

# “Defining success of African immigrant-owned small businesses in Cape Town, South Africa”

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## Defining success of African immigrant-owned small businesses in Cape Town, South Africa

### Abstract

Taking Cape Town, South Africa as a case, this paper seeks to investigate the factors that define the success of small businesses owned by African immigrants. The paper reviews literature on immigrant entrepreneurs, immigrant-owned ventures and social capital. A random sample of available immigrant small businesses owners was taken where semi-structured interviews were conducted, as well as the use of self-administered questionnaires. Secondary data (literature review) have unveiled that social networks are vital in the formation and growth stages of an immigrant-owned business, as networks provide the necessary support. Ultimately, social networks supplement the survival chances of an immigrant-owned venture. Furthermore, primary data (empirical results) have revealed that most of the businesses are mainly run by males, while longevity and employment creation are defining factors of success to African immigrant-owned small businesses in Cape Town. Following the empirical findings and their analysis, recommendations have been formulated.

**Keywords:** business success, immigrant-owned businesses, employment creation, business survival, small businesses.

**JEL Classification:** M10, M13.

### Introduction

It is extensively acknowledged that ethnic minority immigrants have an elevated propensity towards entrepreneurship and contribute positively to economic development (Basu, 2011). In agreement, Chand and Ghorbani (2011) add that ethnic entrepreneurship is increasingly being acknowledged an essential medium for economic growth and the restoration of economies. Recent studies have painted the critical contribution made by immigrant entrepreneurs from India, China, and other countries, to innovation and job creation (Basu, 2011). 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 (Chrysostome & Lin, 2010).

In Britain, the prevailing view and perception is that an ethnic business is small (Mars & Ward, 1984), and this view matches that used in this paper that immigrants' entrepreneurial activities are classified as small businesses. According to Mars and Ward (1984), the Jews are highly regarded as the archetypal example of successful ethnic business growth and their success is judged by the growth from small to large scale enterprises and by the important role played by the Jews in financial institutions underpinning the British economy.

Concerning other minorities such as Italians and Chinese that are found in some clusters of the business such as restaurant; fish and chip shop; ice cream vans; snack bars and trattorias, their continued presence in the business operations justifies their successes (Mars & Ward, 1984). Nonetheless, Karpak and Topcu (2010,

p. 61) contend that longevity alone is not sufficient to measure success, the pair argues that one business may continue to exist, yet, yield minimum profits, disappointing its owners, whereas a liquidated business might leave its owners wealthy. Tengeh, Ballard and Slabbert (2011, p. 4) believe that, in order to measure success, a standard or benchmark must have initially been set, against which the end result would be compared. Furthermore, immigrant-owned small businesses performance indicators can be divided into two chief clusters, namely: survival indicators such as the age of the small business and its profitability, and growth indicators (Chrysostome, 2010, p. 140). Before employing any performance indicators or success indicators, it is vital to note that there is a distinction between performance indicators of immigrant-owned small businesses and other mainstream small businesses, as these two types of small businesses are not the same. According to Chrysostome (2010, p. 140), they do not necessarily have the same objectives and do not face the same challenges. Along that same theme, Walker and Brown (2004, p. 578) put forth that small business success can be measured by financial and non-financial criteria, although the first has been given most attention in the literature. Financial indicators require increases in profit or revenue and/or employment creation and non-financial measures of success used by business owners are autonomy, job satisfaction or the ability to balance work and family responsibilities. These non-financial measures presume that there is a given level of financial security already established; it may be that this is within the business, or that the small business owner does not require the business to be the main source of his/her income (Walker & Brown, 2004, p. 579).

Having said that, in the current study, success is measured by longevity and number of employment

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created. Therefore, the objective of this research is to analyze empirically if longevity and employment creation can be used as defining factors of success to African immigrant-owned small businesses in Cape Town, South Africa.

This article is presented in the following format: in the next section, literature on immigrant entrepreneurs, immigrant-owned ventures and social capital is reviewed, followed by the methodology used to carry out the research. In the final section, the results are presented, followed by their discussions and ends with recommendations. In the current study, the terms: African foreign entrepreneur<sup>1</sup>; immigrant entrepreneur<sup>2</sup>; ethnic entrepreneur<sup>3</sup>; minority entrepreneur<sup>4</sup> are used interchangeably.

### 1. 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 microenterprises (Ram & Smallbone, 2001). Apart from xenophobia, Khosa and Kalitanyi (2014) outline the subsequent problems faced by African foreign entrepreneurs in Cape Town: sales fluctuations, competition, obtaining start-up and growth funding, obtaining a business location, high rent and crime. Related to xenophobia, Hunter and Skinner (2001) present a challenge that is only experienced by immigrant entrepreneurs, the pair propounds that there are some differences between South African citizens and foreign traders, as foreigners in South Africa complain that they are never granted business sites in central business districts (CBD). They use private markets, which cost more money to rent than the government-controlled sites, which results in greater police harassment than that experienced by local citizens. Volery (2007) puts forward that markets occupied by ethnic entrepreneurs are normally characterized by low barriers of entry in terms of required capital and educational qualifications, small-scale production, high labor-intensity and low added value, while aggressive competition reigns. According to Dana and Morris (2011), evidence suggest that a great majority of immigrant and ethnic ventures are either retail or service businesses, or correlated to a skill or trade the immigrant brings from their home country. Rath and

Kloosterman (2000) reiterate this topic, stating that, in the Netherlands, about 60% of all immigrant entrepreneurs can be found in sectors such as wholesale, retail and restaurants.

In their study of motivations and obstacles to immigrant entrepreneurship in South Africa, from 101 respondents, Fatoki and Patswawairi (2012) report that most respondents (97%) were between the ages of 25 - 44 years, which is in line with research by Khosa and Kalitanyi (2014), Tengeh (2010), Chrysostome (2010), Rogerson (1997) who state that immigrant entrepreneurs are middle-aged. They (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.

### 2. The role of immigrant-owned ventures

Immigrant entrepreneurship is proposed to create employment opportunities for individuals who are overlooked by mainstream labor markets, reduce competition with native-born workers, develop entrepreneurial role models and provide a way for immigrants to increase earnings (Zolin & Schlosser, 2013; Zhou, 2004). According to Zelekha (2013), in the United States, recent studies lament that immigrants play a significant role in technological start-ups, among them, Saxenian (2002) laments that more than a quarter of Silicon Valley's highly skilled workers are immigrants. Dana and Morris (2011) put forth that immigrant ventures can create vital societal outcomes: national economic growth and vitality are major among these outcomes. Yet, there is evidence suggesting that these ventures also contribute to a number of other quality-of-life dimensions. Because these ventures are often started in poorer or more economically challenged neighborhoods, they provide a source of neighborhood stability. Moreover, by providing for the economic welfare of the immigrant's extended family, entrepreneurial ventures may serve as prevention to criminal and gang activities (Dana & Morris, 2011). Rath (2010) posits 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).

<sup>1</sup> African foreign entrepreneur refers to an individual from the African continent that carries out entrepreneurial activities in his or her host country.

<sup>2</sup> Immigrant entrepreneur refers to an immigrant that carries out entrepreneurial activities just after arrival in his or her host country, either through personal initiative or social networks.

<sup>3</sup> Ethnic entrepreneur refers to a set of connections and regular patterns of interaction among people sharing common national background or migration experience (Waldinger, Aldrich & Ward, 1990).

<sup>4</sup> Minority entrepreneur refers a 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 (Waldinger, Aldrich & Ward, 1990).

By introducing new products and new ways of marketing, even immigrant entrepreneurs at the bottom end of the market can be innovators (Rath, 2010). One example is the introduction of Nigerian movies by Nigerian entrepreneurs in South Africa. However, Curci and Mackoy (2010) argue that supporting immigrant-owned venture tends to present a greater challenge and a higher cost than supporting non-immigrant-owned small ventures. In serving immigrant-owned ventures, governments and enterprise development agencies face all the usual barriers encountered when serving any small businesses, plus barriers such as different cultures, languages, traditions, and business practices.

### 3. Social capital: a support factor to immigrant-owned ventures

According to Bruderl and Preisendorfer (1998), entrepreneurs who can refer to a comprehensive and diverse social network and who receive much support from their network are more successful. Venter, Urban and Rwigema (2008) postulate 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, Filion and Ramangalahy (2003), 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.

**3.1. Networks as a form of social capital.** Co, Groenewald, Mitchell, Nayager, van Zyl and Visser (2006) and Light and Gold (2002) argue that the input of social networks to entrepreneurship is probably one of the vital research discoveries in the recent history of business science. The crucial importance of ethnic networks in affecting immigrant entrepreneurship is greatly supported in country after country (Dana & Morris, 2011). Almost all ethnic entrepreneurs employ their social networks, as these are a central source of social capital (Volery, 2007). According to Aldrich and Waldinger (1990), information regarding permits, reliable suppliers, management practices and promising business lines is usually obtained through owners' personal network. In Cape Town, South Africa, Liedeman, Charman, Piper and Petersen (2013) discovered that foreign shop keepers are more successful than local citizens because of the strength of their social networks. Venter et al.

(2008) postulate that, in most cases, social capital is operationalized 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 (Dana & Morris, 2011; 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, organizing the information flows between newcomers and settlers (Volery, 2007, p. 38). In addition, Dana and Morris (2011) believe that the network or enclave<sup>5</sup> provide legitimacy and infrastructure, as well as competitive space within which the entrepreneur can survive in the early stages of the venture and can often provide connections to a greater international network. Conversely, newcomers finding employment among co-ethnic immigrant-owned small business industries automatically gain access to contacts, opportunities to learn on the job and role models (Aldrich & Waldinger, 1990).

Co et al. (2006) 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) agree that social networks comprising the community and the family play a major role in the operation of ethnic enterprises. Co et al. (2006) posit 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) add that weak ties are handy in obtaining information that would, otherwise, be unavailable or costly to locate. Further, Venter et al. (2008) 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.

<sup>5</sup> Clark and Drinkwater (2000) define an enclave as a concentration of individuals from the same ethnic background within a specific geographical location. Hypothetically, this gives a number of incentives to become self-employed.

Lastly, Fatoki (2014) and Ngoc, Le and Nguyen (2009) demarcate networks into three major types, namely: (a) official networks – or networks with government officials; (b) managerial networks –

networks with top managers of suppliers, customers and business associations and (c) social networks – networks with relatives and friends, and networks with members of social organizations and clubs.

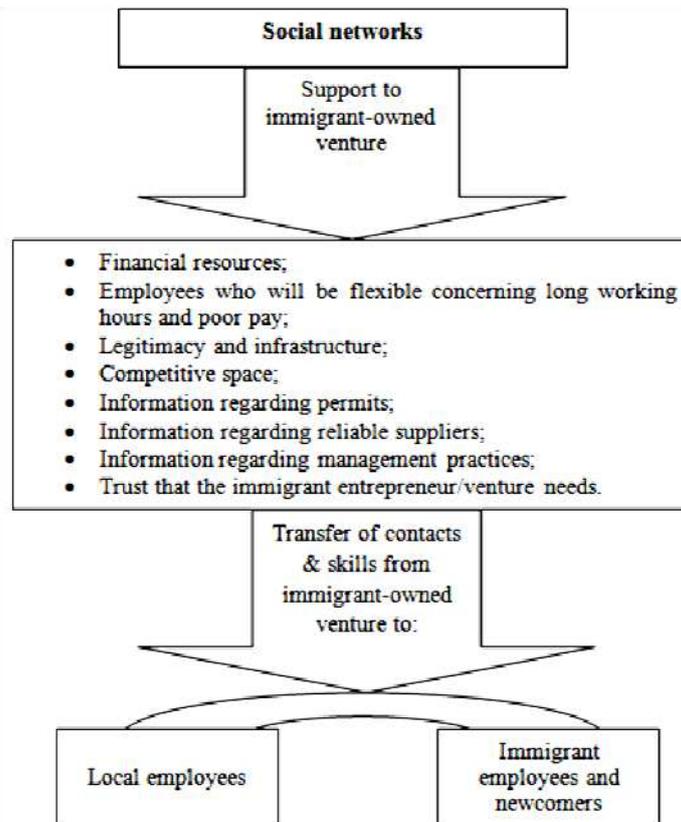


Fig. 1. Flowchart summary of social networks support to immigrant-owned ventures

Source: Authors.

#### 4. Research methodology

This empirical research was conducted under the quantitative paradigm. Empirical research frequently originates in challenges or problems posed in a specific field of practice (Mesel, 2013, p. 750). Scholars formulate research objectives and choose methodologies in an attempt to achieve these objectives. Conversely, quantitative research is research that involves the use of methodological techniques that represent the human experience in numerical categories, sometimes referred to as statistics (Marvasti, 2004, p. 7). Poni (2014, p. 408) highlights that quantitative research has the ability to test the falsity or veracity of interrelations between regularities of the social world. As a result, the research approach was deemed suitable for the current study.

**4.1. Population.** The target population for this study was African foreign entrepreneurs who are operating micro-enterprises within the Cape Town metropolitan area from any country on the African continent. The reason for targeting the mentioned population as unit of analysis was the fact that they would provide required and relevant responses for the study.

Obtaining a reliable estimate of the population size in studies of this class is difficult, Landau and Segatti (2009) point out that no one knows how many international migrants are in South Africa. Thus, drawing a sample size is challenging. In support, Tengeh (2010) laments that, in South Africa, there is no official estimate of immigrant-owned businesses. As a result, the researchers took into consideration four studies conducted on immigrant entrepreneurship in South Africa, two of which were in Cape Town (Fatoki & Patswawairi, 2012; Tengeh, Ballard & Slabbert, 2011; Kalitanyi & Visser, 2010; Rogerson, 1997), an average sample size of 118.75 was arrived at. Thus, a sample size of 130 respondents was drawn to ensure satisfactory results where a total of 93 completed questionnaires was achieved. This gave an overall response rate of 72%. The reason why a 100% response rate could not be achievable was disadvantages associated with self-administered questionnaires, as Bryman and Bell (2011) put forward that respondents whose literacy is limited or whose facility with English is restricted may have a difficulty in answering self-administered questionnaires.

**4.2. Sampling technique.** This study employed convenience sampling (which falls under non-probability sampling), because the researchers realized it would be expensive and time consuming to determine all African foreign entrepreneurs operating micro-enterprises in Cape Town. Hence, the researchers 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). However, Zikmund, Babin, Carr and Griffin (2010) 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.

Moreover, the researchers believe that the sample is adequate in a sense that the study only covered microenterprises, whereas some of the four considered studies covered small, micro, medium-enterprises (all categories of small businesses). Therefore, the logic behind is that if a similar study with similar sample size, but targeting all the small businesses categories on a metropolitan level and represent its targeted population, surely, a study only targeting one category of small businesses on a metropolitan scale such as this one, can do the same.

**4.3. Research instruments.** Seventy-two semi-structured personal interviews were conducted and 21 self-administered questionnaires were completed. When conducting personal interviews, the researchers and research assistants read the questions in the same tone of voice, so that bias was not indicated. According to Bryman and Bell (2011), with a self-administered questionnaire, respondents answer questions by completing a questionnaire themselves.

Zikmund et al. (2010) 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 researchers made use of printed questionnaires that were personally distributed via drop-off. The questionnaire and interview guide consisted of both open-ended and fixed-alternative questions. To achieve the best question sequence, the researchers 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).

Before collecting any data, the researchers carried out a pilot study to test if the selected procedures would work as intended. A pilot study was critical in refining survey questions and reducing the risk of the full study being fatally flawed. 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 of the 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 researchers in uncovering issues related to the questionnaire’s design. The researchers made the necessary amendments on the initial research questionnaire to address the weaknesses discovered.

**5. Findings and discussion**

Table 1. Age category of the 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 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), 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 is involved in entrepreneurial activities (Khosa & Kalitanyi, 2014).

Table 2. Business registration

| Response categories | Frequency | Percent |
|---------------------|-----------|---------|
| Yes                 | 51        | 54.8    |
| No                  | 42        | 45.2    |
| Total               | 93        | 100.0   |

In answer to the question ‘Is your business registered?’, Table 2 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 or ID smart card, as they are immigrants. It is important to note that not having the same documents as South Africans does not constitute a valid reason for not registering the business, as South African laws allows asylum seekers, as well as permanent residence holders to run their businesses.

Furthermore, we can comment that this way of running unregistered businesses is detrimental to South African economy in many ways:

- ◆ It complicates the control of tax payment by South African Revenue Services (SARS).
- ◆ It does not allow the compilation of the list of the small businesses that are in the existence.
- ◆ It does not allow an easy documentation of the lives of migrants in South Africa.
- ◆ It does not allow Statistics South Africa to have accurate information.

Table 3. Number of employment created

| Employee No.    | Frequency | Percent |
|-----------------|-----------|---------|
| 0 employees     | 26        | 28.0    |
| 1-5 employees   | 47        | 50.5    |
| 11-15 employees | 7         | 7.5     |
| 6-10 employees  | 13        | 14.0    |
| Total           | 93        | 100.0   |

As revealed in Table 3 above, per the categories defined by the South African National Small Business Act (2003), a majority of 47 (50.5%) respondents operated microenterprises 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 who participated in the study were operating very small enterprises. The question ‘were the survivalist businesses operated largely by newcomers?’ arises from these findings. 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. Ultimately, the findings suggest that immigrant-owned businesses create jobs, as observable in the Table 4. From  $n = 93$ , a remarkable majority of 67 immigrant-owned businesses were able to create employment.

Table 4. Length of existence of the business

| Years      | Frequency | Percent |
|------------|-----------|---------|
|            | 3         | 3.2     |
| < 1 year   | 9         | 9.7     |
| 1-2 years  | 30        | 32.3    |
| 3-4 years  | 20        | 21.5    |
| 5-6 years  | 14        | 15.1    |
| 7-8 years  | 11        | 11.8    |
| 9-10 years | 2         | 2.2     |
| > 12 years | 4         | 4.3     |
| Total      | 93        | 100.0   |

Table 4 shows that 30 (32.3%) respondents reported that 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, Ballard and Slabbert (2012) confirm that African immigrant-owned businesses do grow financially and the rate of growth varies across different ethnic groups. The growth and sustainability of these business ventures is, therefore, crucial, as they can yield employment for both locals and immigrants.

### 5.1. Other relevant findings<sup>6</sup> derived from the comprehensive study.

- ◆ Sixty-three percent (63.4%) of the respondents reported that they did not enrolled for a business course or module before starting their enterprise.
- ◆ African foreign entrepreneurs have been staying in Cape Town for less than 5 years.
- ◆ African foreign entrepreneurs in Cape Town came to know about South Africa through family and friends (social networks).
- ◆ Many African foreign entrepreneurs migrated to South Africa due to political instability in their countries of origin.
- ◆ Seventy-seven percent of African foreign entrepreneurs have completed secondary education and 50.7% have post-matric qualifications, including up to post doctoral level.
- ◆ Seventy-one percent of entrepreneurs did not receive any form of training concerning entrepreneurship before starting their businesses.

<sup>6</sup> Please note that this study reports findings of a comprehensive study (thesis) titled: “Challenges in running micro-enterprises: A case of African foreign entrepreneurs in Cape Town, Western Cape”.

- ◆ Sixty-four of entrepreneurs do not attend business workshops (short courses on entrepreneurship) to improve their entrepreneurial skills.

**5.2. Discussion of key findings.** The findings suggest that 55% of their businesses are registered, 72% of them do have more than one employee, while 58% of them have been running for more than 2 years. In the perception of many immigrant entrepreneurs, registering the business in South Africa is a laborious and costly process. Issues such as red tape, non-streamlined laws, Black Economic Empowerment (BEE) requirements, communication barriers, financial constraints, the geographical location of various decision-makers makes the process complicated. Given these constraints, it is, therefore, a breakthrough for an immigrant in Cape Town to succeed to register his/her business in order to exercise lawfully. The good news, however, is that the majority of the immigrants managed to go through these complexities and register their businesses. This is a sign of commitment and perseverance that characterize most of migrant entrepreneurs in foreign environment.

It is widely acknowledged that employment creation of any business is a sign of its growth. The current study has revealed that migrants' businesses that were part of the study do have employees, ranging from one to 10 and this at 72%. Stats SA (2015) reveals that unemployment in South Africa was around 25% in the second quarter of the year, and this is alarmingly high. Regardless of who they employ, South African or foreign national, foreign migrants that were part of the study do, indeed, contribute to the finding of solution to this major problem in our society.

The current study used the population of microbusinesses in Cape Town. Microbusinesses are part of small business, according to the definition of small business in South Africa. Several studies such as that of Ligthelm (2012), Nemaenzhe (2010) have indicated that small businesses in South Africa mostly die within three years of their existence. A number of issues such as inexistence of business plan, poor market analysis, bad location, insufficient capital, poor marketing, poor financial management, fierce competition, involvement/interference of family members (Khosa & Kalitanyi, 2014; Franco & Haase, 2010; Fatoki & Garwe, 2010; Nemaenzhe, 2010) have been highlighted as the possible causes of that "death". Nonetheless, against all these odds, some migrant entrepreneurs in Cape Town manage to survive beyond that crucial period of business 'infant' and grow. They, therefore, regard this as success and this correlates with the findings by Mars & Ward (1984) in UK, when they report that Italians and Chinese that are found in some clusters of the

business such as restaurant, fish and chip shop, ice cream vans, snack bars and trattorias, justify their successes by their continued presence in the business operations.

## Conclusion

This study sought to investigate whether longevity and employment creation can be used as defining factors of success to African immigrant-owned small businesses in Cape Town, South Africa. However, before we draw any conclusions, it is vital to revisit the social capital theme, as networks can be a starting point of the human migration process and immigrant entrepreneurial activities. In their study conducted in Cape Town, Khosa and Kalitanyi (2015, p. 143) discovered that their respondents came to know about South Africa through family and friends who have been in the country before or had heard about it. This suggests that immigrant entrepreneurs rely strongly on networks. Social networks are vital in the formation and growth of an immigrant-owned business, as networks provide the necessary support (see Figure 1). Based on the empirical findings, we can, thus, conclude that longevity and employment creation are defining factors of success to African immigrant-owned small businesses in Cape Town and that social networks supplement the survival chances of an immigrant-owned venture. Therefore, our views are analogous to research by Tengeh, Ballard and Slabbert (2011), Fertala (2006), Mars & Ward (1984).

Research (Ligthelm, 2012; Nemaenzhe, 2010) has highlighted that most small businesses in South Africa die within three years of their formation. This means immigrant-owned ventures in Cape Town are successful because of their continued presence in the business operations. According to Fertala (2006, p. 7), the longer an immigrant survives in business, the more successful he/ she is. Since the objective of a business is to make profit, it does not make financial sense to continue operating on a loss. Additionally, in the current research, employment creation is associated with growth. The fact that African immigrant-owned ventures in Cape Town are able to employ people means that they are in the second stage (growth stage) of a business life cycle.

## Recommendations

In developed countries, research (Curci & Mackoy, 2010) suggests that governments and enterprise development agencies alike are continuously rethinking how to be efficient and effective in facilitating the development of immigrant-owned businesses. Nevertheless, policy makers should not subsidize the formation of the typical start-up, but focus on the subset of businesses with growth potential (Shane, 2009, p. 141). In light of the above, this study

recommends that the South African government and enterprise development agencies intervene by providing support through mentorship and training to immigrant-owned businesses, as the current study and Kalitanyi and Visser (2010), Kalitanyi (2007), Peberdy and Rogerson (2000), Rogerson (1997) noted that these businesses provide employment, and, according to Kalitanyi & Visser (2014), transfer entrepreneurial skills to locals. This will contribute to combat the high unemployment rate South Africa currently

experiences. The current study has also discovered that a number of microenterprises in Cape Town are not registered, thus, the government should assist these enterprises to get registered, and this will also solve the problem of non-existence of immigrant-owned businesses database in South Africa, as the government will have information of the businesses. Immigrant entrepreneurs themselves should also try and register their businesses, as a registered business carries some benefits.

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