender and age category of respondents							
		Age Category					Total
		< 20 years	20 - 30 years	31 - 40 years	41 - 50 years	51 - 60 years	
Gender	Male	2	21	26	14	1	64
	Female	4	11	9	3	2	29
Total		6	32	35	17	3	93

Table 4.1 above shows that out of 93 respondents 64 were males with the majority (26) falling in the age category of 31-40 years. A lesser but still significant number of 29 respondents were females, where a majority (11) fell in the age group of 20-30 years. At least 4 out of 29 females seemed to have engaged in entrepreneurial activities at an early age of younger than 20 years compared to 2 out of 64 males.

These findings are comparable to findings by Chrysostome (2010), Tengeh (2010), Kalitanyi (2007:63), and Rogerson, (1997) who all concur that immigrant businesses are operated by young or middle-aged males. In the African culture, males are expected to provide shelter, food, clothing and security to their families; thus, the great number of males involved in entrepreneurial activities.

Table 4.2. Nationality				
	Frequency	Percent	Valid Percent	Cumulative Percent
Angola	3	3.2	3.2	3.2
Botswana	2	2.2	2.2	5.4
Burundi	3	3.2	3.2	8.6
China	1	1.1	1.1	9.7
DRC	13	14.0	14.0	23.7
Egypt	1	1.1	1.1	24.7
Ethiopia	2	2.2	2.2	26.9
Ghana	1	1.1	1.1	28.0
Guinea	2	2.2	2.2	30.1
Kenya	1	1.1	1.1	31.2
Valid Malawi	1	1.1	1.1	32.3
Morocco	2	2.2	2.2	34.4
Mozambique	3	3.2	3.2	37.6
Namibia	1	1.1	1.1	38.7
Nigeria	27	29.0	29.0	67.7
Rwanda	1	1.1	1.1	68.8
Senegal	1	1.1	1.1	69.9
Somalia	7	7.5	7.5	77.4
Tanzania	1	1.1	1.1	78.5
Zimbabwe	20	21.5	21.5	100.0
Total	93	100.0	100.0	

The study covered immigrant entrepreneurs from any country in Africa, as shown in Table 4.2. The majority of 27 (29.0%) respondents came from Nigeria, followed by 20 (21.5%) from Zimbabwe and 13 (14.0%) from the DRC. Only 7 (7.5%) respondents were from Somalia; this may be because Somalis battled to understand the English questionnaire. Bryman and Bell (2011:233) posit that participants whose literacy or whose facility with English is limited will not be able to answer a questionnaire.

Table 4.3. Length of stay in South Africa				
	Frequency	Percent	Valid Percent	Cumulative Percent
< 5 years	37	39.8	39.8	39.8
5 - 10 years	26	28.0	28.0	67.7
Valid 11 - 15 years	21	22.6	22.6	90.3
> 15 years	9	9.7	9.7	100.0
Total	93	100.0	100.0	

As displayed in Table 4.3, majority of 37 (39.8%) respondents have been staying in South Africa for less than 5 years. This finding is comparable to findings by Kalitanyi (2007:62) who also noted that the majority of respondents participating in his study had been in South Africa for less than 5 years. Twenty-six (28.0%) immigrant entrepreneurs have lived in South Africa for 5-10 years; 21 (22.6%) for 11-15 years and 9 (9.7%) have been in the country for more than 15 years.

Kalitanyi (2007:64) postulates that the declining length of stay in South Africa may be connected to the fact that many immigrants return to their home country after amassing enough capital to develop a business venture back home. Bonacich (1973:584) adds that a key characteristic of immigrant entrepreneurs is the propensity to be sojourners—temporary residents in a strange country—planning to return to their home country when their mission is accomplished.

Table 4.4. How knowledge about South Africa was acquired				
	Frequency	Percent	Valid Percent	Cumulative Percent
Television	10	10.8	10.8	10.8
Radio	1	1.1	1.1	11.8
Internet	8	8.6	8.6	20.4
Valid Friends and family	44	47.3	47.3	67.7
Print media	10	10.8	10.8	78.5
Other	20	21.5	21.5	100.0
Total	93	100.0	100.0	

Table 4.4 above illustrates that a majority of 44 (47.3%) respondents came to know about South Africa through family and friends who had been in the country before or had heard about it. This finding suggests that African foreign entrepreneurs rely strongly on networks. Volery (2007:38) affirms that a good social structure can enable or at least facilitate a job search, hiring, recruitment and training, and, more significantly, organising the information flows between newcomers and settlers.

The category designated “Other”, which consisted of 20 (21%) respondents, comprises the combination of the following responses: television, radio, internet, friends and family, print media, school and history. Ten (10.8%) respondents stated that they came to know about South Africa through television; another 10 (10.8%) respondents through print media; 8 (8.6%) through the internet while only 1 (1.1%, but important) knew of the country through radio.

Table 4.5. Reasons for leaving country of origin				
	Frequency	Percent	Valid Percent	Cumulative Percent
Economic reasons	25	26.9	26.9	26.9
Political instability	26	28.0	28.0	54.8
Visit	12	12.9	12.9	67.7
Valid Perception of business opportunities	10	10.8	10.8	78.5
Other	20	21.5	21.5	100.0
Total	93	100.0	100.0	

4.2.1. Political instability

Table 4.5 shows that a slight majority of 26 (28%) immigrant entrepreneurs who participated in the study left their home countries for South Africa due to political instability. This finding is in line with findings by Tengeh (2010) and Kalitanyi (2007), who also found that a majority of their respondents migrated to South Africa due political instability. Fatoki and Patswawairi (2012) and Vargas (1999) highlight that aspects such as globalisation, wars and political problems facing countries have contributed to a large number of immigrants coming to South Africa. According to Ibrahim and Galt (607:2011), in other migration, for example between Africa and Europe, the reason for migration may be due to a collection of aspects concerning the instability of the originating country rather than one of economic choice.

4.2.2. Economic reasons

Twenty-five (26.9%) respondents migrated to South Africa due to economic reasons. Associating this finding with the neoclassical economics, Massey, Arango, Hugo, Kouaouci, Pallegirino and Taylor (1993:432) argue that neoclassical economics concentrates on differentials in wages and employment conditions between countries, and on migration costs; it usually conceives of movement as an individual decision for income maximization. Economic boom is one of the reasons why people migrate, in the hope of locating better standard of living (Goetz, 1999:5).

While a great deal of cross-border activity is labour-seeking employment, some includes those who seek to establish business opportunities or become self-employed in the host country to which they migrate (Ibrahim & Galt, 607:2011).

4.2.3. Visit, perception of business opportunities and other

Twelve (12%) respondents came to South Africa with an intention of visiting but ended up postponing their return to their country of origin and developed a business enterprise. Of 93 immigrant entrepreneurs, a noteworthy 10 (10.8%) migrated to South Africa with the notion of business opportunities. The group “Other” consists of respondents who opted for the combination of the following responses: economic reasons, political instability and perception of business opportunity, with 1 (1.1%) respondent who migrated to South Africa to study and another 1 (1.1%) who migrated to South Africa due to family problems.

Table 4.6. Highest level of education					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	No formal education	5	5.4	5.4	5.4
	Primary education	16	17.2	17.2	22.6
	Secondary education	25	26.9	26.9	49.5
	Certificate	16	17.2	17.2	66.7
	Diploma	14	15.1	15.1	81.7
	Bachelor's degree	10	10.8	10.8	92.5
	Master's degree	4	4.3	4.3	96.8
	PhD	2	2.2	2.2	98.9
	Post-PhD	1	1.1	1.1	100.0
	Total	93	100.0	100.0	

As presented in Table 4.6, a majority of 72 (77.6%) respondents have completed secondary education; 16 (22.6%) had primary education and only 5 (5.4%) had no formal education. Significantly, 47 (50.7%) respondents have post-matric qualifications. This is comparable to findings by Fatoki and Patswawairi (2012) who reported that 69% of their respondents had post-matric qualifications. Regardless of

the country where they obtained their qualifications, Kalitanyi and Visser (2010) and Ngwema (1998) found that over 80% of immigrants in South Africa have a minimum of 10 - 12 years of education, and at least 30% have some form of tertiary education, or have completed tertiary education. Table 4.6 also shows that 4 (4.3%) participants have Master’s degrees, 2 (2.2%) have doctoral education and 1 (1.1%) has a post-doctoral education. During fieldwork visits to the businesses the researcher observed that those operated by respondents with master’s education were doing better than enterprises run by entrepreneurs with no formal or primary education only, as those with a degree had a growth strategy for their enterprises. African foreign entrepreneurs with doctoral education and post-doctoral education ran consulting businesses and also had day jobs as university lecturers.

4.3. Entrepreneurial education

Table 4.7. Belief in the necessity of entrepreneurial training				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	80	86.0	86.0
	No	13	14.0	100.0
	Total	93	100.0	100.0

When asked if they believe entrepreneurs need training, 80 (86.0%) respondents opted for “Yes”. This finding strongly suggests that immigrant entrepreneurs realise the importance of entrepreneurial training; only 13 (14.0%) respondents apparently did not believe entrepreneurs need training. This leads to the question: If entrepreneurial training is so important, why are African foreign entrepreneurs who do not have entrepreneurial training still in business? The cultural theory suggests that ethnic and immigrant groups are equipped with culturally-determined features such as dedication to hard work, membership of a strong ethnic community, economical living, acceptance of risk, compliance with social value patterns, solidarity and loyalty and orientation towards self-employment.

However, African foreign entrepreneurs cannot only rely on cultural traits to succeed in their businesses, thus entrepreneurial training is crucial as it provides a holistic

overview of business principles and equips one with strategies to deal successfully with business challenges and prevent business failure while maximizing profits (Jawo, 2013). Furthermore, there is a correlation between the results in table 4.6 and table 4.7. Thirteen percent of the respond who believe that entrepreneurial education is not necessary may fall under the respondents who do not have formal education; respondent with primary education; and tertiary education. The fact that immigrant entrepreneurs without education are still in businesses does not necessarily mean that they are doing well, as observed by the researcher during fieldwork that those with high education are doing much better.

Table 4.8. Enrolment in a business course/module before starting business					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	34	36.6	36.6	36.6
Valid	No	59	63.4	63.4	100.0
	Total	93	100.0	100.0	

Table 4.8 shows only 34 (36.6%) respondents had enrolled for a business course before starting their business venture, while 59 (63.4%) respondents reported never having enrolled for a business course or module before starting their enterprise. This finding can justify the fact that most immigrant-owned businesses take time to grow and serve mainstream markets.

Table 4.9. Participation in entrepreneurship training before starting business					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	27	29.0	29.0	29.0
Valid	No	66	71.0	71.0	100.0
	Total	93	100.0	100.0	

Lack of entrepreneurial education is one of the recipes for business failure. Table 4.9 shows that 66 (71.0%) respondents had not received any form of training around

entrepreneurship before starting their businesses. The chances of these micro-enterprises growing to small or medium businesses (as defined by the NSBA, 2003) are minimal as there was no clear business plan before starting the business or engaging in entrepreneurial activities. As presented in the table above, 27 (29.0%) respondents had received some level of training concerning entrepreneurship before starting their businesses. Entrepreneurial training is vital as it provides knowledge in the following disciplines: marketing; buying; employee relations; bookkeeping; financial management and leadership skills (Jawo, 2013).

Table 4.10. Most helpful aspect of prior entrepreneurial training					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Marketing	2	2.2	7.4	7.4
	Buying	1	1.1	3.7	11.1
	Employee relations	1	1.1	3.7	14.8
	Bookkeeping	1	1.1	3.7	18.5
	Financial management	9	9.7	33.3	51.9
	Other	13	14.0	48.1	100.0
	Total	27	29.0	100.0	
Missing	System	66	71.0		
Total		93	100.0		

Of the 27 (29.0%) respondents who received some entrepreneurial training before starting their businesses, 9 (9.7%) said that the training has been helpful in the financial management area of their businesses, 2 (2.2%) reported that it was helpful in the marketing area of their business, and 3 (3.3%) respondents reported that the training was helpful in the buying; employee relations; bookkeeping areas of their enterprises. The responses to the category “Other” (14%) are shaped by respondents who reported that entrepreneurial training is helpful to their businesses in the combined areas of marketing, buying, employee relations, bookkeeping and financial management.

Table 4.11. Attendance at business workshops to improve entrepreneurial skills				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	35.5	35.5
	No	60	64.5	100.0
	Total	93	100.0	100.0

Table 4.11 shows that a majority of 60 (64.5%) respondents do not attend business workshops to improve their entrepreneurial skills; however, 33 (35.5%) respondents acknowledged attending business workshops to improve their entrepreneurial skills.

During field work, the researcher noted that many entrepreneurs run their businesses without involving or engaging with other entrepreneurs, thus they do not create a networking and information-sharing platform. In addition, entrepreneurs who had received entrepreneurial education felt that there is no need for them to attend business workshops as they assume that they know enough about entrepreneurship. Other entrepreneurs are keen to attend business workshops but they do not have information how to go about attending these workshops.

4.4. Business profile

Table 4.12. Business registration				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	51	54.8	54.8
	No	42	45.2	100.0
	Total	93	100.0	100.0

In answer to the question “Is your business registered?” Table 4.12 above illustrates that 51 (54.8%) of respondents reported that their businesses are registered, whereas 42 (45.2%) respondents had not registered their business.

Some of those whose businesses are not registered mentioned that they do not see the need to register their businesses; some mentioned that the process is complicated and they do not have all the necessary documents, such as business permits and the South African green Identity book, as they are immigrants.

4.4.1. Motivation towards self-employment

This sub-heading looks at motivations towards immigrant entrepreneurship by interpreting African foreign entrepreneurs' responses from the qualitative data. The analyses are not only based on the responses quoted below, but also on matching responses from all completed questionnaires.

"My father was a businessman back at home and due to that I fell in love with the business industry" (Said a respondent from Botswana)

This suggests that culture has an influence on the start-up of small businesses by African foreign entrepreneurs as the above respondent was exposed to entrepreneurial activities due to her father's engagement in entrepreneurship. According to Weber's (1956) thesis, the success of the entrepreneur could be traced to the values of frugality, deferred gratification and asceticism, and the fundamental Protestant culture (but not exclusive to that culture). Consequently, culture was the explanatory variable which influenced some people towards being culturally pushed to entrepreneurship, whereas others tended to refrain from new venture creation. At heart, the Weberian approach argued that entrepreneurial behaviour is culturally influenced by values and beliefs (Dana, 1997:54)

"I could not find any meaningful employment due to the fact that I'm a Nigerian".

"I am trying to survive because there are no jobs available". (Accounted another respondent)

According to the market disadvantage theory, immigrants face numerous difficulties that prevent them from entering the job market of their host country. Dana (1997:57) argues that some immigrants do not inevitably come from an ethnocultural group which value entrepreneurial practices and possibly they do not identify entrepreneurship as the option they would normally select as their first choice.

Nevertheless, as immigrants, they encounter barriers to employment and opportunity. According to Habiyakare *et al* (2009:63); Kalitanyi (2007); Dana (1997:57); Waldinger, Aldrich and Ward (1990), entrepreneurship is sometimes an adaptive-response behaviour to marginality. Although this might be the case, refugees are more likely to launch new ventures in their host societies than they would in their country of origin (Shapero & Sokol, 1982), suggesting that in times of transition, individuals may become entrepreneurs while entrepreneurship was not their intended goal (Dana, 1997:57).

“I wanted to contribute to the economy and employ unemployed South Africans”

Some immigrants start businesses because they want to make a change and contribute to their host countries, the above statement by an immigrant from the DRC proposes that one cannot be general that immigrants steal jobs for locals, in addition, Kalitanyi and Visser (2010); Kalitanyi (2007), Peberdy and Rogerson, (2000); Rogerson (1997) have confirmed that African foreign entrepreneurs create employment for locals. In the recruitment process of immigrant-owned businesses in Cape Town, preference is given to locals (Kalitanyi and Visser, 2010; Kalitanyi, 2007).

“I was hungry and I decided to use my hands”. – (said a hairdresser from Botswana)

This narration can be comparable to Kalitanyi’s (2007) observation that in the host country, finding employment or something to eat is difficult if the government does not intervene; for this reason, immigrants enter necessity-based entrepreneurship. From the quotation, it is evident that immigrants engage in entrepreneurial activities as a need to survive in the host country. Peberdy and Rogerson (2000) write that self-employment is a vital income earning option for immigrants living in South Africa.

Table 4.13. Types of businesses					
	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Retail	20	21.5	21.5	21.5
	Music store	6	6.5	6.5	28.0
	Bakery	4	4.3	4.3	32.3
	Footwear	4	4.3	4.3	36.6
	Restaurant	9	9.7	9.7	46.2
	Herbalist	2	2.2	2.2	48.4
	Salon	20	21.5	21.5	69.9
	Nightclub	3	3.2	3.2	73.1
	Tavern	3	3.2	3.2	76.3
	Vehicle repair	4	4.3	4.3	80.6
	Clothing	9	9.7	9.7	90.3
	Traditional healing	1	1.1	1.1	91.4
	Other	8	8.6	8.6	100.0
	Total	93	100.0	100.0	

As displayed in Table 4.13, African foreign entrepreneurs engage in a wide range of businesses, with 20 (21.5%) respondents, largely from DRC, Zimbabwe, Somalia and Nigeria, reporting operating retail businesses. Another 20 (21.5%) respondents are operating salons, with Zimbabweans and Nigerians showing great interest in this type of business enterprise. The high interest in this type of business can be justified by the inexpensive resources required to set up the business. It was also noted that salons are frequently operated by female African foreign entrepreneurs.

Table 4.14. Number of employees				
	Frequency	Percent	Valid Percent	Cumulative Percent
0 Employee	26	28.0	28.0	28.0
1-5 Employees	47	50.5	50.5	78.5
Valid 11-15 Employees	7	7.5	7.5	86.0
6-10 Employees	13	14.0	14.0	100.0
Total	93	100.0	100.0	

As revealed in Table 4.14 above, per the categories defined by the NSBA (2003), a majority of 47 (50.5%) respondents operated micro-enterprises in Cape Town followed by a notable number of 26 (28.0%) who were operating survivalist enterprises. It was also discovered that 20 (21.5%) African foreign entrepreneurs participated in the study were operating very small enterprises.

The question 'were the survivalist businesses operated largely by newcomers?' arises from these finding. The answer appears to be that there may be a correlation between length of stay in South Africa, education levels and prior entrepreneurial training. The argument may be raised that these factors are both dependent and independent.

Table 4.15. Length of existence of the business				
	Frequency	Percent	Valid Percent	Cumulative Percent
	3	3.2	3.2	3.2
< 1 Year	9	9.7	9.7	12.9
>12 Years	4	4.3	4.3	17.2
1-2 Years	30	32.3	32.3	49.5
Valid 3-4 Years	20	21.5	21.5	71.0
5-6 Years	14	15.1	15.1	86.0
7-8 Years	11	11.8	11.8	97.8
9-10 Years	2	2.2	2.2	100.0
Total	93	100.0	100.0	

Table 4.15 shows that 30 (32.30%) respondents reported their enterprises had been in existence for 1-2 years, 20 (21.5%) for 3-4 years and 14 (15.1%) for 5-6 years. Importantly, it is evident that the majority of enterprises have been in existence for longer than 3 years, meaning that immigrant-owned businesses do grow as most businesses fail within the first 3 years of start-up (Statistic Brain, 2014). Tengeh *et al.* (2012:1) confirm that African immigrant-owned businesses do grow financially and the rate of growth varies across different ethnic groups.

Table 4.16. Business hours				
	Frequency	Percent	Valid Percent	Cumulative Percent
10-11 hours	33	35.5	35.5	35.5
12-13 hours	16	17.2	17.2	52.7
14-15 hours	8	8.6	8.6	61.3
Valid 16-17 hours	6	6.5	6.5	67.7
8-9 hour	30	32.3	32.3	100.0
Total	93	100.0	100.0	

Table 4.16 demonstrates that the minimum daily working hours worked by African foreign entrepreneurs in Cape Town is 8-9 hours. Table 4.16 further shows that majority of 33 (35.5%) respondents work 10-11 hours, and 16 (17.2%) respondents work 12-13 hours. A noteworthy 14 respondents (13%) work between 14- 17 hours daily.

These findings are comparable to findings by Min (1990:440) who ascertained that a significant proportion of immigrant (Korean) owned stores in New York City are open 24 hours a day to cover high rents. Hence, immigrant entrepreneurs in New York seem to work, on average, longer hours than their counterparts. While long hours of work help immigrant entrepreneurs to survive in labour-intensive small businesses, it deprives them of leisure activities and, in many instances, causes health problems (Min, 1990:440). Rogerson supports this (1997:2): he found that in South Africa, immigrant businesses are largely operated by single, young, male entrepreneurs who work, on average, a 64-hour week.

4.5. Challenges in operating micro-enterprises

Table 4.17. Experience of staff problems					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	38	40.9	56.7	56.7
	No	29	31.2	43.3	100.0
	Total	67	72.0	100.0	
Missing	System	26	28.0		
Total		93	100.0		

As presented in Table 4.17 above, a majority of 38 (40.9%) African foreign entrepreneurs responded that they often have staff problems, while 29 (31%) reported that they do not often have staff problems. The remaining 26 (28%) are respondents who do not have employees.

Table 4.18. Level of constraint of staff problems					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	27	29.0	40.3	40.3
	No	40	43.0	59.7	100.0
	Total	67	72.0	100.0	
Missing	System	26	28.0		
Total		93	100.0		

As shown in Table 4.18, when asked if staff problems are a challenge to their businesses, the majority of 40 (43%) respondents reported that staff problems are not a challenge to their enterprises, but 27 (29%) respondents acknowledged that staff problems do present a challenge to their enterprises. Thus staff problems is not a major obstacle to most African foreign entrepreneurs who have employees, even though, as was seen in Table 4.17 above, the majority of African foreign entrepreneurs reported often experiencing staff problems.

Table 4.19. Ease of acquiring funding					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	14	15.1	15.1	15.1
	No	79	84.9	84.9	100.0
	Total	93	100.0	100.0	

Table 4.19 reveals that a large number of 79 (84.9%) respondents acknowledged that it is not easy to get funding to grow their businesses, but, crucially, 14 (15.1%) respondents reported that it is easy to get funding to grow their businesses. Thus access to funds still remains one of the notorious obstacles in entrepreneurship. Abor and Quartery (2010:224) reinforce that SMEs are hampered by a number of aspects, including finance.

Table 4.20. Sources of start-up funding					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Venture Capitalist	1	1.1	1.1	1.1
	Bank	8	8.6	8.6	9.7
	Equity (own money)	34	36.6	36.6	46.2
Valid	Financial Institution	5	5.4	5.4	51.6
	Family & Friends	33	35.5	35.5	87.1
	Other	12	12.9	12.9	100.0
	Total	93	100.0	100.0	

A majority of 34 (36.6%) respondents provided their own start-up capital as they do not have the South African identity book and collateral to obtain a bank loan. This finding is in line with findings by Habiyakare *et al.* (2009:65) who reported 74% of their respondents had saved up their own capital and/or borrowed from relatives to start their businesses. In many studies, researchers suggest that the majority of ethnic-minority businesses have never employed or had access to business and financial support from banks and other financial institutions and consequently have to rely on personal savings and ethnic social resources (Piperopoulos, 2010:144).

Thirty-three (36.6%) respondents received start-up funding from family and friends. Usually the acquired funding was conditional: on using the money for the business, taking care of their families in South Africa and repatriating some money back home, or providing the family and friends a stake in the business, or returning the money with interest.

The category "Other" included respondents who reported they acquired start-up capital from both family and friends and personal equity.

Table 4.21. Sufficiency of funding requested				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	34	36.6	36.6
	No	59	63.4	100.0
	Total	93	100.0	100.0

Table 4.21 shows that a majority of 59 (63.4%) respondents reported that they did not get the amount they requested, meaning that these entrepreneurs still need money to grow their businesses. Thirty-four (36.6%) respondents said they had received the amount they requested.

Table 4.22. Need for further funding				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	64	68.8	68.8
	No	29	31.2	100.0
	Total	93	100.0	100.0

Table 4.22 above provides evidence that though respondents managed to secure start-up capital in some way, 64 (68.8%) respondents still need more funding to grow their businesses: this becomes problematic for these entrepreneurs as proven in Table 4.19 where 79 respondents (out of 93) reported that obtaining funding to grow their businesses is not easy. On the other hand, 29 (31.2%) said that they do not need more funding.

Table 4.23. Choice of business location					
	Frequency	Percent	Valid Percent	Cumulative Percent	
	Access for customers	49	52.7	52.7	52.7
	Climate & geography	1	1.1	1.1	53.8
	Close to competitors	2	2.2	2.2	55.9
	Demographics	1	1.1	1.1	57.0
Valid	Access to suppliers	1	1.1	1.1	58.1
	Convenience	4	4.3	4.3	62.4
	Visibility	6	6.5	6.5	68.8
	Other	29	31.2	31.2	100.0
	Total	93	100.0	100.0	

As demonstrated in Table 4.23, most respondents (52%) reported that access to customers is what determined their choice of their business location.

The category “Other” comprises respondents who reported that the combination of access for customers, climate and geography, close to competitors, demographics, access to suppliers, convenience and visibility determined their choice of business location.

Table 4.24. Are you happy with your current business location?					
	Frequency	Percent	Valid Percent	Cumulative Percent	
	Yes	82	88.2	88.2	88.2
Valid	No	11	11.8	11.8	100.0
	Total	93	100.0	100.0	

As outlined by Mariotti and Glackin (2012:492), a number of inter-related factors affect choice of business location, including access for customers; access to suppliers; climate and geography; convenience; cost of facilities (rent, construction and the like); demographics; economic conditions and business incentives;

governmental regulations and laws; labour pool; proximity to competitors, and visibility.

Table 4.24 shows that a large number of 82 (88.2%) respondents are happy with their current business location, while only 11 (11.8%) respondents reported dissatisfaction with their current business location. These respondents were forced to take any available location and so did not enjoy the luxury of choice.

Table 4.25. Length of time to acquire current business location				
	Frequency	Percent	Valid Percent	Cumulative Percent
<1 Month	7	7.5	7.5	7.5
1-2 Months	24	25.8	25.8	33.3
3-4 Months	16	17.2	17.2	50.5
Valid 5-6 Months	18	19.4	19.4	69.9
7-8 Months	13	14.0	14.0	83.9
Other	15	16.1	16.1	100.0
Total	93	100.0	100.0	

As can be seen in Table 4.25, 24 (25.8%) respondents reported that it took only 1-2 months to get a business location. This short period of time does not imply that it was easy for these entrepreneurs to secure a business location as they had to call in lots of favours. Eighteen (19.4%) respondents reported taking 5-6 months to secure a business location; 16 (17.2%) 3-4 months, 13 (14.0%) 7-8 months and 7 (7.5%) that it took them less than one month to get a business location.

The category “Other” is shaped by respondents who said it took them more than a year, and up to 10 years, to secure a business location.

Table 4.26. Difficulty in finding a business location				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	73	78.5	78.5
	No	20	21.5	100.0
	Total	93	100.0	

As can be seen in Table 4.26, a sizable chunk of 73 (78.5%) respondents reported that finding a business location was difficult, which should be read against the finding in Table 4.25 that it took the majority (47) of respondents 1-4 months to secure business premises. On the other hand, only 20 (21.5%) reported that it was not difficult for them to secure a business location. This correlates with the 31 respondents in Table 5.25 who found premises in less than 2 months.

Table 4.27. Existence of xenophobia				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	39	41.9	41.9
	No	54	58.1	100.0
	Total	93	100.0	

As presented in Table 4.27, a slight majority of 54 (58.1%) African foreign entrepreneurs responded “no” when asked if they think that xenophobia still exists in Cape Town, meanwhile 39 (41.9%) responded “yes” to the same question.

Though the majority of African foreign entrepreneurs reported that they do not think that xenophobia still exists in Cape Town, from personal observation the researcher noted that some of the respondents who opted “no” to the question were unwilling to engage in discussion about this as it was sensitive to them. Respondents who opted “yes” justified their response by putting forward that they still hear stories about their fellow African foreign entrepreneurs being killed and disrespected by South Africans.

Table 4.28. Victimization by xenophobia				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	24	25.8	25.8
	No	69	74.2	100.0
	Total	93	100.0	100.0

Table 4.28 shows that 69 (74.2%) respondents were not victims of xenophobic attacks while 24 (25.8%) respondents reported they had been victims of xenophobic attacks: their shops were looted and some had to stop operating in that area and move their businesses elsewhere.

Table 4.29. Causes of xenophobia				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unemployment	16	17.2	17.2
	Discrimination	13	14.0	31.2
	Corruption in government	1	1.1	32.3
	Hatred	6	6.5	38.7
	Jealousy	9	9.7	48.4
	Other	48	51.6	100.0
	Total	93	100.0	100.0

As illustrated in Table 4.29, 16 (17.2%) respondents singled out unemployment as a major cause of xenophobia while 13 (14.0%) cited discrimination as a cause, 9 (9.7%) cited jealousy, 6 (6.5%) hatred and only 1 (1.1%) participant responded that corruption in government is the cause of xenophobia.

The category “Other” is shaped by participants who believe that xenophobia is caused by the combination of unemployment, discrimination, corruption in government, hatred and jealousy.

Table 4.30. Affect of legal requirements				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Positive	51	54.8	54.8
	Negative	42	45.2	100.0
	Total	93	100.0	100.0

Table 4.30 above shows that a majority of 51 (54.8%) respondents reported that the legal requirements affect their businesses positively, meaning that they understand the need for completing legal forms. On the other hand, 42 (45.2%) reported that the legal requirements affect their businesses negatively. This finding can be compared to findings by Mugobo and Ukpere (2011:834) who reported that bureaucracy and complex administration systems are regular challenges to entrepreneurs.

Table 4.31. Are legal forms easy to complete?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	35.5	35.5
	No	60	64.5	100.0
	Total	93	100.0	100.0

As demonstrated in Table 4.31, 60 (64.5%) respondents agreed that legal forms are not easy to complete, but just over one-third (33/35.5%) of respondents reported that legal forms are easy to complete. Given the findings in Table 4.6 re education levels, this finding is expected.

Table 4.32. Necessity of legal requirements				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	28	30.1	30.1
	No	65	69.9	100.0
	Total	93	100.0	100.0

In answer to the question “Do you think that legal regulations are unnecessary?” Table 4.32 shows that over two-thirds (65/69.9%) of respondents think that legal regulations are necessary meanwhile 28 (30.1%) respondents agreed they are unnecessary.

Table 4.33. Government administration as a business obstacle				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	25	26.9	26.9
	No	68	73.1	100.0
	Total	93	100.0	100.0

As shown in Table 4.33 above, 68 (73.1%) respondents did not find government administration (red-tape) an obstacle to their businesses whereas 25 (26.9%) respondents reported encountering government administration as an obstacle to their businesses.

Table 4.34. Prevalence of similar businesses				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	82	88.2	88.2
	No	11	11.8	100.0
	Total	93	100.0	100.0

In answer to the question “Are there many businesses of the same nature as yours servicing the same market?” a large majority of 82 (88.2%) respondents reported that there are many businesses of the same nature as theirs servicing the same market, while only 11 (11.8%) respondents did not experience this. It can thus be concluded from Table 4.34 and the respondents who opted “Yes” that competition is tough. This is confirmed in Table 4.35 below.

Table 4.35. Is competition tough?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	70	75.3	75.3
	No	23	24.7	100.0
	Total	93	100.0	100.0

Table 4.35 shows that a majority of 70 (75.3%) respondents felt that competition is tough while 23 (24.7%) reported that competition is not tough. This is due to the fact that there are many enterprises of the same nature targeting the same markets, as shown in Table 4.34.

Table 4.36. Do you think there is fair competition in your field of operation?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	87	93.5	93.5
	No	6	6.5	100.0
	Total	93	100.0	100.0

As demonstrated in the above Table 4.36, 87 (93.5%) respondents think that there is fair competition in their field of operation, whereas only 6 (6.5%) felt that competition in their field of operation was not fair.

Table 4.37. Does competition presents some benefits?				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	67	72.0	72.0
	No	26	28.0	100.0
	Total	93	100.0	100.0

Table 4.37 shows that 67 (72.0%) respondents felt that competition presents some benefits while 26 (28.0%) respondents disagreed.

Table 4.38. Afrikaans				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	11	11.8	11.8
	No	82	88.2	100.0
	Total	93	100.0	100.0

In answer to the question “Other than English, can you speak the other two Cape Town dominant languages (Afrikaans and Xhosa)?” as shown in Table 4.38, 82 (88.2%) respondents reported that they cannot speak Afrikaans, which is a

disadvantage to them, as Afrikaans is the first language spoken by 35.75 of the population in Cape Town (Statistics SA, 2012). On the other hand, an interesting 11 (11.8%) respondents reported that they can speak Afrikaans.

Table 4.39. Xhosa				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	52	55.9	55.9
	No	41	44.1	100.0
	Total	93	100.0	100.0

Table 4.39 above shows that African foreign entrepreneurs in Cape Town are more conversant with Xhosa than Afrikaans: 52 (55.9%) respondents reported that they can speak Xhosa while 41 (44.1%) reported that they cannot speak Xhosa.

Table 4.40. Benefits from speaking local languages				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	68	73.1	73.1
	No	25	26.9	100.0
	Total	93	100.0	100.0

Table 4.40 shows that 68 (73.1%) respondents felt that there are some benefits to be derived from knowledge of local languages whereas 25 (26.9%) could not see any benefits from knowledge of local languages.

Table 4.41. Challenges related to lack of knowledge of local languages				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	55	59.1	59.1
	No	38	40.9	100.0
	Total	93	100.0	100.0

Table 4.41 shows that a majority of 55 (59.1%) respondents reported some challenges related to the lack of knowledge of local languages while 38 (40.9%) respondents did not report challenges as a result of lack of knowledge of local languages.

Table 4.42. Most favourable sales season				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Summer (mid-October to mid-February)	81	87.1	87.1
	Autumn (mid-February to May)	6	6.5	93.5
	Winter (May to July)	5	5.4	98.9
	Spring (August to mid-October)	1	1.1	100.0
	Total	93	100.0	100.0

As shown in Table 4.42 above, a majority of 81 (87.1%) respondents reported that summer is their most favourable season in terms of sales, meaning that they are able to cover all costs and still make a decent profit. Six respondents (6.5%) reported that their most favourable season in terms of sales is autumn while 5 (5.4%) reported that winter as their most favourable season and only 1 (1.1%) opted for spring.

Table 4.43. Reasons for sales fluctuations					
	Frequency	Percent	Valid Percent	Cumulative Percent	
	Poor Service	11	11.8	11.8	11.8
	Competition	9	9.7	9.7	21.5
	Inflation	21	22.6	22.6	44.1
Valid	Change in Perception	9	9.7	9.7	53.8
	Outdated Products	8	8.6	8.6	62.4
	Other	35	37.6	37.6	100.0
	Total	93	100.0	100.0	

In answer to the question “What do you think is the cause of differences in sales from month to month?” 21 (22.6%) respondents cited inflation, 11 (11.8%) think that poor services is a cause of sales fluctuation, 9 (9.7%) ascribed it to competition and change in perception respectively and 8 (8.6%) believe that outdated products are a cause of sales fluctuation. The category “Other” comprises respondents who believe that sales fluctuation is caused by a combination of poor service, competition, inflation, change in perception and outdated products.

Table 4.44. Covering costs during unfavourable seasons					
	Frequency	Percent	Valid Percent	Cumulative Percent	
	Yes	21	22.6	22.6	22.6
	Sometimes	54	58.1	58.1	80.6
Valid	No	18	19.4	19.4	100.0
	Total	93	100.0	100.0	

In answer to the question “Are you able to make enough sales to cover your costs during your unfavourable seasons?” Table 4.44 provides evidence that only 21 (22.6%) respondents are able to cover their costs during their unfavourable seasons, 54 (58.1%) of respondents can sometimes cover their costs during unfavourable

seasons meanwhile and 18 (19.4%) respondents cannot. These findings suggest that most African foreign entrepreneur struggle to cover their operating costs during their unfavourable seasons.

Table 4.45. Additional challenges faced				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	63	67.7	67.7	67.7
Crime	13	14.0	14.0	81.7
High Rent	17	18.3	18.3	100.0
Total	93	100.0	100.0	

Finally, in answer to the question “What are the challenges you are currently faced with in running your enterprise beside the ones mentioned above?” according to Table 4.45, from 30 respondents who answered the above question, 17 respondents cited that high rentals is also a challenge to their businesses while 13 respondents reported that crime is a challenge to them. According to Ikejiaku (2009), the most outstanding solitary fact about crime is that it is committed mostly by teenagers and young adults.

4.6. Discussion

Although the majority of the entrepreneurs have completed secondary education, the empirical results suggest that African immigrant entrepreneurs in Cape Town are necessity entrepreneurs rather than opportunity entrepreneurs. As a result, the majority of African foreign entrepreneurs have migrated to Cape Town, South Africa mainly because of political instability and economic reasons with the minority who migrated due to perception of business which in turn constitutes the entrepreneurs as necessity entrepreneurs. This however does not imply that the entrepreneurs are not successful. The reason to become self-employed is triggered by the need to survive in the host country and discrimination in the job market. Immigrant entrepreneurs in Cape Town utilize their social network to their advantage; the current study has shown empirically that social networks can be a source of information, start-up capital, support and information.

4.7. Conclusion

This chapter focused on the presentation and analysis of the results of the study, which involved qualitative and quantitative methods where findings were presented by means of tables and narrations then followed by an analysis. All the findings covered the research questions of the study, and findings were compared with findings of other researchers as well as the literature reviewed in Chapter 2.

In the following chapter, conclusions are drawn and recommendations are proposed based on the findings presented above.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

The purpose of the study was to investigate the challenges in operating micro-enterprises by African foreign entrepreneurs in Cape Town. In this chapter, recommendations are proposed by drawing from the findings of the research, and in the light of the literature reviewed. This chapter begins with an overview of preceding chapters, followed by revisiting the research objectives of the study. Recommendations are structured around government departments dealing with African foreign entrepreneurs and the African foreign entrepreneurs themselves. Suggestions for further research are also presented and finally the concluding comments.

5.2. Overview of preceding chapters

5.2.1. Chapter 1

Chapter 1 provided the rationale behind study by stating the research problem. It stated the research question and research objectives to be investigated. An overview of the literature was looked at, followed by a brief description of the methodology employed in carrying out the study. The study was delineated and lastly, an outline of the thesis was given.

5.2.2. Chapter 2

The focus of Chapter 2 was to review existing literature where the themes under review were SMMEs and immigrant entrepreneurship. The chapter examined the literature from international, national and provincial perspectives. According to the literature, compared to developed countries, South African thresholds are low. Businesses which Americans or Europeans regard as SMEs would be regarded as large enterprises in South Africa.

Chapter 2 showed that SMMEs create employment and contribute to economic growth and development, empower local citizens and reduce crime rates, since instead of being idle, citizens are productively engaged.

The literature regarding challenges in running SMMEs, specifically micro-enterprises was reviewed. Challenges discussed were: xenophobia, language, sales fluctuation, competition, employee relations, access to finance, business location, and red tape.

The second focal point of the literature was immigrant entrepreneurship, where the literature revealed that different scholars employ different terms to refer to immigrant entrepreneurship. It was noted that African foreign entrepreneurs leave their home countries for South Africa for different reasons such as political instability, economic reasons and perceived business opportunities.

The literature revealed that immigrant entrepreneurs are either necessity immigrant entrepreneurs or opportunity immigrant entrepreneurs. Opportunity immigrant entrepreneurs are from developed countries and serve mainstream markets whilst necessity immigrant entrepreneurs are from both developed and developing countries and serve ethnic markets.

In Cape Town, immigrant entrepreneurs employ price discounting to compete with South African-owned *spazas*. Most South Africans operate *spazas* in a “survivalist” mode, to supplement income rather than to make enormous profits and compete on spatial location rather than price. South African entrepreneurs are being forced out of this market.

Finally, Chapter 2 discussed theories of immigrant entrepreneurship to elaborate why immigrants have a greater propensity for self-employment and why some groups are more likely than others to pursue self-employment as an alternative path to social mobility.

5.2.3. Chapter 3

Chapter 3 described the mixed-methods research procedure used in conducting the study. The target population was African foreign entrepreneurs operating micro-enterprises in Cape Town, from any country on the African continent. Convenience sampling was employed as the researcher observed it would be costly and time consuming to obtain a database of all African foreign entrepreneurs operating micro-enterprises in Cape Town.

The sample consisted of 93 African foreign entrepreneurs involved in different kinds of businesses such as retail, salon, clothing, restaurant and others. Primary data was collected from the subjects using a triangulation of self-administered questionnaires and personal interviews.

5.2.4. Chapter 4

In Chapter 4, results of the study were presented and analysed in concurrence with the research objectives formulated in the early phase of the study. Results were presented in tables and narrations followed by an analysis. Results were presented under four sections: general information, business education, business profile, and challenges faced by African foreign entrepreneurs in operating micro-enterprises in Cape Town.

5.3. Findings per Objective

The study's main objective was to discover challenges in operating micro-enterprises by African foreign entrepreneurs in Cape Town. To achieve this primary objective, eight subsidiary objectives were formulated which relate to the research questions:

5.3.1. Objective One

To find out the impact of xenophobia on micro-enterprises operated by African foreign entrepreneurs

A notable 39 (41.9%) respondents think that xenophobia still exists in Cape Town. Respondents who had been victims of xenophobia stated that it has a negative impact to their businesses as some had to stop operating their enterprises in a particular area, or move their enterprises elsewhere. African foreign entrepreneurs who responded that they were never victims of xenophobia also mentioned that xenophobia has a negative impact on a business as they saw fellow foreigners' businesses being looted. According to African foreign entrepreneurs, xenophobia is caused by the combination of local unemployment; discrimination; corruption in government; hatred and jealousy.

Though xenophobia is not a frequent challenge to African foreign entrepreneurs in Cape Town, it is detrimental to their enterprises.

5.3.2. Objective Two

To find out if lack of knowledge of local languages is an obstacle in operating micro-enterprises

In Cape Town, African foreign entrepreneurs cannot speak Afrikaans; however, most of them are somewhat conversant with Xhosa. Other than English, Afrikaans and Xhosa are the two dominant languages in Cape Town, thus, the lack of knowledge of these two local languages is an obstacle to African foreign entrepreneurs. Sixty-eight (73.1%) African foreign entrepreneurs agreed that there are benefits to be derived from knowledge of local languages as it makes business to run smoothly.

5.3.3. Objective Three

To find out if micro-enterprises are affected by sales fluctuations

Micro-enterprises are affected by sales fluctuations. Most African foreign entrepreneurs make satisfactory sales in summer. These entrepreneurs believe that sales fluctuation is caused by a combination of poor service, competition, inflation, change in perception and outdated products. During the unfavourable season, African entrepreneurs in Cape Town do not always make enough sales to cover their costs.

5.3.4. Objective Four

To ascertain if competition is a constraint in operating micro-enterprises

A majority (75.3%) of African foreign entrepreneurs agreed that competition is tough, and is a constraint to African foreign entrepreneurs operating micro-enterprises in Cape Town. There are many businesses of the same nature servicing the same market, making it difficult for some African foreign entrepreneurs to get a satisfactory piece of the pie. However, these entrepreneurs think that competition in their field of operation is fair and that competition presents some benefits, such as management skills, sales increase, customer satisfaction, and other.

5.3.5. Objective Five

To see if micro-enterprises experience the challenge of employee relations

Micro-enterprises operated by African foreign entrepreneurs do experience staff problems. In handling these problems, the entrepreneurs call a meeting with affected employees to identify the problem so as to come up with a solution beneficial to all. Though these entrepreneurs experience staff problems, these are not detrimental to their enterprises.

5.3.6. Objective Six

To discover if start-up and growth funding is easily accessible to micro-enterprises ran by African foreign entrepreneurs

Obtaining start-up and growth funding is not easy, especially for micro-enterprises ran by Africa foreign entrepreneurs. These entrepreneurs use their own capital or capital from family and friends as they battle to obtain start-up and growth funding from banks and financial institutions due to lack of collateral and South African identity documents. Most African foreign entrepreneurs in Cape Town did not get the money they requested for either start-up or to grow their business venture, thus, they still need more funding.

5.3.7. Objective Seven

To find out if obtaining a business premises is a challenge.

Obtaining a business location is a challenge to African foreign entrepreneurs in Cape Town: securing a good business location can take more than 10 years. Nonetheless, it took many African foreign entrepreneurs 1-2 months to secure business premises, and this was achieved through social networks. What determined the choice of business premises for these entrepreneurs was access for customers. These entrepreneurs are happy with their current business premises.

5.3.8. Objective Eight

To find out if red tape hinders the success and growth of micro-enterprises ran by African foreign entrepreneurs

As a number of immigrant-owned businesses are not registered, government administration in terms of business is not a challenge to African foreign entrepreneurs, as they do not often deal with the state. Furthermore, these entrepreneurs think that legal regulations are necessary and they affect their businesses positively. On the other hand, African foreign entrepreneurs in Cape Town think that legal forms are not easy to complete.

5.4. Other findings

1. Immigrant-owned businesses are mostly operated by young or middle-aged males.
2. African foreign entrepreneurs have been staying in Cape Town for less than 5 years.
3. African foreign entrepreneurs in Cape Town came to know about South Africa through family and friends.
4. Many African foreign entrepreneurs migrated to South Africa due to political instability in their countries of origin.
5. Seventy-seven percent of African foreign entrepreneurs have completed secondary education and 50.7% have post-matric qualifications, including up to post doctoral level.
6. Seventy-one percent of entrepreneurs did not receive any form of training concerning entrepreneurship before starting their businesses.
7. Sixty-four of entrepreneurs do not attend business workshops to improve their entrepreneurial skills.
8. The minimum working hours by African foreign entrepreneurs are 8-9 hours per day, and majority of entrepreneurs work 10-11 hours per day.

5.5. Recommendations

The recommendations below are possible approaches on dealing with the obstacles in operating micro-enterprises by African foreign entrepreneurs, to both the entrepreneurs themselves and other stakeholders (government departments). The recommendations are based on the research objectives; therefore they only address the key findings.

5.5.1. Recommendation for government departments dealing with African foreign entrepreneurs

- The DTI has a number of agencies that assist SMMEs; this includes coaching and financial assistance. However, most of these agencies do not accommodate immigrant-owned business, yet Kalitanyi and Visser (2010) have proven that immigrant entrepreneurs provide employment for locals. The DTI should support SMMEs operated by immigrant entrepreneurs as part of the strategy to combat the high unemployment rate and crime in South Africa.
- Immigrant entrepreneurs have taken huge risks in leaving their home countries for South Africa, for whatever their reasons. Thus their level of commitment towards entrepreneurship is extremely high as it is their only option to survive in their host country. The Department of Home Affairs should work with the DTI regarding issuing of permits. As a pilot study, these two government departments could develop a programme solely for immigrant entrepreneurs, to include granting of business permits and other permits issued by the Home Affairs, financial assistance, and coaching to legal (registered) immigrant-owned businesses that have created sustainable jobs for locals; thereafter, start-up funding could also be considered.

5.5.2. Recommendation for African immigrant entrepreneurs

- African foreign entrepreneurs in Cape Town rent their business premises from locals (Charman *et al.*, 2012:58). African foreign entrepreneurs should look at partnering with locals to cut operating costs and to take advantage of government grants aimed at South Africans. A partnership between locals and African foreign entrepreneurs can be a symbiotic relationship as both parties would benefit. African foreign entrepreneurs transfer entrepreneurial skills to

locals (Kalitanyi, 2007:107), thus locals would enjoy this benefit from the partnership. African foreign entrepreneurs would enjoy the following benefits from the partnership: reduced crime; reduced xenophobic attacks; reduced operating costs; access to government grants and support as some DTI agencies require locals to be shareholders for funding applications to be considered.

- To solve some of the challenges experienced by African foreign entrepreneurs as revealed by this study, entrepreneurial training is required. Therefore, African foreign entrepreneurs should create a networking platform where entrepreneurs can share their challenges and develop possible solutions. This platform can also be useful for information-sharing and a start of long-term relationships. African foreign entrepreneurs should continuously enrol for business courses to improve their entrepreneurial skills to deal with different challenges in operating micro-enterprises and SMMEs in general.

5.6. Suggestions for further research

- A comparative research between countries that support immigrant entrepreneurship and countries that do not support immigrant entrepreneurship is needed. This will help government departments that deal with African foreign entrepreneurs and policy makers to understand immigrant entrepreneurship and see its holistic role.
- No database of immigrant-owned businesses apparently exists. Thus a study that would profile and show how many immigrant-owned SMMEs by category is required to assist other researchers in the field of immigrant entrepreneurship.

5.7. Concluding comments

The main objective of this study was to discover the challenges in operating micro-enterprises by African foreign entrepreneurs in Cape Town. This objective has been successfully accomplished and recommendations were proposed. In addition to the identified barriers to immigrant entrepreneurship, the following challenges came to the fore: high rentals and crime.

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APPENDIX A: THRESHOLDS FOR SMME CLASSIFICATION

Thresholds for classification for medium, small, very small and micro-enterprises				
Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees	Total annual turnover	Total gross asset value(fixed property excluded)
		<i>Less than</i>	<i>Less than:</i>	<i>Less than:</i>
Agriculture	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Mining and Quarrying	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
Manufacturing	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Electricity, Gas and Water	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Construction	Medium	200	R20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m

Retail and Motor Trade and Repair Services	Medium	100	R30.00 m	R 5.00 m
	Small	50	R15.00 m	R 2.50 m
	Very small	10	R 3.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium	100	R50.00 m	R 8.00 m
	Small	50	R25.00 m	R 4.00 m
	Very small	10	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Catering, Accommodation and other Trade	Medium	100	R10.00 m	R 2.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	10	R 1.00 m	R 0.20 m
	Micro	5	R 0.15 m	R 0.10 m
Transport, Storage and Communications	Medium	100	R20.00 m	R 5.00 m
	Small	50	R10.00 m	R 2.50 m
	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Finance and Business Services	Medium	100	R20.00 m	R 4.00 m
	Small	50	R10.00 m	R 2.00 m
	Very small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Community, Social and Personal Services	Medium	100	R10.00 m	R 5.00 m
	Small	50	R 5.00 m	R 2.50 m
	Very small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
<u>Source:</u> National Small Business Act, 1996				

APPENDIX B: COVERING LETTER



April 2013

Dear Sir/Madam

REQUEST FOR YOUR PARTICIPATION IN A QUESTIONNAIRE SURVEY

I am a master's student at the Cape Peninsula University of Technology in the Department of Entrepreneurship and Business Management. I am conducting a research study under the supervision of Mr. Vivence Kalitanyi. My research title is "Challenges in running micro-enterprises: A case of African foreign entrepreneurs in the Cape Town, Western Cape".

The main objective of the study is to investigate challenges of African foreign entrepreneurs in operating micro-enterprises in Cape Town. I therefore request you to complete the attached questionnaire on this subject.

As an independent and external stakeholder, your valuable contribution will assist me in answering the research questions and achieving the research objectives. I therefore, would kindly appreciate your participation in this study. Completing the questionnaire will take approximately **15-20** minutes of your time. Participation in this study is completely voluntary. If there are any other questions you prefer not to answer, you have a right to do so. All the information that you will provide through your participation in this study will be kept confidential.

If after receiving this letter, you have any questions about this study, or would like additional information to assist you in reaching a decision about participating, please feel free to contact Mr. Vivence Kalitanyi (Supervisor) at 021 460 9022 or myself (Researcher) at 083 7540 916 or khosarm@gmail.com.

Thank you in advance for your cooperation in my research.

Yours sincerely

Mr. V Kalitanyi

Supervisor

Mr. R.M Khosa

Researcher

APPENDIX C: RESEARCH QUESTIONNAIRE

QUESTIONNAIRE FOR AFRICAN FOREIGN ENTREPRENEURS

SECTION A: GENERAL INFORMATION

(Please place an X in the appropriate box; only one answer is possible unless stated otherwise)

1. Gender:

Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
------	--------------------------	--------	--------------------------

2. In which age category do you belong to?

< 20 years	<input type="checkbox"/>	41-50 years	<input type="checkbox"/>
20-30 years	<input type="checkbox"/>	51-60 years	<input type="checkbox"/>
31 – 40	<input type="checkbox"/>	> 60 years	<input type="checkbox"/>

3. What is your nationality?.....

4. How long have you been staying in South Africa?

< 5 years	<input type="checkbox"/>	11-15 years	<input type="checkbox"/>
5-10	<input type="checkbox"/>	> 15 years	<input type="checkbox"/>

5. Why did you leave your country of origin to come to South Africa? **(multiple answers acceptable)**

Economic reasons	<input type="checkbox"/>	Visit	<input type="checkbox"/>
Political instability	<input type="checkbox"/>	Perception of business	<input type="checkbox"/>
Other (Specify)	<input type="checkbox"/>		<input type="checkbox"/>

.....

6. How did you come to know about South Africa? **(multiple answers acceptable)**

Television	<input type="checkbox"/>	Friends & family	<input type="checkbox"/>
Radio	<input type="checkbox"/>	Print media	<input type="checkbox"/>
Internet	<input type="checkbox"/>	Other (Specify)	<input type="checkbox"/>

.....

7. What is your highest level of education?

No formal		Bachelor's degree	
Primary education		Masters degree	
Secondary		PhD	
Certificate		Post PhD	
Diploma		Other (Specify)	

.....

SECTION B: ENTREPRENEURIAL EDUCATION

8. Do you believe entrepreneurs need training?

Yes		No	
-----	--	----	--

9. If yes, please indicate in which field: **(multiple answers acceptable)**

Marketing		Bookkeeping	
Buying		Financial	
Employee relations		Leadership skills	
Other (Specify)			

.....

.....

10. Have you ever enrolled for a business course or module before starting your business?

Yes		No	
-----	--	----	--

11. Have you ever received any form of training concerning entrepreneurship before starting your business?

Yes		No	
-----	--	----	--

12. If yes, who was your trainer

.....

.....

13. If yes, in which area of your business is the training helpful? (**multiple answers acceptable**)

Marketing	<input type="checkbox"/>	Bookkeeping	<input type="checkbox"/>
Buying	<input type="checkbox"/>	Financial	<input type="checkbox"/>
Employee relations	<input type="checkbox"/>	Leadership skills	<input type="checkbox"/>
Other (Specify)	<input type="checkbox"/>		<input type="checkbox"/>

.....

14. Do you attend business workshops to improve your entrepreneurial skills?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

SECTION C: BUSINESS PROFILE

15. Is your business registered?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

16. What motivated you to start a business?

.....

17. What type of business are you running?

Retail	<input type="checkbox"/>	Salon	<input type="checkbox"/>
Music store	<input type="checkbox"/>	Nightclub	<input type="checkbox"/>
Bakery	<input type="checkbox"/>	Tavern	<input type="checkbox"/>
Footwear	<input type="checkbox"/>	Vehicle repair	<input type="checkbox"/>
Restaurant	<input type="checkbox"/>	Clothing	<input type="checkbox"/>
Panel beating	<input type="checkbox"/>	Traditional healing	<input type="checkbox"/>
Herbalist	<input type="checkbox"/>	Other (Specify)	<input type="checkbox"/>

.....

18. How many employees does your business have?

.....

19. How long has the business been in existence?

.....

20. What are your hours of operation?

.....

SECTION D: CHALLENGES IN OPERATING MICRO-ENTERPRISES

21. Do you often have staff problems?

Yes		No	
-----	--	----	--

22. How do you handle staff problems?

.....

.....

23. Would you then say staff problems are a challenge to your Business?

Yes		No	
-----	--	----	--

24. How long did it take you to get funds to start your business?

3-6 Months		15-18 Months	
7-10 Months		19-22 Months	
11-14 Months		Other	

.....

25. Is it easy to get funding to grow your business?

Yes		No	
-----	--	----	--

26. If no, what is the key challenge?

.....

.....

.....

27. From whom did you get start-up funding? (**multiple answers acceptable**)

Venture capitalist (Private investors)		Financial institution	
Bank		Family & friends	
Equity (own money)		Other (specify)	

.....

28. What are the conditions for using these funds?

.....

29. Is the process of funding fair?

Yes		No	
-----	--	----	--

30. Did you get the amount you requested?

Yes		No	
-----	--	----	--

31. Do you still need more funding now?

Yes		No	
-----	--	----	--

32. What determined the choice of your business location? (**multiple answers acceptable**)

Access for customers		Accesses to suppliers	
Climate & geography		Convenience	
Close to competitors		Visibility	
Demographics		Other (specify)	

.....

33. Are you happy with your current business location?

Yes		No	
-----	--	----	--

34. If no, why?

.....

.....

35. What are the benefits of your current location?

.....

.....

36. How long did it take you to get your current business location?

<1 months		5-6 months	
1-2 months		7-8 months	
3-4 months		Other (specify)	

.....

37. Would you say it was difficult for you to get a business location?

Yes		No	
-----	--	----	--

38. What are the challenges related to your current location?

.....

.....

39. Would you say you have a good relationship with South African customers?

Yes		No	
-----	--	----	--

40. Do South Africans value your services or products?

Yes		No	
-----	--	----	--

41. Do you think white foreign entrepreneurs are treated better compared to black African foreign entrepreneurs?

Yes		No	
-----	--	----	--

42. Do you think xenophobia still exists in Cape Town?

Yes		No	
-----	--	----	--

43. If yes, why?

.....

.....
.....
44. Were you ever a victim of xenophobic attacks?

Yes		No	
-----	--	----	--

45. If yes, when?.....

46. If yes, what impact did it have on your business?

.....
.....
.....

47. What do you think are the causes of xenophobia? (**multiple answers acceptable**)

Unemployment		Hatred	
Discrimination		Jealousy	
Corruption in		Other (Specify)	

.....
.....

48. How do the legal requirements affect your business?

Positive		Negative	
----------	--	----------	--

49. Did you ever have to complete the legal forms?

Yes		No	
-----	--	----	--

50. Are legal forms easy to complete?

Yes		No	
-----	--	----	--

51. Is the service at government offices satisfactory?

Yes		No	
-----	--	----	--

52. Do you think legal regulations are unnecessary?

Yes		No	
-----	--	----	--

53. If yes, why?

.....

.....

.....

54. Is government administration an obstacle to your business?

Yes		No	
-----	--	----	--

55. If yes, how so?

.....

.....

56. Are there many businesses of the same nature as yours servicing the same market?

Yes		No	
-----	--	----	--

57. Is competition tough?

Yes		No	
-----	--	----	--

58. Do you think there is fair competition in your field of operation?

Yes		No	
-----	--	----	--

59. If no, why?

.....

.....

.....

60. How do you manage competition?

.....

.....

61. Does competition present some benefits?

Yes		No	
-----	--	----	--

62. If yes, what benefits did you get? (**multiple answers acceptable**)

Management skills		Customers	
Sales increase		Other (Specify)	

.....

.....

63. Other than English, can you speak the other two Cape Town dominant languages (Afrikaans & Xhosa)?

Afrikaans			
Yes		No	
Xhosa			
Yes		No	

64. If no to either, what impact does it have on your business?

Positive		Negative	
----------	--	----------	--

65. If no to either, how fluent are you based on the following?

Afrikaans			
Good		Fair	
Poor			
Xhosa			
Good		Fair	
Poor			

66. Are there some benefits derived from the knowledge of local languages?

Yes		No	
-----	--	----	--

67. Are there challenges related to the lack of knowledge of local languages?

Yes		No	
-----	--	----	--

68. Which season of the year is the most favourable for you in terms of sales?

(multiple answers acceptable)

Summer (mid-October to mid-February)		Autumn (mid-February to April)	
Winter (May to July)		Spring (August to mid-October)	

69. Are you able to make enough sales to cover your costs during your unfavourable seasons?

Yes		Sometime		No	
-----	--	----------	--	----	--

70. What do you think is the cause of differences in sales from month to month?

(multiple answers acceptable)

Poor service		Change in perception	
Competition		Outdated product	
Inflation		Other (specify)	

.....

71. How does the weather change in Cape Town affect your sales?

Positive		Negative	
----------	--	----------	--

72.	Please indicate to what extent you agree or disagree with the following statements. <i>(Please place an X in the appropriate box, only one answer is possible.)</i>	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Don't know
72.1	Xenophobia is a challenge to my business.						
72.2	Government administration is costly and time consuming.						
72.3	Obtaining funding for growth is a difficulty.						
72.4	Competition is high enough to such an extent that it is a constraint to success and growth.						
72.5	Staff problems are a challenge to my business.						
72.6	Xenophobia is hindering success.						
72.7	A difference in sales is detrimental to my enterprise.						

7.3 What are the challenges you are currently faced with in running your enterprise beside the ones mentioned above?

.....

.....

Thank you for taking your time to complete this questionnaire!

APPENDIX D: CONSENT LETTER



8th Floor, Waldorf Arcade
80 St George's Mall
Cape Town 8001
P O Box 16548, Vlaeberg, 8012
Ask for: Hanief Tiseker
Tel: 021 417 4016
Fax: 021 417 4047

8th Floor, Waldorf Arcade
80 St George's Mall
Cape Town 8001
P O Box 16548, Vlaeberg, 8012
Call: Hanief Tiseker
Umreboza: 021 417 4016
Iteksi: 021 417 4047

8ste Vloer, Waldorf Arcade
St Georgeswandellaan 80
Kaapstad 8001
Posbus 16548, Vlaeberg, 8012
Vra vir: Hanief Tiseker
Tel: 021 417 4016
Faks: 021 417 4047

ECONOMIC DEVELOPMENT DEPARTMENT

20 November 2012

To Whom It May Concern

Letter Confirming that the Mr Risimati M Khosa is involved in Research for Cape Peninsula University of Technology

This is to confirm that the above mentioned person, Mr Khosa is a postgraduate student of Cape Peninsula University of Technology. He is involved in research within the field of Business Administration and Entrepreneurship.

The main objective of the study is to investigate the challenges of African foreign entrepreneurs in operating micro-enterprises in Cape Town. He is therefore interested in speaking to people who own their own micro/small business and who regard themselves as self employed.

This research will enable the University to understand the issues, challenges and opportunities for small business entrepreneurs. The research will contribute to his M-Tech degree in Business Administration (Entrepreneurship).

Can you please cooperate with him as this would contribute positively to the development of future entrepreneurs.

Yours sincerely,

HANIEF TISEKER
Head: LAED Policy and Strategy
Economic Development Department
City of Cape Town

APPENDIX E: ETHICS CLEARANCE CERTIFICATE



P.O. Box 1906 • Bellville 7535 South Africa • Tel: +27 21 6801680 • Email: saliefa@cput.ac.za
Symphony Road Bellville 7535

Office of the Chairperson Research Ethics Committee	Faculty: BUSINESS
--	--------------------------

At a meeting of the Research Ethics Committee on 10 April 2013, Ethics

Approval was granted to KHOSA, Risimati Maurice (208028374), for research activities

Related to the MTech/DTech: MTech: Business Administration (Entrepreneurship)

at the Cape Peninsula University of Technology.

Title of dissertation/thesis:	An analysis of challenges in running micro-enterprises: A case of African foreign entrepreneurs in Cape Town, Western Cape Supervisor: Mr V Kalitanyi
-------------------------------	--

Comments:

Decision: APPROVED

<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> Signed: Chairperson: Research Ethics Committee	10 April 2013 <hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> Date
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