



**UNIVERSITY OF KWAZULU-NATAL**

**Factors influencing foreign-owned micro businesses – A case study of Durban**

**By**

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## DECLARATION

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Ezennia Joseph Chikwendu

## DEDICATION

This thesis is dedicated to **God Almighty** for seeing me through the study despite the ups and downs that were encountered in the struggle.

On the other hand, I dedicate this to my father, Chief **Fabian Nwolise Aghabalunwa Ukommadu Uzoeghelu Ezennia**, who unfortunately transited to eternal glory shortly before this successful achievement, for his positive interest shown in education and especially towards me, and his moral and immense financial support almost throughout this journey. I utmostly appreciated all your support and I pray God Almighty to grant you eternal peace. You will always have a place in my heart till the end of time.

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## **ABSTRACT**

The study investigated the factors influencing foreign-owned micro businesses in Durban. The study developed a conceptual framework which will help to indicate various factors that impact on foreign-owned micro businesses of African extraction. As a result, these factors influencing foreign-owned micro businesses were investigated; sociological factors or social culture factors, entrepreneurial psychological characteristics, entrepreneurship innovation factors, and factors that influence the need for high achievement in entrepreneurs that operate foreign-owned (African immigrant-owned) micro businesses in Durban.

The study was approached from a positivist philosophy, employing a cross-sectional research design to investigate the research phenomenon. The deductive approach to research was used to explore the research phenomenon. The study was ultimately quantitative in nature. The study was conducted among African immigrant-owned micro businesses in the Durban Central Business District. The population of the study was 6,238 and out of that, the sample size of 364 participants was drawn using the cluster sampling technique. The study used self-administered questionnaire to collect data from the participants. A pilot study was also carried out first prior to the full-scale research survey.

Data quality control was achieved through reliability and validity tests. Data gathered was analysed using the Statistical Package for Social Sciences (SPSS), version 25.0. The analysis of the data was done by employing both descriptive and inferential statistics. The results of the study revealed that sociological factors had a mean score value of 4.592 when compared with a maximum attainable score of 5 on a 1 to 5-point Likert scale. This therefore, suggested that sociological factors positively influenced African immigrant-owned micro businesses in Durban. The results of the study further showed that entrepreneurial psychological characteristics/factors (Mean = 4.622) had a strong significant influence on African immigrant-owned micro businesses in Durban. Findings from the study also indicated that entrepreneurship innovation factors (Mean = 4.644) had a strong significant positive influence on African immigrant-owned micro businesses in Durban. Lastly, it was found that the need for high achievement factors in entrepreneurs (Mean = 4.383) also had a strong significant positive influence on African immigrant-owned micro businesses in Durban.

The study therefore, made the following recommendations as measures to addressing the challenges affecting the African immigrant-owned micro businesses, namely: acquisition of managerial skills; education, training and development; identification of business opportunities generating innovative ideas, identification of suitable business locations and creating enabling business environment for African immigrant-owned micro businesses.

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## ACRONYMS

AMP	Austrian market process
BER	Bureau of Economic Research
CBD	Central Business District
CIPC	Companies and Intellectual Property Commission
DTI	Department of Trade and Industry
GDP	Gross Domestic Product
GEDC	Ghana Enterprise Development Commission
GEM	Global Entrepreneurship Monitor
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
LSC	Local Service Centres
MSMEs	Micro, Small, and Medium Enterprises
NCR	National Credit Regulator
NSB	National Small Business
NSBAC	National Small Business Advisory Council
NSBC	National Small Business Council
OECD	Organisation for Economic Co-operation and Development
SAMAF	South African Micro-Finance Apex Fund
SBC	Small Business Connect
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SICAR	Société d'Investissement à Capital Risque

SMMEs	Small Medium and Micro Enterprises
SPSS	Statistical Package for Social Sciences
StatsSA	Statistics South Africa
TEA	Total early stage Entrepreneurial Activity
UNIDO	United Nations Industrial Development Organisation
VAT	Value Added Tax
VC	Venture Capital

# CHAPTER ONE

## NATURE AND SCOPE OF THE STUDY

### 1.1 INTRODUCTION

Foreign-owned micro business (entrepreneurship) is a welfare enhancing business activity that takes place under good institutions that play important roles in channelling entrepreneurial imagination and initiatives into productive activities that enable consumers to maximise their utility at lower costs (March, Martin and Redford, 2016), these activities benefit both the entrepreneur and society at large (Herman and Szabo, 2014). These activities generate economic wealth that is informed by innovativeness and the ability to adapt, filling gaps in the market (Herman and Szabo, 2014) and creating both social and economic values which are not easily separated, along with profits, or at least, break-even (Zoltan, Boardman and McNeely, 2013).

Further, entrepreneurship has been acknowledged to be the fundamental source of increased efficiency, economic growth, and wealth creation, which are important to any economy and is an essential driver and one of the key tools of the economic performance of a country that generates better jobs, achieves social cohesion, and combats social exclusions (Herman and Szabo, 2014; Zoltan *et al.*, 2013). Again, entrepreneurship was noted to be the best activity for stimulating economic growth in South Africa, hence, there is an interest of universities which are encouraging students to start-up their own businesses to enhance employment for themselves and others (Jackson, 2016).

According to Mahadea (2012), “South Africa’s unemployment and growth problem lies in the consolidation of existing entrepreneurship and new entrepreneurial SMMEs based class. Only the vigorous SMMEs entrepreneurial activities, underpinned by millions of viable and lasting enterprises, can create millions of sustainable jobs and economic growth”. To buttress this, the government has to create enabling conditions and environments that are conducive for entrepreneurs to establish new businesses and create more jobs for people (Mahadea, 2012). South Africa’s integration into the world economy would facilitate a closer partnership between the nation and other countries, firms, and people, which would deepen economic and social integration, contributing to higher rates of growth and development (National Planning Commission, 2013).

Furthermore, starting a micro business comes with risk; this is not limited only to funds (capital), livelihood, and expectations, as it also requires daily blood, sweat, and tears to keep the business going. That notwithstanding, the owners of such businesses have not stopped being optimistic about growing the investments and ultimately breaking through to create a smooth-running, successful business (Preece, 2015). The scholar posits that an inspirational business activity indulged in by some group of individuals of little or no income, for income opportunities, occurs either because of unemployment or for the quest to be on oneself, as an entrepreneur. Starting a micro business is the simplest way to earn a living because it does not require a huge amount of start-up capital, a large space, or many people to take-off. It has proved to be an important force, according to the Durban Municipality (2015), in generating employment and income, thereby activating competition, exploiting niche markets, enhancing technical change, and stimulating local economic development and growth. The business can be a source of raising capital in progression to a higher level of enterprise and it can sometimes serve as a revelation to other forms of businesses. The municipal authority is also expected to ameliorate the impact of their rate system on micro businesses, by reducing it to the barest minimum.

The reduction in tax rates for micro businesses will be beneficial to this segment of the market and may encourage more participants to avail themselves of the turnover tax regime (Finweek, 2015) and it can also project sustainability, profitability, and the de-criminalisation of society as well as employment growth. South Africa's integration into the world economy would facilitate closer partnerships between the nation and other countries, firms, and people, which would deepen economic and social integration, contributing to higher rates of growth and development (National Planning Commission, 2013).

This study, therefore, investigates the factors influencing foreign-owned micro businesses with exclusive reference to African immigrant-owned micro businesses in Durban area of the KwaZulu-Natal province, South Africa. The chapter, *inter alia*, begins with the broad background of the study followed by the problem statement, motivation of the study, aims of the study, research objectives and questions, significance of the study, summary of the research design and methodology, limitations of the study, and organisation of the study.

## 1.2 BACKGROUND OF THE STUDY

Foreign-owned micro businesses clearly play an important role in the economy of the countries in which they exist. As Nesvag (2002) notes, the development of mass street trading is one of the most important developments in the political economy of Durban since the 1970s. By creating employment and income opportunities for thousands of entrepreneurs and by providing cheap and symbolically important goods and services, street trading has drastically changed the lives of many in Durban and has forced forward a redefinition of Durban life, space, and culture (Nesvag, 2002). While micro businesses may not generate as much capital as large corporations, they are a critical component of, and major contributor to, the strength of local economies (Brown, 2015). Before the early 1980s, street traders in Durban were subject to a well-entrenched tradition of repression, harassment, and prosecution; yet in the first three decades of the century, street trading flourished as it was allowed to operate with relatively few restrictions (Nesvag, 2002; Consultancy African Intelligence, 2013) as a result of Section 22 of the Constitution which guarantees freedom of trade, occupation, and profession. Furthermore, the Durban municipality has developed an enabling environment through the introduction of the annual Durban Business Fair, where exhibitors take stands to showcase and market their products and services (Ngcongco, 2011).

Through this, the municipality focuses on creating an enabling environment for skills development, information sharing, networking platforms, and providing business opportunities (Ngcongco, 2011). Sewchurran (2012) describes this action as '*Vukuzenzele*', which means to get up and do it yourself in the Zulu language, which forms the spirit of fundamental entrepreneurship and sustainability. Notwithstanding, the improvement of Durban street trading so far, since the 1970s and despite the municipality's efforts towards creating an enabling environment for business opportunities, there exists some bitterness among some local South Africans.

On this note, Barron (2011) proposes that governments should protect black South Africans from competition from foreign businesses. He asserts, "I see an encroachment into what used to be black business territory by foreigners from Asia and Africa. They have encroached deeply into the rural areas and taken over what used to be black business enterprises. This does not augur well for the future. Black business-people are being deprived of what they call their birth right, the right to do business in their own areas" (Barron, 2011).

Further, as reported by The Herald (2015), a traditional ruler said that, “the foreigners should go back to their home countries because they are changing the nature of South African society with their *amanikiniki* (rags) and enjoying wealth that should have been for local people. It is unacceptable for South Africans to compete with people from other countries for few available economic opportunities. When you walk in the streets you cannot recognise a shop you used to know because it has been taken over by foreigners, who mess it up by hanging *amanikiniki* (rags)” (The Herald, 2015).

Additionally, xenophobic attacks on foreign nationals occurred once again in April 2019 resulting in the loss of two lives in KwaZulu-Natal, this sent bad signals to the public and caused tension to grip the entire population of resident foreign nationals in and around Durban (News24, 2019). Narrating further, according to News24 (2019), “Some people call these attacks xenophobic, others brush it away as just crime, while others argue that South Africans are not xenophobic. One such person is former president Thabo Mbeki, who once argued that South Africans are not xenophobic. He argued that township business-people are just trying to protect their market from foreign nationals who outsell them in the township market. This, though, without agreeing with the attacks. He also blamed the killing of Emmanuel Sithole in 2015 on, according to him, an ordinary township thuggery, arguing that it was not xenophobic, as was popularly believed”.

Nevertheless, but most unfortunately, the government fails to appreciate the need for setting-up regulations that are not overly burdensome so that micro business entrepreneurs will be aided and not hindered in their business endeavours (USAID, 2005, cited in Sidzatane and Maharaj, 2013). Moreover, the government backslid again in providing an enabling environment that would protect the lives and property of the foreign-owned micro businesses by arguing that foreigners are involved in most of the crimes in South Africa. The above claim was substantiated when the African Ambassadors to South Africa met with South African government representatives (Minister of International Relations and Co-operation, Lindiwe Sisulu; Minister of Police, Bheki Cele; and Minister of Home Affairs, Siyabonga Cwele) for their response on the alleged xenophobic attacks against their citizens in March/April 2019. But, instead of addressing issues squarely, the South African government representatives (Ministers) chose to present a litany of crimes being committed by foreign nationals in South Africa (Fabricius, 2019).

However, Barron (2011) asserts that foreign-owned micro businesses are much better in business than the locals, hence, limitations should be set for foreigners who are taking over what rightly belongs to the black people of South Africa. Nevertheless, South Africa's President Jacob Zuma assured investors at the World Economic Forum in Davos, Switzerland 2015 that, "South Africa remains fully open for business. We are inviting both domestic and foreign business partners to invest in the South African economy" (Cronjé, 2015). Starting a new business is usually risky, but there are ways to offset the risk, which returns back to basic business principles (Jenvey, 2012), such as taking care of the immediate needs of the business and managing the risks the same way as other elements of the venture (Jenvey, 2012). A substantial number of foreign nationals from the African continent operate micro businesses in Durban, making goods and services available to their customers. Considering the details of the above background, the study found the need to investigate the factors influencing foreign-owned micro businesses in Durban, South Africa, and interventions needed in the form of recommendations to authorities and the government.

### **1.3 STATEMENT OF THE PROBLEM**

It is a common knowledge that many African immigrants from other countries of Africa continent come to South Africa in search of better opportunities, however, opposition and hostile sentiments towards them have become relatively widespread (Sidzatane and Maharaj, 2013). This hostility and unsympathetic treatment of foreign nationals, most especially African immigrants, has resulted in the xenophobic outbreaks towards African immigrants. In April 2019, two people were killed due to xenophobic violence in KwaZulu-Natal, local residents raided the homes of some foreign nationals, forcing them to seek refuge at nearby police stations and mosques (Alfreds and Phakgadi, 2019). This action, according to Alfreds and Phakgadi (2019), manifested on the heels of a recent speech by the South African President Cyril Ramaphosa, in which his statement appeared to have threatened the foreign-owned micro businesses; "Everybody just arrives in our townships and rural areas and sets up businesses without licences and permits. We are going to bring this to an end" (Alfreds and Phakgadi, 2019).

Retrospectively, in May 2008, attacks occurred which took place in major cities of South Africa, including Durban, and left more than 60 people dead (Sidzatane and Maharaj, 2013), hundreds of people injured, and thousands chased away, 342 shops were looted while 213 were burnt down

(SAHO, 2015). Subsequently, in 2015, on the 21st March to be precise, another xenophobic protest was sparked in Durban, shops were looted and burnt, and 7 lives were lost (SAHO, 2015).

Beside the xenophobic violence of May 2008 and of 2015, about 250 episodes of group-based violence against migrants and refugee businesses were documented in South Africa from 1994 to August 2014. An analysis of the frequency of collective violence reveals marked patterns of escalation. Pre-2005 incidents constituted for a less 5% of the recorded episodes. A definite upswing is seen from 2006 onwards with the sharpest growth occurring after 2008. The five years with the largest number of incidents were those from 2010 to 2014. The highest annual number of 20% of the total was recorded in 2010 during an upsurge in xenophobic attacks after the FIFA World Cup was held in South Africa. Xenophobic violence targeting migrant entrepreneurs is no longer confined to a few isolated locations. Since 2005, the majority of South African provinces have been touched by this violence against migrant businesses.

However, the Western Cape and Gauteng provinces have experienced the highest levels of violence. The overall number of affected provinces and localities has increased considerably since 2005; the majority of provinces have witnessed repeated incidents since 2009. In 2005 to 2006, incidents occurred in 6 distinct locations within 3 provinces. In 2009 to 2010, they occurred in at least 14 separate locations, extending over 6 of the 9 provinces of South Africa. The year 2010 stood out with at least 37 separate locations in 6 provinces. The number of affected areas may have fallen somewhat to 22 in 2012 and 27 in 2013, but the number of affected provinces still stood at 6 and 7 respectively (Crush *et al.*, 2015).

South Africa's Minister, Lindiwe Zulu (Cronjé, 2015), made the statement that, "Foreigners need to understand that they are here as a courtesy and our priority are to the people of this country first and foremost. A platform is needed for business owners to communicate and share ideas. They cannot barricade themselves in and not share their practices with local business owners" (Cronjé, 2015). The Minister's comments came after foreign-owned micro businesses were looted and vandalised, fuelled by xenophobia. Attitudinal surveys, according to Crush *et al.* (2008) and Dobson (2010), cited in Sidzane and Maharaj (2013), it is suggested that anti-immigrant feelings are widespread and deeply entrenched in the South African society. Negative sentiments and attitudes towards immigrants seem to cut across race, class, and gender lines (Dobson, 2010 in Sidzane and Maharaj, 2013).

In late 2006, the Southern African Migration Project conducted a national survey to determine attitudes towards foreign nationals in the country which revealed that South Africans exhibited high levels of intolerance and hostility to foreign nationals. The commonly held belief is that immigrants are a threat to the economic and social well-being of the country (Crush *et al.* 2008, cited in Sidzatane and Maharaj, 2013). Some sectors of the local population are also of the view that African immigrants in particular should return to their home countries, claiming that they take job opportunities away from local South Africans because they accept lower wages, while others in business blame foreigners for their businesses collapsing because they take away their customers due to price competition for the same products (SAHO, 2015).

Conversely, foreign-owned (African immigrants-owned) micro businesses are considered one of the possible vehicles for economic growth in South Africa and due to the numerous contributions of the SMMEs sector, the South African government has called for the support of these businesses (Fatoki and Smit, 2011). Further, small businesses also contribute a significant percentage of total employment and gross domestic product in South Africa (Li-Wei *et al.*, 2007). However, it would be fallacious to believe that foreign nationals (migrants) cause an up-swing of unemployment in South Africa; which sets a statement against the research conducted by Gebre *et al.* (2010) that reveals the opposite is the reality, that foreign-owned micro businesses actually create jobs for South Africans. In some cases, a failure to accept this reality feeds the negative associations surrounding foreign nationals (migrants) and this then impacts their ability to prosper (Gebre *et al.*, 2010).

In view of the above, followed by the constant fears created by actions of some of the local populace, coupled with other criminal activities and corruption meted-out on African immigrants and their businesses, they continue to suffer under many challenges (amidst victimisation and setbacks). Having considered the arguments, views and merits of the above, this study therefore, investigates the factors influencing the African immigrant-owned micro businesses in Durban towards the progress of their business developments and sustainability.

#### **1.4 MOTIVATION OR RATIONALE FOR THE STUDY**

SMMEs are the cornerstone of any economy, the Durban economy inclusive, with foreign-owned micro businesses contributing a significant percentage to this fact. Nonetheless, there has been

unavailability and inaccessibility in regard to various types of business support from the government and/or its agencies in respect to foreign-owned micro businesses. The government is bent only on assisting its citizens, as the minister of small business development, Lindiwe Zulu, confirms, stating that, “her ministry is determined to implement the national informal business upliftment strategy on skills development among South African population” (South African Government, 2015). Hence, this study needs to be carried out in order to investigate the factors influencing the sustainability of African immigrant-owned micro businesses in Durban.

### **1.5 THE AIM OF THE STUDY**

The broad aim of this study is to investigate the factors influencing foreign-owned micro businesses in Durban. However, the study aims to develop a conceptual framework that will indicate various influences that impact on African immigrant-owned micro businesses towards business enhancement and sustainability.

### **1.6 THE RESEARCH OBJECTIVES**

In order to achieve the main aim of the study, the following secondary objectives were identified:

1. To understand the sociological factors or social culture factors that influence African immigrant-owned, micro businesses in Durban;
2. To ascertain the entrepreneurial, psychological characteristics that influence African immigrant-owned, micro businesses in Durban;
3. To determine the entrepreneurial innovation factors that influence African immigrant-owned, micro businesses in Durban;
4. To determine what factors, influence the need for high achievement in entrepreneurs that operate African immigrant-owned micro businesses in Durban; and
5. To develop a conceptual framework to indicate the various influences that impact on African immigrant-owned micro businesses.

### **1.7 THE RESEARCH QUESTIONS**

The following research questions were identified, which helped to achieve the main aim and objectives of the study:

1. Which are the sociological factors or social culture factors that influence African immigrant-owned, micro businesses in Durban?

2. What are the entrepreneurial psychological characteristics that influence African immigrant-owned, micro businesses in Durban?
3. What are the entrepreneurial innovation factors that influence African immigrant-owned, micro businesses in Durban?
4. Which factors influence the need for high achievement in entrepreneurs that operate African immigrant-owned, micro businesses in Durban?
5. How can a conceptual framework be developed to indicate the various influences that impact on African immigrant-owned, micro businesses?

## **1.8 SIGNIFICANCE OF THE STUDY**

The significance of this study lies in the various factors that influence foreign-owned micro businesses which were derived from four entrepreneurship theories underpinning this study. This study contributes to the body of knowledge by highlighting the inherent factors that influence African immigrant-owned micro businesses in Durban. Besides this, this study is significant in the fact that it will serve as a reference point of material for academics, students, and researchers who intend to pursue a study of this nature. Furthermore, the study will contribute to the sustainability and growth of micro businesses in South Africa. This is because it investigates the factors that influence African immigrant-owned micro businesses in Durban.

## **1.9 THE RESEARCH DESIGN AND METHODOLOGY**

The nature of this study informed the research methodology used in the process of data gathering in the study and proffering solutions to the research questions. The elements of the research methodology considered in this study were the following: the design, approach, study site, population, sampling strategies, sample and sample size, data collection methods, data quality control, measurements, and data analysis.

### **1.9.1 Research Approach**

The research approach can be described as a step taken towards the allocation and analysis of data for the purpose of generating information (Abdalla, 2012). The study was conducted using the quantitative method, which involves the collection of primary data from large numbers of individual units, with the intention of projecting the results to a wider population (Coldwell and Herbst, 2004).

### **1.9.2 Study Site**

The area or geographic place in which the study was conducted to collect the desired data to answer the research questions is the city of Durban's Central Business District (CBD), which is in the eThekweni municipality of the KwaZulu-Natal province, situated on the east coast of South Africa. Durban is the third largest city in South Africa and is a sophisticated cosmopolitan city of over three-million people from different countries.

### **1.9.3 Research Design**

A cross-sectional research design, which is the most appropriate design for the study, was used. It enhanced data collection from a cross-section of the population within a short time-period and facilitated the generalisation of the results to represent the entire population. It is the most appropriate design method to collect data from numerous people at a reduced cost as well as facilitating time constraints. Shuttleworth (2015) affirms that a cross-sectional study takes a snapshot of a population at a certain time, allowing conclusions about phenomena across a wide population to be drawn.

### **1.9.4 Target Population**

The units or individuals that a research study is interested in is described as the target population (Trochin, 2006). Therefore, the target population surveyed in this study was African immigrant micro business entrepreneurs who are among the informal micro business entrepreneurs that constitute a population of 6,238 that operate their businesses within the Durban central business district (CBD) (EDGE, 2013).

### **1.9.5 Sample Size**

A sample size of 364 participants was drawn from the population of 6,238 to participate in the study. The sample size was derived using Krejcie and Morgan table for determining sample size with the confidence level of 95% and confidence interval of 5% (Krejcie and Morgan, 1970). In the table, there are values (N) for 6000 and 7000 respectively, therefore, the value (N) of 7000 was adopted. The rationale behind using the value (N) of 7000 was to have a better sample size from the population for the study.

### **1.9.6 Sampling Strategies**

The probability sampling method called cluster sampling was used in the study for collecting data. It was adopted for the study because it acknowledges the difficulty in sampling a population as a

whole, especially when convenient sampling frames of individual population elements are not available (Gray, 2014). The population was divided into clusters of homogeneous units made up of the streets within Durban CBD where the samples were selected for the study.

### **1.9.7 Data Collection/Research Instrument**

The study conducted was quantitative, therefore, the data for the study was collected by the use of questionnaires with closed-ended questions. The rationale behind this was to enable respondents to record answers correctly and easily without difficulties, this was decided after having considered the visually impaired and the literacy level of some respondents. A five Point Likert-scale was used in the questionnaire to facilitate the survey because of the large sample size and to achieve a high response rate within a limited time period. It was also considered, to allow respondents to have wider options to express themselves within a survey question. 10 respondents were used to pilot-test the questionnaire to ensure that errors of any nature be rectified before carrying out the entire survey. They were not included in the main survey.

### **1.9.8 Data Analysis**

Descriptive statistics in the form of tables and graphs were used to describe the data graphically. In order to test for significant trends in the data, inferential statistics were applied through the use of Pearson's correlation, t-tests, ANOVA and chi-square tests. Where the conditions were not met for the application of those tests, non-parametric equivalent tests or exact tests, where applicable, were applied. Throughout, a p-value of 0.05 was used to indicate significance. The analysis was carried out using the Statistical Package for Social Sciences (SPSS) 25.0 version, to determine the relationships between the concepts, constructs and variables.

### **1.9.9 Data Quality Control**

Reliability and validity tests were used to judge the quality of the instrument used for gathering the quantitative data. In determining the reliability of the instrument, a pre-test was first conducted which involved administering questionnaires on 10 respondents to ensure item consistency, ease of understanding and question sequence appropriateness. Further, the reliability of the pre-test was established by Cronbach's Alpha ( $\alpha$ ) coefficient and the validity (factor analysis) by using the Statistical Package for Social Science 25.0 version. The validity of the instrument used was

established using content validity which assured the representativeness and sampling adequacy of the content of the measuring instrument.

## **1.10 Ethical Consideration**

Research ethics relate to the questions about how the research topic was formulated and clarified, the research design and access gain, collection of data, processing and storage of data, analysis of data and the writing up of the research findings in a moral and responsible manner (Saunders *et al.*, 2009). The University of KwaZulu-Natal's policy provides a framework in which research at the university is conducted, with regards to internationally recognised ethical norms and standards ensuring the protection of the interests of all stakeholders. However, due process was followed in obtaining permission via ethical clearance from the Ethics Department of the University of KwaZulu-Natal.

The research was designed to be both methodologically sound and morally defensible to all the stakeholders. This was achieved by; obtaining informed consent from the participants who volunteered to participate in the study survey, guaranteeing the safety of the participants and ensuring that no harm came to them during or after the survey. This was ensured through the data instrument design, whereby the personal details of the participants were not included and thereby ensuring confidentiality and anonymity. All the stakeholders remained protected.

## **1.11 THE STRUCTURE OF THE THESIS**

### **1.11.1 Chapter One: Introduction, Nature and Scope of the Study**

This chapter provides a general introduction to the study. It includes a background of the study, the statement of the problem, motivation or rationale for the study, the aim of the study, the research objectives and the questions, the significance of the study, the research design and methodology, ethical consideration and the conclusion.

### **1.11.2 Chapter Two: Review of the Literature**

The chapter looks at the literature with regards to entrepreneurship generally and in South Africa in particular. The informal sector in South Africa was reviewed as well as the entrepreneurial challenges. The chapter also discusses the empirical literature on the factors that influence African immigrant-owned micro business in South Africa. The discussion focuses on the sociological

factors, psychological factors, innovation factors and the need for high achievement factors that influence them and more. The chapter further includes other aspects such as the challenges affecting African immigrant-owned micro businesses in Durban. Furthermore, the chapter discusses the contribution of African immigrant-owned micro businesses towards the South African economy and finally presents a conclusion.

### **1.11.3 Chapter Three: Theoretical and Conceptual Frameworks**

This chapter of the study presents both the theoretical and the conceptual frameworks underpinning the study and the linkages to the research objectives and questions. The theoretical framework adopted is the resource-based entrepreneurship theory. While, a conceptual framework was developed to indicate the various influential factors that impact on African immigrant-owned micro businesses, and the chapter conclusion outlined.

### **1.11.4 Chapter Four: Research Design and Methodology**

This chapter describes the research methodology which guides the entire study. The chapter addresses critical issues such as the research philosophy, research design, research approach, research method, research settings, target population, sampling strategy, sample size, data collection instrument, the pilot study, data measurement scale, data quality control, data analysis, ethical consideration, limitations of the study and the conclusion.

### **1.11.5 Chapter Five: Data Presentation and Analysis**

This chapter presents the main data of the study. The Statistical Package for the Social Science (SPSS) version 25.0 is employed to analyse the findings. Both descriptive and inferential statistics such as percentages, frequencies, mean, standard deviation, correlations, sample t-test, ANOVA, Cronbach's alpha coefficient, factor analysis are carried out in the chapter, and the chapter conclusion detailed.

### **1.11.6 Chapter Six: Discussion of the Results**

The chapter discusses the results of the study in accordance with the research objectives outlined in the chapter above. The chapter also integrates the previous research into the discussion of the results. The chapter concludes.

### **1.11.7 Chapter Seven: Conclusion and Recommendations**

The final chapter draws the conclusion of the study based on the findings in accordance with each objective of the study. The chapter also contains recommendations based on the findings of the study. It further provides the direction for further research and gives a conclusion.

### **1.12 Conclusion**

This chapter provided a detailed background of the study followed by the problem statement, aims of the study, motivation and rationale for the study. The research objectives, research questions, contribution of the study, summary of the research design and methodology and structure of the thesis were also outlined. The chapter laid the foundation for the study and introduced various aspects of the study. However, in the next chapter, the relevant literature on entrepreneurship and other factors with regards to the study were reviewed.

## **CHAPTER TWO**

### **REVIEW OF THE LITERATURE**

#### **2.1 INTRODUCTION**

The previous chapter presented the general overview of the study and the expectations therein. This chapter discusses the empirical literature on foreign-owned micro business, the background of the study, and the base of the study which was derived from entrepreneurship. It is thus important to note that entrepreneurship entails a process through which individuals identify opportunities, allocate resources, and create value (Watson, 2010). Entrepreneurship is the process of conceptualising, organising, launching and, through innovation, nurturing a business opportunity into a potentially high growth venture (Rwigema and Venter, 2007). It implies acting innovatively in all lifestyles (Kroon, 2006). Entrepreneurship is a process of discovering new ways of combining resources (Sobel, 2008) and creating value to satisfy unmet needs via the identification of opportunities for such (Watson, 2010). By this definition, it goes without saying that foreigners engaged in entrepreneurship require some sort of support, autonomy, and space to operate.

The chapter commences with the conceptualisation of key concepts in the study, namely; foreign-owned business, micro businesses, and foreign owned micro businesses. The next section provides a brief overview of foreign owned micro businesses in South Africa followed by an overview of entrepreneurship and entrepreneurship in South Africa. Expatriate and entrepreneurship, expatriate entrepreneurship in South Africa, and African expatriate entrepreneurship in South Africa are concepts that are also discussed. The concept of productive and unproductive entrepreneurship is explained, followed by a brief highlight of the informal sector in South Africa, informal economy and informal micro businesses. The next section deals with a discussion on government legislation which regulates the establishment of foreign-owned micro business in South Africa.

Further, the chapter gives an account of the sources of financing for foreign-owned micro businesses in South Africa and the financial constraints associated. Again, the chapter presents a detailed discussion on the challenges faced by foreign-owned micro businesses in South Africa. Furthermore, it gives an account of the entrepreneurial sociological, psychological, innovation,

and the need for high achievement factors that influence foreign-owned micro businesses. The last section of the chapter offers a broad discussion on the contributions of foreign-owned micro businesses towards the growth of the South African economy.

## **2.2 CONCEPTUALISATION OF KEY CONCEPTS**

As mentioned in the introductory remarks, concepts such as foreign-owned businesses, micro businesses, and foreign owned micro businesses will first be explained in order to provide a general understanding of the entire study.

There is no clear definition of foreign-owned businesses. However, Thompson and Zang (2018) conceptualise the term ‘foreign-owned businesses’ as businesses owned and controlled by individuals who are not citizens but residents in different countries. Conversely, the South Africa’s Companies Act of 2008 defines foreign-owned businesses as businesses that are incorporated outside of South Africa. According to the Companies Act of 2008, should such companies wish to establish business operations in South Africa, they may be required either to set-up branches by registering them as foreign companies (external companies) or an incorporate wholly-owned subsidiary of the foreign companies.

Micro businesses have no standard definition. Micro businesses have been understood differently by various scholars, individuals and organisations. However, the common features or indicators contained in previous definitions include the size of labour force, total assets, annual returns, and capital investment (Bouazza Ardjouman and Abada 2015). Mutoko (2015) describes micro businesses in the context of Botswana as those firms which employ six or less workers and have an annual turnover of P60 000. However, in the South African context, micro businesses have been defined as those companies, “with an annual turnover of less than ten million Rands” (Ansary, 2016). The National Small Business Act 102 of 1996 also describes micro businesses as those entrepreneurial ventures that generate an annual turnover of less than the Value Added Tax (VAT) registration limit of one million Rand per annum. Micro businesses in South Africa have been classified into various forms, such as *spaza* shops, cafés, home-based businesses, mini-taxis, small scale construction, and textile manufacturing (South Africa, 2003).

Contrary to the above definitions, Ayandibu and Houghton (2017) describe micro business as businesses that employ between one and five employees, usually the owner and family. Ayandibu

and Houghton (2017) further add that micro businesses have certain feature, such as being informal (no license), formal business premises, and labour legislation. According to Ayandibu and Houghton (2017), micro businesses have turnover below the VAT registration level of R300, 000 per year.

Falkena, Abedian, von Blottnitz, Coovadia, Davel, Madungandaba, Masilela and Rees (2001) have also conceptualised micro business in a similar way to Ayandibu and Houghton (2017). According to Falkena *et al.* (2001) micro business refers to a type of business which employees few than five members with an annual turnover of less than R150, 000. The authors further state that micro businesses in South Africa have less than R100, 000 gross assets, excluding fixed property.

Having considered the above definitions of micro businesses and their characteristics, the study therefore, adopted the definition by Falkena *et al.* (2001), which characterised micro businesses in South Africa as the businesses that have less than R100, 000 gross assets, excluding fixed property. The reason is that it best suits the population of African immigrant-owned micro businesses in Durban, which this study is based on. A majority of them find themselves in this category because of the proven difficulties in raising capital and a lack of adequate support.

### **2.3 ENTREPRENEURSHIP IN A WIDER SENSE**

An entrepreneur may be born out of zeal and courage to start a business and be the boss of his/her own business. Depending on the level of his/her entrepreneurial motivation, the business may be taken to the next level. These entrepreneurial business ventures are not usually big; they range from solo projects to major business undertakings, creating huge job opportunities. Small business owners are often satisfied in their small craftsmanship. Invariably, an entrepreneur exploits their talent with the constant urge of evolving their business while it grows, keeping aside the monetary interest. Running a one-person business is a creative, flexible and challenging way to becoming one's own boss and projecting one's own future. It foretells life creation as well as earning a living wage. Furthermore, it takes courage, self-determination, and foresight to aspire to be an entrepreneur. An entrepreneur ventures into uncharitably territories of business, unlike the relatively safe corporate world (Squidoo, 2011).

Nevertheless, for a micro business owner to grow into a successful entrepreneur, there must be a vision and passion to succeed (Squidoo, 2011), keeping in mind the needed points that drive a

business to the heights of roaring success, foremostly, the right attitude. An entrepreneur should be optimistic, avail themselves to new ideas, exhibit a willingness to research and ask questions, and show the ability to reflect on past mistakes by one's self and others, to learn better practices. Being clientele focused is another positive point. Studying the market to find out the clientele's demand and the quality of products on demand and the frequency cannot be over-emphasised. The third point is getting feedback from the clientele, which is an important tool that helps to measure the business' standing with the clientele. Feedback is needed to know if the business is maintaining a good standing or, otherwise, what needs to be improved. This helps the entrepreneur with innovative ideas effectively for the business, based on the clientele's demand. Networking is the fourth important point. Micro businesses always need assistance; therefore, it is important to catch every opportunity that comes across. An entrepreneur can make contacts through business gatherings (seminars, workshops, or trade exhibitions) in which people come together from different sectors of business, and that can help a business grow. An entrepreneur's business is a vehicle for discovering and expressing the unique talent and passion they possess to succeed.

The trend shows an increase in immigrant entrepreneurship internationally, both in developed and developing countries. It seems to be a widespread phenomenon in Europe, which was caused by an upsurge of immigration resulting in high immigrant populations in many European countries. Immigrants are prone to engaging in entrepreneurship in the countries which they found themselves in because of the difficulties being experienced in getting paid employment among the native population as well as the discrimination in labour and capital markets. Immigrants have a greater propensity to develop as entrepreneurs than the native populations (Moyo, 2014).

### **2.3.1 Entrepreneurship in South Africa**

Value-adding entrepreneurial actions create employment than legislation, which suggests that in order for any labour legislation to ameliorate unemployment it must be flexible and business friendly (Mahadea, 2012). In South Africa's new democracy, following the former apartheid regime, several initiatives have been implemented to boost the economy, especially entrepreneurship. Local initiatives that focus on equipping and financing entrepreneurs, especially those who, historically, marginalised (Black people and women), were created (Sophie, 2014). Nevertheless, the report shows that South Africa's rate of Total early-stage Entrepreneurial Activity (TEA) declined by 34% from 2013 to 2014, with only 7% of the country's adult

population engaging in entrepreneurship (Illingworth, 2015). The 2014 TEA rate showed that South Africa backslid three times lower than its expected entrepreneurial activity rate, given its *per capita* income (Illingworth, 2015). According to a World Bank Group study, more than half of South Africa's population are found in townships and informal settlements (38% of working population) but this has not translated into widespread interest in entrepreneurial activity (Mulligan, 2015).

However, the current Global Entrepreneurship Monitor's (GEM) report on entrepreneurial activity in South Africa affirmed that, "although the entrepreneurial activities were very low, they have increased marginally over the last 10 years, but in 2014 dropped by a staggering 34 percentage points (from 10.6% to 7%). There has been an increase in women's entrepreneurship primarily due to government support, but the perception of opportunities to start a business, and confidence in one's own abilities to do so, remains alarmingly low compared to other sub-Saharan African countries" (GEM, 2016). At the current stage of economic development in South Africa today one would expect the entrepreneurial activity rate to be higher than it was, this might be as a result of the level of education and training, access to finance, cultural and social norms, and government regulation (Preisendorfer *et al.*, 2012; Mahadea, 2012).

Having mentioned the above, the effects of apartheid are not left out. Many South Africans, especially blacks, were disadvantaged and denied opportunities to embark on entrepreneurial activities, which contributed also to the South Africa's low entrepreneurial activity rate (Preisendorfer *et al.*, 2012; Mahadea, 2012). Moreover, the rate with which extant business terminates exceeds the rate of business start-ups, consequently causing a loss of business activity and possible job losses (GEM, 2016). However, according to Global Entrepreneurship Monitor's report, "there exist two categories of entrepreneurship motivation; 'opportunity entrepreneurship' in which the entrepreneur discovers exploitative opportunity and 'necessity entrepreneurship' where there is no other choice to making a living. The latter has been reported to be more prevalent in low-income countries. The level of necessity entrepreneurship decreases as the country record growth in economic development. Invariably, it has a low effect on economic development and growth" (Sautet, 2013).

### **2.3.2 Foreign nationals and Entrepreneurship**

A Foreign national is simply defined as someone who does not live in their own country (Cambridge, 2016), a person who has citizenship in at least one country, but lives in another country (Businessdictionary, 2016). Adjusting and adapting to live and work anywhere apart from home has never been so easy and comfortable, nevertheless, across international borders or in a foreign country. It requires a strong level of psychological fortitude to embark on such a venture, despite the thought of it being gainful. Most foreign national entrepreneurs are motivated by the need for achievement and self-fulfilment as well as a desire to improve society (Dechant and Lamky, 2005). Foreign nationals face some conflicts and difficulties in overseas adjustment, including tough laws, regulations, behavioural codes, and cultural customs (Lii and Wong, 2008). That notwithstanding, foreign nationals around the world have proven to be successful in many countries. Foreign national entrepreneurs seem to be actively starting up new businesses in Europe and Australia at an increasing rate and have significantly contributed to the economy and provided employment (Curci and Mackoy, 2010).

Further, the United Arab Emirates (UAE) is also another interesting country where foreign national entrepreneurship flourishes. The government depends on the foreign nationals in growing and contributing to the economic development of the country. The country (UAE) relies heavily on foreign nationals to keep its projects and economy running (Snoj, 2015). According to Tong *et al.* (2012), “the foreigners’ population of the United Arab Emirates has increased rapidly over the years, primarily as a result of increasing demand for them. Foreign nationals that reside in UAE constitute more than 88% of the UAE population, and they (foreign nationals) held 99% of jobs in the private sector and 91% of positions in the government”. The country has the highest percentage of foreigners against its own citizens, which make up of about 10% of the total population (Snoj, 2015). It can be seen that incorporating foreign national entrepreneurs is likely to contribute to the economy of host countries which, on the other hand, is needed by any progressive host government.

However, the government of Canada and Australia were actively involved in assisting foreign national entrepreneurs in transnational business activities (Patel and Conklin, 2009). Further, many foreign national-entrepreneurs benefited in some programs in the United Arab Emirates, which were educational, legal, financial, industrial, institutional, and communicational and organised by

the government, in the sense that they helped in generating a welcoming environment for the foreign national entrepreneurs and created a society that holds a favourable attitude towards entrepreneurship (Tong *et al.*, 2012). In some cases, foreign nationals settle for self-employment as a means of living in the new area, as paid employment would be difficult to get because of language barriers, cultural issues, information, and discrimination problems (Stone and Stubbs, 2007).

Nevertheless, a foreign national entrepreneur's optimistic overconfidence (Simon and Shrader, 2012) sometimes leads one into successful entrepreneurship and sometimes leads to a shocking failure. Nevertheless, the importance and relevance of foreign national entrepreneurship in advanced and emerging global economies seems insurmountable, and also the growing influence of globalisation and international entrepreneurship (Kiss *et al.*, 2012).

### **2.3.3 Foreign national-entrepreneurship in South Africa**

Entrepreneurship has been one of the main sources of job creation which has a direct influence on economic growth and also guides national propensity. Foreign national entrepreneurship has been recognised as an important propeller of economic growth and the regeneration of economies via the contributions to economic development, innovation, and job creation made by foreign national entrepreneurs (Khosa and Kalitanyi, 2014). Nevertheless, Foreign national entrepreneurship flourishes in South Africa, especially since the defunct apartheid regime. South Africa is seen as fertile ground for entrepreneurship and other opportunities by the foreign nationals who come from the several continents of the world, for new and better opportunities from various fields of international endeavours.

However, there is a large congregation of Asian and African nationals in South Africa, making up more than other people from other continents. Asians from China, Pakistan, Bangladesh, India, Korea, and Africans from Zimbabwe, Ethiopia, Ghana, Congo, Cameroon, Somalia, Kenya, Nigeria, and Senegal, for instance. The foreign nationals possess refined entrepreneurial qualities that enhance their ability in establishing and running successful businesses in their host countries (Tengeh *et al.*, 2011). According to Park and Rugunanan (2010), "For almost every major town, secondary towns, and even the smallest settlements, at least one Chinese shop is visible. Beside any Chinese shop, at least one or two of either Bangladeshi or Pakistani shops are situated" (Park

and Rugunanan, 2010). Grant and Thompson (2015) and Kalitanyi and Visser (2010) also note that the vast space of inner-city Johannesburg has been taken over by the African foreign national entrepreneurs who are building their businesses, this is also seen in other South African cities and townships.

According to Lin (2014), getting to hear about the success of foreign national-entrepreneurs in South Africa boosts the conviction of other economically minded foreign nationals to move to South Africa, not only for profit-making but also inclusion in the social class and being one's own boss. Fatoki (2014) notes that foreign nationals may be a significant catalyst in the creation of new businesses, and that foreign national entrepreneurship can positively impact the economy of South Africa, which (foreign national entrepreneurship) have proved to be key engines of growth in their host countries. According to Fatoki (2013), the failure of the private and public sectors to absorb the growing number of job seekers in South Africa has led to an increase in attention paid to entrepreneurship and its potential to economic growth, job creation, and poverty alleviation. Hence, South Africa's economy readiness for foreign national entrepreneurs' investment in economy.

#### **2.3.4 Sources of finance for foreign-owned micro businesses**

Sources of finance remain a key issue to many businesses across the world. According to Abdulsaleh and Worthington (2013), the sources of finance for micro businesses differ from business to business and country to country. Researchers (Moses and Adebisi, 2013; Ibrahim and Ibrahim, 2015; Ibrahim and Shariff, 2016) have classified sources of financing in micro businesses into two categories, namely: internal and external sources. Abdulsaleh and Worthington (2013) described external sources of financing as those sources which come from outside the business. The external sources of finance include banks, commercial institutions, and security markets. Internal sources on the other hand, refer to those sources of finance which come from the owner, including personal savings, retained earnings, support from family members and friends (Abdulsaleh and Worthington, 2013; Ibrahim and Shariff 2016).

Oladele, Oloowokere and Akinruwa (2014), in their study, investigated sources of finance in small and medium scale enterprises and their performance in the Ado-Ekiti metropolis. According to Oladele *et al.* (2014), the sources of financing micro businesses can be classified under three broad

areas, such as personal savings, informal sources, and formal sources. Oladele *et al.* (2014) point out that personal savings is the amount left over after the cost of person's consumer expenditure have been taken from the amount of disposable income available in a given period of time. Several researchers (Aabi, 2014; Tengeh, Ballard and Slabbert, 2011) have also confirmed that personal savings is a major source of finance to micro businesses. Ojos, as cited in Ekpenyong and Nyong (1992), found that about 96.4% of the sources of financing in small, medium, and micro businesses comes from personal savings. Oladele *et al.* (2014) further describe informal sources as those sources of financing that do not require serious paperwork. Oladele *et al.* (2014) suggest that sources under informal provide financial assistance with or without demanding serious collateral security from the owners, rather, it is based on simple agreement and trust. Informal sources include support from friends, relatives, and business angels. Gbandi and Amissah (2014) discovered that informal sources provide more than 70% of the funds to small, medium, and micro enterprises. The formal sources of financing, on the other hand, refer to those financial institutions that are established by law and conduct financial transactions as well as taking the responsibilities of assisting in growth, development, and the survival of small, medium, and micro enterprises by providing credit facilities. The formal sources of funding SMMEs includes commercial banks, merchant banks, savings banks, bank of industry, and development banks (Gbandi and Amissah, 2014).

Fatoki (2014) investigated the traditional and innovative financing options available to new SMEs in South Africa. The study found that the traditional and innovative sources of financing for SMEs includes equity and debt such as business angels, venture capitalists, commercial banks, trade credit, and government agencies. Unlike the case of the above studies (Aabi, 2014; Oladele *et al.* 2014), Fatoki's (2014) study does not recognise personal savings and informal sources as sources of financing for micro businesses in South Africa. Fatoki (2014), in his study, further found that access to external funding for SMEs in South Africa is very difficult, particularly for start-up ones. Fatoki (2014) discovers that there is limited access to external finance in spite of the numerous financial market sources of equity and debt to new SMEs in South Africa and worldwide. The study therefore suggests that one innovative ways of increasing access to finance micro businesses is through crowd funding with the help of the government regulatory system. According to Beck and Demirguc-Kunt (2006), there are two main sources of funding available to micro businesses, those being equity and debt.

Golić (2014) carried out a study on crowd funding as an alternative means of financing micro, small, and medium enterprises. The results of the study revealed that crowd funding is a pioneering and innovative way of sourcing funds for micro enterprises through the internet that links entrepreneurs and investors. Golić (2014) suggests that entrepreneurs can access funds, through the internet through open invitation, to finance enterprises from relatively small offerings of a relatively large number of investors. Golić (2014), in their study, recommends that crowd funding could be of immense benefit to the socio-political community and the potential customers crowd funding like small, medium, and micro enterprises. The study further concluded that crowd funding, as an alternative source of financing small, medium, and micro businesses, is more reachable as opposed to banks and capital markets.

Gbandi and Amissah (2014) investigated sources of financing of small, medium, and micro enterprises in Nigeria, taking into consideration the relevance of microfinance banks, co-operatives, and commercial banks in Nigeria. Their study discovered that the major sources of funding to small, medium, and micro enterprises includes personal savings, moneylenders, and local authorities. Gbandi and Amissah (2014) further found that the formal sources of funds include equity financing through venture capital and business angels. Gbandi and Amissah (2014) postulated that the informal finance sector provided more than 70% of the funds needed by small, medium, and micro enterprises in Nigeria. Other researchers (Gulani and Usman, 2013; Ilegbinosa and Jumbo, 2015) contended that, in Nigeria, the main sources of funding for small, medium, and micro businesses includes individual savings, family, and associates, while credits from banks and other commercial institutions.

Contrary to the above findings, Daskalakis, Jarvis, and Schizas (2013) found that, in Greece, micro businesses depend only on private funds and do not create additional capital from sources outside the family. According to Daskalakis *et al.* (2013), micro businesses in Greece often feel reluctant to use independent outside funds such as venture capitalism (VC) or business angels.

In China, studies carried out by Gudov (2013) and Vasilescu (2014) reveal that there are two major sources of financing for micro businesses, namely internal and external sources. The internal sources of finance to micro businesses include individual and family savings, reserved earnings, working capital, and the disposal of fixed assets (Gudov, 2013). The external sources of financing micro businesses on the other hand, includes established VC speculations, bank loans, and initial

public offering. The studies concluded that the major source of funding for micro businesses is predominantly individual and family savings (Gudov, 2013; Vasilescu, 2014). However, Liu and Bai (2014), in their study, discovered that mutual bond is a key improvement that delivered a new funding network for small, medium, and micro enterprises in China. According to, Liu and Bai (2014), the mutual bonds market played a significant role in encouraging everyday financing for micro businesses. Kumar and Rao (2016) also investigated the extent of funding SMMEs in India. The data was collected from the financial statements of 1,524 SMMEs in India from the database of the Centre for Monitoring of Indian Economy between the period of 2006-2013. Kumar and Rao (2016) discovered that most SMMEs rely on short-term debt, trade credit, and bank loans as the frequent sources of finance. Kumar and Rao (2016) therefore concluded that the funding condition of SMMEs in India needs to improve, and SMMEs must also explore new ways of funding.

Researchers such as Stamboulis and Barlas (2014), Hayton, Hornsby and Bloodgood (2013), and Osano and Languitone (2016) carried out various studies on external sources of funding for small, medium, and micro enterprises in the United States of America. The studies showed that the key external sources of financing for small, medium, and micro enterprises includes support from close associates, families, employers, and co-workers. The studies further recommend that new firms can also access loans from banks and other monetary institutions, backed by collateral securities. Osano and Languitone (2016) posited that other sources of funding available to small, medium, and micro enterprises are bank credit, credit from suppliers, VC, and funding from government agencies. Stamboulis and Barlas (2014) and Bloodgood (2013) argue that crowdfunding is a better way of raising funds for start-ups and micro businesses without issuing stock.

Hoque, Sultana, and Thalil (2016) examine the credit rationing of small, medium, and micro enterprises in the city of Chittagong, Bangladesh using a sample of 200 small, medium, and micro enterprises. The study revealed that the Bangladesh government had established an SME Foundation in 2007, to provide support in promoting the financing of SMMEs to grow to their full potential. According to Hoque *et al.* (2016), the Central Bank of Bangladesh encourages lending to SMMEs or SMEs through a refinancing window for business directly involved in the SME sector. The results of the study further indicated that approximately 89% of SMMEs obtained loans

from microfinance institutions, while 60% obtained credit from the banks, and 48% obtained less than they desired to obtain (Hoque *et al.*, 2016).

Adel, Tarek, Affes, and Jarboui (2016) explore VC as a source of financing for SMMEs in Tunisia. A finding from the study reveals that the Tunisian government has created an Investment Company with Venture Capital called SICARs (*Société d'Investissement à Capital Risque*) to provide funding for start-up SMMEs. According to Adel *et al.* (2016), the motivation behind the establishment of SICARs is due to the fact that new businesses often found it very difficult to access loans from commercial banks.

Brian and Shingirayi (2014) carried out a study on challenges faced by small, medium, and micro enterprises in Chitungwiza, Zimbabwe, using data from 2011-2012. The main objective of the study was to determine the extent to which SMMEs access loans from financial institutions, and the effects of government regulations on SMME strategies that could lead to a vibrant SMME sector. They employed a descriptive case study survey to collect data from a sample of 100 SMME participants in Chitungwiza. The results of the study revealed that 53% of SMMEs have benefited from government policies such as black empowerment programs which led to accessing loans from the Ministry of Small to Medium Scale Enterprises (Brian and Shingirayi, 2014). Contrary, 47% of SMMEs indicated that they did not benefit from government policy on SMMEs. About 40% of SMMEs indicated that they were self-financing their operations (Brian and Shingirayi, 2014). Also, 34% reported that they received financial assistance from various financial institutions, while 26% said that they receive support from family and friends (Brian and Shingirayi, 2014).

Quaye and Sarbah (2014) examined various sources of funding for SMMEs in Ghana. The study reviewed the role of nonbanking commercial organisations, namely: Savings and Loan Companies. A total of 120 questionnaires were distributed to SMME operators using a convenience sampling procedure. The results of the study showed that savings and loan companies were reliable and alternative sources of finance for SMMEs in the Greater Accra Region (Quaye and Sarbah, 2014). The study further discovered that non-bank financial institutions, such as savings and loan companies reflected on the neglect of SMMEs' financial needs from banks, as an opportunity to serve the SME private sector businesses (Quaye and Sarbah, 2014). The study recommends that savings and loan corporations should agree to other methods of collateral security apart from property collateral security, and thus should train operatives of SMEs on appropriate business

practices and record keeping. Similarly, Abor, Agbloyor and Kuipo (2014) investigate SMMEs' access to bank finance and how that affected export activities in Ghana. The results of the study indicate that government of Ghana encourages the establishment of support institutions, which includes the Office of Business Promotion and Ghana Enterprise Development Commission (GEDC), for the funding of SMMEs.

### **2.3.5 Financial constraints to foreign-owned micro businesses**

In the last decades, a number of studies have examined the SME sector globally due to the fact that SMMEs have been acknowledged as powerful engines of economic development. Despite the immense contribution of the SME sector towards economic growth and development. Studies (Aziz, Mahmood, Tajudin and Abdullah, 2014; Daskalakis, Eriotis, Thanou and Vasiliou, 2014) reveal that foreign-owned micro business or SMMEs face several challenges in accessing funds, including a lack of collateral. However, Daskalakis *et al.* (2014), in their study, argue that size does matter when it comes to accessing finance. They postulated that micro businesses determine their capital structure in respect to their sizes (Daskalakis *et al.*, 2014).

Obaji and Olugu (2014), in their study, found that in developing countries, banking systems provide little or no financial products to micro enterprises. Obaji and Olugu (2014) assert that securing credit by micro enterprises requires borrowers to pledge collateral against the loan. The study discovers that the condition of pledging collateral affects the establishment of new SMMEs as well as the expansion of the existing ones. The study recommends that the government motivate micro businesses by guaranteeing such high-risk loans in order to boost the SME sectors.

Haron, Said, Jayaraman and Ismail (2013) have discovered that, in Malaysia, most financial institutions are reluctant to disburse funds to micro enterprises because of a lack of collateral, size, and business records. The results of the study reveal that collateral and inadequate documents in support of a loan application, have a significant influence on the possibility of loan approval in financial institutions from the perspective of credit officers.

Pandula (2015) in his study examines the situation of SMME financing in Sri Lanka. The study also highlights some of the key challenges faced by banks and SMMEs. From the study, Pandula (2015) observes that the banking sector, as well as designated financial institutions, faced limitations of high risk, high administration costs, and a lack of information on the borrower, as

well as poor legal systems to fall back to in the event of default by borrowers. The study further shows that micro businesses face financial constraints such as lack of collateral, complex application procedures; and the high cost of finance associated with obtaining loans from banks (Pandula, 2015). The study suggests that financial institutions should develop credit-scoring systems, simplify loan documentation, promote structured finance tools, and train bank staff who handle the applications of SME customers (Pandula, 2015). In addition, Pandula (2015) recommends the introduction of new credit guarantee schemes, the setting up of an SME rating agency, and developing a cluster-based approach to SME lending.

Arasti, Zandi and Bahmani (2014) note that, in Iran, SMEs face a number of constraints in accessing funds which includes a lack of institutional funding, bureaucratic processes, inadequate legislation, and obstacles to accessing financial services. According to Arasti *et al.* (2014), despite the fact that SMMEs are more flexible to market demands than large business and fundamentally contribute to job creation in industrialised economies, they still faced challenges in accessing finance.

Moses and Adebisi (2013) claim that micro businesses face funding constraints in developing countries, which affects their development and continuity. They explore the presence and significance of business angels as a source of finance, in order to address the challenges of equity financing by micro businesses in Nigeria. The data for the study was obtained from 120 participants using questionnaires. The study found that the constraints regarding a lack of access to financing amongst micro enterprises in Nigeria are due to economic policies and bank practices as well as the high costs and risks associated with lending (Moses and Adebisi, 2013). The study further indicates that 75% of micro enterprises in Nigeria were not aware of angel market investors, while only 25% are financed by angel investors (Moses and Adebisi, 2013). Contrary to the above study, studies conducted by a group of researchers reveals that the stringent regulation by banks for micro enterprises to raise funds and increase the amount of venture funding is a big financial constraint (Boateng and Abdulrahman, 2013; Onakoya, Fasanya and Abdulrahman, 2013).

Udin (2014) examines the financing policies and problems associated with micro businesses financing policies in Bangladesh. The findings from the study show that continuous monitoring, difficulties involved in the recovery of loans distributed to the micro enterprises, and a high risk with little returns made micro business financing unattractive to commercial banks (Uddin, 2014).

In Tunisia, a study by Ayed and Zouari (2014) examines the challenges faced by SMEs in accessing credit from banks. The study identifies a number of constraints which hinder the access to funding by SMEs, including the failure on the part of underwriters of funds to assess information on the degree of risk related to small or micro enterprises, the diversity of the business sector, high interests on loans, and profitability. According to Benkraiem and Gurau (2013), some SMMEs faced many challenges in satisfying their financing requirements, which led to their inability to secure funding. The study finds that some micro firms have limited profitability, insufficient collateral security, and relatively high unpredictability performances which barred them from getting credit (Benkraiem and Gurau, 2013).

Mthimkhulu and Aziakpon (2015) examine key challenges hindering the growth and development of small, micro and medium enterprises (SMMEs) in South Africa. Even though access to finance was a top presumed constraint which has affected SMME development in South Africa over the years, there are other challenges than access to finance (Fatoki, 2014; Mthimkhulu and Aziakpon, 2015). Mthimkhulu and Aziakpon (2015) discover that the major setback to SMMEs was insufficient resource allocation. The study further found that a lack of collateral security and high interest rates on loans are key constraints to financing SMMEs in South Africa. The South African Venture Capital Association (2008) reported that there are at least 65 venture capital funds available in South Africa, which control a total of R29 billion with an average investment size of R15.4 million. Nevertheless, investment with SMMEs focus is just about R1.1 billion which is only 3.8% of the funds. This means that the availability of venture capital is limited for new SMMEs in South Africa. According to the South African Venture Capital Association (2008), insufficient venture capital funds for SMMEs makes many such firms depend on bank loans and overdrafts as well as supplier credit for early-stage financing. Despite the dependence of SMMEs on debt finance, paradoxically, access to debt finance is very limited for new ones. Also, it has been found that most commercial banks hesitate to lend to new SMMEs in South Africa. FinMark Trust (2006) provides evidence that only 2% of new SMMEs in South Africa are able to access bank loans. Foxcroft, Wood, Kew, Herrington and Segal (2002) also report that 75% of applications for bank credit by new SMMEs in South Africa are rejected.

## **2.4 BRIEF OVERVIEW OF SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs) IN SOUTH AFRICA**

The World Bank (2015) reports that there is a total of 445 million micro, small, and medium enterprises in the global market. From this number, 25 to 30 million are formal small and medium enterprise; 55 to 70 million are formal micro-enterprises; and 285 to 345 million are informal enterprises. According to Statistics South Africa (2008), in March 2007 approximately 2.43 million people above the age of 15 years owned and controlled small and micro business in South Africa. Out of the total figure, about 1.69 million people between the ages of 15-65 years are in the informal sector. Statistics South Africa (StatsSA) (2015) indicates that the number of Small, Medium, and Micro Enterprises (SMMEs) has increased by only 3%, from 2.43 million to 2.25 million, over the last seven years. However, it has been found that this growth rate is less than the 14% expansion in Gross Domestic Product (GDP) over the same period.

Literature (Mago and Toro, 2013; Malapane and Makhubele, 2013; Smit and Watkins, 2012) reveals that the SMMEs sector in South Africa has been playing critical roles toward the socio-economic development of the country. Tshabalala (2007) advocates that amongst all businesses in South Africa, more than 80% of SMMEs have contributed 40% towards the country's GDP. Tassiopoulos (2010), points out that the growth of SMME in South has the potential to alleviate poverty, create more job opportunities, and improve the standard of living among citizens, particularly those located in the rural and urban areas.

Similarly, Malapane and Makhubele (2013) discovered that the SMME sector in South Africa represents about 95% of all businesses in the country, which contribute to approximately 30% of the GDP. According to Jassiem, Damane, Dlamini, Swartz, Bortaar, Mabuthile, Mali, Mahote and Bruwer (2012), the South African government has recognised the major contribution of the SMME sector, which the government calls for more supports towards the development, expansion and growth of the sector. Jassiem *et al.* (2012) argue that the South African government has demonstrated its commitment towards SMMEs by establishing the Small Enterprise Development Agency (SEDA) in December 2004. The SEDA was established with the aim to develop, support, and promote small business in South Africa and to ensure their growth and sustainability (Jassiem *et al.*, 2012).

According to the Department of Trade and Industry (DTI) (2013), the democratically elected South African government has prioritised entrepreneurship and the improvement of SMMEs as a vehicle to promote economic growth and development and to decrease the rising unemployment rate in the country, by implementing SMME-related policies that provide various assistance to the SMME sector. Furthermore, DTI has launched a new national newspaper called “Small Business Connect” (SBC), with the aim to develop the movement of important opportunity-related information and business enhancement resources in the SMME sector (Department of Trade and Industry, 2013).

However, despite the numerous contributions of the SMME sector in South Africa, it is evident that the SMME failure rate in South Africa is the highest compared to other countries. Morrison and Teixeira (2004) identified a lack of multi-skilling, limited resources, crime, skills gaps, and inflexible regulation as the major factors hindering SMME development and expansion in South Africa.

## **2.5 PRODUCTIVE AND UNPRODUCTIVE ENTREPRENEURSHIP**

According to Sautet (2013), “the common Baumol’s theory of socially productive entrepreneurship should be the starting point, which posits that while the total supply of entrepreneurs may change in time and space, the productive contributions of these entrepreneurs may vary even more. The allocation of the entrepreneurship to either productive or unproductive is based on the rules of the game and the relative payoffs societies offer. The way entrepreneurs may act at a given time is dependent on the rules of the game that determine the reward structure in the economy”.

### **2.5.1 Productive entrepreneurship**

Being a productive entrepreneur suggests engaging in productive activities that result in an increase of real productivity that increases the real output for economic progression. These activities generate economic wealth informed by innovativeness and the ability to adapt, filling the gaps in the market (Herman and Szabo, 2014) and creating both social and economic values which are not easily separated, along with profit or, at least, break-even (Zoltan *et al.*, 2013). Further, productive entrepreneurship is also a welfare enhancing activity that takes place under good institutions that play important roles in channelling entrepreneurial imagination and initiatives into productive activities and, thus, enables consumers to maximise their utility at a lower cost (March

*et al.*, 2016). These activities benefit both the entrepreneur and society at large. (Herman and Szabo, 2014).

Productive entrepreneurship is the fundamental source of increased efficiency, economic growth and wealth creation, which are important in any economy, and an essential driver as well as one of the key tools of the economic performance of a country that generates better jobs, achieves social cohesion, and combats social exclusion (Herman and Szabo, 2014; Zoltan *et al.*, 2013). Although it may not have generated such a level of wealth that would swallow mass poverty by being omnipresent, entrepreneurship is socially productive (Sautet, 2013).

### **2.5.2 Unproductive Entrepreneurship**

Unproductive entrepreneurship on the other hand means engaging in unproductive activities that result in economic stagnation or regression (Herman and Szabo, 2014), such as rent destroying and decreasing social value (Zoltan *et al.*, 2013). It is a welfare activity that takes place under bad institutions and pulls productive resources away from the means of maximising utility at lowest cost as well as pushes them towards creating artificial scarcity for consumers (March *et al.*, 2016).

Unproductive entrepreneurs find ways to best create artificial scarcity, transfer rents to themselves and protect supernormal profits. The activity re-slices the pie in favour of those that successfully created the artificial scarcity. The relative returns to increased unproductive entrepreneurship is the function of institutional quality deterioration (March *et al.*, 2016). Destructive entrepreneurship tends to be more prevalent in developing countries with some degree of political instability (Zoltan *et al.*, 2013).

However, entrepreneurship cannot supposedly be productive or unproductive, except through the resultant rewards which will describe entrepreneurship as socially productive or unproductive. As Baumol explicates that, “a strong link exists between the levels through which the economy profits socially productive entrepreneurship and the growth of the economy” (Sautet, 2013). Nevertheless, another observation shows that low-income nations, on average, experience bounty productive entrepreneurship with less corresponding economic growth. In sub-Saharan Africa, many developing countries in the past decade have seen the rising of many informal and even illicit markets. People have always sought and utilised opportunities in improving their livelihood, even in the most difficult given space. Consequently, the existence of informal markets has empowered

entrepreneurs into becoming active and able to discover opportunities for profit to enhance livelihood and bridge the gaps created by the failed legitimate economic system (Sautet, 2013).

## **2.6 INFORMAL ECONOMY**

The informal economy is also known by a host of alternative names, such as; the ‘underground sector’, ‘black economy’, ‘cash-in-hand work’, the ‘hidden economy’, and ‘informal employment’ (Williams, 2005). However, some thirty-five different adjectives and six nouns have been used to denote this sphere. Despite such an array of terms, however, a strong consensus exists on how to define such work. Informal work involves the paid production and sale of goods and services that is unregistered by, or hidden from, the state for tax and/or benefit purposes but which are legal in all other respects. It includes only paid work that is illegal because of its non-declaration to the state for tax and/or social security purposes. Paid work in which the goods and/or services themselves are illegal (e.g. drug trafficking) are excluded and are businesses operating in a ‘non-cash’ environment (Williams, 2005).

### **2.6.1 Informal micro businesses**

Todaro and Smith (2006) described informal business enterprises as the existence of an unorganised, unregulated, and mostly legal but unregistered enterprise. The group was recognised in the 1970s, following the observations made in several developing countries about massive additions to the urban labour force that failed to show up in formal, modern sector unemployment statistics. Subsequently, the bulk of the new entrants to the urban labour force seemed to create their own employment or work for small-scale, family-owned enterprises.

The then self-employed were engaged in a remarkable array of some business activities, ranging from; hawking, street vending, letter writing, knife sharpening, junk collecting, prostitution, drug peddling, and snake charming. Others were involved in some other services job such as mechanics, carpentry, artisans, barbers, and personal servants. Furthermore, some were highly successful small-scale entrepreneurs with several employees (mostly relatives) and earned high incomes. The World Economic Forum (2015) alluded to the fact that micro businesses dominated sub-Saharan Africa.

Invariably, Rwigema and Venter (2007) define business as distinctive in whose size lies within the confines of the South Africa National Small Business Act (102 of 1996), which specifies that the number of employees determine the size of the business as small, being very small or micro. Therefore, according to the Act, a small business can employ up to fifty people, a very small business employs not more than ten people and micro or survivalist businesses are usually one-person operations, though they may employ less than five persons who, often, are mostly family members (World Economic Forum, 2015) under an informal setup.

All small businesses cannot be regarded as entrepreneurial, as many are started-up with limited growth ambitions. This is described as a lifestyle firm (a small venture) that supports the owner and usually does not grow. Notwithstanding that other micro enterprises have such limited scope that make their survival seem doubtful, some defy the odds. They almost undoubtedly aim for high potential ventures. Entrepreneurship is opportunistic rather than resource driven (Rwigema and Venter, 2007).

### **2.6.2 Informal sector in South Africa**

The informal sector is comprised of units that are engaged in the production of goods or services that aim at providing employment and gaining income for the people involved. The said units typically operate at a low level of the organisation, with little or no division between labour and capital as factors of production and they exist on a small scale. The informal sector forms part of the household sector as household enterprises or, equivalently, unincorporated enterprises owned by households (Naik, 2009).

The definition of the informal sector by characteristics, according to Meier and Rauch (2005), depicts ease of entry and a lack of a stable employer-employee relationship. The urban areas of less developed countries typically have a wide variety of such common entry and casual employment types of jobs. For instance, a person can get started by buying some peas in the market, removing the pods at the roadside and selling the podded peas to passers-by at a higher price to make profits. Prostitution is also another occupation that has notoriously easy entry. Workers in the informal sector are ordinarily classified as employed, though they themselves and the statisticians who measure those things would be inclined to consider them under-employed.

### **2.6.3 Government legislative frameworks regulating micro businesses in South Africa**

Studies (Ayandibu and Houghton, 2017; Khosa and Kalitanyi, 2014; Rogerson, 2006) reveal that South Africa has a complex legislative framework which regulates the activities of micro businesses in the country. According to Rogerson (2006), over the years South Africa has been at the forefront of developing comprehensive policies on small, medium, and micro enterprises. The main legislative framework which regulates micro businesses in South Africa includes the 1995 White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa, the Integrated Small Enterprise Development Strategy (2005-2014), the Skills Development Act, the National Small Business Act 102 of 1996, Co-operatives Amendment Act, no 6 of 2013, Financial Advisory and Intermediary Services Act no 37 of 2002, South African Micro-Finance Apex Fund of 2006, Companies Act 71 of 2008, and the Industrial Development Corporation Act 22 of 1940.

The 1995 White Paper is the main legislative framework which regulates SMMEs in South Africa. The 1995 White Paper has identified three main businesses which fall under the small business sector, including micro, small, and medium sized businesses. According to Tengeh (2011), the 1995 White Paper reflects the government's thinking about his contribution towards the process of stimulating small, medium, and micro-enterprises. The main aim of the 1995 White Paper is to create an enabling environment for micro, small, and medium sized enterprises (Department of Trade and Industry (DTI, 2005). The 1995 White Paper was as a result of the consultative process between the South African government and stakeholders in the SMME sector. The 1995 White Paper is divided into seven main parts. Part one of the 1995 White Paper highlights the national strategies for SMME support (DTI, 2005). Part two of the White Paper provides an overview of the small-business sector, its diversity, role, and contribution towards the economy and the challenges facing the sector (DTI, 2005). Part three gives the main objectives and fundamental principles which underline or underpin the national strategy and its different strategic elements (DTI, 2005). Part four of the White Paper covers all the elements considered necessary for a balanced and integrated 'national strategy". Part five highlights the institutional reform process as it should evolve, with particular emphasis placed on key institutions such as the National Small Business Council (NSBC), the Small Enterprise Development Agency (SEDA), and the provincial Departments of Economic Affairs and Local Service Centres (LSCs). Part Six outlines the possible evolution of this national strategy, as pursued by government. Finally, Part Seven highlights

different financial sources which can be mobilised to fund the national strategy, with the 1995/96 DTI budget merely the point of departure.

The Integrated Small Enterprise Development Strategy (2005-2014) is a key regulatory framework which supports the establishment of micro businesses in South Africa. The Integrated Small Enterprise Development Strategy (2005-2014) was released by the Department of Trade and Industry in 2005. It highlights the objectives for the proposed period 2005-2014 as well as taking into consideration the successes and failures of the first ten years that followed the implementation of the White Paper of 1995 (DTI, 2005). The strategy is based on three important pillars, which explains the “strategic actions” that form part of the strategy. The pillars include, among other things: “to increase the supply of financial and non-financial support services to small businesses; to create demand for products and services of small enterprises; and minimise regulatory constraints of small enterprises” (DTI, 2005b).

The National Small Business (NSB) Act of 1996 is another key legislation which regulates micro and small businesses in South Africa. According to Mabasa (2014), the National Small Business (NSB) Act of 1996 was promulgated to repeal the Small Business Act of 1981. This Act guidelines for the organs of government to promote the establishment of small businesses. The Act further provides for the establishment of the National Small Business Advisory Council (NSBAC) and Small Enterprise Development Agency (SEDA) (Mabasa, 2014). The core responsibility of NSBAC as mandated by the Act is to represent and promote the interests of small businesses in South Africa. The SEDA has also been charged with the responsibility to advance the policies in support of small businesses to sustain and enhance competitiveness and design and implement development support projects that enhance job creation, entrepreneurship, and economic growth.

The Co-operatives Amendment Act, no 6 of 2013 was also promulgated with the primary aim of providing employment and services to enhance community development in South Africa. The Co-operatives Amendment Act, no 6 of 2013, called for the establishment of a single National Apex Co-operative to lobby government and the private sector for policy recommendations in order to improve and grow co-operatives in the economy. The Act stipulates that the National Apex Body may be formed by a minimum of three operational tertiary co-operatives at a national level, and a minimum of five operational multi-sectoral co-operatives at a provincial, district, or local level. The Companies Act provides a new legislative framework for the incorporation, registration, and

management of companies. It established the Companies and Intellectual Property Commission (CIPC) and Companies Tribunal. Current legislation treats all businesses as companies.

The South African Micro-Finance Apex Fund (SAMAF) was established in 2006 as a wholesale funding institution, formally established in April 2006. Its primary purpose was to reduce poverty and unemployment and to extend financial services to people in rural and peri-urban areas. One of the mandates of SAMAF was to build capacity amongst its clients and to train intermediaries, who were considered partners, for the success of the SAMAF model, because they were close to communities where micro and survivalist businesses were located. The Industrial Development Corporation, Act 22 of 1940, The Industrial Development Corporation (IDC) aims, through its overarching legislation, to promote the establishment of new industries and industrial undertakings and to develop existing industries and industrial undertakings. This Act allowed for the establishment of the Small Enterprise Finance Agency (SEFA) to advance the objectives of SMMEs and co-operatives.

## **2.7 AFRICAN IMMIGRANT ENTREPRENEURSHIP IN SOUTH AFRICA**

In the past South Africa was practising the Apartheid system of government in which Whites had domination over Black South Africans. Blacks were kept separately from the Whites and were essentially denied their fundamental human rights until the election of 1994 (Okpara, 2009). Before then (Election of 1994), the foreign nationals in South Africa were mainly young, single, white immigrants. Subsequently, after the demise of the apartheid regime, the immigration restrictions were weakened which saw a huge influx of foreign nationals, mostly middle-aged Africans from South Africa's neighbouring countries and other parts of the continent. Consequently, the immigration laws of South Africa were tightened, and entry was granted for only Blacks from other African countries as migrant workers on a temporary contract basis (Halkias and Anast, 2009).

The transformation of South Africa's socio-political structure from 1990 into 1994 brought about a massive change in the country and made it a financially attractive destination, which invited not only the investors and entrepreneurs but also the skilled and educated workers from within the continent and beyond. An estimated population of about five million people from almost every country in Africa have migrated to South Africa since 1994 (Halkias and Anast, 2009), the Congo

DRC, Kenya, Ghana, Nigeria, Mali, Cameroon and Senegal especially seem to be the majority in terms of recent foreign nationals, among which are refugees, from the African continent. They ply their foreign-owned micro businesses in South Africa's streets and other locations as entrepreneurs and have strong growing trade links with South Africa. Nigeria, Kenya, Ghana, Ivory Coast and Uganda became South Africa's largest trading partners outside the SADC in 1998 (Peberdy, 2000).

The rise in foreign-owned entrepreneurships, which has proved an international trend, is also being experienced in South Africa, because of the country's economic and political leverage that is beyond Africa. South Africa has become a common destination, as well as, home for many African immigrants, and has enhanced the growth of African foreign-owned entrepreneurship in South Africa. African foreign nationals believe that South Africa offers a great opportunity for both personal growth and economic advancement, and venturing is worth the risks (Moyo, 2014). Furthermore, the relaxing of immigration policies and unauthorised entry (in some cases) into South Africa has also made the country a new destination for African asylum seekers, whom on arrival engage themselves in entrepreneurial activities as a means of survival (Crush and Williams, 2002).

This entrepreneurship provides foreign nationals (immigrants) work and income imminently, as it is very difficult to enter into the labour market to find jobs. Hence, African foreign nationals can become a vital force in the creation of new businesses because of their high self-employment level, instinct, and entrepreneurship, and this can influence the rate of employment in South Africa positively (Fatoki, 2014). Entrepreneurship is referred to as a necessary activity and important factor that will enhance sound long-term economic growth, due to the influence it has on innovation and employment (Sautet, 2013).

## **2.8 CHALLENGES FACED BY AFRICAN IMMIGRANT-OWNED MICRO BUSINESSES IN SOUTH AFRICA**

Azmat (2010) argues that the recent increase in globalisation and technology has led to increased immigrant entrepreneurship in many countries including South Africa. Yet, foreign entrepreneurs are faced with various challenges while operating in South Africa. In South Africa, immigrant entrepreneurs face many challenges in operating micro-enterprises, some of which are detrimental to their enterprises and may lead to their exit (Azmat, 2010). According to Biyase (2009) and

Fatoki and Smit (2011), it remains regrettable that, despite the numerous contributions made by the SMME sector towards South Africa's economy, more than 70% of these ventures still fail within three years after being established.

Tengeh (2013) claims that the limited job opportunities in South Africa push many immigrants into setting up their own enterprises. Basu (2011) asserts that many of the market barriers confronting immigrant entrepreneurs are similar to those facing small enterprises in general. However, the challenges facing foreign-owned micro businesses in South Africa are discussed in the following section.

### **2.8.1 Xenophobia**

According to Crush and Ramachandran (2009), xenophobia is a national issue which threatens the survival of foreign-owned businesses in South Africa. Crush and Ramachandran (2009) point out that the term xenophobia is derived from Greek words *xenos* and *phobos* which mean, "strange or foreign" and "phobia" respectively. The term xenophobia has been conceptualised as attitudes, prejudices, and behaviours that reject, exclude, and often vilify people based on the perception that they are outsiders or foreigners to the community, society, or country identity (Crush and Ramachandran, 2009). Landau, Ramjathan-Keogh and Singh (2005) contend that South Africa remains the main destination and transit point for many foreigners due to political and ethnic conflicts as well as economic hardships in their respective countries.

Crush (2000) and the Human Rights Commission (1999) report that, in recent years, South Africa has been perceived by the international community as xenophobic, with a large proportion of South Africans perceiving foreigners, especially black foreigners, as dangerous and undesirable. Hunter and Skinner (2003), in their study with the foreign street traders in inner city Durban, discover that xenophobia has presented several challenges to foreign businesses, especially in Durban. Hunter and Skinner (2003) further found that 170 of the respondents said that, "black foreigners are not treated like white foreigners in South Africa". Maharaj (2002) concurs that xenophobia is widespread in the townships, where immigrants are referred to as *kwerekwere*, a disparaging word for African immigrants. In South Africa, immigrants and migrants are more often stereotyped as a threat to the economic and social interests of South Africans (Hunter and Skinner, 2003; Cronje, 2009).

Cronje (2009) discovers a number of factors responsible for xenophobia in South Africa, including a failure to maintain the rule of law, jealousy, unemployment, and corruption. In relation to the failure to maintain the rule of law, Cronje (2009) claims that the government should be blamed partly for xenophobia in South Africa because of its repeated failures to bring levels of violent crime under control. Cronje (2009) justifies that the government's failure to maintain rule of law has contributed to an environment where people resort to violence without fear of arrest and prosecution. In terms of jealousy, Bordeau (2010) claims that, "fear and jealousy associated with employment and income were to blame". According to Bordeau (2010), a participant narrated that, "South Africans see foreigners with businesses, and they don't know how they got their money". That's where the jealousy is coming from. That's when the fear becomes xenophobia". De Jager (2013), in his study, also found that jealousy was one of the main reasons for xenophobic violence in a Port Elizabeth township. According to De Jager (2013), xenophobic violence took place because attackers were jealous of the foreigners' business successes. Further, as reported by The Herald (2015), Zulu king said that, "the foreigners should go back to their home countries because they are changing the nature of South African society with their *amanikiniki* (rags) and enjoying wealth that should have been for local people. It is unacceptable for South Africans to compete with people from other countries for few available economic opportunities. When you walk in the streets you cannot recognise a shop you used to know because it has been taken over by foreigners, who mess it up by hanging *amanikiniki* (rags)" (The Herald, 2015).

Recently, in April 2019, two people were killed in a xenophobic violence in KwaZulu-Natal, local residents raided the homes of some foreign nationals, forcing them to seek refuge at nearby police stations and mosques (Alfreds and Phakgadi, 2019). This action, according to Alfreds and Phakgadi (2019), manifested on the heels of a recent speech by the South African President Cyril Ramaphosa in which his statement appeared to have threaten the foreign-owned micro businesses; "Everybody just arrives in our townships and rural areas and set up businesses without licences and permits. We are going to bring this to an end" (Alfreds and Phakgadi, 2019).

With regards to unemployment, Maharaj (2002) suggests that xenophobia occurred as the vast expectations of the poverty-stricken masses were not met due to the inability of the new democratic government to deliver immediately. According to Statistics South Africa (2012), about 25.5% of South Africans are failing to secure a proper job, with 70.9% of unemployed youth (15–34 years).

Moreover, “31.4%, or 3.3 million, of the youth aged 25–24 years are not in employment, education, or training” (Stats SA, 2012).

Cronje (2009) concurs that, in the public sector, corruption became prevalent, particularly under the former president Thabo Mbeki. Evidence suggests that the South African government was corrupt up to the highest levels of government (Cronje, 2009). Such corruption in turn filtered down into the various government institutions at various levels. Cronje (2009) justifies that in the home affairs, social welfare, and law enforcement tens of thousands of officials were implicated in corrupt dealings, which has created some sort of anger among South Africans against foreign nationals.

### **2.8.2 Access to Finance**

Numerous studies (Basu, 2011; Ibrahim and Galt, 2011; Zolin and Schlosser, 2011) have cited access to finance as the major constraint to foreign-owned micro businesses in South Africa. According to Basu (2011), micro businesses face greater financial challenges compared to other small enterprises in general in acquiring credit for business start-ups. Ibrahim and Galt (2011) argue that the chief difficulty in South Africa is access to adequate capital to set up a new business. The authors posited that most micro businesses in South Africa are finding it very difficult to expand because they cannot access loans from financial institutions. Urban and Naidoo (2012) examine, “business sustainability: empirical evidence on the SME operational skills in South Africa”. The results of the study reveal that access to funding is one of the main challenges confronting SMEs in South Africa. Mthimkhulu and Aziakpono (2015), in their study, also confirm that a limited access to finance is one main reason for the inability of SMMEs to expand and internationalise their businesses. According to Mthimkhulu and Aziakpono (2015), the lack of access to finance is due to inadequate collateral on the part of the entrepreneur as well as the absence of credit history.

Peters and Naicker (2013) express a similar view that most SMMEs in South Africa are unable to access funds because of poor market research, an inability to produce an acceptable business plan that meet the standards required by financial institutions, and a lack of access to vibrant markets. Bbenkele (2007) also finds that SMMEs, particularly those from rural areas have a poor understanding of the services that banks offer and they also have less understanding of the bank loan procedures. Islam, Khan, Obaidullah and Alam (2011), in their study, reaffirm the view of

Mthimkhulu and Aziakpono (2015) that the access to finances is limiting the expansion of many SMMEs in South Africa. Islam *et al.* (2011) discovered that the limited access to finance by SMME owners hinders them in hiring competent employees, making it very difficult for them to operate. The National Credit Regulator (NCR) (2011), in its report, indicates that, in South Africa, only formal SMMEs (those businesses that are duly registered and having bank accounts) have access to loans from financial institutions such as banks, capital markets, or other suppliers of finances. The NCR (2011) further notes that informal SMMEs in South Africa are excluded completely from the formal financial market because they do not have the necessary documents to source funds.

Fin Mark Trust (2006) discovered that only 2% of new SMMEs in South Africa are able to access bank loans. Foxcroft *et al.* (2002) found that more than 75% of applications for bank credit by new SMMEs in South Africa are often rejected for various reasons, as enumerated above by researchers such as Mthimkhulu and Aziakpono (2015) and Peters and Naicker (2013). The findings from above studies contradict the results of a previous study conducted by Zimmerer and Scarborough (1996). According to Scarborough and Zimmerer (1996), the first obstacle of a successful business in South Africa is not about access to funding but access to managers needed that have the necessary business skills to market their business ideas correctly. The authors concurred that there are several financial institutions in South Africa which provide easy access to funds for SMMEs, if they meet the requirements. It has been argued that institutions like the Small Enterprise Development Agency were established in South Africa, “to ensure growth and sustainability of small business countrywide and provide them with all the necessities and facilities possible” (Ladzani and Netswera, 2009).

Bbenkele (2007) also supports the view that access to funds is not the major obstacle for micro businesses in South Africa but the real issues are the misuse of loan funds and a bad preparedness when applying for business loans. Bbenkele (2007) argues that the South African Micro-Finance Apex Fund was established to provide access to microloans and support to the social capital mobilisation of micro business.

### **2.8.3 Lack of Managerial Skills**

A study reveals that a lack of managerial skills is a common phenomenon which affects micro businesses, not only in South Africa but across the world (Green, Jones and Miles, 2012). A skill

has been described as the ability to do something. In a broad term, skills refer to the, “abilities of individuals for which there is demand within the formal economy” (Green *et al.*, 2012). According to the Bureau of Economic Research (BER) (2016), “management or managerial skill is a critical factor for the success of any organisation”. However, in South Africa, a skills-gap is a national issue which is affecting many businesses, micro businesses inclusive. BER (2016) notes that micro businesses, especially those in the service sector, are negatively affected by a shortage of skills.

Hutchinson, Fleck and Reason (2009) advocate that, “managerial education/skills are required to assist micro businesses in South Africa to engage in and actively pursue and/or commit to the business activities”. Hutchinson *et al.* (2009) concur that the skills crisis is a national phenomenon because most entrepreneurs cannot afford the high cost of training and advisory services. Abor and Quartey (2010) support the assertion that the skills gap in South Africa is having significant effects on the activities of many businesses. Abor and Quartey (2010) argue that a contributing factor to lack of managerial skills in the SMME sector is that some entrepreneurs or business owners, “do not see the need to upgrade their skills due to complacency”. Abor and Quartey (2010) in their study also identify that a lack of managerial expertise and knowledge has a more severe impact on SMME development in South Africa. Abor and Quartey (2010) and Wennekers, Stel, Carree and Thurik (2010) find that, although there are several institutions in South Africa which provide training and advisory services to many businesses, there is still a skills shortage within the SMME sector. They opine that the lack of managerial skills is due to the fact that most entrepreneurs are not able to afford the high costs of training and advisory sessions.

Other researchers (Baron and Shane, 2007; Chiliya and Roberts-Lombard, 2012; Hyder and Lussier, 2016; Olutunla and Obamuyi, 2008; Schwartz and Hornych, 2010) have discovered that micro business owners in South Africa lack the business experience needed to drive the performance of their businesses because of the shortages of critical and managerial skills. The authors further noted that the growth and survival of SMME in South Africa is threatened by poor managerial skills.

#### **2.8.4 Poor Infrastructure**

A poor physical infrastructure has been identified as another challenge which threatens the survival and growth of micro businesses in South Africa. According to the Edinburgh Group (EG) (2013),

the inadequate physical infrastructure both at home and, to some extent, in foreign countries is an impediment to the growth and survival of SMMEs worldwide, in which South African is no exception. In their study, Masuku and Mtshali (2012) believed that, “ease of access to communication infrastructure, accommodation utilities and transport and land at reasonable prices can have huge impact on SMMEs development, expansion and survival in their home and foreign countries”. However, Herrington *et al.* (2014) argue that in South Africa, “physical resources such as transportation, land, communication, utilities, and electricity are expensive and discriminate against new, small or growing SMMEs”.

### **2.8.5 Regulatory and Legal Issues**

Several studies (Abor and Quartey, 2010; Fumo and Jabbour, 2011; Smit and Watkins, 2012) point out that a stiff regulatory framework is a challenge which threatens the survival and growth of many businesses including micro businesses worldwide and in South Africa. Fumo and Jabbour (2011) are of the opinion that SMME owners in South Africa lack an understanding of government regulations on the SMME sector, hence they end up paying penalties and fines for non-compliance. Martinsons (2008) and Okpara (2011) in their previous studies also confirm that a lack of macro-economic policies and other forms of government policies in developing countries hinder the success of SMMEs.

Abor and Quartey (2010) and Smit and Watkins (2012), in their studies, also express the same view that the failure of micro businesses in South Africa is related to regulatory constraints. The authors suggest that the regulatory constraints also present challenges to micro business development, even though a wide range of structural reform has so far been achieved which provides some form of improvement and prospects for enterprise development in South Africa. According to Abor and Quartey (2010), the high start-up costs for SMMEs, together with licensing and registration requirements have imposed significant and potentially pointless burdens on SMMEs. Abor and Quartey (2010) point out that, in South Africa, it takes more than 176 days to obtain the relevant licences and this involves 18 procedures and at the same time.

Olawale and Garwe (2010) discovered that the SMME Growth Index has repeatedly identified regulatory burden as a critical challenge facing micro businesses in South Africa. According to Olawale and Garwe (2010), South Africa has a complex and rigid regulatory framework which

affects not only micro businesses. The authors justify that the SME Growth Index indicates that micro business owners spend an average of eight working days a month dealing with red tape, which can result in the loss of income. James (2016), in his study, also claims that the delays in obtaining export permits and licenses are some of the aspects that hinder investment and efficiency of foreign-owned micro businesses in South Africa.

Schwab and Sala-i-Martin (2014) also confirm, in their study, that government bureaucracy or red tape is a key obstacle to entrepreneurial development in South Africa. An effective legal and regulatory framework promotes competition by avoiding excessive restrictive licensing requirements and allows international and regional banks better SMME-lending tools to enter the market.

#### **2.8.6 Lack of Research and Development**

Rahman and Ramos (2013), in their research, note that the failure rate of micro businesses in Africa is as a result of, “low levels of research and development”. Rahman and Ramos (2013) opine that micro businesses in Africa do not see the need to invest in research and development. The authors suggest that the low levels of research and development are influenced by the absence of the willingness to invest in upskilling and human resource development, a lack of strategic thinking and lack of management capability. They recommended that the degree of research and development is determined by four environmental factors, namely: industry type, the size of the company, the technology intensity, and the market type.

Booyens (2011) also postulates that the initiatives to build research and development capacities for SMMEs to implement are very expensive in South Africa. Chimucheka and Mandipaka (2015) claimed that the failure rate of micro businesses in South African can be attributed to low research and development capabilities. The authors postulate that some businesses in South Africa do not invest in research and development because they perceive them as expensive initiatives.

#### **2.8.7 Lack of the Use of Technologies and Information**

According to BER (2016), most micro businesses in South Africa still, “battle to cope with the rapid changes in information technology”. Herrington and Kew (2013) argue that internet access in most parts of South Africa is extremely low, with 71% of households existing without access to

technology. According to Herrington and Kew (2013), a lack of access to technology limits the business productivity and efficiency of micro businesses in South Africa.

Hyder and Lussier (2016) also note that the failure rate of micro businesses in South Africa can be attributed to a failure on the part of the owner to take advantage of information technology. Hyder and Lussier (2016) discovered that SMMEs lack technology or the expertise to research and develop new business ideas and innovations. This finding agrees with the previous findings of Kayanula and Quartey (2000). According to Kayanula and Quartey (2000), a lack of access to appropriate technology is an impediment to the development and growth of SMMEs in in developing countries.

Several studies (Ocloo, Akaba and Worwui-Brown, 2014; Mutula and Van Brakel, 2007; Schwartz and Hornyh, 2010) have also confirmed that SMMEs often have huge challenges in accessing appropriate technology and information. Ocloo *et al.* (2014) contend that in some cases, SMMEs rely on foreign technology that they lease or share ownership in conjunction with other business counterparts. According to Mutula and Van Brakel (2007), despite the wide availability of internet, its continued use in SMMEs is hindered by a lack of electricity, most importantly in rural areas, as well as load shading in urban areas.

### **2.8.8 Language Barrier**

Hisrich (2010) posits that language barrier is a main challenge confronting foreign-owned business in South Africa. Hisrich (2010) argues that language is considered as the mirror of culture and composed of verbal and non-verbal components. Hisrich (2010) is of the view that South Africa has national pride in terms of its culture and official languages, therefore an entrepreneur and their team can only survive if they have command of the language in the country in which business is being conducted. A similar study carried out by Habiyakare, Owusu, Mbare and Landy (2009) reveals that the Finnish language emerged to be an obstacle as it was evidently difficult to navigate the Finnish business terrain without it.

### **2.8.9 Crime**

The United Nations Office of Drug and Crime (2007) has ranked South Africa amongst the world's five most-murderous nations. Brown (2001), in his previous study, also indicates that most businesses in South Africa face big challenges because of crime and violence. Brown (2001)

argues that the effects of crime on businesses in South African cannot be underestimated. This finding is supported by the statistics released by the South African Police Service Crime Statistics (2009). According to South African Police Service Crime Statistics (2009), while other incidences of virtually all major categories of crime has fallen in last few years, business related crime is on the increase.

The South African Police Service Crime Statistics (2009) indicates that most of these robberies target small business premises. Similarly, Standard Bank and Jujitsu Siemens Computers (2009), in their study, discovered that owners of SMMEs are not aggressively pursuing avenues to grow their market shares and stay ahead of competitors. Rather they are focusing on operational matters because of the high crime rate. The study further reveals that crime increases expenditures of SMMEs because of the investments in security measures to eliminate or minimise the likelihood of crime.

## **2.9 ENTREPRENEURSHIP FACTORS AND CHARACTERISTICS INFLUENCING FOREIGN-OWNED MICRO BUSINESSES**

Entrepreneurship can never be devoid of strategies, hence, the extant kinds of challenges amidst some business opportunities. In other words, the entrepreneur cannot progress without facing some kind of challenge(s) that pose as a threat towards harnessing that imminent business opportunity identified, which s/he ought to strategize for accomplishment. The process of venturing into entrepreneurship is crooked, not continuous or orderly, but the change in the antecedent variables that trigger the activities must be understood (Barreira, Botha, Oosthuizen and Urban, 2015).

Notwithstanding the common challenges mentioned in the literature by some authors and schools that are associated with entrepreneurs and entrepreneurship, other entrepreneurial challenges evolve which are discussed below. The evolution emanates from various dispositions, but is not limited to sociological, psychological, innovative, and the need for high achievement traits.

### **2.9.1 Sociological Entrepreneurial Factors and Characteristics**

Entrepreneurship can be referred to as a social phenomenon (Thornton, Domingo and Urbano, 2011). There are some fundamental factors associated with the social sphere that determine entrepreneurship. These factors, as Ikeije and Onuba (2015) posit, emanate from the attributes of

ethnic affiliation, race, social interconnectivity, and cultures. Arguably, however, elements such as, “personal traits (risk-taking attitude, personal performance, inner control, target orientation), motives, and incentives” of an entrepreneur are environmental factors that confront the successes of the entrepreneurship (Ikeije and Onuba, 2015). Hence, since the nature presents the society with assorted ambiance, better relevant business oriented behavioural ways of achieving successes should be encouraged and acquired.

Cultural values of many societies are a function of their environmentally induced behavioural ways that inform some economic decisions for entrepreneurship (Thornton *et al.*, 2011). Cultural values, as described by De Clercq, Lim and Hoon Oh (2013), refer to, “how people hold certain standards/ideals which regulate work and other relationships approach with others” and maintain distinctive social-cultural norms and institutions (Peredo and McLean, 2010). Further, time is of great essence, which, according to Koe and Majid (2014), includes short and long-term orientations as depicted by sustainable management in which it is suggested that people with different preferences on time react differently to the time. Social influence and pressure (norms) affect an entrepreneur’s behaviour towards sustainability. These pressures may come, for example, from family, friends, colleagues, and business partners, who are being referred to as vital influential factors for an entrepreneur’s sustainable behaviour (Koe and Majid, 2014).

Furthermore, social values are, most of the time, being influenced by the form of social entrepreneurship and the level of embeddedness of the entrepreneur’s interests, motives, and behaviours, which are derived from social structural patterns (Smith and Stevens, 2010). As postulated by Seelos, Mair, Battilana and Dacin (2010), embeddedness creates an opportunity of becoming part of the local set-up for the entrepreneur and hence, the potential for accessing and being latent for resources and opportunities available. Geographical locations can distort the development of social networks by thwarting the chances for actors’ business relationships, which is a function meeting space and time. Close geographic proximity enhances peoples’ interaction, most often, as it decreases with increased physical distances between actors. The immediate constraints are space and time (Smith and Stevens, 2010).

Moreover, spatial and social preferences are often an individual concerns and entrepreneurship thinking initially begins with individuals. The sustainable entrepreneur shows personal domination, attributes his professional life to being creative, and views divergences in-between his personal goals and sensed realism as a challenge (Schaltegger and Wagner, 2011). Many

challenges are faced within the process of an effort to create new business opportunities, coupled with greater uncertainty levels that depict new venture creation and operation by the entrepreneur (Lim *et al.*, 2013) for survival and continued existence. Conclusively, the social-cultural sphere includes all the factors, circumstances, and influences that mould the personality of a person, and possibly impact his disposition, decisions, attitudes, behaviour, and activities (Akhter and Sumi, 2014). Socio-political disposition suggests that cities promote social entrepreneurship in communities via the support they get from the government (Griffiths, Gundry and Kickul, 2013).

### **2.9.2 Psychological Entrepreneurial Factors and Characteristics**

Entrepreneurs are known for the exhibition of certain psychological characteristics like work commitment, zeal for total control, self-confidence, need for achievement (Fisher, Maritz and Lobo, 2014), acceptance of ambiguity and innovativeness, and an ability to face challenges and uncertainty (Anabela, Arminda, João, Mário and Ricardo, 2013). These, in many other ways, pose a great challenge to the great demands of entrepreneurship and, most especially, towards being a productive entrepreneur. However, entrepreneurs find themselves immersed in various challenges that confront entrepreneurship right from the scratch or start-ups, which, among others, includes a face-off with established firms that have more wherewithal (financial, material, and social) than they do. That notwithstanding, entrepreneurs are expected to raise funds, employ workers, attract clientele from competitors, and unleash great drive and aggressiveness over daunting obstacles (Miller, 2015). Despite the difficulty, the provision of funds (loans and otherwise) would not only have direct positive effects on entrepreneurship financially but have a great impact on entrepreneurial results while boosting the entrepreneurs' psychological capital (Newman, Schwarz and Borgia, 2014). Psychological capital provides entrepreneurs mental aptitude to effectuate entrepreneurship and positive results (Baron, Franklin and Hmieleski, 2016).

Conversely, the success of entrepreneurship is dependent on a number of factors that need to be dealt with or accomplished, which are the entrepreneur's personality, self-recognition of achievement, attitudes, and self-esteem. Moreover, unforeseen events, the detection of favourable opportunities, and access to relevant resources may enhance entrepreneurial success (Marques, Ferreira, Fernando, Ferreira and Lages, 2013). Furthermore, other psychological factors that can propagate, as well as confront entrepreneurship, are risk-taking, human capital, problem-solving orientation, assertiveness, interpersonal reactivity, a self-lead positive attitude and persistence, self-efficacy, and a blend of analytical, creative, and practical aspects of intelligence (Fisher *et al.*,

2014). This positive psychological state leads the entrepreneurs into developing the ventures into full-blown business enterprise over time (Newman *et al.*, 2014). Volition plays a vital role in entrepreneurs' personal commitment over the enthusiastic entrepreneurship aims (Sahut and Ortiz, 2014).

Invariably, personal qualities do enhance entrepreneurs' zeal to embark on any enterprise, abound with risk and uncertainty, and squarely face challenges. Moreover, these traits allow the entrepreneur to pick himself up after unfortunate business fall or any failures and continue with their innovative, renewing, and enterprising intuitiveness (Miller, 2015). A lack of psychological assets has been referred to as a challenge confronting an achievable wide range of entrepreneurship success by the entrepreneur which, hitherto, should provide the entrepreneur with the needed confidence to tackle and ameliorate some challenges, and equally show resilience after failure (Baron *et al.*, 2016).

According to Chell, Haworth and Brearley (2003), it is very problematic to identify an entrepreneur due to the fact that there is no standard universally accepted definition of entrepreneurship. However, Hill and Leitch (2003) argue that it is not surprising that there exist several conceptual definitions of an entrepreneur and entrepreneurship in literature. Ahmad and Seymour (2008) also support the above statement by the researchers by pointing out that there is a lack of consensus among scholars on the definition of entrepreneurs, hence, no definition can be used to represent an entrepreneur's profile. In spite of the confusion on the conceptualisation of who an entrepreneur is, Markman and Baron (2003) believe that there exists certain individual personal characteristics and characteristic requirements for being an entrepreneur. Zimmerer and Scarborough (2005) refer to an entrepreneur as, "someone who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalise on them". Schumpeter (1934) also see an entrepreneur as an innovator, thus, someone who uses new business creation as a means of exploiting invention. Similarly, Bolton and Thompson (2004) perceive an entrepreneur as, "a person who habitually creates and innovates to build something of recognised values around perceived opportunities".

From the above definition, the term, 'entrepreneurial' has been conceptualised as, "people who are innovative, creative, and open to change as well as having the ability to identify opportunities and organise resources to achieve their goals" (O'Connor and Fiol, 2002). Drucker (1985) concurs that

to be an entrepreneur the person must possess certain unique characteristics as opposed to others. The Oxford Advanced Learner's Dictionary defines characteristics as, "a typical feature, or quality that someone or somebody has" (Hornby, Wehmeier and Ashby, 2000). Previous studies (Nandram and Samson, 2000; Nieuwenhuizen and Kroon, 2002; Littunen, 2000; Korunka, Frank, Luegler, and Mugler, 2003; Moore *et al*, 2008; Nieuwenhuizen, 2004; Nieman and Bennett, 2002; Nieman, Hough and Nieuwenhuizen, 2003; Salim, 2004) have shown that successful entrepreneurs possess several psychological characteristics, which are discussed below.

### **2.9.2.1 Need for Achievement**

According to Shaver and Scott (1991), the individual's need for achievement has the longest history of all the psychological characteristics which is associated with entrepreneurship. McClelland (1961), in his study, refers to the need for achievement as, "a measurable factor in groups and individual measured by coding his/her spontaneous thoughts for the frequency with which he/she thinks about competing with standard of excellence or doing something better than before." McClelland (1961) further states that individuals with a high need for achievement possessed five important qualities, namely; individual responsibility, moderate risk taker, knowledge of results of decisions, novel instrumental activities, and the anticipation of future possibilities.

Darroch and Clover (2005) also claim that the need for achievement is linked to Maslow's need for self-actualisation and "goal accomplishment", which is considered as an essential driving trait in the personality of successful entrepreneurs. However, Wickham (2001) argues that this type of characteristic is not only inherited but can be taught and practiced. Koh (1996), in his study, finds that people with high needs for achievement are highly focused and have a strong desire to be successful and are thus more liable to act entrepreneurially.

Other researcher (Burns, 2005; Fine, Meng, Feldman and Nevo, 2012; Westhead, Wright and Mcelwee, 2011) have recommended that entrepreneurs should have a high need for achievement. They supported the view expressed by previous scholars that entrepreneurs who possess high levels of a need for achievement usually try to set challenging goals for themselves and try as much as possible to achieve these goals. The authors further argue that entrepreneurs with high need for achievement are enthusiastic and they seek self-development.

### **2.9.2.2 Locus of Control**

It has been argued that successful entrepreneurs possess the characteristic of a strong locus of control (Chell 2008; McCarthy, 2000; Rotter, 1966). The concept of locus of control was developed by Rotter in the 1960s (Chell 2008). This concept emanated from Rotter's 'social learning theory' of what affect a person's perception of control has on their behaviour. According to Rotter (1966), some people perceive outcomes of events as being either within or outside their own understanding and personal control. Shane, Locke and Collins (2003) also view locus of control as the extent to which an individual believes that their actions or personal characteristics affects their outcomes.

Henry *et al.* (2003), in their study, make an important distinction between an internal and external locus of control. According to Henry *et al.* (2003), individuals with an internal locus of control believe that they have a positive influence over their own destinies through their own personal abilities, skills, and efforts. However, people with an external locus of control believe that the primary determinant of their life's outcomes is strongly influenced by external forces such as fate, luck, or other external circumstances. The authors discovered in their study that individuals with an internal locus of control take responsibility for their success and failures and associate positive outcomes to their abilities and efforts. McCarthy (2000), in his study, points out that when an entrepreneur experiences a crisis, they are most likely to have a higher locus of control, they will come to a stronger position.

According to Westhead *et al.* (2011), several researchers have shown a reasonably important association between an internal locus of control and the likelihood of becoming an entrepreneur. The authors postulate that locus of control has been found to distinguish entrepreneurs from non-entrepreneurs and to differentiate successful entrepreneurs from unsuccessful ones. Recent studies have also reaffirmed in this study that entrepreneurs with high levels of an internal locus of control usually see themselves as having more power and discretion and being more innovative. (Ahmad, 2010; Zhang and Bruning, 2011).

### **2.9.2.3 Leadership Quality**

Early researchers such as Moore and Buttner (1997), believe that leadership is important for the survival and success of entrepreneurial ventures. Greenberg and Baron (2000) see leadership as

the process whereby an individual influences other towards the achievement of desired goals or objectives. However, in the context of entrepreneurship, leadership is the process where the business owner creates an entrepreneurial vision and motivates their team members to perform the vision with high velocity even in uncertain situations.

Henry *et al.* (2003) recommends that the trait, the behavioural, and the contingency theories are the most appropriate to identify successful entrepreneurs. The trait theory assumes that great leaders are born and not made and that effective leaders possess a set of inherent characteristics that differentiates them from ineffective leaders. The behavioural theory also supports the idea that effective leaders possess certain personal characteristics but that they can also be made. On the contrary, the contingency theory assumes that, “no single leadership style is effective in all situations” but effective leadership is rooted the situation that emerged (Greenberg and Baron, 2000).

Studies show that successful leaders are fluent in proactiveness, innovativeness, and risk taking (Chen, 2007; Kuratko, 2007; Surie and Ashley, 2008). Timmons and Spinelli (2008) also point out that individuals with leadership traits are, “experienced; possess an intimate knowledge of the technology and market place in which they compete, honest and reliable, build trust, practice fairness, are superior learners and teachers, team builders, self-starters and treat others the way they also expect to be treated”.

#### **2.9.2.4 Commitment and Determination**

A number of studies (Avolio, Zhu, Koh and Bhatia, 2004; Collura and Applegate, 2000; Longenecker, Moore and Petty, 2006) have shown that commitment and determination form part of the psychological characteristics of successful entrepreneurs. Collura and Applegate (2000) perceive commitment and determination as the “passion with which entrepreneurs pursue an opportunity”. Collura and Applegate (2000) believe that commitment is a founding drive to entrepreneurs which energises them to overcome any setbacks which might confront them.

Longenecker *et al.* (2006) argue that entrepreneurs with strong commitment and determination are, “tenacious, decisive, and very persistent in solving problems”. Avolio *et al.* (2004) express the view that commitment manifests itself both as an attitude and behaviour because it reflects complete loyalty toward a particular organisation. Timmons and Spinelli (2008), in their study,

also argue that entrepreneurs with strong commitment and determination often “overcome many obstacles and also compensate for their weaknesses”.

#### **2.9.2.5 Risk-taking Propensity**

Previous and recent researchers (Brockhaus, 1980; Cunningham and O’Gorman, 1997; Longenecker *et al.*, 2006; Rotter, 1966) noted that entrepreneurs are risks takers. Brockhaus (1980) refers to “risk-taking propensity” as, “the perceived probability of receiving rewards which is linked to the success of a situation that is required by a person before he/she will subject himself/herself to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation” (Brockhaus, 1980). Longenecker *et al.* (2006) refer to these people as risk takers, risk minimisers, and uncertainty tolerance.

Cunningham and O’Gorman (1997) also indicate that entrepreneurs who take risks are able to cope with the stress that is associated with working in such an environment, which in return makes them more likely to survive and succeed. Chell, Haworth and Brearl (1991) support the above views that risk taking is a key determinant of an entrepreneurial character and function. Kuratko (2009) concurs that most successful entrepreneurs take calculated risk before making the decision to participate in any business venture in a “very calculated, carefully thought-out manner”, while ensuring that they get the odds in their favour and avoid taking unnecessary risks.

By contrast, some researchers (Miner and Raju, 2004; Xu and Reuf, 2004) doubt the degree to which the risk-taking propensity is being seen as an entrepreneurial characteristic. They argue that most entrepreneurs are no longer risk tolerant but, in some instances, are even more risk avoidant than other managers and permanently employed persons.

#### **2.9.2.6 Self-confidence**

According to Ho and Koh (1992) self-confidence is an important entrepreneurial characteristic which is related to other psychological characteristics. Koh (1996) opines that self-confidence is a pre-requisite for successful entrepreneurship. Good (2003) believes that entrepreneurs who demonstrate high levels of self-confidence and base their feelings on the fact that they can overcome all setback that are likely to impede their success and still attain their desired goals.

Evidence suggests that self-confidence is a key characteristic of an entrepreneur, this enables them to believe in themselves and exhibit the ability to achieve their desired goals and objectives (Robinson, Stimpson, Huefner and Hunt, 1991). The authors claim that entrepreneurs who possess high levels of self-confidence reject the belief that the success or failure of their new business depends on luck, fate, or other external factors. Rather, they are confident that their personal control and influence are the driving forces behind the achievement of their goals.

### **2.9.2.7 Innovativeness**

Researchers (Damanpour 1996; Mirela, 2008; Robinson *et al.*, 1991) believe that the success or failure of entrepreneurship depends on the owner's innovativeness. Robinson *et al.* (1991) assumes that innovativeness is associated with perceiving and acting on business activities in new and unique ways. Damanpour (1996) sees innovativeness as the creation or adoption of an idea or behaviour new to the organisation.

Mirela (2008) perceives that innovation is the characteristic technique of entrepreneurs because it acts as a means of exploiting change to accomplish different aspects businesses or services. Mirela (2008) points out that the requirements for accomplishing a successful innovation includes; a clear business strategy, the availability of resources, the realistic evaluation of each individual's innovation potential, detailed knowledge of market demand so as to forecast future needs, the evaluation of innovation projects criteria, establishing close contacts with beneficiaries, and the setting of realistic objectives to be achieved. Utterback (1996), in a previous study, indicates that innovativeness is a key determinant in a firm's survival, development, and business success. Morrison (2000) argues that successful entrepreneurs are those that survive the changes embarked upon by doing things differently and innovatively.

### **2.9.3 Innovative Entrepreneurial Factors and Characteristics**

Kuratko, according to Gündoğdu (2012), posits, "the words that describe the new contemporary innovation way; dream, create, explore, invent, pioneer and imagine. The etymological roots of innovation stretch to the Latin word *innovare*, which means - to do something new. The key common points from different innovation definition perspectives imply change and renewal for a better condition". The change can centre around, but not be limited to, the products, processes, and organisations or institutions (Audretsch and Link, 2012). Wynarczyk (2013) postulates that,

“innovative small medium enterprises seem to be important components of a dynamic procedure of national and regional economic development, but only a lesser percentage of them are capacitated and opportune to effectively and efficiently pursue growth, expansion and diversification”. Hence, the entrepreneur has been referred to as a creative destroyer (Schumpeter, 1942 in Miller 2015) and would take immense motivation and enthusiasm to deal with daunting challenges on a business venture that faces failure.

Aujiraponpan, Wattanasit, Janchai and Kupparat (2011) define innovation as the ability of the firm to undertake the development of innovations including process innovation, product innovation, or innovative ideas in organisation. Lee and Hsieh (2010) refer to innovation as resources and a new ability to create wealth, which can be trained and learned. Saravanan (2002) perceives innovation as the, “design and implementation of creativity to generate business, overcome setbacks, and enhance existing systems”. Tidd, Bessant and Pavitt (1997) also define innovation as the resources that an organisation uses to incorporate technology, organisation, and market change to enhance business success. Afuah (1998) believes that innovative processes within an organisation cannot be separated from the business strategies and competitive environment.

However, to establish a business venture that would surmount certain challenges is a function of innovation which enhances the process of the development of the business and the economy. Funds must be raised, people must be employed for training, and development must be undertaken to harness the innovative ideas for proper economic development, creation of new products and/or services, and these form part of the challenges confronting the entrepreneur (Wynarczyk, 2013; Miller, 2015). New business firms today, to a greater extent, are endangered and exposed to structural impairments, for example; size, managerial capability, skills, information accessibility, and funding. Additionally, there exists a lack of internal resources to control new determining factors for production, innovation, and competitiveness, for instance; diversifying the product range, introducing new products onto the market, investing in research and development, acquiring modern proficiencies of management, exploring other innovation opportunities (Gündoğdu, 2012; Wynarczyk, 2013), and converting new ideas into value-creating outputs such as new products, methods or services (Gündoğdu, 2012). New ideas are derived and generated from an individual’s extant knowledge and intuition on business experience (Chaston and Scott, 2012).

Notwithstanding the existence of wide unanimity that innovation portends an application of new ideas that induce economic growth, the term (innovation) closely draws several interpretation levels that, to a large extent, are contingent upon the circumstance under which the innovation takes place. Specific, functional innovative challenging areas that have attracted more attention are retail planning and format, product evolution, clientele marketing, packaging, pricing, promotion, and logistics (Hristov and Reynolds, 2015). Innovation is a function of entrepreneurship which encapsulates capital or resources required by the entrepreneur for the successful implementation of innovatively conceived ideas. In other words, through the entrepreneurial activities, innovation is manifested by introducing the idea or concept to practical activities enhanced by the available resources or capital (Crumpton, 2012).

Socially, innovation cannot be found wanting, hence it is a great challenge to the entrepreneurial business activities. As Grimm, Fox, Baines and Albertson (2013) assert, “the intent of social innovation is what differentiates it from the common social change. Potentially, it can meet the social needs demanded by the community with the use of new social processes to deliver products and services. Therefore, social innovation can effectively introduce new products and services to meet up with the demanded social needs and enhance the building of more sustainable, cohesive and inclusive societies. In other words, social innovative entrepreneurship is motivated by the goal of meeting-up with the societal social needs”.

Innovation is not unique to large multinational business organisations but also affects new and small businesses, which have proved to be the modern drivers of economic growth. Thus, entrepreneurship as the economic driver is a function of new business ideas, concepts, and new value propositions, and has become desirable by several economies for growth and development. Nevertheless, innovation and entrepreneurship are two vital strategies for economic development and are indivisible of each other (Tee Ng, 2012).

In today’s competitive environment, studies (Hossain, 2013; Varis and Littunen, 2010) have discovered that innovation and entrepreneurship are regarded the most essential driving forces of progress and prosperity in any business venture. However, much attention has not been focused on identifying and exploiting factors that drive the development of innovative solutions and the emergence of entrepreneurial dynamics. Contrary to the above assertion, Feldman, Francis and Bercovitz (2005) argue that several efforts were made in developing more effective innovation

systems based around new technological knowledge, process optimisation, business models, networking, and collaboration. Drucker (2002) suggests that innovation can only take place when the entrepreneur places emphasis and value on innovation development.

Vincent, Bharadwaj and Challagalla (2004), in their study, propose that successful entrepreneurs overcome the negative effects of competition on business performance through innovation. Similar researchers (Barney 1991; Reed and DeFillippi 1991) also believe that innovation is a means through which firms can display their core competencies and transform such competencies into performance outcomes that are critical for success. However, Wolfe (1994) suggests that previous studies on innovation are, “inconclusive, inconsistent, and lacking explanatory power”.

Notwithstanding the view expressed by Wolfe (1994), Saravanan (2002) discovers that there are three main predictors of innovative capability which assist SMMEs in their survival and success in business operations, namely; the ability to take risks, the ease with which businesses make connections, and the need to consistently pursue new and different work approaches to enhance the production of goods and services or processes. Aside from this, there are other factors that enhance innovation, many of which are discussed below.

### **2.9.3.1 Training and Development**

Training and development have been identified as important factors which drive innovation processes in an organisation. According to Siguaw, Simpsona and Enz (2006), training and development (learning orientation) builds creative knowledge which results in innovation. Calantone, Cavusgil, and Zhao (2002), in their previous study, state that training and development are positively linked to innovation. A recent study by Phuangrod (2015) also reaffirms that employees can benefit a lot from training and development and the can use what they learned to adapt and develop new creative products and systems. Messeni Petruzzelli and Savino (2015), in their study, also confirm that innovativeness and entrepreneurial dynamism can be achieved through learning from other types of industry and organisational systems.

### **2.9.3.2 Business Skills**

According to Smith, Busi, Ball and van der Meer (2008), business skills is amongst several factors which affect companies' abilities to manage innovation irrespective of their geographical location. Solesvik (2012) argues that entrepreneurship innovation largely depends of the kind of skills

possessed by the entrepreneur and their team members. Morales and Marquina (2013) suggest that entrepreneurs from around the world possess varying skills. Chell (2013) and Morales and Marquina (2013), in their studies, argue that defining and specifying skills is ambiguous and complex. In spite of the controversy about the definition of skills, McLarty and Dousios (2006) refer to skill as the ability to perform a task.

According to Brière, Tremblay and Daou (2014), “South Africa is an emerging economy and creates employment through entrepreneurship”. However, Herrington and Kew (2015) argue that entrepreneurship innovation in South Africa is challenged by a shortage of business skills. Adendorff, Emuze and Vilakazi (2013) also discovered that there are only a few entrepreneurs in South Africa who identify opportunities and believe that they have the necessary skills to create business ventures. The authors further confirm that there is a research gap on specific entrepreneurial skills suitable for entrepreneurs in South Africa (Adendorff *et al.*, 2013). Some studies (Brière *et al.* 2014; Turton and Herrington, 2012) support the view that the lack of entrepreneurial and business skills in South Africa may be due to inadequate training and a poor educational system. Turton and Herrington (2012) contend that the, “education system in South Africa is failing to effectively equip individuals with skills and confidence required to consider entrepreneurship as a valid choice”.

Herrington, Kew and Kew (2014) suggest that the education system in South Africa should focus on providing learners with practical exposure to entrepreneurship as a career path and put a stronger focus on problem solving skills and self-confidence which are baseline skills for successful business venturing. Researchers (Chell, 2013; Unger, Rauch, Frese and Rosenbusch, 2011) also believe that skills are the outcomes of investment in education and work experience. The scholars mentioned are of the view that an entrepreneur engaged in innovation and production will require skills categorised as production and business skills. Amorós and Bosma (2014) opine that individuals with a higher level of education are more likely to have acquired business skills to start new business ventures.

### **2.9.3.3 Generating Innovative Ideas**

According to Chell (2013), one way of creating innovative business is through ideas generation. The author (Chell, 2013) perceives ideas generation as the ability of the entrepreneur to be aware

of the business environment and the factors that are conducive to opportunity exploitation. Paltoniemi (2015) and Schiuma (2011) posit that business ideas can be generated through the analysis of the business environment and learning from other organisations.

Gibb (2011) sees idea generation in entrepreneurship as an embedded practice within the unique personality traits of an entrepreneur. Ben (2013) argues that generating business ideas is the central pillar of the entrepreneurship innovation process. According to Ben (2013), “most entrepreneurial discoveries are reached after a business opportunity is recognised or an idea is generated”. He further adds that the recognition and generation of business opportunities and ideas creates an enabling environment for the smooth take-off and management of business outfits.

#### **2.9.3.4 Active Participation in Community Development**

According to Ammettler, Rodríguez-Ardura, and Lladós-Masllorens (2014), business creation is important for innovation. The effects of business creation are crucially reflected in economic growth and competitiveness. Ammettler *et al.* (2014) claim that innovation contributes to the economic development of a country. Taking on a similar opinion, Carvalho and Jonker (2015) argue that entrepreneurship can have economic, psychological, and social consequences in any country.

According to the Organisation for Economic Co-operation and Development (OECD) (2010), there is a growing demand for entrepreneurs with a new vision to solve global, national, and local problems that the market and the state have failed to solve. The European Commission (2013) and Santos (2012) argue that innovative entrepreneurs participate in the development of their communities by responding to the social needs of its target publics. Chell, Nicolopoulou and Karataş-Özkan (2010) point out that the involvement of entrepreneurs in community development is a useful means of creating innovative ideas that contribute to solving the social challenges that might confront the community.

#### **2.9.3.5 Design and Introduction of New Products**

According to Aujiraponpan, Wattanasit, Janchai and Kupparat (2011), innovativeness is a firm’s ability to undertake the development of innovations including product innovation. Doran., Jordan and O’Leary (2013) argue that there are four main dimensions of innovation, namely; process, product, organisational, and marketing. Knosková (2015), in his study, discovers that new product

introduction with high levels of novelty is positively influenced by foreign ownership. Ettlie and Elsenbach (2007) suggest that innovative companies are not only those who produce innovative products, but also those who know how to modify the formal product development process in order to facilitate an acceleration of change.

Ettlie and Elsenbach (2007) are of the opinion that new product introduction is influenced by a number of factors, such as formalised innovation processes, highly developed and efficient systems for new product development, including technology and market trend evaluation, and alternative and parallel process for radical innovation that is not in line with common procedures. Ettlie and Elsenbach (2007) found that innovative entrepreneurs are successful in developing new products which help in promoting economic growth and development.

#### **2.9.3.6 Establishment of New Line of Businesses**

Knosková (2015) proposes that the innovativeness of an entrepreneur can be measured based on the kind of business that they establish. Knosková (2015) is of the view that innovative entrepreneurs are those that have multiple lines of businesses which contribute to economic development through job creation and the alleviation of poverty. The author argues that entrepreneurship is perceived as an engine of socioeconomic growth and development.

Smith *et al.* (2008) are of the opinion that the innovation process can be measured by the extent to which the firm creates different businesses opportunities towards the socio-economic development of the nation. Mortara and Minshall (2011), in their study, indicated that entrepreneurship innovation can allow the entrepreneur to create different kinds of business, not only for their personal gain but also for the socio-economic development of their country. As discussed above, Mortara and Minshall (2011) also contend that the entrepreneurship business or SMME sector is the engine of growth in any country. This is because it helps in job creation, poverty reduction, and the improvement in the standard of living. Mortara and Minshall (2011) strongly believe that successful entrepreneurs have the ability to establish more business which can partly result in economic development.

#### **2.9.4 Need for High Achievement Entrepreneurial Factors and Characteristics**

McClelland suggests that entrepreneurs possess outstandingly high need for achievement, therefore, the “need” demands a special type of entrepreneurial attitudes; inclusively, a willingness

to risk even personal resources (capital, energy, and reputation) on a business venture that has chances for failure, hence, pose numerous challenges to the entrepreneur. The pursuit for high achievement has also been associated to each individual's hunger for power and hedonism, which has added up to the entrepreneur's challenges to enhance a willingness to square-off risks and uncertainty and take initiative in the face of challenges with daring energy (Miller, 2015). A high achievement motivation may serve to ignite the entrepreneurial intentions and link them to actionable business activities.

Further, according to Fayolle, Liñán and Moriano (2014), "the main theories of entrepreneurial motivation can be categorised in two main group; firstly, drive theories, which indicate the extant internal need that influence the motivating power of an individual towards business venturing to ameliorate consequential tension. Secondly, the incentive theories, which propose that individuals are being motivated to engage themselves in activities for external advantages". However, social entrepreneurship posits strong extant motives for an entrepreneur to venture into business activities in which the social benefits are the immediate motivators for high achievement. Also, it recognises that lifestyle entrepreneurs are also being driven by goals and motives (Fayolle *et al.*, 2014) and, in turn, seem to be hurdles as well, and thus, pose as challenges too. Furthermore, Jayawarna, Rouse and Kitching (2011) argue that entrepreneur motivations develop dynamically in relation to career, household, and business life, which, amongst other things are; economic gain, a desire for greater achievement, financial independence and control, personal development, improved social status, peer pressure, and community welfare contribution.

As much as the course to the need for high achievement and risk-taking tendencies pose some challenge, they also contribute immensely to the development of a positive entrepreneurship attitude in an entrepreneur (Uddin and Bose, 2012). Also, the performance of an individual is a function of their intrinsic nature and reflection of their stimuli (needs, attitude and values), the perception and subjective view of the environment, potential, and personality. The subjective reasons that influence the entrepreneurial decision reflects the motivational level of the individual. The individual believes their actions, rather than random elements of luck and/or chance, lead to outcomes (Sanchez and Sahuquillo, 2012). The intentions of the entrepreneur and their ability to recognise opportunity may not be accomplished without the required motivation to drive them (Carsrud and Brännback, 2011).

According to Edelman, Brush, Manolova and Greene (2010), the effects of entrepreneurs' motivation on their success is well documented in literature. Plehn-Dujowich (2010) postulates that there are many factors which drive a person towards a particular course of action. In the context of entrepreneurship, there are a number of factors that push the entrepreneur to start thinking about entering into a particular business. One of such factors is the need for high achievement. Kothari (2013) suggests that the key to a successful entrepreneur lies in achievement motivation and a high need for achievement.

According to Kothari (2013), McClelland argues that those who are high in the need for achievement possesses five critical attributes. Firstly, he opines that high achievers like situations where they can take personal responsibility for finding solutions to problems. Secondly, high achievers prefer quick feedback so that they can judge whether they are improving or not. The third attribute is that higher achievers avoid easy or very difficult tasks and they dislike succeeding by chance. The fourth attribute is that high achievers prefer striving to achieve targets, which represent a challenge, and are not beyond their capabilities. The fifth is that high achievers are interested in the concrete knowledge of the results of their decisions and money most often serves as a good measurement of success (McClelland, 1961). Stefanovic, Prokic and Ranković (2010), in their study, discovered that there are several motivating factors for the need for high achievement, which are discussed below.

#### **2.9.4.1 The Need to Support One's Family**

Research on the role of family in business decision-making can be traced back to as early as 1950, when Davis (1970) first examined the relative influence of husbands and wives on the operation of business. Since then, numerous studies (Belch, Belch and Ceresino, 1985; Mangleburg, 1989; Foxman, Tansuhaj and Ekstrom 1989) have been conducted to examine the various aspects of family decision-making.

According to Martensen and Gronholdt (2008), the family has been identified as the most important variable in decision making and the most prominent consumption unit which has attracted the interest of many scholars in marketing. Polya and Szucs (2013), in their study, discover that family has a great effect on an individual's business. Other researchers, such as

Koropp, Grichnik and Kellermanns (2013) and Rodriguez, Tuggle and Hackett (2009), have found that most people enter into certain business with the intention of supporting their families.

According to Doherty, Dickmann and Mills (2011), some people desire to migrate to different countries where they can do business as they need to support their family members. Chang, Natsuaki and Chen (2013), in their study, also found that that family is a major factor which influences an individual decision to relocate. Walsh and Schyns (2010) posit that expatriates leave their countries with the need to look for better opportunities in order to provide support for their family members. However, Zachary (2011) is of the view that research has not focused much on the influence of family systems in expatriation.

#### **2.9.4.2 Peer Pressure**

A study reveals that peer pressure has a major influence on an individual's decision to expatriate to other parts of the world to set-up a business (Gillani, 2012). According to Gillani (2012), peer pressure is a social phenomenon where a pressure is exerted by members of a society and a social group which influences an individual decision. However, peer pressure may not always be negative, but it can lead to socially undesirable behaviour. The author is of the view that most teenagers and adolescents are more vulnerable to peer pressure due to their age.

Makgosa and Mohube (2007) see peer pressure as the extent to which the attitudes, beliefs, and actions of an individual are influenced by other peers. Ahmad, Yousif, Shabeer and Imran (2014), in their study, argue that peer pressure plays a significant role in nurturing the self-concept of an individual. John and Christopher (2013) opine that an individual is assumed under informational influence if they observe the behaviour of others and actively search for information from those whom they think are expert in the relevant field. Doherty *et al.* (2011) point out that most expatriates are under pressure from their peers or friends to relocate to other countries for reasons such as career opportunities and family status. Doherty *et al.* (2011) further argue that that some expatriates or migrants have their friends living abroad and they are sometime under pressure to join them.

#### **2.9.4.3 Desire to Increase the size of Business**

Barba-Sánchez and Atienza-Sahuquillo (2012) identify that most entrepreneurs these days are more interested in increasing the size of businesses internationally. According to Barba-Sánchez

and Atienza-Sahuquillo (2012), successful entrepreneurs are those that are able to increase the size of their businesses. The authors discovered that entrepreneurs who are primarily growth-oriented were higher in achievement motivation than managers and small business owners who focus primarily on producing current family income instead of growth. They further argue that small business owners were not significantly higher on achievement motivation than managers whose businesses have increased in size. Westhead *et al.* (2011), in their study, argue that the need for high achievement can be influenced by the size of the business.

Kalitanyi and Visser (2010), in their study, point out that most of the immigrants who run businesses have been in South Africa for no more than five years, yet they have managed to grow their businesses to a larger level in a very short time. Given their size, it is possible that most concerns are conducted as partnerships.

#### **2.9.4.4 Availability of Business Opportunities**

Kahyihura, (2013) suggests, in his study, that doing businesses in any part of the world is quite challenge but doing it in most African countries poses a more unique set of challenges for the entrepreneur. These challenges include, but are not limited to, finance, economic growth, and business opportunities. In view of the above challenges, many foreign-owned enterprises are considering expanding their businesses to other parts of the world where there are more business opportunities.

Tharenou and Caulfield (2010) discovered that there are more business opportunities in more developed countries, in which South Africa is no exception, as opposed to developing countries, such as Nigeria, Ghana, Zimbabwe, and others. Kalitanyi and Visser (2010), in their study on African immigrants in South Africa titled Job takers or job creators, found that 15 out of 40 participants said that they left their home country for the reason of pursuing business opportunities. In the same study, it was found that 9 out of 20 of the African immigrant entrepreneurs from Senegal who were interviewed left their country for economic reasons (Kalitanyi and Visser, 2010). These findings are consistent with the findings outlined in a study by Lee and Siemborski (2005).

#### **2.9.4.5 Location of the Business**

According to Tharenou and Caulfield (2010), the migration of entrepreneurs from other parts of the African continent to South Africa is influenced by location characteristics such as access to more infrastructure and other facilities. The authors are of the view that South Africa is attractive to many investors because of easy access to business locations.

Contrary to the above finding, Khosa and Kalitanyi (2014), in their study on the challenges in operating micro-enterprises by African foreign entrepreneurs in South Africa, discovered that, although xenophobia is not a frequent problem to African foreign entrepreneurs, it is detrimental to their enterprises. Khosa and Kalitanyi (2014) found that getting access to business locations is one of the challenges affecting African foreign entrepreneurs.

#### **2.9.4.6 Economic and Political Instability**

Economic and political instability have been noted as one of the main motivating factors for migration in Africa. Early studies (Goetz, 1999; Hunter and Skinner, 2001; Kalitanyi and Visser, 2010; South Africa Information, 2004) in South Africa have identified that the migration of people from other countries into South Africa is influenced by both economic and political reasons. Goetz (1999) argues that economic booms are some of the reasons for people migrating in search of better living conditions. A similar study by Hunter and Skinner (2001) reveals that African immigrant entrepreneurs leave their home countries because of political and economic challenges in their respective countries.

A recent study by Kalitanyi and Visser (2010) also reaffirms the previous findings. The authors, in their study, discovered that all the African immigrant entrepreneurs interviewed left Somalia because of the political instability in the country. It was further found that immigrant entrepreneurs have confirmed that their lives and those of their children are threatened because of the political instability in Somalia. South Africa Information (2004) further confirms that a majority of South Africa's current refugees are from countries such as DRC, Burundi, Rwanda, Angola, and Somalia, because these countries are experiencing political instabilities. Kurunova (2013) also supports the above findings by pointing out that the decision to migrate largely depends on a combination of factors but is mostly influenced by economic and political instability.

#### **2.9.4.7 Enabling Business Environment**

Research shows that South Africa is considered the economic powerhouse of Africa which attracts many investors and entrepreneurs (Khosa and Kalitanyi, 2015). The authors discovered that South Africa is the best destination for investment because of the enabling business environment created by the government. However, the previous study by Khosa and Kalitanyi (2014) contradict the findings from afore mentioned study. The findings state that operating micro-enterprises by African foreign entrepreneurs in South Africa is very challenging because of crime, obtaining business locations, high rentals, and obtaining growth and start-up funding.

Howe-Walsh and Schyns (2010) confirm the views expressed by Khosa and Kalitanyi (2015) by explaining that the conducive business environment in South Africa has been attracting foreign migrants from diverse parts of the world.

### **2.10 MAJOR CONTRIBUTIONS OF FOREIGN-OWNED MICRO BUSINESSES TOWARDS SOUTH AFRICA ECONOMY**

Foreign-owned micro businesses are considered one of the possible vehicles for economic growth in South Africa. Chimucheka and Mandipaka (2015) argue that the SMME sector is touted as an economic engine for many countries, namely: South Africa, Nigeria, and Ghana. Chimucheka and Mandipaka (2015) claim the researchers in the field of entrepreneurship have also confirmed that the SMME sector plays a key role in economic growth, job creation, poverty alleviation, and addressing inequality. Previous studies carried out by Millinuex (1997) indicate that the SME sector has contributed more to the employment of the population than multinationals in any nation.

According to NCR (2011), the South African government is fully aware of the major contribution of the SMME sector towards the socio-economic development of South Africa. The White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (1995) also recognises the numerous contributions of the SMME sector in South Africa. Fatoki and Smit (2011) assert that due to the numerous contributions of the SMME sector, the South African government has called for the support of these businesses and for novice entrepreneurs, particularly those in disadvantaged areas. Below are the major contributions of foreign-owned micro businesses towards the South African economy.

### **2.10.1 Job Creation**

Globally, research shows that the SMME sector acts as a vehicle for jobs (Abor and Quartey, 2010; Mahembe, 2011; United Nations Industrial Development Organisation (UNIDO) 1991; World Bank, 2011). In Europe, the European Commission (2005) argues that SMEs are the engine because they are a very important source of job creation, they create entrepreneurial spirit and innovation in the European countries and are thus important for fostering competitiveness and employment within countries. UNIDO (1991) estimates that the SMME sector represents over 90% of private businesses and contributes to more than 50% of employment worldwide. A more recent study has also found that SMME contribute to 90% of businesses and more than 50% of employment as well as 33% of the GDP of developing countries (Ogubazghi and Muturi, 2014). In Ghana for instance, it was estimated that SMMEs accounted for 70% of Ghana's gross domestic product (GDP) and 92% of its businesses (Ahiawodzi and Adade, 2012).

From a South African perspective, the SMME sector represents a significant tool to address the challenges of job creation, economic growth, and equity in the country (Cass, 2012). Similarly, Mbedzi (2011) points out that the SMME sector has become more significant in achieving social stability through job creation to address the high unemployment rate (Mbedzi, 2011). Arema and Mukaila (2011) expressed a similar view that SMMEs are considered the most powerful tool for economic growth and for promoting reasonable development in South Africa. Chimucheka and Mandipaka (2015) also acknowledge that the SMME sector in South Africa has been creating more job opportunities for the citizens. These current studies also confirm the findings of previous studies (Ladzani and Van Vuuren, 2002; Thompson, 1991; Thwala and Mvubu, 2008).

A study by Abor and Quartey (2010) indicates that the SMME sector represents 97.5% of formalised businesses. The authors argue that the SMME sector in South Africa has created approximately 61% of the employment within the country. Kongolo (2010) also confirms that the SMME sector in South Africa accounts for almost 91% of businesses and contributes 60% towards the country's employment. A report released by Statistics South Africa (2013) also shows that SMMEs are a vital tool in the creation of sustainable jobs. Statistics South Africa (2013) has estimated that SMMEs provides more than 61% of employment in South Africa. Aigbavboa Tshikhudo and Thwala (2014), in their study, strongly believe that SMMEs have the potential to reduce South Africa's unemployment rate.

### **2.10.2 Poverty Alleviation**

Adelzadeh (2006) asserts that poverty is a nationwide issue in South Africa. To justify this assertion, Adelzadeh (2006) points out that almost half of the population in South Africa continues to live under the poverty datum line. It was estimated that over 22 million people in South Africa live in poverty (Development Bank of Southern Africa (DBSA), 2005). It has been argued that the HIV/AIDS pandemic has impacted the workforce, resulting in a high rate of poverty in South Africa. However, research shows that SMMEs makes a significant contribution towards the alleviation of poverty in the country.

According to Chimucheka and Mandipaka (2015), the SMME sector in South Africa has been playing a critical role in alleviating poverty in the country. This finding underscores the relevance of the previous study conducted by Nieman, Hough and Nieuwenhuizen (2003). Nieman *et al.* (2003) opine that SMMEs fulfil a number of roles, ranging from poverty alleviation to employment creation. The findings by the above scholars also support Nkwe (2012), who also indicates that SMMEs play a crucial role in alleviating poverty by employing local people.

Similar to the views expressed by the above scholars, Lekhanya (2010) discovers that SMMEs have become a critical solution for starting and developing the standard of living in South Africa because of the unsatisfactory level of poverty in the country, especially in the rural areas.

### **2.10.3 Reduction in the Levels of Inequality**

Inequality is a common phenomenon in South Africa which was created under the apartheid system. According to the World Bank Report (2006), in spite of the pro-poor policies, South Africa still remains one of the highest countries worldwide in terms of income inequality. The World Bank Report (2006) indicates that the social security system has failed to restore equality in South Africa. However, studies reveal that SMMEs have been making significant contributions towards addressing inequalities (Bartel and Martin, 1990; Fatoki and Smit, 2011).

Bartel and Martin (1990) contend that a major reason why SMMEs have been receiving increased attention from both scholars and the public press is the growing recognition of the substantial economic and social contributions they bring. Socially, it has been argued that SMMEs contribute to poverty eradication and improved standards of living in any country. In South Africa, SMMEs are seen as essential *panacea* for improving the standards of living. A recent study by Fatoki and

Smit (2011) also confirm the position of previous researchers (Bartel and Martin, 1990) that the SMME sector is crucial for reducing levels of inequality in South Africa.

## **2.11 CONCLUSION**

This chapter presented a broad review of empirical literature on SMMEs, particularly immigrant-owned micro businesses. The chapter presented the various definitions on micro business. The chapter proceeded to discuss the South African legislative framework, which regulates immigrant-owned micro businesses. The review of the literature reveals that there are several sources of funding for African immigrant-owned micro businesses, including personal savings, support from family and friends, bank loans, retained earnings, and venture capital. The chapter also presented discussion on the broad challenges facing immigrant-owned micro businesses in South Africa, which includes; xenophobia, access to finances, legislative requirements, language barriers, managerial skills, and infrastructure.

The chapter went further to discuss the contributions of SMMEs, such as; job creation, poverty alleviation, and equity redress. As part of the chapter, the sociological factors that influence African immigrant-owned micro businesses were discussed. In addition, discussions on the psychological characteristics that boost the performance of the entrepreneurs were presented. The innovation factors that influence African immigrant-owned micro businesses leading to the development of the economy were also discussed, followed by a review of literature on the factors that influence the need for high achievement that influenced the African immigrant-owned micro businesses.

Hence, the concept of entrepreneurship has a wide range of meanings. On one extreme, an entrepreneur is a person of very high aptitude that pioneers change, possessing characteristics found in only a very small fraction of the population. While on the other extreme, anyone who wants to work for oneself is considered an entrepreneur (QuickMBA, 2010). However, ultimately, entrepreneurship encompasses all these definitions and encompasses many other business ventures that share a commitment to turning an idea into a profitable business (Fernandes, 2016).

African immigrant-owned businesses continue to suffer while facing many challenges such as xenophobia, access to finance, language barrier, registration barriers and so on. However, the fears created by actions of the local populace coupled with other criminal activities and corruption

meted-out on African immigrants causes setbacks on their business development and sustainability. In spite of the above, there seem to be more influx of African immigrant to Durban. Hence, the investigation of the factors influencing the African immigrant-owned micro businesses towards survival and sustainability. Chapter three discusses the theoretical and conceptual frameworks on which the study is based.

## **CHAPTER THREE**

### **THEORETICAL AND CONCEPTUAL FRAMEWORKS**

#### **3.1 INTRODUCTION**

The above chapter presented a review of empirical literature on foreign-owned SMMEs. This chapter proceeds with the presentation and discussion on the theoretical and conceptual frameworks which guide the study. This chapter has been organised into two parts. The first part presents the theoretical frameworks that support the research phenomenon, and the latter presents the conceptual framework which guides the study.

#### **3.2 THEORETICAL FRAMEWORK**

According to Labaree (2013), theories are formulated in order to explain, predict, and understand a social phenomenon, particularly to question and add to existing knowledge within the limits of critical bounding assumptions. The scholar (Labaree, 2013) adds that a, “theoretical framework is the structure which supports a theory of a research study”. The author further concurs that the theoretical framework connects the researcher to existing knowledge. Leedy and Ormrod (2005), in their study, view a theory as, “an organised body of concepts and principles which explains and predicts a phenomenon”. Similarly, Johnson and Christensen (2007) also argue that, “theories are used to explain how and why a particular phenomenon occurs”.

According to Simpeh (2011), several theories have been developed by scholars, “to explain the field of entrepreneurship”. The author suggests that these theories have their origins in economics, psychology, sociology, anthropology, and management. Literature reveals that the most common theories which support SMMEs or entrepreneurship business are economic entrepreneurship theories, psychological entrepreneurship theories, sociological entrepreneurship theory, anthropological entrepreneurship theory, opportunity-based entrepreneurship theory, and resource-based entrepreneurship theories (Bayrón, 2016; Frese, 2009; Heinrichs and Walter, 2013; Linden, 2015). These theories are discussed below.

### **3.2.1 Economic Entrepreneurship Theories**

Economic entrepreneurship theories focus on the Knightian ideas of risk-bearing, which assumes that entrepreneurs are modelled as being heterogeneous with respect to risk aversion (Kanbur, 1979). Proponents of this theory (Meza and Southey, 1996) believe that some individuals possess identical abilities but they differ in their perceptions of the risks involved in owning a business venture. The scholars argue that overly optimistic individuals are successful entrepreneurs, as opposed to those who are not overly optimistic. Economic entrepreneurship theories have become the dominant theories in recent times because of the global financial crisis. This theory has its origin in the classical and neoclassical theories of economics as well as the Austrian Market Process (AMP) (Simpeh, 2011). These theories, which fall under the ambit of economic entrepreneurship theories, are discussed as follow.

#### **3.2.1.1 Classical Theory**

Scholars, such as Ricardo (1817) and Smith (1776), assume that the classical theory has its roots in free trade, specialisation, and competition. The proponents believe that the theory emerged as a result of Britain's industrial revolution which occurred in the mid-1700 and lasted until the 1830s. A study reveals that, "those who ascribe to the theory argue that it directs the role of the entrepreneur in terms of the production and distribution of goods and services into the competitive market" (Say, 1803). Other scholars (Murphy, Liao and Welsch, 2006) share their views by asserting that the classical theorists suggest that there are three main factors of production, namely; land, capital, and labour. However, it has been found that several objections were raised against the theory in that it failed to describe the dynamic upheaval generated by entrepreneurs of the industrial revolution (Murphy *et al.*, 2006).

Subsequently, Nadrifar, Bandani and Shahryar (2015) also believe that the classical theory is very prominent among management theories. The scholars' postulate that the classical theory was developed to predict and control the behaviours in an organisation. The theory has unique features, such as chain of command, the division of labour, one-sided top-down influence, and authoritarian leadership styles (Nadrifar *et al.*, 2015). The classical theory consists of other theories such as the scientific management theory, administrative management theory, and the management bureaucratic theory (Ferdous, 2016).

### **3.2.1.2 Neo-classical Theory**

The neo-classical theory was introduced due to the several criticisms that were levelled against the classical theory. Royer (2014) points out that the neo-classical theory is mostly used by economists. Those who ascribe to the neo-classical theory believe that the value of products and the allocation of resources are determined by the costs which are associated with production as well as the tastes and preferences of the consumers (Royer, 2014). This theory lies on marginal analysis, which assumes that the additional quantity of a commodity that is purchased or sold is based on additional utility, revenue, or the cost associated with the last unit. Murphy *et al.* (2006), in a previous study, argues that neo-classical theorists hold the view that economic phenomena can be controlled for instances of pure exchange, reflect an optimal ratio, and transpire in an economic system that was basically closed.

Further, Murphy *et al.* (2006) assume that the economic system is made up of exchange participants, exchange occurrences, and the effect of exchange on other market actors. Although the neo-classical theory has been instrumental in the field of management, some criticisms were levelled against it. The strongest criticism is that the aggregate demand overlooks the uniqueness of individual-level entrepreneurial activity (Murphy *et al.*, 2006). According to Bula (2012), critiques argue that an economy cannot be static. Therefore, a state of static equilibrium is unrealistic. The critics further argue that abnormal profits in the entrepreneurial world cannot always be achieved. Another criticism is that rational resource allocation does not cover the complexity of market-based systems.

### **3.2.1.3 Austrian Market Process (AMP)**

The AMP is the third theory which emerged under the economic entrepreneurship theories. According to Simpeh (2011), the criticism against the neo-classic theory has led to the development of AMP. According to Murphy *et al.* (2006), the neo-classical movement has acknowledged the impracticality of identifying all important information in an economic system so as to gain an understanding of the phenomena within it. Those who ascribe to the AMP believe that the specific knowledge acquired by the entrepreneur has much to do with their activity. The AMP movement focuses more attention on phenomena logically observed rather than empirically.

Moreover, AMP is credited to Joseph Alois Schumpeter (1934), who focuses on human action in the context of an economy of knowledge. According to Schumpeter (1934), the entrepreneur is considered the driver of a market-based system. Thus, entrepreneurs are noted for their innovativeness which can serve as impulses for the motion of market economy. The scholar argues that the AMP addresses a central question of how to harness knowledge required when discovering business opportunities and making good decisions when it is dispersed idiosyncratically throughout the system. The AMP rejects the assumptions that circumstances are repeatable, which always lead to the same outcomes in an economic system. Rather, it believes that entrepreneurs are incentivised to use episodic knowledge.

Kirzner (1973) suggests that AMP is based on three main conceptualisations. The first conceptualisation is the arbitraging market where business opportunities emerge for given market actors, as others ignore some opportunities or undertake suboptimal activities. The second conceptualisation is the alertness to profit-making opportunities, where the entrepreneurs discovers an entrepreneurial advantage. The last conceptualisation is that ownership is distinct from entrepreneurship. Knight (1921) points out that the entrepreneurship business does not require the ownership of resources, an idea that adds context to uncertainty and risk. The above three conceptualisations indicate that every opportunity is unique in its own way and therefore previous activity cannot be used to determine outcomes reliably.

Although the AMP model has contributed to the field of entrepreneurship, it is not without criticisms. An important criticism is that the market systems are not purely competitive, they are characterised by antagonist co-operation. Another criticism against the AMP model is that resource monopolies can serve as a major constraint to competition and entrepreneurship. The model has further been criticised on the basis that fraud /deception and taxes/controls also have significant impact on the market system activities. The last criticism is that private and state firms have some differences but both can be entrepreneurial (Knight, 1921). The criticisms against the AMP model have resulted in the emergence of the psychological entrepreneurship theories.

### **3.2.2 Psychological Entrepreneurship Theories**

Dedekuma and Akpor-Robaro (2015) believe that psychological entrepreneurship theories are based on the individual personal characteristics. The authors (Dedekuma and Akpor-Robaro, 2015) concur on the premise that psychological entrepreneurship theories assert that the successful

entrepreneurs possess certain personality characteristics which distinguish them from ordinary people. The view expressed by the above scholars reaffirms the position of Landstrom (1998), who explains that the level of analysis in psychological theories is based on the individual.

Further, Landstrom (1998) argues that the psychological entrepreneurship theories focus on personality characteristics which define entrepreneurship. Similarly, Linden (2015) suggests that those who ascribe to this theory assume that there is a psychological profile common to entrepreneurs. The scholars suggest that the psychological entrepreneurship theories are made of theories such as personality traits, a need for achievement, and locus of control. The theories are discussed below.

### **3.2.2.1 The Personality Trait Theory**

The personality trait theory is one of the dominant theories which distinguishes successful entrepreneurs from ordinary entrepreneurs. Antoncic (2009) postulates that entrepreneurship is based on the personality of the entrepreneur. Personality traits has been described as the, “stable qualities that a person displays in given situations” (Coon, 2004). In other words, personality traits are the enduring inborn characteristics or potentials of an individual that naturally make people successful entrepreneurs. Similarly, Llewellyn and Wilson (2003) explain that personality traits are more specific constructs that explain consistencies in the way people behave, which help to explain why different people react differently to the same situation. According to Costa and McCrae (1992), personality traits vary in type and degree for everybody, respectively.

Further, the trait theorists (Carland, Hoy and Carland, 1988; McCrae, 1994; Mueller and Thomas, 2001; Pervin, 1994) assume people are partly shaped through social learning processes in early childhood and partly determined by heritage or environmental influences. The proponents of the trait perspective believe that some individuals possess specific dispositions (qualities) which lead them to self-select entrepreneurial careers. Entrepreneurship literature identifies several attributes, traits, or skills that are associated with entrepreneurial behaviour and successes (Deakins and Freel, 2009; Ramana, Aryasri and Nagayya, 2008). The most common characteristics or qualities associated with successful entrepreneurs include the need for high achievement, risks taking or tolerance for risks, tolerance for ambiguity, good locus of control, creativity, high level of management skills and business know-how, and innovation (Chen and Lai, 2010; Hornaday, 1982).

Similarly, Singh and Rahman (2013) argue that, “the qualities most frequently associated with the success of the entrepreneurs are innovation, persistence, self-confident, positive attitude, problem solving, need for dependence, and risk taking”. However, on the contrary, Desai (2001) discovers that the most crucial personality traits which lead to entrepreneurship success are emotional stability, personal relations, consideration, and tactfulness. Ehigie and Umoren (2003) also identify that common personality traits leading to success are self-concept, perceived managerial competence, work stress, and business commitments. Again, Chell (2008) argues that besides the predominantly researched traits and other approaches to personality, the big five factors (extraversion, emotional stability, openness to experience, agreeableness, conscientiousness) of personality trait approach are also relevant in determining entrepreneurial success. Several studies (Brandstätter, 1988; Ciaverella, Buchholtz, Riordan, Gatewood and Stokes, 2004) have investigated the validity of broad trait taxonomies in entrepreneurship.

Furthermore, a study by Zhao and Seibert (2006) reveals that, “with the exception of extraversion, the five factors discriminated well between entrepreneurs and managers”. The meta-analysis carried out by Barrick and Mount (1991) suggests that, “conscientiousness produced the highest effect sizes in entrepreneurship as well”. Also, it has been found that those who possess these attributes are emotionally resilient and have high mental energy, they are hard workers, show intense commitment and perseverance, thrive on a competitive desire to excel and win, and tend to be dissatisfied with the status quo and thus desire improvement. Equally, they believe that they can make much difference, and are individual with moral integrity and vision (Simpheh, 2011).

Notwithstanding the contributions of the personality trait theory, it has not been without criticisms. Therefore, the personality trait theory has been criticised because of the inconsistencies in findings, small sample sizes, and the heterogeneity of concepts used to describe entrepreneurs. Gartner (1989) criticised the traits like innovativeness on the ground that it amounts to little more than a simple re-labelling of the term entrepreneur without adding any useful insight to the phenomenon of entrepreneurship. Other critics also argue that, although the personality approach to entrepreneurship is useful in explaining entrepreneurial behaviour, it should be supplemented by sound and theoretically justified developments of modern personality psychology.

### 3.2.2.2 Locus of Control

The locus of control has been considered one of the aspects of the personality traits. The term “locus of control” was first used by Rotter in the 1950s who refers to it as a person’s perception about the underlying main causes of events which happen to them. Inegbenebor (2007) refers to locus of control as the extent to which individuals believe that they can control events that affect them. Similarly, according to Bulmash (2016), locus of control involves the perception of having personal control of situations and not being at the mercy of external circumstances. Further, researchers such as Phares (1973) and LefCourt (1976) postulate that locus of control is a term which explains the degree to which a person assumes or feels responsibility for the success or failure in their life as opposed to feeling that external agents, like luck, are in control.

Consequently, there are two type of locus of control, namely; internal and external locus of control. Researchers such as Rao and Moulik, (1978), Rao and Pareek (1978), and Sarupriya (1982), in their studies, found that an internal locus of control is the most important characteristic of entrepreneurs. Rotter (1966) assumes that individuals with an internal locus of control believe that they are able to control life events. Lefcourt (1976) and Phares (1976) believe that an internal locus of control differs from the external locus of control. A significant difference is that persons with an internal locus of control appear to take more initiative and are more responsible in performance situations when compared to those with an external locus of control. Also, the scholars argue that those with an internal locus of control seek and utilise information more efficiently and seem to be more in touch with external realities. These characteristics possessed by the internal persons are essential factors in enhancing achievement motivation. Empirical research demonstrates that the internal locus of control is an entrepreneurial characteristic that has been well documented in entrepreneurship literature (Cromie, 2000; Ho and Koh, 1992; Koh, 1996). Bonnett and Furnham (1991) point out that the internal locus of control was found to be positively associated with individuals who aspire to become entrepreneurs.

Additionally, other scholars (Pareek, 1981; Reichard, 1975) also confirm in their studies that an internal locus of control appears to be a primary characteristic of individuals who act as change agents in an attempt to upgrade themselves through training and development as well as education for the benefit of their organisations. Phares (1968) also adds that those with a strong internal locus of control are confident that they control their own destiny. The scholars discovered that the

individuals who possess internal orientations have exhibited better behaviours which enable them to cope with the demands of reality or they have a greater potential for effectiveness in their environments. Again, a study by Hisrich (1992) reveals that more successful entrepreneurs were more internal when compared to the general public, but not more than male managers. The study further indicates that an internal locus of control appears to differentiate entrepreneurs from the general public. Nelson (1991), in his study, discovers that male entrepreneurs have a significantly more internal locus of control as opposed to the females in the general population.

Nonetheless, those with an external locus of control, on the other hand, believe that life's events are the result of external factors, such as chance, luck, or fate. Thus, they assume that there are certain events which are beyond their control (Rotter, 1966). Similarly, Lefcourt (1976) posits that those with an external locus of control have the belief that certain environmental factors such as fate, luck, and powerful others are at work in any given situation which required the need for the attainment of goals.

### **3.2.2.3 Need for Achievement Theory**

Need for achievement theory is another aspect of the psychological entrepreneurship theories. Pervin (1980) concurs that while the personality trait theory pays critical attention to enduring inborn qualities and locus of control theory focuses on the individuals' perceptions regarding the rewards and punishments in their lives, the need for achievement, propounded by McClelland (1961), points out how human beings have a strong desire to succeed, accomplish, or excel in various fields or endeavours. The need for achievement was credited by David McClelland (1961). David McClelland (1961), a psychologist in this theory, attempts to provide explanations to entrepreneurial emergence and behaviour by individuals as well as to provide understanding of the factors which influence the development of an entrepreneurial society. One of the rationales behind the introduction of the need for achievement theory is to identify the role of psychological factors in stimulating the mindset of individuals to becoming entrepreneurs.

Further, according to McClelland (1961), individuals who pursue entrepreneurial like careers are more motivated by the psychological need to achieve and are high in "need achievement". The scholar states that some individuals are spurred into entrepreneurship most importantly by the intrinsic motive to achieve for the sake of achievement. The theorist suggests that human behaviour is affected by three needs, namely; a need for power (n-Pow), a need for achievement (n-Ach), and

a need for affiliation (n-Aff). However, he cautions that an individual's nurture and culture can influence any of these personalities (Dedekuma and Akpor-Robaro, 2015). Furthermore, Holland (1985), in his study, also made a similar call that the interaction of work environment and personality are likely to affect performance in a career. The three various types of 'Need' are discussed below.

#### **3.2.2.3.1 Need for Power (n-Pow)**

This is an individual's desire to influence other peoples' behaviours as a per personal wish. In other words, it is the desire for a person to have control over others and to be influential (Rishipal, 2012). Invariably, according to McClelland (1965), people who are motivated by power have a strong urge to be influential and controlling. They desire for their views, opinions, and ideas to be dominating and thus want to lead others. Nonetheless, such people are motivated by the need for reputation and self-esteem. The proponents argue that people with greater power and authority will perform better than those possessing less power.

#### **3.2.2.3.2 Need for Achievement (n-Ach)**

Accordingly, McClelland (1961), the n-Ach motive is the most important among the various needs which contributes to entrepreneurial development. The scholar explains that this need makes the entrepreneur behave with great aspirations and expectations as well as optimism and enthusiasm in their pursuits. McClelland (1965) believes that individuals with a high need for achievement motivation are more likely to engage in the instrumental activities that are necessary for success in an entrepreneurial situation as opposed to individuals with low in achievement motivation. For instance, he argues that entrepreneurs who are high in achievement motivation are more likely to overcome their obstacles, utilise resources efficiently, compete, and upgrade their skills. Further, Rishipal (2012), in his study, also confirms that those who are high in need for achievement excel, accomplish a set of goals, and struggle for success. Also, Ebisike (2002) discovers that the n-Ach assists individuals in knowing the differences between "what they are" and "who they are".

#### **3.2.2.3.3 Need for Affiliation (n-Aff)**

The need for affiliation is a need for open and sociable interpersonal relationships. The need for affiliation is the desire for relationships based on co-operation and mutual understanding (McClelland, 1965). The individuals who are motivated by affiliation have the urge for a friendly

and supportive environment. Such individuals are effective performers in a team. These people want to be liked by others. One of the studies conducted by Rishipal (2012) suggests that, “individuals who desire to establish good relationships with others are more successful than those with a poor relationship with friends”.

However, the need for achievement theory is one such theory of entrepreneurship which receives much attention from practitioners and scholars in the field of business and entrepreneurship. Several psychologists, such as Thomas Begley and David Boyd, have given support to the McClelland school of thought because it provides explanations to entrepreneurial emergence and behaviour which distinguishes successful entrepreneurs from ordinary business-persons. Hence, Kuratko and Hodgetts (1998) claim that McClelland’s theory is useful in explaining the unique characteristics possessed by successful entrepreneurs, such as tolerance for ambiguity and a pattern of behaviour characterised by a chronic, incessant struggle to achieve more and more in as short time as one possibly can. Shaver and Scott (1991) also argue that the achievement motivation theory may be considered the only convincing psychological factor which is related to new venture creation.

Nevertheless, McClelland’s need for achievement theory is not without any criticism. As a result, Burns (2016) critiques the theory on the basis that it concentrates much effort on entrepreneurial motivation and holds constant the issues of entrepreneurial flair, the ability to take business risks, and the concern regarding a desire to start a new business. Again, Burns (2016), cited in Osuagwu (2001), argues that the theory focuses on such traits that are inherent in the need for achievement and hence, in the entrepreneurial person.

### **3.2.3 Sociological Entrepreneurship Theory**

According to Ruef and Lounsbury (2007), the sociological school of thought emerged after the psychological school of thought was severely critiqued by Burns (2016). The sociological entrepreneurship theory focuses mainly on the analysis of the social context, processes, and the effects of entrepreneurial activity within society (Ruef and Lounsbury, 2007). Weber (1904), in his theory, argues that, “entrepreneurship can be construed either narrowly as purposive action leading to the creation of new formal organisations, or more broadly as any to effort introduce durable innovations in routines, technologies, organisational forms, or social institutions” (Ruef and Lounsbury, 2007).

Further, Reynolds (1991), in his study, argues that there are four social contexts that relate to entrepreneurial opportunity. The first social context, according to the scholar, is social networks. The scholar believes that social networks build social relationships and bonds that promote trust and not opportunism. The second social context is called, “the life course stage context”. He explains that the life course stage has to do with the analysis of life situations and characteristics of persons who desire to become entrepreneurs. The scholar opines that people’s experiences have the potential or tendency to influence their thoughts and actions in order to do something meaningful with their lives. The third social context is ethnic identification. The author argues that the social background of individuals determines their entrepreneurial success. For instance, the scholar believes that disadvantaged groups are more likely to violate all obstacles and strive hard for success, spurred on by their disadvantaged background in order to make life better. The fourth social context, according to the scholar, is called “population ecology”. The scholar assumes that the social environment plays a crucial role in determining the survival of entrepreneurial businesses. He identifies the political system, government regulations, customers, competitors, and workers, as some of the environmental factors which influence entrepreneurial businesses.

Furthermore, according to Edewor, Abimbola and Ajayi (2014), the sociological perspective considers two major approaches, namely; the supply side approach and the demand side approach. The scholars argue that the supply side perspective has both psychological and sociological dimensions. The psychological dimension has to do with attributing entrepreneurship and its practices to the presence of certain traits in ‘special individuals’, which are missing in others. As discussed above, successful entrepreneurs are identified with some unique personality traits, which include achievement, internal locus of control, and a risk-taking propensity, amongst other things. The sociological supply side, on the other hand, has to do with attributing entrepreneurship to ‘special individuals’, which focuses on the compelling influence of society on engendering entrepreneurial practices. According to Edewor *et al.* (2014), “the sociological supply side perspective includes presence of congenial cultural attributes that are facilitating of entrepreneurial practices, social class or ethnic group that extols the credibility of entrepreneurial activities or that are compatible with entrepreneurship”.

Moreover, Weber (1904) argues that the sociological supply-side of the sociological entrepreneurship theory pays much attention to economic development. The author (Weber, 1904)

postulates that, “the high rate of economic development recorded in Western societies relative to other cultures was a corollary of the presence of values, such as individualism, an ascetic self-denial which discourages extravagant lifestyles, positive attitudes towards work, savings, and investment”. The scholar (Weber, 1904) also, in his comparative study, points out that the great accumulation of wealth, which has resulted in the emergence of capitalism in Europe and North America, was due to protestant ethic. The theorist believes that the ethic culture in Europe and North America encouraged abstinence from life’s pleasures, an austere lifestyle and rigorous self-discipline. He discovers that the ethics associated encouraged the culture of savings and investment in Europe and North America.

### **3.2.4 Anthropological Entrepreneurship Theory**

The anthropological entrepreneurship theory was the fourth entrepreneurship school of thought after the sociological school of thought was critiqued. Anthropology is concerned with the study the origins, developments, customs, and beliefs of a particular community. It studies, mostly, the culture of people in a community (Simpeh, 2011). The proponents of this theory suggest that for an entrepreneur to succeed, they need to consider social and cultural contexts. The scholar postulates that the culture in a particular community largely influences the kind of business venture a person should create. The cultural entrepreneurship model states that one’s culture influences how the new venture is created.

Similarly, other scholars (Baskerville, 2003; Mitchell, Smith, Morse, Seawright, Peredo and McKenzie, 2002) found that anthropology studies the origins, artefacts, culture, norms, beliefs, and customs of people. The scholars in their study argue that ethnicity has a significant impact on the attitudes and behaviours of people. They postulate that the socio-economic, ethnic, and political affiliations among people are often reflected in culture. According to North (1990) and Shane (1994), “the culture environment has the potential of producing different attitudes and entrepreneurial behaviour differences”.

### **3.2.5 Opportunity–Based Entrepreneurship Theory**

Accordingly, studies (Fiet, 1996; Shane and Venkataraman, 2000) identify the importance of the concept of “opportunity” as the most crucial factor, which provides understanding of entrepreneurship and economic change (Fiet, 2002 and Shane, 2000). The term “opportunity

discovery” has been applied in entrepreneurship literature to mean that information sufficient to define an “opportunity” exists at a certain point in the process of discovery (Shane and Eckhardt, 2003). Scholars such as Alvarez and Barney (2005) and Stevenson and Jarillo (1990) argue that entrepreneurs need to have a detailed or comprehensive perception of “opportunity” so as to serve as a cognitive objective for those who perceive the opportunity. However, it has been argued that if the initial perception of opportunity is rudimentary, and thus insufficient to serve as a definite cognitive objective to guide an entrepreneur, the concept of “opportunity discovery” might be inappropriate. Shane (2000), in his study, argues that entrepreneurs recognise opportunities rather than search for information that stimulates opportunity discovery.

According to Stevenson and Jarillo (1990), entrepreneurs search for opportunities irrespective of the resources they currently control. Alvarez and Busenitz (2001) also concur that opportunities surface when entrepreneurs have distinctive insights into the value of certain resources or a combination of resources that might be bundled in new ways. Drucker (1985) further states that entrepreneurs do not cause change, rather they exploit the opportunities brought about as a result of change. The theorist argues that the entrepreneur always looks for change, responds to it, and exploits it as an opportunity. The opportunity-based theory suggests that entrepreneurs have eyes more for possibilities created by change than problems (Drucker, 1985).

### **3.2.6 Resource-Based Entrepreneurship Theories**

The resource-based entrepreneurship theory was propounded by Barney (1991), it explains the competitive advantage and organisational performance of firms. The RBV is based on the premise that organisations’ competitive advantages and subsequent performance originate in the resources and capabilities controlled by the organisations (Barney, 1991). Newbert (2007) suggests that in a number of studies the domains of entrepreneurship have addressed the significance of resources in entrepreneurial firms. However, most of such studies conceptualised resources as direct predictors of firm performance. According to Aldrich (1999), the RBV stresses the importance of resources such as social, financial, and human resources. Davidson and Honing (2003) also point out that the financial, social and human capital represents three classes of theories, which fall under the ambit of the RBV. These theories are discussed below.

### **3.2.6.1 Financial/Liquidity Theory**

Research suggests that access to finance is one of the key resources which determines the success of new entrepreneurial ventures (Blanchflower, Oswald and Stutzer, 2001; Evans and Jovanovic, 1989). However, it has been argued that financial distress is recognised as a driving force behind many corporate decisions (Gryglewicz, 2011). The author suggests that corporate finance literature has long been interested in how firms generate uncertain cash flows and how they disburse them. The liquidity theory assumes that people with strong financial capital are more able to acquire resources to effectively exploit entrepreneurial opportunities and set-up new ventures as opposed to those with weak financial capital (Clausen, 2006).

Further, Alvarez and Busenitz (2001), in their study, suggest that some entrepreneurs have some unique resources that facilitate the recognition of new opportunities and the gathering of new resources for their emerging firm. Other scholars, such as Aldrich (1999), Anderson and Miller (2003), Shane (2003), Shane and Venkataraman (2000), in their studies, argue that some entrepreneurs are more able to recognise and exploit opportunities as opposed to others due to the fact that they have better access to information and knowledge. Furthermore, the scholars state that asymmetric information could underlie the entrepreneurial venture that gives rise to funding constraints.

### **3.2.6.2 Social Capital or Social Network Theory**

Casson (1997) views a social network as a set of high trust relationships which either directly or indirectly link everyone together in a social group. The social network theory received much interest from entrepreneurship researchers in the mid-1980s and extended into SMME, organisational, and market research fields (Johannisson and Nilsson, 1989). Clausen (2006) argues that entrepreneurs are embedded in a larger social network structure which forms a significant proportion of their opportunity structure. Shane and Eckhardt (2003) assert that people may have the ability and knowledge to recognise that a given entrepreneurial opportunity exists yet may still lack the social connections necessary to convert such opportunities into a new venture.

Further, Johannisson (1986) suggests that entrepreneurs who invest their time and energies into building social networks stand the chance to achieve better results compared to those who failed to invest in social networks. Johannisson (1986) also points out that personal social networks are

major assets to the potential entrepreneur to develop the individual character that the entrepreneur is trying to impose on his business. Filion (1990), in his study, also postulates that networking should be considered part of a wider process which includes the “technical know-how” of entrepreneurs and their vision. The scholar suggests that entrepreneurs differ according to the size of their business and the types of social networks that they can call on to supplement their expertise and knowledge and the way in which they use and develop these networks. He claims that social networks have the tendency to improve the success of the entrepreneur in a number of ways at different stages of the development of the business.

Furthermore, other scholars, such as Dubini and Aldrich (1991), Birley (1985), and Hutt and Van Hook (1988), discover that social networks provide entrepreneurs with opportunities to gather useful information from a wide variety of sources to test out their existing ideas, to get referred to appropriate specialists by their contacts, to obtain moral support, and to gain the use of others who have an interest in the entrepreneur's welfare. Consequently, a study by Lorenz (1988) reveals that, in France, informal networks have developed whereby new entrepreneurs formed relations with established entrepreneurs and specialised in one area of production for which there is a ready market. This enables them to invest in emerging technologies and to meet the needed economies of scale for such an investment, while the established entrepreneurs also reap benefits through improved productivity without having to make the capital investment themselves.

Additionally, Ljungrenn and Kolveried (1996), in their study, discover that, although women have much stronger social networks compared to men, women could compensate for their limited knowledge and experience by organising and rallying support from their networks. Again, a recent study by Nowiński, and Rialp (2015) also confirms that social networks are dynamic and evolving from the moment entrepreneurs conceive a business idea and then form a new venture, to when they develop it from the moment of establishment.

### **3.2.6.3 Human Capital Entrepreneurship Theory**

The human capital theory was introduced recently, it focuses on two main factors, namely; education and experience (Becker, 1975). Human capital is regarded as the most valuable asset among all other resources such as finance, equipment, and materials. The scholar defines human capital as the knowledge and skills possessed by an individual, this can be general or specific in nature. Mincer (1974) explains that, originally, the human capital theory has related investments in the

development of knowledge and skills to the income distributions of employees. In recent time the human capital theory has gained popularity in the field of entrepreneurship and attracted a substantial empirical effort from many entrepreneurship researchers (Unger, Rauch, Frese, and Rosenbusch, 2011).

The scholars further state that the human capital theory contributes to improvement in the performance and the sustainable competitive advantage of firms. Marvel and Lumpkin, (2007) further argue that the human capital theory is important for knowledge-intensive processes such as innovation. They (Marvel and Lumpkin, 2007) discovered that both general and specific human capital can relate to innovation radicalness. Equally, Ucbasaran, Westhead and Wright (2008) recommend that entrepreneurial human capital should be able to contribute to higher outcomes in terms of opportunity recognition and creation.

Barney (1991) expresses the view that from a resource-based perspective, human capital theory is regarded as the most valuable, it often depends on the specificity of knowledge and skills needed in a firm. Other scholars, such as Anderson and Mille (2003), Davidson and Honing (2003) and Kim, Aldrich and Keister (2006), in their studies, found that human capital factors, such as education and experience are positively related to becoming a nascent entrepreneur and increase opportunity recognition and even entrepreneurial success.

### **3.2.7 The Theoretical Framework Adopted**

After the review and careful analysis of the strengths and weaknesses of the various theories, the study adopted the resource-based entrepreneurship theories. This theory is based on the premise that access to resources by founders is an important predictor of opportunity-based entrepreneurship and new venture growth (Alvarez and Busenitz, 2001). The premise or assumption of this theory is evident in the current situation in the global market. The theory further emphasises the importance of financial, social, and human resources in new entrepreneurship ventures.

The researcher believes that the success of any organisation in the 21<sup>st</sup> century depends on the above three resources. These factors, when effectively combined, will enable entrepreneurs to achieve, to identify business opportunities, create new ventures, increase their performance, as well as achieve sustainable competitive advantages. The researcher agrees with other scholars

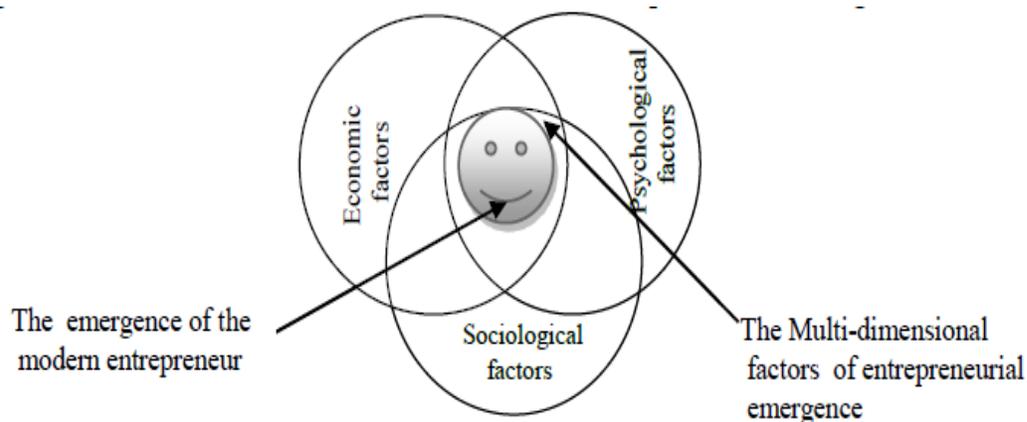
(Anderson and Miller, 2003; Chandler and Hanks, 1998; Shane and Venkataraman, 2000) that the knowledge acquired by the entrepreneurs through education and experience represents vital resources that are heterogeneously distributed across individuals and in effect central to understanding the differences between opportunity identification and exploitation. Again, the researcher strongly believes that no entrepreneurship business can be successful without access to funds, human capital and social networks.

Therefore, the resource-based entrepreneurship theories are the most appropriate for the study because they will enable entrepreneurs to have access to more finances, build social networks, and acquire the knowledge, skills, and experience needed for the success of the business.

### 3.3 CONCEPTUAL FRAMEWORK

#### 3.3.1 The Multi-dimensional Factors of Entrepreneurial Emergence

Figure 3.1: Multi-Dimensional Factors of Entrepreneurial Emergence



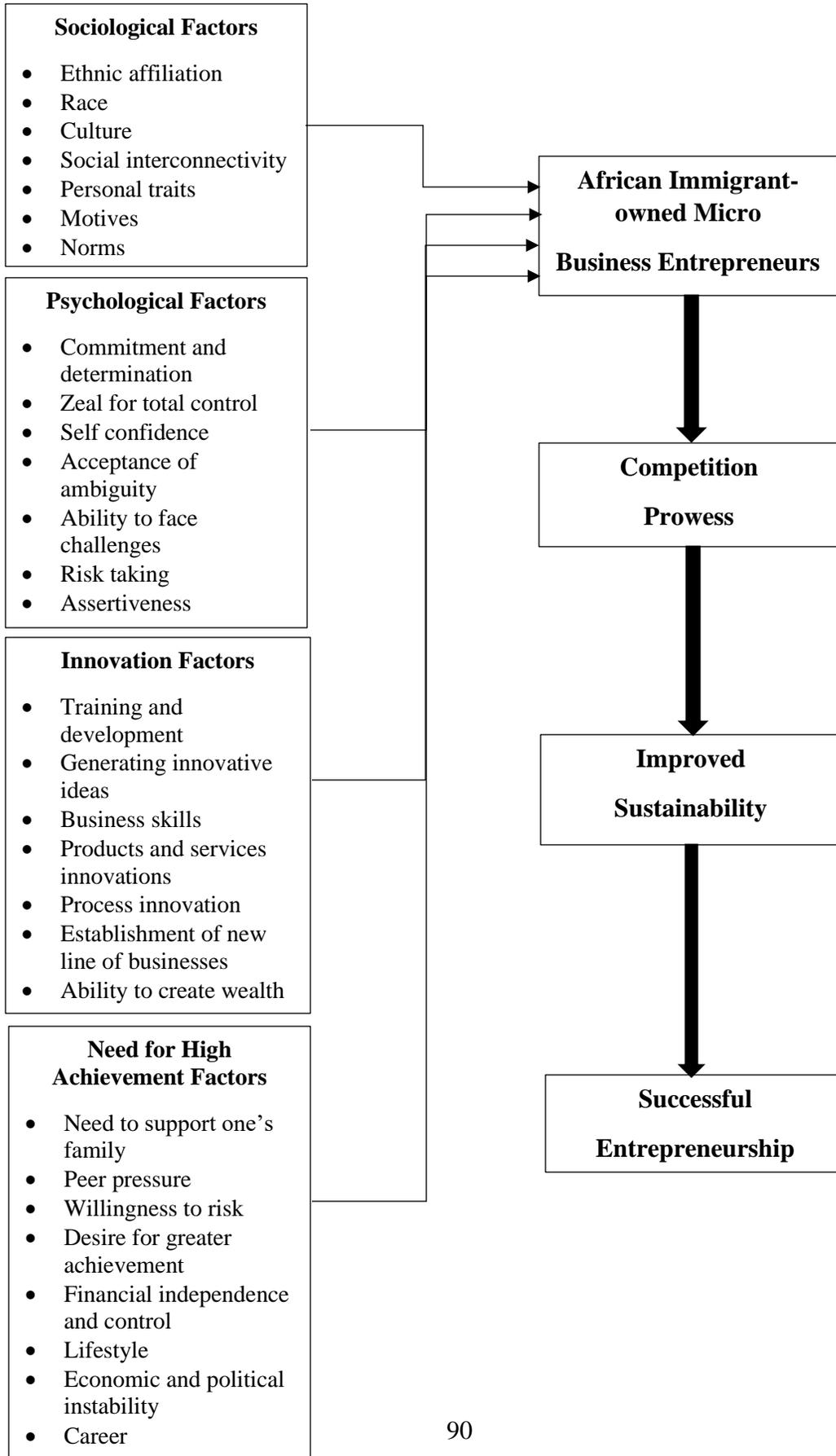
(Dedekuma and Akpor-Robaro, 2015; Simpeh, 2011).

The above framework was adopted from Dedekuma and Akpor-Robaro (2015) and Simpeh (2011) because of the limitations identified by the researcher. Hence, the scholars in their studies acknowledge that certain factors influence the start-up of entrepreneurship ventures worldwide. The scholars further point out in their studies that certain economic, social, and psychological factors affect the set-up and survival of entrepreneurship ventures. However, they fall short of identifying those social, psychological, and economic factors that do affect entrepreneurs and entrepreneurship.

Accordingly, this study took a major step further to identify the specific factors which fall under the ambit of the social-culture, psychological, innovation and the need for high achievement factors affecting entrepreneurs and entrepreneurship ventures. In achieving this feat, a conceptual framework was developed to indicate the various factors that influence African immigrant-owned micro businesses. The following sub-heading, 3.3.2, below, shows the conceptual framework design.

### **3.3.2 The Conceptual Framework of Entrepreneurial Success**

The study developed a conceptual framework which illustrates the various factor-influences and the process towards successful entrepreneurship.



### **Figure 3.2: Conceptual Framework of Entrepreneurial Success**

Furthermore, another important observation by the researcher is that previous frameworks fail to acknowledge political factors which affect entrepreneurs and entrepreneurial ventures. Consequently, most of these factors are incorporated into the study's developed framework, the study found the aforementioned factors to have severe implications on the entrepreneurs and entrepreneurial ventures. Then again, as reflected in the framework above, the researcher believes that these factors, when properly handled and managed, will allow entrepreneurs to improve on their performances, gain competition prowess and improve on business sustainability towards attaining successful entrepreneurship.

### **3.4 CONCLUSION**

The chapter reviewed the related theories on entrepreneurship, namely; psychological entrepreneurship, sociological entrepreneurship, anthropological entrepreneurship, opportunity-based entrepreneurship, and resource-based entrepreneurship theories. The study adopted resource-based entrepreneurship theories. The selected theories place emphasises on the importance of financial, social, and human resources in new entrepreneurial ventures. In this competitive era the success of any business venture depends on financial, social, and human resources in new entrepreneurial ventures. It is against this background that the resource-based entrepreneurship theories were adopted in this study. The chapter further presented the conceptual framework which guides the investigation, as well as, a new developed conceptual framework. The concept was linked to the research objectives. The proceeding chapter discusses the research design and methodology upon which the study is based.

## **CHAPTER FOUR**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **4.1 INTRODUCTION**

This chapter provides the explanation and justification of how the study was conducted. The chapter justifies each design or approach choice that was most suitable for the study. The “onion approach” developed by Saunders, Lewis and Thornhill (2009) is adopted. The chapter commences with the discussion of the research philosophies as well as provides the justification of the most appropriate research philosophy which guides the study. It proceeds with the discussion of the research design and the justification of the most suitable design, which supports the study. Further, this chapter discusses the research approaches and methods and continues to justify which of these methods is most appropriate for the study.

Furthermore, the chapter discusses the research strategy that is adopted to investigate the research phenomenon. Then, the chapter provides a brief summary of the study location, the study population, and the sampling strategies. Moreover, it justifies the sample size selected for the study. An account of the research instrument adopted for the collection of data from the respondents was given. Additionally, the justification for conducting a pilot study is provided and data quality control is ensured and explained. Furthermore, the chapter discusses how the data is analysed and how ethical considerations are ensured. The last section of the chapter highlights the limitations encountered by the researcher during the study and then concludes.

#### **4.2 RESEARCH OBJECTIVES**

Purposefully, it is important to keep the research objectives that guide the study in mind in this chapter. These objectives assisted the researcher in organising the chapter. The research objectives which guide the study are:

- 1 To understand the sociological factors or sociocultural factors that influence African immigrant-owned micro businesses in Durban;
- 2 To ascertain the entrepreneurial psychological characteristics that influence African immigrant-owned micro businesses in Durban;

- 3 To determine the entrepreneurship innovation factors that influence African immigrant-owned micro businesses in Durban;
- 4 To determine what factors, influence the need for high achievement in entrepreneurs that operate African immigrant-owned micro businesses in Durban; and
- 5 To develop a conceptual framework to indicate various influences that impact on African immigrant-owned micro businesses.

### **4.3 RESEARCH PHILOSOPHIES**

According to Flowers (2009), “when undertaking research, it is important for the researcher to consider different research paradigms and matters of ontology and epistemology”. He also points out, “that the research philosophies influence how a study is undertaken, starting from the design through to conclusions. The research is of the view that it is important to understand and discuss the various research philosophies so that the approaches adopted are congruent to the nature and aims of the particular inquiry as well as to ensure that researcher biases are understood, exposed, and minimised” (Flowers, 2009). Further, Saunders *et al.* (2009) describe research philosophies as a, “system of beliefs and assumptions about the development of knowledge”. They (Saunders *et al.*, 2009) believe that research philosophies contain important assumptions about the way in which the researcher perceives the world.

However, these assumptions underpin the research strategy adopted and the methods chosen as part of that strategy. The authors (Saunders *et al.*, 2009) suggest that, “there are different kinds of research philosophies, namely: positivism, critical realism, interpretivism, postmodernism and pragmatism. These philosophies can be applied in different studies depending on the nature of the phenomenon. The above research philosophies can be classified under following paradigm: epistemology, epistemology, and ontology”. The various research philosophies are discussed below, although, the study adopted the positivist paradigm to investigate the research phenomenon.

#### **4.3.1 Positivism**

The positivist approach to research originates from the natural sciences and it is more concerned with testing hypotheses developed from existing theories through the measurement of observable social realities. The positivist epistemology is one of objectivism which is linked to quantitative research (Scotland, 2012). The author believes that positivists are more concerned with the

discovery of absolute knowledge about an objective reality. The positivists assume that the researcher and the phenomenon being investigated are independent entities. Saunders *et al.* (2009) also express a similar opinion that, “the positivist paradigm relates to the philosophical stance of the natural scientist, which involves working with an observable social reality to produce law-like generalisations”. Denscombe (2010) also supports this view, stating that, “the positivists assume that an objective reality exists outside the researcher’s experiences with its own cause-and-effect relationships”.

Nevertheless, the contributions of positivism in research cannot be ignored or over-emphasised. An important benefit of using positivism is that it assists quantitative researchers in being independent from the investigation. This can help in eliminating biases that are likely to affect the credibility of the findings. Further, another useful aspect of this philosophy is that it is highly objective in the investigation of the research phenomenon. Additionally, this philosophy is very useful in quantitative studies because it uses a deductive approach to inferring meaning out of the information extracted from the data collected from the study participants.

#### **4.3.2 Post-Positivism**

According to Morgan (2007), “post-positivism emerged as an alternative to positivism”. Conversely, Henderson (2011) is of the view that, “post-positivism provides another paradigm that can move positivism from a narrow perspective into a more encompassing way to examine real world problems”. The scholar further notes that the post-positivists do not totally disqualify positivism but extend it beyond the narrow view of looking at reality as capable of being generalised. Thus, post positivists consider social realities or phenomena in more expansive ways. According to Bisman (2010) and Wahyuni (2012), “the post-positivists believe in the generalisation just as positivism does, but they take a critical realist stance in identifying or recognising social realities and social phenomena in the social world”.

Further, although post-positivism has made a significant contribution to the field of research, it has been questioned by many critics. An important criticism levelled against post-positivism is that it has some deficiencies as a paradigm. Lapid (1989) argues that, “post-positivism presents itself as incoherent and loosely patched up”. The scholar further states that, “post-positivism was criticised on the basis that it is mostly difficult to identify what exactly that constitutes post positivism as a philosophy and a paradigm (Lapid, 1989). Furthermore, a study by Tekin and Kotaman (2013)

reveals that, “post-positivism was criticised on the ground that the foundational assumption of the post-positivism is very problematic because it denies the existence of facts and laws”.

### **4.3.3 Interpretivism**

Interpretivism, just like critical realism has criticised the views expressed by the positivists but from a subjectivist perspective. Interpretivists assume that the “researcher (human beings) is different from the physical phenomena because he/she creates meanings” (Saunders *et al.*, 2009). Interpretivists argue that human beings and their social worlds cannot be studied in a similar manner as physical phenomena, hence, social science research needs to be different from natural science research rather than trying to emulate the latter. According to Creswell (2009), “the interpretivists are more concerned with understanding the social phenomenon from an individual’s perspective, by investigating the interaction that occurs between individuals and the historical and cultural contexts which people inhabit”.

Grix (2011) postulates that “the interpretive epistemology is one of subjectivism which is based on real world phenomena”. The author points out that the interpretivists assume that the world does not exist independently of our knowledge of it. The author posits that meanings are not discovered, rather they are constructed through an interaction between consciousness and the world. Interpretivists admit that there may be many interpretations of reality but maintain that these interpretations are in themselves a part of the scientific knowledge they are pursuing. Leitch, Hill and Harrison (2010) also argue that, “interpretivists have different assumption about reality, which is contrary to the position of the positivists”. Further, according to Hart (2010), “the interpretivists reject the binary worldview of the positivists and post-positivists and introduce multiple paradigms (feminist paradigm, disability paradigm, and indigenous paradigm) which seek to address multiple realities as found in societies”.

De Villiers (2005) contends that “the purpose of interpretivism is to discover new interpretations or underlying meanings from multiple realities”. Moreover, other researchers (Andrade, 2009; Roth and Mehta 2002) also share the same views expressed by the above scholars, that, “the interpretivist approach acknowledges that meaning is socially construct and can reveal hidden aspects of the culture and worldview”. Scotland (2012) points out that an important contribution of interpretivism is that, “it provides more insight and understandings of human behaviours, explains actions from the participant’s perspective and do not dominate the participants”.

Despite the contribution of interpretivism to research, other critics, such as Giddens and Rex have argued that, “interpretivism fails to acknowledge the role of institutional structures, particularly divisions of interest and relations of power” (Blaikie 2004). Critics further argue that the practical nature of research may be questioned on the grounds of how best it addresses the day to day problems of members of society. Also, critics believe that interpretivism rejects a foundational base to knowledge, bringing into question its validity. They advocate that interpretivism cannot be judged using the same criteria as the scientific paradigm (Blaikie, 2004). According to Angen (2000), “validity adding criteria such as triangulation, member checking and peer review are ineffective when it comes to interpretive research as it assumes an underlying objective reality which can be converged upon”. Besides this, critics suggest that knowledge produced by interpretive research has limited transferability as it is usually fragmented and not unified into a coherent body. Then again, it is believed that “the ‘participants’ autonomy and privacy can be compromised because the methods of interpretive research are more intimate and open-ended as opposed to scientific research” (Howe, 2009).

#### **4.3.4 Realism**

According to Flowers (2009), “born from a frustration that positivism was over-deterministic and that the interpretivism was highly contextual, the realism emerges which takes some aspects from both positivist and interpretivist positions”. The realists are of the opinion that real structures exist independent of human consciousness, but that knowledge is socially created (Saunders *et al.* 2009). The scholars argue that humans’ knowledge of social reality is as a result of social conditioning.

Blaikie (2000) posits that, “whilst realists are concerned with what kinds of things there are, and how these things behave, they accept that reality may exist in spite of science or observation, and so there is validity in recognising realities that are simply claimed to exist or act, whether proven or not”. Further, Blaikie (2000) contends that, “in common with interpretivist positions, realists recognise that natural and social sciences are different from each other, and that social reality is pre-interpreted. In support of the positivist position, realists also believe that science must be empirically based, rational and objective, hence, social objects may be studied ‘scientifically’ as social objects, not simply through language and discourse”.

Similar to the views expressed by the above scholars, Hatch and Cunliffe (2006) advocate that, “realist researchers enquire into the mechanisms and structures that underlie institutional forms

and practices, how these emerge over time, how they might empower and constrain social actors, and how such forms may be critiqued and changed”. Chia (2002) also asserts that, “realists take the view that researching from different angles and at multiple levels will all contribute to understanding since reality can exist on multiple levels, hence realism may be seen as inductive or theory building”.

#### **4.3.5 Pragmatism**

Pragmatism was introduced due to the paradigm war among social and scientific researchers. Accordingly, Feilzer (2010) suggests that, “pragmatism as a research paradigm emerges to accept both the singular and multiple realities in the world, setting itself towards solving practical problems in the real world”. Further, Reason (2003) states that, “pragmatism seems to be both a pacifier between paradigms as well as breaking way from the grips of dominant paradigms”. The scholar is of the opinion that, “pragmatism acknowledges that ideas and practices should be judged based on their usefulness, workability, and practicality” (Reason, 2003).

Equally, “the pragmatists usually take a very bold step of pretending to solve practical problems in the real world” (Gray, 2009). The scholar further notes that, “the pragmatists believe that the real world comprises of any setting where human beings come together for communication, relationships, or discourse” (Gray, 2009). Furthermore, Ormerod (2006) also discovers that, “the core idea of pragmatism is that beliefs are guides to actions emphasising the practical, common-sense, scientific approach embedded in pragmatism”. The pragmatists believe in the practical nature of being, reality or social phenomenon. The scholar argues that, through pragmatism, researchers become aware and are receptive of the ideas of other.

#### **4.3.6 The Research Philosophy Adopted**

Consequently, after a careful analysis of the strengths and weaknesses of various research philosophies, the researchers adopted the positivist position to investigate the research phenomenon. This research paradigm allows independence of the researcher from the research. Further, the application positivist position in this study helps to ensure the validity of the research findings by focusing on only facts. Also, the positivist position allows the researcher to assume the role of an objective analyst, making detached interpretations of the information gathered from the participants in an apparently value-free manner.

## **4.4 RESEARCH DESIGNS**

Creswell (2009) defines strategies, “as the methods or approaches adopted by the researcher to gather the data, with the aim of drawing realistic deductions”. Sekaran and Bougie (2013) describe research design, “as a detailed plan of how an investigation would be carried out”. Hayes, Bonner and Douglas (2013), in their study, advocate that, “the aim of a research design is to assist the investigator to plan and complete the study in a systematic manner”. There are many types of research designs, including descriptive, explanatory, exploratory, action research, survey research, experimental research, cross-sectional research, and case study research. These designs are discussed below.

### **4.4.1 Descriptive Research**

Descriptive research is carried out when the researcher intends to describe the research phenomenon (Dane, 2011). Similarly, in concurring with the views expressed by Dane (2011), Monette, Sullivan and Dejong (2011), argue that, “the purpose of descriptive research is to discover facts or describe the social phenomenon accurately as it exists in its natural settings in order to gain knowledge about the true status of the phenomenon”.

Researchers such as Thomas (2010) and Royse (2011) believe that, “descriptive research is a large-scale numerical effort which attempts to provide accurate and detailed picture of the patterns of a particular group and to distinguish them from other phenomena. Descriptive research, when properly used, will enable researchers to accurately describe the researcher phenomenon and gain a true picture of the existence of the phenomenon”.

### **4.4.2 Explanatory Research**

Explanatory research is conducted when the researcher is interested in determining the cause and effect relationships among a set of variables in the study (Engel and Schutt, 2010). The scholar states that explanatory research goes beyond just the mere description of the social phenomenon or reality. Further, Pierson and Thomas (2010) point out that, “explanatory research identifies the causes so as to ascertain causality between variables and to determine the effects on behaviour of the social phenomenon, and to predict how the change in one variable will lead to a change in another variable”.

Furthermore, “explanatory research provides reasons why a particular event occurs and assists in building, elaborating, extending, testing, or revising existing theories” (Babbie and Mouton, 2010). According to Thyer (2010), “explanatory research is more appropriate in developing and testing theories in a specific field of study”. The scholar further states that explanatory research is more experimental in nature, where hypotheses can be tested, and comparison groups employed. Explanatory research is more useful in programme evaluation, when the researcher seeks to make statements about the effects of a project on participants.

Additionally, Adler and Clark (2008) assert that, “explanatory research is more deductive and thus quantitative in nature. Its purpose is to generate sufficient data about relatively large numbers of cases, through the use of statistical analysis in the interpretation of data”. However, Cozby (2009) posits that, “explanatory research is inductive in nature and involves collecting qualitative data”.

#### **4.4.3 Exploratory Research**

Engel and Schutt (2010) point out that, “exploratory research is conducted with the aim of generating a deeper insight into the nature the research phenomenon in order to develop some specific questions to be investigated by more extensive studies”. They (Engel and Schutt, 2013) claim that, “the rationale behind the adoption of exploratory research is when the researcher has little or no knowledge of the research phenomenon. It is used when the researcher is interested in carrying out a detailed investigation into the phenomenon”.

Then again, other researchers (Babbie, 2013; Babbie and Mouton, 2010; Pierson and Thomas, 2010) argued that “exploratory research does not only relate to new concerns, rather it helps the investigator to gain a deeper understanding of previous research phenomenon”. Babbie (2013) concurs that, “exploratory research is useful in investigating more persistent phenomena, so as to establish whether or not the study is worth pursuing, to develop methods to be employed in a study and to generate more focused research questions and hypotheses for further investigation”.

#### **4.4.4 Action Research**

The term ‘Action Research’ is popularly credited to Kurt Lewin (1946), though other authors (Collier, 1945; Corey, 1953) at the same time were calling for similar action-oriented approaches to research. Sanford (1970) considers action research, “a form of problem-centred approach to research which bridges the gap between theory and practice, enabling the researcher to develop

applicable knowledge in the problem domain”. Further, Palmer and Jacobson (1971) view action research, “as a means of using research to promote social action”.

Equally, Coghlan and Coughlan (2010) point out that, “action research aims to contribute to practice and extend the frontiers of knowledge in a specific field of study”. Stringer (2008) contends that, “action research is usually carried out when the study aims to improve upon social issues that affect the daily life of people”. Action research has main strengths such as; ensuring a detailed implementation of the research process, more clarity of the research objectives, providing causal links between the research outcomes, and an explanation of the research outcomes.

#### **4.4.5 Survey Research**

Creswell (2009) postulates that “survey research originates in quantitative research, where it uses probability sampling technique to select an appropriate sample size from the study population, so as to provide a numerical explanation or description of trends, attitudes or behaviour of the population”. Also, Check and Schutt (2012) see survey research “as an approach to research which involves gathering information from a sample of individuals, through their responses to the research questions”. The scholars argue that survey research is flexible in that it allows research to use multiple research instruments to collect information from the research participants.

Similarly, Singleton and Straits (2009) suggest that, “survey research is often used in social and psychological research when the research is more interested in describing and exploring human behaviour”. The scholars further add that, “survey research is noted for its role in collecting large amounts of data from the research participants” (Singleton and Straits, 2009). Again, Ponto (2015) also points out that, “a survey is more useful, as it has the clear benefit of helping to the researcher to describe and explore variables of interest”.

#### **4.4.6 Case Study Research**

Yin (2009) asserts that, “case study research is an empirical inquiry which explores a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident”. Case study research, “is often used in business, law, and social sciences, when the investigation aims to study the life experiences of participants, make inferences about current or past events and sometimes serve as the basis for predictions” (Sekaran and Bougie, 2013). The authors advocate that case study research attempts to describe relationships that exist

in reality, very often in a single organisation. They argue that case study research may be either positivist or interpretivist in nature depending on the approach of the researcher, the data collected, and the analytical techniques employed.

Equally, Scholars such as Creswell (2012) and Saunders *et al.* (2009) claim that, “social science studies prefer to utilise a descriptive case study approach, rather than the explanatory, exploratory experiment and survey methods. It has further been argued that a case study research focuses on individuals, programmes, organisations or situations”. Further, Wilson (2010) advocates that, “case study research can be used to collect data through personal observation, interviews and private and public records. A potential advantage of this research approach is that it allows the research to capture realities in greater detail through the analysis of more variables. However, a case study research is typically restricted to a single organisation and it is difficult to generalise findings since it is hard to find similar cases with similar data that can be analysed in a statistically meaningful way”.

#### **4.4.7 Cross-sectional Research**

According to Jesson (2001), “a cross-sectional study attempts to describe the overall picture of a phenomenon, a situational problem, an attitude or an issue, by asking a cross-section of a given population at one specified moment in time”. Thompson and Panacek (2007) also consider “cross-sectional research as a method of investigation which records observations in a selected group at a single point in time”. The scholars claim that cross-sectional studies are more useful for calculating prevalence rates and collecting large amounts of preliminary data quickly. It also allows the researcher to make decisions in advance about when and how the study data will be collected. Another advantage of using a cross-sectional study design is that it allows researchers the ability to compare many different variables at the same time.

#### **4.4.8 Experimental Research**

An experimental design, according to Sekaran and Bougie (2013), “can be viewed from two perspectives– laboratory experiments carried out in an artificial environment and field tests performed in a natural environment, where the events often take place. A laboratory experiment is based on purely scientific study, compared to business or social science research”. Prajogo,

Chowdhury, Yeung and Cheng (2012) concur that, “it is problematic applying laboratory conditions in the business world or in the study of social constructs”.

However, experimental research designs are commonly used in business/social science research that occurs in real-life situations (Bryman and Bell, 2011). The authors believe that an experimental research is conducted when the researcher intends to manipulate the independent variable in order to establish its cause and effect on dependent variables. Vanderstoep and Johnston (2009) also suggest that, “experimental research carried out when the investigator’s aim is to manipulate the treatment group and compares the observation recorded against the control group, which does not receive any form of manipulation”.

#### **4.4.9 The Research Design Adopted**

Accordingly, after having ascertained the strengths and limitations experienced by various researchers, this study adopted the cross-sectional research design to investigate the factors influencing African immigrant-owned micro businesses in Durban. This research study design, “allows the researcher to collect data from a cross-section of a population within a short time and the results generalised to represent the entire population” (Amin, 2005). The design has a direct impact on the study, based on the population, which was very large. This method of investigation was the most appropriate because it enables the researcher to collect data from large participant groups at a reduced cost and within a limited time frame. A cross-sectional research design was adopted for this study so that the eventual validity of the research findings will be maximised using a comprehensively designed questionnaire to find answer to the research questions thereby achieving the research objectives.

### **4.5 RESEARCH APPROACHES**

Fundamentally, there are two kinds of research approaches, namely; deductive and inductive approaches. The approaches are explained below.

#### **4.5.1 Deductive Approach**

Saunders *et al.* (2009) believe that, “the origins of the deductive approach is linked to positivism, which is common in the natural sciences. The authors contend that a deductive approach to research is used when the study aims at developing theories that have been subject to rigorous testing”. Bryman and Bell (2011) assert that, “the deductive approach is based on an objective

examination of existing knowledge, law, and theoretical considerations in order to develop a set of hypotheses, collection and analysis of data, as well as, the interpretation of the results to determine whether to accept or reject the hypothesis and re-examine theory”.

Likewise, Robson and McCartan (2016) claim that the, “deductive approach to research goes through five main sequential stages. The first involves the process of deducing a hypothesis from the theory, while the second involves the process of stating the hypothesis in operational terms, thereby proposing a relationship between two specific variables. The third stage concerns testing this operational hypothesis, while the fourth involves examining the specific outcome of the inquiry. The fifth and final stage deals with modifying the theory in accordance with the findings, if necessary”.

#### **4.5.2 Inductive Approach**

The inductive approach to research is associated with qualitative studies or interpretivist paradigm (Kelliher, 2011). Saunders *et al.* (2009) suggests that, “researchers that adopt this approach are more concerned with the methods of data collection in eliciting primary data from respondents concerning the phenomenon under study”. They (Saunders *et al.*, 2009) recommend that, “researchers who intend to seek an in-depth understanding of how or why a particular phenomenon occurs should not merely describe it, but should logically adopt an inductive, rather than a deductive approach”.

Additionally, Zalaghi and Khazaei (2016) concur that, “an inductive approach begins with specific observations and a generalisation of conclusions. The authors suggest that, in terms of an inductive approach, after choosing a number of observations, the researcher can decide to generalise the conclusions of the study with respect to groups experiencing similar conditions and situations”. However, these generalisations must be tested and either verified or rejected (Zalaghi and Khazaei, 2016). It is suggested that, “with a deductive process, an investigator or observer should honestly, and without any prejudgment or bias, and with an impartial mind, record what they observe” (Godfrey and Hudson, 2010).

#### **4.5.3 The Research Approach Adopted**

This study adopts the deductive approach to research. Its use in this study allows the researcher to formulate a particular theoretical framework and then proceed to test it. Further, the deductive

approach helps the researcher to make use of previous scholars' studies, as suggested by Ihuah and Eaton (2013). Furthermore, Babbie (2014) advocates that, "the deductive approach is more suitable for quantitative research, as it studies a certain theory and tests to see if that theory applies under the intended circumstances or not".

## **4.6 RESEARCH METHODS**

Essentially, there are three methods of research, which are; qualitative, quantitative, and mixed methods.

### **4.6.1 Qualitative Research Method**

A qualitative research method is, "a holistic approach to research which involves the discovery of facts. A study discovers that qualitative research is less structured in description because it formulates and builds new theories" (Leedy and Ormrod, 2001). However, Creswell (2012) explains qualitative research as, "an unfolding model, occurs in a natural setting that assists the researcher to develop a level of detail, through his or her involvement in actual experiences". Creswell (2012) recommends that, "qualitative research includes the process of describing, explaining and interpreting data that has been gathered. Qualitative research can be conducted within a poststructuralist paradigm". There are five main areas of qualitative research, which include; case study, ethnography study, phenomenological study, grounded theory study, and content analysis.

Williams (2011) points out that, "qualitative research builds premises on inductive, rather than deductive reasoning. It has no beginning point of truth, or any established assumptions from which the researcher can begin".

### **4.6.2 Quantitative Research Method**

A quantitative research method is, "an approach which involves collecting numerical data" (Sekaran and Bougie, 2013). The quantitative research method, "is unique in its surveying and experimentation, as it builds upon existing theories" (Williams, 2011). The author points out that, "quantitative research maintains the assumption of the positivist paradigm which states that research itself is independent of the researcher. It involves the collection of data so that information can be quantified and subjected to statistical treatment in order to support or refute alternate

knowledge” (Williams, 2011). This approach is used by many researchers to objectively measure reality.

Nonetheless, Abiwu (2016), in his study, also argues that, “quantitative research is useful in scientific research because it provides meaningful understanding through objectivity uncovered in the data gathered. He advocates that quantitative research uses several strategies of inquiry such as experimental and surveys and collect data on predetermined instruments that yield statistical information”.

#### **4.6.3 Mixed Research Methods**

Mixed research methods are simply the combination of both qualitative and quantitative research methods. However, Tashakkori and Teddlie (2003) believes that the mixed method, “is the third research method that emerged in the mid-to-late-1900s, due to the limitations observed in qualitative and quantitative research”. Further, Johnson and Onwuegbuzie (2004) posit that, “the mixed-method approach provides the researcher with the opportunity to believe that the quantitative and qualitative research approaches are incompatible, and their associated methods cannot and should not be mixed”. The mixed-methods approach to research, “allows researcher to incorporate methods of collecting or analysing data from quantitative and qualitative research approaches in a single research study (Creswell, 2003; Johnson and Onwuegbuzie, 2004; Tashakkori and Teddlie, 2003).

The mixed methods approach also provides the opportunity for researchers to collect, not only numerical data, but also narrative data. The mixed methods approach, “is useful where quantitative or qualitative approach is inadequate to best understand a research problem and the strengths of both quantitative or qualitative research (and its data) can provide the best understanding” (Creswell, 2014).

#### **4.6.4 Research Method Adopted**

Having read, understood, and examined various research methods involved in research and their prospects, due considerations were made which led to the adoption of the quantitative research method for this study. Quantitative research involves the collection of primary data from large numbers of individual units, frequently and with the intention of projecting the results to a wider

population (Coldwell and Herbst, 2004). Managing numbers is an important part of understanding and solving problems.

#### **4.7 STUDY SITE**

A study site is an area or a geographic place in which a study is conducted to collect desired data (Patton, 2002). The survey was conducted in the city of Durban's Central Business District (CBD), which is in eThekweni municipality, KwaZulu-Natal province, East coast of South Africa. Durban is third largest city in South Africa and is a sophisticated cosmopolitan city of over three million people from different countries. The researcher chose to conduct the study in Durban due to the accessibility of foreign owned micro businesses within this environment. Again, the city has the highest number of foreign nationals in KwaZulu-Natal province.

#### **4.8 TARGET POPULATION**

A target population is, "defined as units or individuals that a research study is interested in" (Trochim, 2006). Guzman (2010) also describes population as, "the collective or total of all the items, subjects or things which form part of a large society which the researcher intends to study". Sekaran and Bougie (2013) further define population, "as an entire group of people, events, situations or things that the researcher wants to investigate. A population comprises of elements; therefore, an element is a single unit of the population". The target population is informal micro business entrepreneurs, which consist of a population of 6,238 informal traders who operate businesses within the Durban CBD (EDGE, 2013).

#### **4.9 SAMPLING STRATEGIES**

According to Sekaran and Bougie (2013), "sampling is a process of selecting a sufficient number of the right elements from the population so that a study of the sample and an understanding of its properties or characteristics make it possible to generalise such properties or characteristics to the population elements". Similarly, Haque (2008) also defines sampling, "as the selection of some portion of an aggregate or totality on the basis of which a judgement or inference about the aggregate or totality is made. Nevertheless, it is the process of obtaining information about an entire population by examining a part of it". Essentially, there are two types of sampling strategies, which are probability and non-probability sampling.

### **4.9.1 Probability Sampling**

Odoh (2015) points out that, “the probability sampling technique provides a known non-zero chance of selection from each population element, and the simple random sample is considered as a special case in which population has a known and equal chance of selection”. Equally, Etikan, Musa and Alkassim, (2016) see probability sampling, “as a technique of selection which involves having the distinguishing characteristic that each unit in the population has a known, non-zero chance of being included in the sample”. Probability sampling has various techniques, such as; simple random sampling, systematic sampling, stratified sampling, and cluster sampling. These are explained below.

#### **4.9.1.1 Simple Random Sampling**

According to Suresh, Thomas and Suresh (2011), a simple random sampling, “is a kind of probability sampling design whereby each element in the population has the equal probability to be selected for the study”. The scholars argue that a simple random sampling design ensures that biases are eliminated in the selection of the sample for the study. They further added that random sampling ensures that no element is counted twice as a sample.

Johnstone and Keith (2010) go on to point out that a, “simple random sampling technique involves a process of selecting from numbers or choosing only people of certain classes to participate in a study”. This technique offers a high-level of reliability in terms of the generalisations of results to the total population of the study (Sekaran and Bougie, 2013).

#### **4.9.1.2 Systematic Sampling**

Systematic sampling, according to Saunders *et al.* (2009), “is used to draw the research participants from the sampling frame at a regular interval until the required sample size is achieved. Sekaran and Bougie (2013) further suggest that, “a determination of the regular intervals to draw the subjects from the sampling frame is based on a sampling fraction”. Moreover, Odoh (2015) views systematic sampling, “as the sampling design whereby every  $k^{\text{th}}$  element in the population is sampled, beginning with a random start of an element in the range one to  $k$ ”. Conversely, Etikan and Bala (2017) believe that, “when it comes to systematic sampling, only the first unit in the population is chosen randomly, while the rest of units of the sample are to be selected by a fixed period”.

Nonetheless, Etikan and Bala (2017) postulate that, “systematic sampling has confident points of having improvement over the simple random sample”. The major strengths of systematic sampling are its simplicity and flexibility. Also, it has been found that this sampling technique is very easy, lower in cost, and convenient to use in case of a larger population. However, it is argued that periodicity and monotonic trend problems could result in biased results (Odoh, 2015).

#### **4.9.1.3 Stratified Sampling**

It is argued that the stratified sampling technique is the most complex among probability sampling techniques. Etikan and Bala (2017) believe that, “stratified sampling technique is used when the researcher perceives that the target population from which sample will be drawn does not have homogeneous group. In a more generally term, stratified sampling technique is used to select a representative of a good sample”. Further, Sekaran and Bougie (2013) point out that, “a stratified sampling technique involves a process whereby the population is divided into strata and a sample is drawn from each level”. Odoh (2015) also defines stratified sampling, “as the process of segregating the population into several mutually exclusive subpopulations, or strata”.

However, a stratum is based on different categories of participants in the organisation. For example, a stratum of participants in an organisation may include top management, middle-level management, lower-level management, supervisory, and administrative staff, among other things. After dividing the target population into different groups, the researcher will then decide on which of the groups to select for the study and draws the sample from each sub-group, using either simple random or systematic sampling until the required sample size is achieved (Bryman and Bell, 2011; Wilson, 2011). According to Wilson (2011), “the aim of stratified sampling is to make sure that each of the group is adequately represented in the study”.

#### **4.9.1.4 Cluster Sampling**

Odoh (2015) explains cluster sampling, “as a selection technique where the study population is divided into various groups of elements from which some groups are randomly selected for the study. He (Odoh, 2015) claims that, “each population element is selected individually”. Similarly, Wilson (2010) believes that cluster sampling, “helps a researcher apportion or divide an entire population into groups (clusters). Subsequently, a random sample is then drawn from the groups and each sample that is selected is used in the final sample”. Further, Sekaran and Bougie (2016)

also express the opinion that cluster sampling, “is the most suitable in quantitative research, because it saves time and money”.

Furthermore, Saunders *et al.* (2009) posit that, “cluster sampling has three main steps. The first is to select the cluster combination for the sampling frame, the second numbers each of the clusters with a distinctive figure, while the third deals with drawing the element, using simple random sampling”. A key rationale behind the use of cluster sampling is that it reduces costs. Also, by concentrating on the selected clusters it is less precise than simple random sampling (Etikan and Bala, 2017).

#### **4.9.2 Non-Probability Sampling**

A non-probability sampling strategy is the direct opposite of probability sampling. Eftekharian and Razmkhah (2017) claim that, “a non-probability sampling strategy is purposive in nature and has to do with a sample that addresses questions for the research. This sampling strategy is appropriate in qualitative research”. Contrary to probability sampling, non-probability sampling is limited in terms of the transfer of judgment considerations and generalisation of the findings. Eftekharian and Razmkhah (2017) recommend that, “non-probability sampling is used to select fewer than 30 cases”.

That notwithstanding, Sekaran and Bougie (2013) further define non-probability sampling, “as the technique that is based on a subjective or non-statistical approach to selecting a sample”. Non-probability sampling is most useful because such a procedure satisfactorily meets the sampling objective. Non-probability sampling strategy has several techniques, such as; purposive sampling, convenience sampling, and snowball sampling. These are explained below.

##### **4.9.2.1 Purposive Sampling**

The purposive sampling technique, “is used when a researcher intends to draw samples that are non-randomly based on his or her judgment, in order to answer the research questions and achieve the study’s objectives” (Smith, Colombi and Wirthlin, 2013). Further, Sekaran and Bougie (2016) also argue that, “with the purposive sampling technique, participants might be selected based on their knowledge of the phenomenon under investigation”. Such sampling has two main methods, namely; judgment and quota sampling. They are explained below

#### **4.9.2.1.1 Judgment Sampling**

Judgment sampling, “is appropriate for use in the early stages of an exploratory study, when the researcher wishes to select a biased group for screening purposes” (Odoh, 2015). Judgment sampling is the more accepted sampling procedure for qualitative research, especially when it involves selecting participants for special situations. This sampling procedure uses the judgment of an expert in selecting cases, or the researcher selects cases with a specific purpose in mind (Ishak and Bakar, 2014).

#### **4.9.2.1.2 Quota Sampling**

Quota sampling, “is employed to enhance the representativeness of the sample” (Odoh, 2015). The logic behind quota sampling is that certain relevant characteristics describe the dimensions of the population. Quota sampling, “is a non-random sampling technique, through which samples are selected, based on programmed features that are similar to the population of the study” (Wilson 2010). Saunders *et al.* (2009) describe quota sampling, “as a type of stratified sampling method, through which samples are drawn from different strata in a non-random manner”.

#### **4.9.2.2 Convenience Sampling**

Sekaran and Bougie (2013) believe that, “a convenience sampling is adopted when the aims to draw samples; this is due to the fact that it offers convenience, is economical and less time-consuming”. Odoh (2015) argues that. “the convenience sampling technique is unrestricted. This method allows researchers or fieldworkers the freedom to select whichever viewpoint available”. It also, “permits a researcher to select subjects based on their accessibility and willingness to participate, until a required sample size is achieved” (Saunders *et al.*, 2009). Likewise, Wilson (2010) asserts that, “although convenience sampling helps to overcome many of the challenges involved in sampling, this technique suffers several shortcomings: it is not free from bias and is unable to infer generalisations with respect to the entire population”.

#### **4.9.2.3 Snowball Sampling**

Etikan *et al.* (2016) state that, “a snowball sampling technique involves the process of selecting the research participants through referrals”. It is useful, “when the researcher knows little about a group or organisation to study; contact with few individuals will direct him to other group” (Etikan *et al.*, 2016).

However, the disadvantage is that the choice of the whole sample balances on the choice of individuals from the beginning of the stage, in that they belong to a particular clique or have ample biases. Nonetheless, it is difficult to use when the sample becomes larger (Etikan *et al.*, 2016).

#### **4.9.2.4 Quota Sampling**

Quota sampling, “is mostly used when the researcher is interested in gaining easy access to his/her sample population” (Cochran, 2007). The author suggests that, in large scale research studies, it is impossible or undesirable to list all members of the population and then select the elements randomly from that list. Etikan and Bala (2017) argue that, “in terms of quota sampling, selection is by the convenient door of the researcher”. Further, according to Etikan and Bala (2017), “any participant mistakenly seen with the same characteristics will be asked question which pertain to the subject of the research for inclusion”. The researcher follows this process in the same manner until the desired number is achieved (Etikan and Bala, 2017). There are two main types of quota sampling, namely; proportionate and non-proportionate sampling.

##### **4.9.2.4.1 Proportionate Quota Sampling**

Proportionate quota sampling, “represents the characteristics of major population by sampling a proportional of the study population. This sampling method is used when the population in each stratum is equal or the same” (Etikan *et al.*, 2016).

##### **4.9.2.4.2 Non-Proportionate Quota Sampling**

Non-proportional quota sampling on the other hand, “is a technique with small restriction of minimum of sample number of units from each category. This sampling technique is more suitable when the researcher is not interested in having a number that will match the proportions of the population. The method is a non-probabilistic sampling that typically used in ensuring that small groups of samples are adequately represented” (Etikan *et al.*, 2016).

#### **4.9.2.5 Sampling Technique Adopted**

Having considered the principles, strengths, and weaknesses of all of the sampling techniques that fall under probability and non-probability sampling strategies, the researcher chose the cluster sampling technique to select respondents for the study. This acknowledges, “the difficulty in

sampling a population as a whole, especially when convenient sampling frames of individual population elements are not available” (Gray, 2013).

Therefore, the population under study was divided into clusters of homogeneous units which made-up of the streets in the Durban CBD where the traders carry-out their business activities, within which the sampling units (groups) of the clusters were selected to form the sample for the study. The rationale behind the use of this method of sampling is that it saves time and money (Saunders *et al.*, 2009).

#### **4.10 SAMPLE SIZE**

Sekaran and Bougie (2013) describe sample size, “as a subset of the total population that is chosen for inclusion in a study. A sample size is usually drawn from the sample frame but not the total population. A sampling frame is the source material or device from which a sample is drawn. It is a list of all those within a population who can be sampled, and may include individuals, households or institutions” (Sekaran and Bougie, 2013).

Therefore, a sample size of 364 participants was drawn from the population of 6,238 to participate in this study. This was arrived at using Krejcie and Morgan (1970) table for determining sample size (Krejcie and Morgan, 1970). However, the sample size was derived using Krejcie and Morgan table for determining sample size with a 95% confidence interval and 5% margin of error (Krejcie and Morgan, 1970). In the table, there are values (N) for 6000 and 7000 respectively, therefore, the value (N) of 7000 was adopted to choose the study sample from. The rationale behind using the value (N) of 7000 was to have a better sample size from the population for the study.

#### **4.11 DATA COLLECTION INSTRUMENTS**

This study makes use of questionnaires to collect data from the participants. Questionnaires, “contain a list of items designed to gather specific information from a particular group of people” (Sekaran and Bougie, 2013). Hence, close ended questionnaires were designed and administered to the participants to obtain data. Further, the questionnaires were organised into five main sections to facilitate the collection of data.

The sections are as follows. Section A contained questions on the demographic information of the participants and some business interests, in terms of gender, age, years of stay in South Africa,

years of doing business in South Africa, and the type of business. Section B dealt with questions on the sociological factors or sociocultural factors that influence African immigrant-owned micro businesses in Durban. Section C covered questions relating to the entrepreneurial psychological characteristics that influence African immigrant-owned micro businesses in Durban. Section D contained questions on the entrepreneurial innovation factors that influence African immigrant-owned micro businesses in Durban. The last section, section E, dealt with question relating to the factors that influence the need for high achievement in entrepreneurs that operate African immigrant-owned micro businesses in Durban.

#### **4.11.1 Questionnaire Design**

The following procedures were followed when designing the questionnaires. The questionnaires were constructed in both the English and French languages. This is because the main common languages written and spoken by the majority of African immigrants in South Africa are English and French. The questions were short, simple, and precise. Ambiguous questions that would be likely to affect the response rate were discarded. Also, statisticians were consulted prior to and during the design of the questionnaires.

#### **4.11.2 Administration of the Questionnaires**

Some procedures were followed before the administration of the questionnaires. For example, ethical approval was first obtained from the Humanities and Social Sciences Research Ethics Committee of the University of KwaZulu-Natal, with the approval number: **HSS/0035/016D**. Having obtained the permission to conduct the study, the researcher then approached the participants and sought their voluntary participation in the study. A written informed consent form was attached to each questionnaire where the participants were asked to give their consent and append their signatures once they had consented to participate in the study.

### **4.12 PRE-TESTING OF THE RESEARCH INSTRUMENTS**

A pilot study was carried out prior to the full investigation. Gumbo (2014) defines a pilot study, “as a small investigation to test the feasibility of procedures and to gather information prior to a larger study. It is designed to test whether the study is worth pursuing and what changes need to be made”. Therefore, a small number of ten participants were selected for the pilot study.

Further, the pilot study was conducted at the participants' respective places of work or business. The pilot study lasted for only three days. Those participants who took part in the pilot study were excluded from the main study. After the pilot study was completed, the researcher then incorporated the views expressed by the participants in the final draft of the questionnaires.

During the pilot study, for instance, it was observed that some of the questions were ambiguous and thus posed a big challenge to the participants because of the literacy levels and the degree of comprehension.

For instance, the questions; 'what is the level of your assertiveness? Can you rate your mental aptitude as high? You have hunger for power and hedonism? You are able to accept ambiguity as a challenge? You exhibit high level of social inter-connectivity?' were challenging. These and some other questions that were identified during the pilot study were amended and rephrased, while some of them with common errors were discarded to allow and ease of understanding and process.

#### **4.13 DATA QUALITY CONTROL**

The data quality control measures are determined through validity and reliability. Validity and reliability and their types are discussed thus:

##### **4.13.1 Validity**

Validity is the extent to which a test substantiates its claims. It is important for a test to be valid in order for the results to be accurately applied and interpreted. Validity is not determined by a single statistic, but by a body of research that demonstrates the relationship between the test and the behaviour it intends to measure (Cherry, 2012). Further, validity, "refers to the extent to which the research instrument measures what it is supposed to measure" (Sekaran and Bougie, 2013). There are; face validity, criterion validity, construct validity, convergent and discriminant validity, and content validity. These are discussed below.

##### **4.13.1.1 Face Validity**

Face validity is simply a, "form of validity in which a researcher determines if the test measures what it intended to measure. Essentially, researchers are simply taking the validity of the test at face value by looking at whether a test appears to measure the target variable" (Cherry, 2012). In

essence, this implies that, “the measure should provide a good degree of fit between the conceptual and operational definitions of the construct and the instrument must be used for the particular purpose intended for” (Terre Blanche, Durrheim and Painter, 2012). The next type of validity is criterion related validity.

#### **4.13.1.2 Criterion Validity**

A test is said to have criterion-related validity when the test has demonstrated its effectiveness in predicting criterion or indicators of a construct (Cherry, 2012). In other words, it is the, “degree to which a measure is related to some other standard or criterion that is known to indicate the construct accurately. This form of validity is established by comparing the measure with another measure of the same construct” (Terre Blanche *et al.*, 2012). Further, criterion validity, “examines the relationship between two or more tests that appear to be similar” (Struwig and Stead, 2015). Criterion-related validity is made up of; Predictive validity and concurrent validity.

##### **4.13.1.2.1 Predictive Validity**

Predictive validity is the, “relationship in the scores of a test (the predictor) with the scores of another test (the criterion), measured sometime later” (Struwig and Stead, 2015). For instance, “if the entrance test scores can predict the pass rate of first year students, then there will be some evidence for the predictive validity of the university entrance test scores” (Struwig and Stead, 2015).

##### **4.13.1.2.2 Concurrent Validity**

Concurrent Validity occurs when the criterion measurements are obtained at the same time as the test scores. This indicates the extent to which the test scores accurately estimate an individual’s current state with regards to the criterion (Cherry, 2012). This validity examines the, “extent to which there is a relationship between the predictor and the criterion, but in this instance, both tests are administered at the same time” (Struwig and Stead, 2015). For instance, “on a test that measures levels of depression, the test would be said to have concurrent validity if it measured the current levels of depression experienced by the test taker” (Cherry, 2012).

#### **4.13.1.3 Construct Validity**

Construct validity refers to, “the identification of the extent to which a test measures the theoretical construct or abstract variable it was intended for and tests the meaning of test scores and validates the content and criterion. To ensure the validity of a construct, the construct and hypothesis need to be defined on its relationship to other variables. You then, develop an instrument to reflect on the construct” (Struwig and Stead, 2015). In order to establish the construct validity of a measure, “theoretical and empirical work must be involved to determine the extent to which a measure of a construct is empirically related to other measures with which it is theoretically associated” (Terre Blanche *et al.*, 2012).

#### **4.13.1.4 Convergent and Discriminant Validity**

Convergent and discriminant validity can clarify both criterion-related and construct validity. Convergent validity is realised when, “a test relates reasonably well to other tests which are considered measured the same or similar construct. For instance, a test of musical ability should relate well to other tests measuring musical ability. However, it should also be expected that a test should have a low correlation with measures that reflect different constructs. For example, you would not expect the musical ability test to have a strong relationship with measures of social disability. If no statistically significant relationship between these two variables was found, there would be evidence for the discriminant validity of the musical ability test scores” (Struwig and Stead, 2015). In the case of discriminant validity; “measures which are theoretically unrelated to one another should not be empirically correlated, and if strong correlations are found, the validity of the measure is placed in question. For instance, since racism is theoretically unrelated to gender, males and females should not score differently on the scale” (Terre Blanche *et al.*, 2012).

#### **4.13.1.5 Content Validity**

When a test has content validity, the items on the test represent the entire range of possible items the test should cover. Individual test questions may be drawn from a large pool of items that cover a broad range of topics. In some instances, “where a test measures a trait that is difficult to define, an expert judge may rate each item’s relevance. Because each judge is basing their rating on opinion, two independent judges rate the test separately. Items that are rated as strongly relevant by both judges will be included in the final test” (Cherry, 2012).

Invariably, content validity, “determines to what extent do the items reflect the theoretical content domain of the construct being measured. Here, the content validity of a test is determined by expert judgement in which the item domain of the test is compared with a detailed description of the domain of the construct” (Struwig and Stead, 2015).

Therefore, the validity of the research instrument (questionnaires) was established using content validity. Content validity, “refers to the representativeness or sampling adequacy of the content of a measuring instrument” (Obasi, 2008). Factor analysis was further employed to test the validity of the research instrument.

#### **4.13.2 Reliability**

Reliability refers to the consistency of a test measure. Tests are considered reliable when the results are the same after being tested repeatedly (Cherry, 2012). Sekaran and Bougie (2013) also define reliability, “as the consistency of research instrument when adopted. This relates to the fact that the research instrument should produce the same scores or results over repeated measures. Also, reliability has to do with the consistency, stability and dependability of the measuring instrument adopted for the study”. There are various types of reliability, such as; Parallel-form reliability, Test-retest reliability, Inter-rater reliability, Split-half reliability, and Interitem consistency reliability. These are explained below.

##### **4.13.2.1 Parallel-Form Reliability**

Parallel-form reliability is gauged by comparing two different tests that are created using the same content. It is accomplished by creating a large pool of test items that measure the same quality and then randomly dividing the items into two separate tests. The two tests should then be administered to the same subjects at the same time (Cherry, 2012). In other word, “when responses on two comparable sets of measures derived from the same construct are highly correlated, parallel-form reliability occur. Both forms have the similar items and the same response format, the only change being the wording and the order or sequence of questions” (Sekaran and Bougie, 2013).

##### **4.13.2.2 Test-Retest Reliability**

To gauge test-retest reliability, the, “test will be administered twice at two different points in time. This kind of reliability is used to assess the consistency of a test across time. This type of reliability

assumes that there will be no change in the quality or construct being measured. Test-retest reliability is best used for things that are stable over time, such as intelligence. Generally, reliability will be higher when little time has passed between tests” (Cherry, 2012). Test retest reliability, simply put, is, “the reliability coefficient obtained by repetition of the same measure on a second occasion” (Sekaran and Bougie, 2013).

#### **4.13.2.3 Inter-Rater Reliability**

This is assessed by having two or more independent judges score the test. The scores are then compared, to determine the consistency of the judges’ estimates. One way to test inter-rater reliability is to have each rater assign each test item a score. For example, “each rater might score items on a scale from one to ten. Next, you would calculate the correlation between the two ratings to determine the level of inter-rater reliability. Another means of testing inter-rater reliability is to have raters determine which category each observation falls into and then calculate the percentage of agreement between the raters. So, if the raters agree eight out of ten times, the test has an 80% inter-rater reliability rate” (Cherry, 2012).

#### **4.13.2.4 Split-Half Reliability**

Split-half reliability refers to, “the correlations between two halves of an instrument of which the estimates will vary, depending on how the items in the measure are split into two halves” (Sekaran and Bougie, 2013). Split-half reliabilities may be, “higher than Cronbach’s alpha only in the circumstance of there being more than one underlying response dimension tapped by the measure and when certain other conditions are met as well. Hence, in almost all the cases, Cronbach’s alpha can be considered a perfectly adequate index of the inter-item consistency reliability” (Sekaran and Bougie, 2013).

#### **4.13.2.5 Interitem Consistency Reliability**

The interitem consistency reliability refers to, “a test of the consistency of respondents’ answers to all the items in a measure to the degree that items are independent measures of the same concept, they will be correlated with one another. The most popular test of interitem consistency reliability is Cronbach’s coefficient alpha, which is used for multipoint-scaled items and the Kuder-Richardson formulas used for dichotomous items – the higher the coefficient, the better the measuring instrument” (Sekaran and Bougie, 2013).

Therefore, to test the reliability of the instrument used in this study, the researcher carried out a pre-test on ten (10) participants in the Durban CBD, which helped in ensuring consistency, ease of understanding, and question sequence appropriateness. Further, the reliability of the pre-test was established by Cronbach's Alpha ( $\alpha$ ) using the Statistical Package for Social Science as it is the most common measure of internal consistency (homogeneity).

#### **4.14 MEASUREMENT SCALE**

A Five Point Likert-scale type questionnaire was adopted in the study. The choice of the Likert-scale was informed by the sample size, which is large, to ensure the easy facilitation of the survey and its high response rate and limited time for respondents to complete it. The response choice scoring weights were: Strongly disagree = 1; Disagree = 2; Agree Neutral = 3; Agree = 4; and Strongly agree = 5. The rationale for considering a five-point Likert-scale is to allow the participants a wider range of options to express themselves within the survey questions. This assisted the participants in recording answers correctly and easily without much difficulty.

#### **4.15 DATA ANALYSIS**

The data gathered from the research participants were analysed using the Statistical Package for Social Sciences (SPSS), version 25.0. Two main statistics were employed to analyse the data, namely; descriptive and inferential statistics. Descriptive statistics, such as frequency, range, mean, and standard deviation, were first employed to analyse the data. Then, inferential statistics were further applied to analyse the data as well. The type of inferential statistics employed were Spearman's correlation, Cronbach's alpha coefficient, factor analysis, t-tests and ANOVA.

#### **4.16 ETHICAL CONSIDERATIONS**

The ethical considerations remain a major priority of the researcher in this study. Ethical approval for the study was granted by the Humanities and Social Sciences Research Ethics Committee of the University of KwaZulu-Natal. The researcher submitted a completed ethics application form together with the research instrument and informed consent forms to the ethical committee prior to the study's approval. The ethical considerations addressed in this study are covered by written informed consent, anonymity, and privacy.

An informed consent form remains a key aspect in every research study. The participants were first approached by the researcher and asked for their voluntary participation in the study. A written informed consent letter was given to each participant, which contained what the study is all about, the methods and procedures of investigation, and the risks and potential benefits associated with the study. Each participant was asked to read and append their signature on the form to indicate their voluntary consent to participate in the study.

However, besides informed consent, the researcher ensured that the anonymity of the participants was protected. The principle of anonymity was ensured by substituting participants names with pseudonyms, limiting identity information. Data gathered from the participants were kept secret at a secured and safe place within the School of Management, Information Technology, and Governance of the University of KwaZulu-Natal. The data will be kept safe for five years, after which it will be destroyed in accordance with the University's policies.

#### **4.17 LIMITATIONS OF THE STUDY**

The researcher encountered a number of limitations in this study. A key limitation was the fear of attack (xenophobia). Most participants expressed their unwillingness to participate in the study because of the previous numerous attacks on their lives and businesses during the xenophobic violence. They expressed the fear that the information gathered from them would be leaked to the perpetrators of such dastardly and deadly crimes, which may likely result in further attacks. However, the researcher assured the participants that the information solicited from them would only be used for academic purposes.

Additionally, another limitation was the difficulty in convincing the participants to take part in the study. For instance, some of the participants claimed that their busy schedules would not permit them to devote time to participation in the study. However, this limitation was overcome by making appointments with the participants in the times that were most convenient for them. Then again, the misplacement of the questionnaires by some of the participants was a huge challenge faced by the researcher and the study. This put the financial burden of reprinting and redistributing of the questionnaires to some of the participants that misplaced or lost the questionnaire previously given to them on the researcher.

#### **4.18 CONCLUSION**

This chapter, as a follow up chapter, has fully described the research methodology and design used in the study. Further, the research methodology and design applied was explained in the chapter, indicating the rationale at various stages. The research objectives, which were derived from the research problem were highlighted. Various ways through which the results of the survey questionnaires were validated were emphasised. Other means through which ethics were considered were also covered, which paved the way for the study to be conducted and achieve the goals of the research.

This chapter addressed critical issues that relate to the research design and methodology. The study adopted the positivist philosophy in the investigation of the phenomenon. A cross-sectional research design was selected to investigate the research phenomenon. The deductive approach to research was chosen to explore the research phenomenon. The study was perceived as more quantitative in nature. The study was conducted among African immigrant-owned micro businesses in the Durban CBD. The target population of the study was 6,238 and, out of that, a sample size of 364 participants were drawn using the cluster sampling technique.

The study utilised self-administered questionnaires to collect data from the participants. A pilot study was first conducted prior to the full-scale investigation. Data quality control in this study was achieved through reliability and validity. Data gathered from the participants were analysed using the Statistical Package for Social Sciences (SPSS), version 25.0. The analysis of the data was done by employing both descriptive and inferential statistics. The next chapter showcases the presentation and analysis of the research results, findings, and their discussions.

## **CHAPTER FIVE**

### **PRESENTATION AND STATISTICAL ANALYSIS OF THE RESULTS**

#### **5.1 INTRODUCTION**

The previous chapter presented the research design and methodology that guides the entire research study. Nonetheless, this chapter proceeds with the presentation and analysis of the key findings accordingly. The results are discussed in relation to the objectives of the study, which were outlined earlier, in chapter one. However, as mentioned earlier in chapter four above, three hundred and sixty-four (364) participants were selected for the study as the sample derived from the population, using a cluster sampling technique. Questionnaires were designed and administered face-to-face with the participants for the study. Consequently, only three hundred and thirty-eight (338) questionnaires administered to the participants, out of the total number of three hundred and sixty-four (364), were retrieved. The three hundred and thirty-eight (338) questionnaires collected back were then coded into Excel and exported into the Statistical Package for Social Sciences (SPSS), version 25.0.

In order to understand the general profile of the participants (the sample) tables, frequency tables, bar charts, and graphs were used to describe the demographic composition of the sample and further demonstrate how the participants responded to the research questions as well as show other data summaries. This chapter presents the outcomes of the research based on the responses got from questionnaires distributed to the participants, which were explained and critically analysed. Further, the empirical findings and the discussion are presented in relation to the basic research objectives that guided this research which, accordingly, were; to understand the sociological factors or social cultural factors that influence African immigrants-owned micro businesses in Durban; ascertain the entrepreneurial psychological characteristics that influence African immigrant-owned micro businesses in Durban; determine the entrepreneurship innovation factors that influence African immigrant-owned micro businesses in Durban; determine what factors that influence the need for high achievement in entrepreneurs that operate African immigrant-owned micro businesses in Durban; and, finally, develop a conceptual framework to indicate various influences that impact on African immigrant-owned micro businesses in Durban. Hence, the results are presented using frequency, descriptive, and inferential statistics.

## 5.2 BIOGRAPHICAL DATA

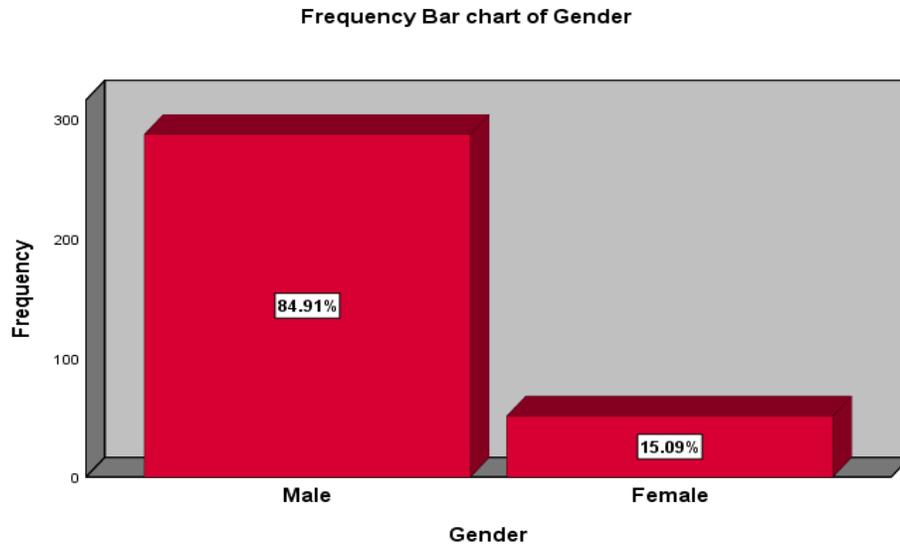
The results on the biographical data of the participants are presented, which are gender, age, duration of stay in South Africa, duration of business operation in Durban, and the types of business operated by the participants. *Inter alia*, section A of the study administered questionnaire required participants to state their biographical details, following the clue indicated above. The aim of the data was to ascertain the biographical distribution of the participants for further data analysis. The details are shown in table 5.1 below.

**Table 5.1: The distribution of the biographical data of the study participants**

<b>Variables</b>		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Gender</b>	Male	287	84.9	84.9	84.9
	Female	51	15.1	15.1	100.0
<b>Age</b>	0-30 years	40	11.8	11.8	11.8
	31-40 years	153	45.3	45.3	57.1
	41-50 years	132	39.1	39.1	96.2
	51-60 years	13	3.8	3.8	100.0
<b>Years Stayed in South Africa</b>	0-3 years	43	12.7	12.7	12.7
	4-6 years	72	21.3	21.3	34.0
	7-9 years	64	18.9	18.9	53.0
	10-12 years	86	25.4	25.4	78.4
	13 years and above	73	21.6	21.6	100.0
<b>Years of Doing Business in Durban</b>	0-3 years	109	32.2	32.3	32.3
	4-6 years	48	14.2	14.2	46.6
	7-9 years	90	26.6	26.7	73.3
	10-12 years	54	16.0	16.0	89.3
	13 years and above	36	10.7	10.7	100.0
<b>Types of Business</b>	African food and groceries	95	28.1	28.1	28.1
	ICT and innovation	65	19.2	19.2	47.3
	Wearables and Cosmetics	57	16.9	16.9	64.2
	Household Items and Services	96	28.4	28.4	92.6
	Ungrouped Items	25	7.4	7.4	100.0

## 5.2.1 Gender

Figure 5.1: The frequency bar chart of gender-distribution



From figure 5.1 above, it is evident that the majority of the participants (84.91%) were males, whilst 15.1% were females. The results below display the participants' age distributions and their frequency.

## 5.2.2 Age

Figure 5.2: The frequency bar chart of age-distribution

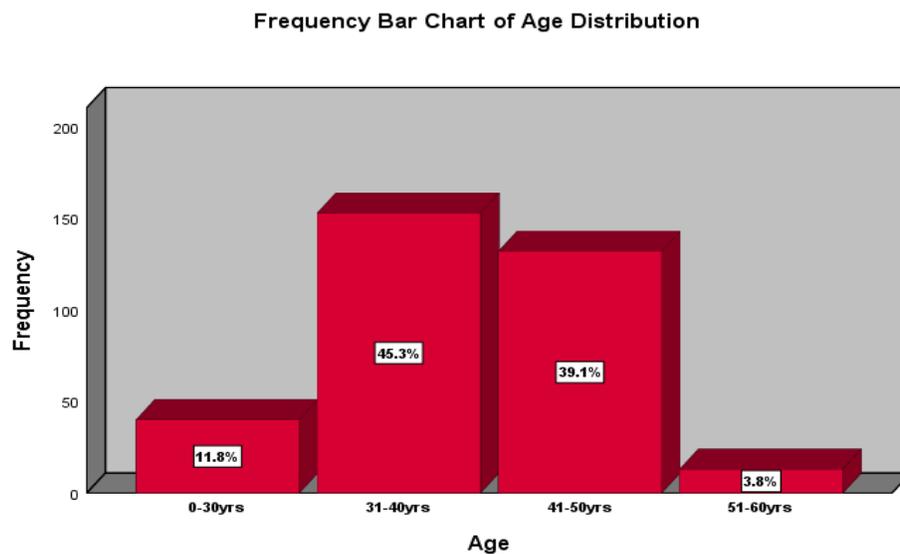


Figure 5.2, above, reveals that the majority of the participants (45.3%) were between the ages of 31 to 40, followed by the participants in between the ages of 41 to 50, years which accounted for 39.1% of the sample. However, the lowest ratio of the distribution is attributed to the participants in between the ages of 0 to 30 years that make up 11.83% of the sample and, lastly, the participants in-between the ages of 5 to 60 years which make up 3.8% of the population sample. The figure below displays the frequency of the participants' duration of stay in South Africa.

### 5.2.3 Duration of Stay in South Africa

**Figure 5.3: The frequency bar chart of years stayed in South Africa**

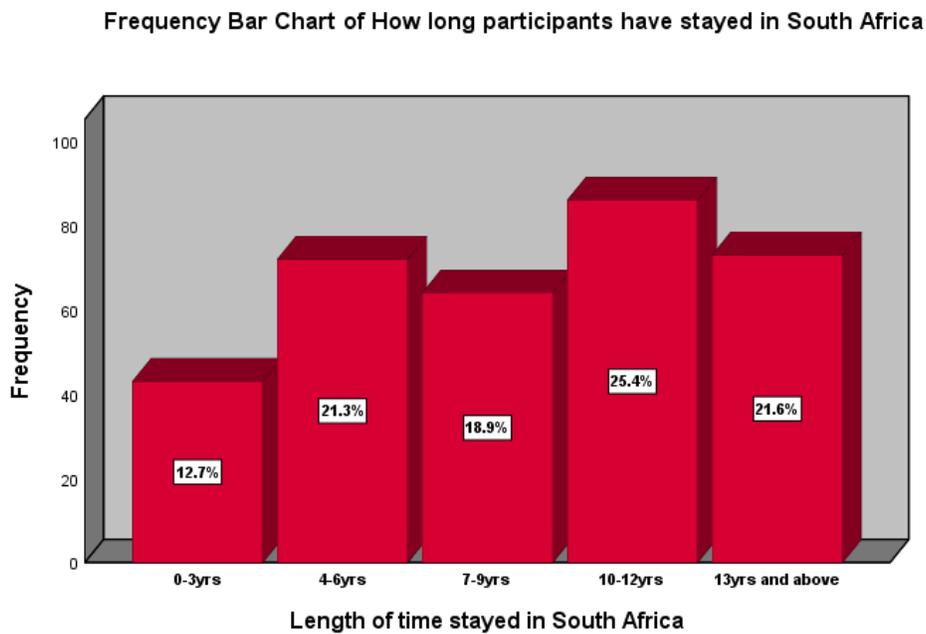
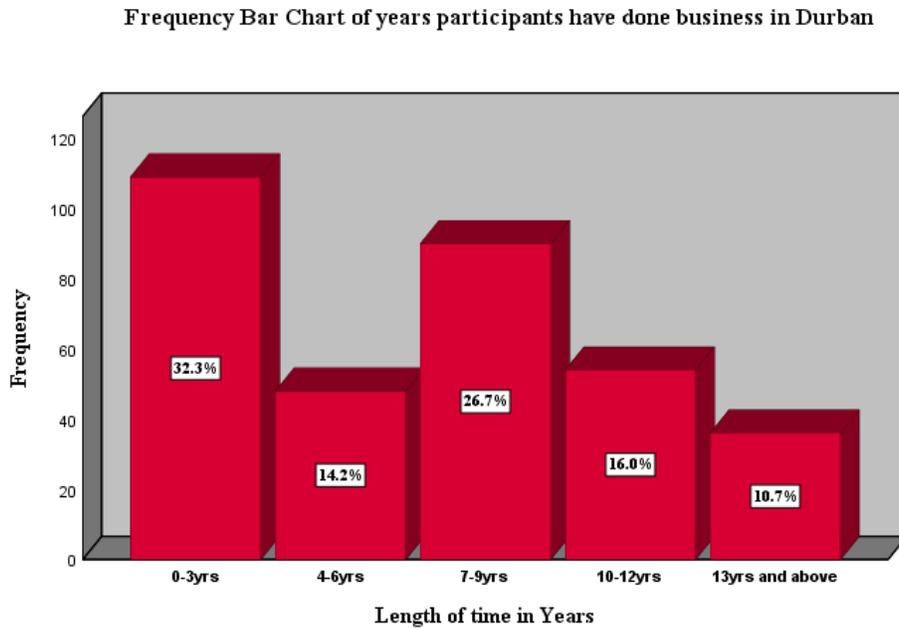


Figure 5.3 above revealed that most of the participants, those that make up 25.4% of the population sample have lived in South Africa for 10 to 12-year period. This group was followed by the group of participants that have lived in South Africa for 13years and above who made 21.6% and also followed by another group that have stayed for 4 to 6 years, making 21.3% of the participants. The lowest groups in the distribution are the group of participants that have lived in South Africa for 7 to 9-year period making 18.9% of the participants and, finally, the 0 to 3-year period group that make up 12.7% of the participants that formed the sample of the population. The next figure 5.4 shows the frequency of the duration the participants have done business in Durban.

## 5.2.4 Duration of Business Operations in Durban

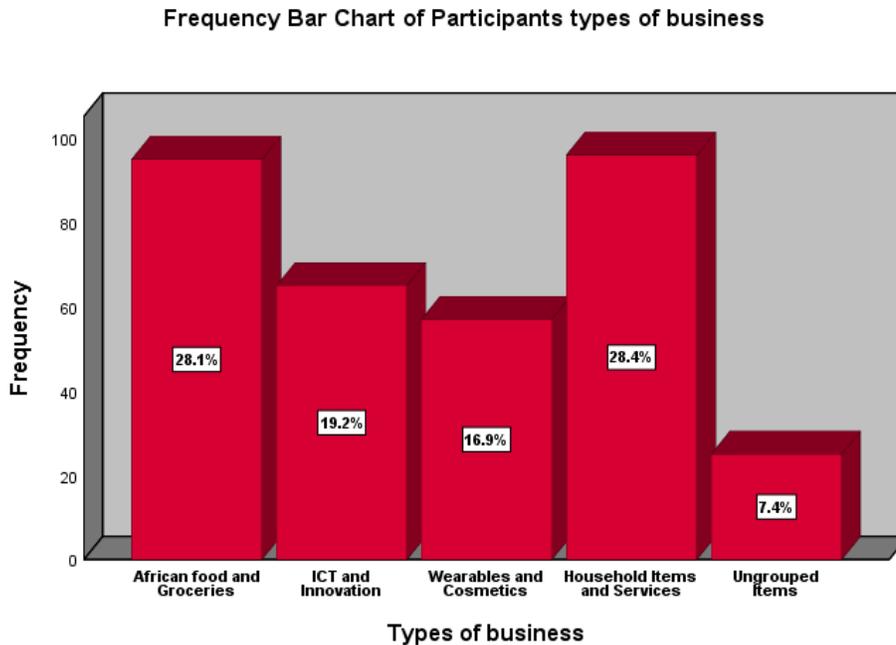
Figure 5.4: The frequency distribution of the years of doing business in Durban



The years the participants have done business in Durban are clearly seen from the figure 5.4 above. The graph reveals that the participants that have done business in Durban for fewer years (0-3 years) than others are larger in number, making up 32.3% of the sample. It is significant and might be connected with the influx of the African immigrants into the country in the first few years, which tends to start declining after a few years of turbulence and economic difficulties. This group is followed by the participants that have survived the business storm for 7 to 9 years, which make up 26.7% of the sample and those that have done business for 10 to 12 years that make 16% of the sample. 14.2% of the participants managed to scale through the first three years of having done business in Durban, which got them in the bracket of 4 to 6 years, whilst 10.7% of the entire population sample have managed to survive doing business in Durban for 13 years and longer. The 13 years and above group of participants have shown more business resilience and stability than the others, though smaller in percentage. Furthermore, the types of business done by the study participants are shown in figure 5.5, below.

### 5.2.5 Types of Business Done by the Participants

Figure 5.5: The frequency distribution of the types of business of the participants



Accordingly, the information in the figure 5.5 above reveals that most businesses owned and run by African immigrants in Durban were under the categories of African food and groceries (28.1%) and household items and services (28.4%). These groups are followed by those that deal in ICT (Information and Communication Technology) and Innovation, which make up 19.2% of the population sample, whilst the category of wearables and cosmetics make up 16.9% of the sample. The least of the categories is the ungrouped items that make up only 7.4% of the entire population sample.

Hence, the percentage distribution above reveals that the majority of the businesses established by African immigrants in Durban South Africa fall under the categories of African food and groceries, household items and services, ICT, and Innovation.

### 5.3 DESCRIPTIVE STATISTICS

The results of the study are further presented using descriptive statistics, such as; mean, standard deviation, minimum, and maximum. The participants were asked to assess each question through the use of a five-point Likert scale. The results are shown in the Table 5.2, below.

**Table 5.2: Descriptive Statistics**

Dimension	Mean	95% Confidence Interval		Std. Dev.	Min.	Max
		Lower Bound	Upper Bound			
Sociological Factors	4.592	4.547	4.638	0.42433	1.00	5.00
Psychological Factors	4.622	4.577	4.666	0.41358	1.00	5.00
Innovation Factors	4.644	4.552	4.737	0.85998	1.00	5.00
Need for Higher Achievement Factors	4.383	4.341	4.424	0.38786	1.00	5.00

As revealed in the table 5.2, above, entrepreneurship innovation factors had the highest mean score value (Mean = 4.644) when compared to the maximum attainable score of 5, on a 1 to 5-point Likert scale, indicating a positive direction. The mean score value suggests that there was a strong positive relationship between entrepreneurship innovation factors and foreign-owned micro businesses in Durban. Thus, entrepreneurship innovation factors positively influence the foreign-owned micro-businesses. Besides this, psychological characteristics or factors have a mean score value of 4.622, on the scale of 1 to 5. The results, therefore, show that there is a significant strong positive relationship between psychological factors and foreign-owned micro-businesses in Durban. Furthermore, sociological factors have a mean score of 4.592 when compared to the maximum attainable score of 5, on a 1 to 5-point Likert scale. The mean score value suggests that there is a significant, strong positive relationship between sociological factors and foreign-owned micro-businesses in Durban. Lastly, the need for high achievement has a mean score value of 4.383, which shows a positive direction. The results suggest that there is a significant strong positive relationship between the need for high achievement factors and foreign-owned micro-businesses in Durban. The overall results of the section therefore suggest that the factors of sociological, psychological, entrepreneurship innovation, and the need for high achievement are the main factors influencing African immigrants-owned businesses in Durban.

### 5.3.1 Sociological Factors, Psychological Factors, Innovation Factors and Need for High Achievement Factors.

This section of the chapter presents the results regarding sociological factors, psychological factors, innovation factors, and need for high achievement factors, using frequency and percentage.

#### 5.3.1.1 Sociological Factors that Influence African Immigrant-owned Micro Businesses

**Table 5.3: Sociological factors**

<b>Sociological Factors</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
I am able to communicate (with customers, suppliers, etc.) in my business	58.9	33.1	7.7	0.3	0.0
I understand the importance of time and deadlines	57.4	40.5	1.8	0.3	0.0
I understand when customers ask questions or highlight their needs	66.9	31.7	1.5	0.0	0.0
I know how people respond to management and authority	60.7	29.0	8.0	2.4	0.0
I understand how customers make decisions and negotiate	56.8	40.8	1.8	0.6	0.0
I have the ability to manage employees and projects	67.8	21.0	10.9	0.0	0.3
I have the tendency to take business risks	65.4	29.3	4.4	0.3	0.6
I am able to develop and maintain business relationships	67.1	32.9	0.0	0.0	0.0
I can negotiate successful business deals	79.9	17.2	1.2	1.8	0.0
I have the ability to enter into the local market	71.6	24.6	0.9	1.2	1.8

The study showed in the above table that 92% of the participants agreed that they were able to communicate in their business, 97.9% agreed that they understood the importance of time and deadlines, while 98.6% revealed that they understood when customers ask questions or highlight their needs. Further, 89.7% agreed that they knew how people respond to management and authority and 97.6% indicated that they understood how customers make decisions and negotiate as well as 88.8% of the participants who concurred that they had the ability to manage employees and projects. Furthermore, 94.7% of the participants indicated that they had the tendency to take business risks whilst all the participants (100%) indicated that they were able to develop and maintain business relationships. Then, 97.1% of the participants also indicated that they have the

ability to negotiate successful business deals and 96.2% of them indicated that they have an ability to explore the local market.

### 5.3.1.2 Psychological Factors that Influence African Immigrants-owned Micro Businesses

**Table 5.4: Psychological factors**

<b>Psychological Factors</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
I continuously strive for improved business performance	75.4	22.5	0.3	1.8	0.0
I maintain business and inter-personal relationships with locals	58.9	37.6	3.3	0.3	0.0
I always ask for feedback to evaluate the business	49.7	22.2	26.3	1.8	0.0
I pursue challenging goals	66.6	31.7	1.5	0.3	0.0
I have the ability to face opposition	72.5	21.9	3.0	2.4	0.3
I am inclined to possess vision or foresight	61.4	36.2	0.6	0.3	1.5
I have the desire for higher achievement	85.5	14.5	0.0	0.0	0.0
I do not rely on external funding	58.5	32.9	7.1	1.5	0.0
I possess managerial skills needed for the business	61.2	26.0	10.9	0.3	1.5
I have self-confidence	86.4	11.6	2.1	0.0	0.0
I am passionate about the business	89.6	10.1	0.3	0.0	0.0

The above results of the study show that the majority (97.9%) of the participants agreed that they continuously strive for improved business performance, 96.5% of them reported that they maintained business and inter-personal relationships with the locals, 71.9% of them indicated that they always ask for feedback to evaluate their businesses, and 98.3% of the participants reported that they pursue challenging goals. Further, 94.4% indicated that they have the ability to face opposition, 97.6% of them agreed that they are inclined to possess vision or foresight, and all the participants (100%) agreed that they have a desire for higher achievement. Further, 91.4% of the them agreed that they do not rely on external funding, 87.2% of the participants indicated they possess the managerial skills needed for the business, 98% revealed that they have self-confidence, and 99.7% agreed that they are passionate about their businesses.

### 5.3.1.3 Entrepreneurship Innovation Factors that Influence African Immigrants-owned Micro Businesses

**Table 5.5: Innovation factors**

<b>Innovation Factors</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
I offer training and development for my kind of business to interested entrepreneurs	35.3	20.8	12.4	16.0	0.0
My enterprise serves as a marketing outlet for companies	35.8	17.6	28.8	12.1	5.8
I have acquired business skills to strengthen business culture	43.8	39.9	6.9	7.6	1.8
I generate innovative ideas for industries	41.4	19.0	24.5	14.5	0.6
I partake in economic development of the community	47.7	46.5	3.6	2.1	0.0
I have introduced a new product onto the market	48.0	30.2	16.9	3.6	1.2
I have opened up a new line of businesses	48.3	34.4	8.8	8.5	0.0
I introduce new ideas to develop the business	63.4	29.6	5.7	1.2	0.0

The findings above revealed that most of the participants (56.1%) agreed that they offered training and development in line with their particular kind of business to other interested, would-be entrepreneurs, 53.4% reported that their enterprise serves as a marketing outlet for other companies, and 83.7% indicated that they acquired business skills in order to strengthen business culture. Furthermore, 60.4% of them indicated that they generated innovative ideas for other industries, 94.2% agreed that they took part in the economic development of the community, 78.2% of them agreed that they had introduced new products into the market, and 82.7% indicated that they had opened up a new line of business. Lastly, 93% of the participants revealed that they have introduced new ideas to further aid the development of the business.

### 5.3.1.4 Factors that Influence the Need for High Achievement in African Immigrant Entrepreneurs.

**Table 5.6: Need for high achievement factors**

<b>Need for High Achievement Factors</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
I have a family to support	82.0	15.6	0.6	1.5	0.3
I am faced with peer pressure	13.5	30.8	20.7	30.2	4.8
I have the desire to increase the size of my business	75.3	23.5	0.3	0.3	0.3
There is availability of business opportunities	55.1	38.6	3.6	2.7	0.0
My business is well-sited on a good location	53.3	23.4	18.9	2.4	2.1
The presence of economic and political instability in my country	42.6	21.6	31.2	4.2	0.3
South Africa has an enabling business environment	41.3	34.1	16.2	6.0	2.4
I have business skills and strategies	60.2	37.1	2.7	0.0	0.0
I want to improve my lifestyle	87.1	11.1	1.8	0.0	0.0
I have the desire to be well-established in my line of business	91.3	8.7	0.0	0.0	0.0

The above results indicate that the majority of the participants (97.6%) agreed to the fact that they support their families with the business proceeds. A significant percentage of participants (55.7%) disagreed that they were faced with peer pressure, 98.8% also indicated that they had the desire to increase the size of their business, 93.7% of them reported that there was an availability of business opportunities, and 76.7% of the participants agreed that their businesses were well-sited and at a good location for business. Further, 64.2% indicated that there were economic and political instabilities in their respective countries, 75.4% of the participants also revealed that South Africa had an enabling business environment, whilst 97.3% indicated that they had business skills and strategies to propagate the business. Moreover, 98.2% of the participants concurred that they wanted to improve their lifestyles while all the participants in the study (100%) agreed that they had the desire to be well-established in their line of business.

## 5.4 INFERENCE STATISTICS

The inferential statistics were computed on the dimensions of sociological factors, psychological factors, innovation factors, and need for high achievement factors, to enable the researcher to draw conclusions. The inferential statistics employed are; Spearman correlations, Analysis of variance (ANOVA), Post Hoc Scheffe's Test, T-test, Factor analysis, and Cronbach's coefficient alpha.

### 5.4.1 Spearman Correlations

The relationships amongst the variables, such as sociological factors, psychological factors, innovation, and need for high achievement, were assessed using Spearman correlations at 95% confidence interval. The results are shown in the Table 5.7 below.

**Table 5.7: Spearman Correlation - Key Dimensions of the Study**

<b>Dimension</b>	<b>r/ p</b>	<b>Sociological Factors</b>	<b>Psychological Factors</b>	<b>Innovation Factors</b>	<b>Need for High Achievement Factors</b>
Sociological Factors	r p	1.000 <b>0.000*</b>			
Psychological Factors	r p	0.821 <b>0.000*</b>	1.000 <b>0.000*</b>		
Innovation Factors	r p	0.651 <b>0.000*</b>	0.709 <b>0.000*</b>	1.000 <b>0.000*</b>	
Need for High Achievement Factors	r p	0.681 <b>0.000*</b>	0.598 <b>0.000*</b>	0.554 <b>0.000*</b>	1.000 <b>0.000*</b>

\* **p < 0.01**

The result of the spearman correlation as seen on table 5.7 revealed that there was a strong positive correlation between psychological factors and sociological factors which was statistically significant ( $r=0.821$ ,  $p<0.01$ , two-tailed). This indicates that an increase in the sociological factors will simultaneously bring about an increase in the psychological characteristics.

The result revealed that there was a strong positive correlation between innovation factors and sociological factors which was statistically significant ( $r=0.651$ ,  $p<0.01$ , two-tailed). Also, there

exists a strong positive correlation between innovation factors and psychological factors which was statistically significant ( $r=0.709$ ,  $p<0.01$ , two-tailed). The result indicates that of traits of innovation factors will impart strongly on the both the sociological and the psychological characteristics of the African immigrant-owned micro businesses.

There was also a strong positive correlation between sociological factors and need for achievement factors which was statistically significant ( $r=0.681$ ,  $p<0.01$ , two-tailed). Thus, indicating that an increase in the social culture factors tend to yield a greater need for high achievement.

There exists a strong positive correlation between psychological factors and need for achievement factors which was statistically significant ( $r=0.598$ ,  $p<0.01$ , two-tailed). This also reveals that the greater the level of the mental alertness, the greater the need for high achievement.

There was also a strong positive correlation between innovation factors and need for achievement factors which was statistically significant ( $r=0.554$ ,  $p<0.01$ , two-tailed). Hence, indicating that an increase in the innovation traits of an African immigrant-owned micro business, will result to an increase in the need for greater achievements.

#### 5.4.2 Analysis of Variance (ANOVA)

The influence of the biographical variables such as, age, years of stay in South Africa, years of doing business in Durban, and the types of business, on sociological factors, psychological factors, innovation and its correlation with need for high achievement were determined using tests of differences (ANOVA), respectively. ANOVA was used to check the significant difference between the variables. The results are presented below.

**Table 5.8: ANOVA – Sociological factors and Age, Years of stay in South Africa, Years of doing business in Durban, and Types of business**

<b>Biographical Variable</b>	<b>F</b>	<b>p</b>
Age	2.876	<b>0.036**</b>
Years of Stay in South Africa	7.716	<b>0.000*</b>
Years of Doing Business in Durban	7.466	<b>0.000*</b>
Types of Business	4.945	<b>0.001*</b>

\*  $p < 0.01$

The results from table 5.8 above, revealed that there is a significance in the perceptions of participants varying in biographical variables (age, years of stay in South Africa, years of doing business in Durban, and types of business) regarding sociological factors, a 1% significance level is observed.

However, in order to assess exactly where the differences lie, the Post Hoc Scheffe's test was computed and the results are shown in the table 5.9 below.

**Table 5.9: Post Hoc Scheffe’s test – Sociological factors and Biographical variables**

<b>Dimension</b>	<b>Categories of Age</b>	<b>N</b>	<b>Mean</b>
Sociological Factors	0-30 Years	40	4.6850
	31-40 Years	153	4.5673
	41-50 Years	132	4.5659
	51-60 Years	13	4.8692
	<b>Years of Stay in SA</b>		
	0-3 Years	43	4.7023
	4-6 Years	72	4.7750
	7-9 Years	64	4.5109
	10-12 Years	86	4.4477
	13 Years and Above	73	4.5890
	<b>Years of doing business in Durban</b>		
	0-3years	109	4.7514
	4-6years	48	4.4188
	7-9years	90	4.5067
	10-12years	54	4.5833
	13years and above	37	4.6056
	<b>Types of Business</b>		
	African food and groceries	95	4.6053
	ICT and innovation	65	4.5662
	Wearable and cosmetics	57	4.4333
	Household items and services	96	4.7208
	Ungrouped items	25	4.4800

As shown in Table 5.9 above, there is no significant difference in the biographical variables (age, years of stay in South Africa, years of doing business in Durban, and types of business) regarding the sociological factors that influence African immigrant-owned micro businesses. The results therefore suggest that the participants were more convinced that the biographical variables had a strong influence on the sociological factors that influence African immigrant-owned micro

businesses in Durban. The results regarding the psychological factors and their correlation with age, years of stay in South Africa, years of doing business in Durban, and types of business, are presented, below, in table 5.10.

**Table 5.10: ANOVA – Psychological factors and Age, Years of stay in South Africa, Years of doing business in Durban, and Types of business**

<b>Biographical Variable</b>	<b>F</b>	<b>p</b>
Age	2.558	<b>0.055**</b>
Years of Stay in South Africa	5.765	<b>0.000*</b>
Years of Doing Business in Durban	3.886	<b>0.004*</b>
Types of Business	4.000	<b>0.003*</b>

**\* p < 0.01**

It is evident from Table 5.10 above, that there is a significant difference in the levels of psychological factors varying in the biographical variables such as age, years of stay in South Africa, years of doing business in Durban, and types of business, at 1% and 5% significance levels, respectively.

Furthermore, in order to assess exactly where the differences lie, the Post Hoc Scheffe's test was again computed and the results are shown in table 5.11, below.

**Table 5.11: Post Hoc Scheffe’s test – Psychological factors and Biographical variables**

<b>Dimension</b>	<b>Categories of Age</b>	<b>N</b>	<b>Mean</b>
Psychological Factors	0-30 Years	40	4.6841
	31-40 Years	153	4.6106
	41-50 Years	132	4.5882
	51-60 Years	13	4.8951
	<b>Years of Stay in SA</b>		
	0-3 Years	43	4.7315
	4-6 Years	72	4.7525
	7-9 Years	64	4.6321
	10-12 Years	86	4.4717
	13 Years and Above	73	4.5928
	<b>Years of doing business in Durban</b>		
	0-3years	109	4.7348
	4-6years	48	4.4867
	7-9years	90	4.5687
	10-12years	54	4.6329
	13years and above	37	4.5934
	<b>Types of Business</b>		
	African food and groceries	95	4.6526
	ICT and innovation	65	4.6335
	Wearable and cosmetics	57	4.4769
	Household items and services	96	4.7093
	Ungrouped items	25	4.4655

The results, as shown in table 5.11 above, reveal that there is no significant difference in the biographical variables (age, years of stay in South Africa, years of doing business in Durban, and types of business) regarding the psychological factors that influence African immigrant-owned micro businesses in Durban. Hence, the overall findings show that the participants are more

convinced that the biographical variables strongly influenced the psychological factors that influence African immigrant-owned micro businesses in Durban. The results on the innovation factors and their correlation with age, years of stay in South Africa, years of doing business in Durban, and types of business, are presented below on table 5.12.

**Table 5.12: ANOVA – Innovation factors and Age, Years of stay in South Africa, Years of doing business in Durban, and Types of business**

<b>Biographical Variable</b>	<b>F</b>	<b>p</b>
Age	1.923	<b>0.126</b>
Years of Stay in South Africa	4.782	<b>0.001*</b>
Years of Doing Business in Durban	5.475	<b>0.000*</b>
Types of business	1.866	<b>0.116</b>

\* **p < 0.01**

\*\* **p < 0.05**

From the observation in the table 5.12 above, there is a significant difference in the levels of innovation varying in the biographical variables such as, years of stay in South Africa and years of doing business in Durban, with a 1% significance level. However, there was no significant difference in the levels of innovation varying in the biographical variables, such as age and types of business, with a 5% significance level.

Moreover, in order to determine exactly where the differences lie, the Post Hoc Scheffe's test was employed and the results are revealed in the table 5.13, below.

**Table 5.13: Post Hoc Scheffe's test – Innovation and Biographical variables**

<b>Dimension</b>	<b>Categories of Age</b>	<b>N</b>	<b>Mean</b>
Innovation Factors	0-30 Years	40	4.7179
	31-40 Years	153	4.6209
	41-50 Years	132	4.6006
	51-60 Years	13	4.7236
	<b>Years of Stay in SA</b>		
	0-3 Years	43	4.9601
	4-6 Years	72	4.8968
	7-9 Years	64	4.4665
	10-12 Years	86	4.4934
	13 Years and Above	73	4.5499
	<b>Years of doing business in Durban</b>		
	0-3years	109	4.9384
	4-6years	48	4.4167
	7-9years	90	4.4651
	10-12years	54	4.6561
	13years and above	37	4.5198
	<b>Types of business</b>		
	African food and groceries	95	4.6662
	ICT and innovation	65	4.6593
	Wearable and cosmetics	57	4.4687
	Household items and services	96	4.7887
	Ungrouped items	25	4.3886

The findings, as can be seen in the table 5.13 above, suggests that there is no significant difference in the biographical variables (age, years of stay in South Africa, years of doing business in Durban, and types of business) regarding the innovative factors that influence African immigrant-owned micro businesses. Thus, the participants were more convinced that the biographical variables had

strong influence on the innovative factors that influence African immigrant-owned micro businesses in Durban. The findings on the need for high achievement factors and age, years of stay in South Africa, years of doing business in Durban, and types of business, are presented below in table, 5.14.

**Table 5.14: ANOVA – Need for High Achievement factors and Age, Years of stay in South Africa, Years of doing business in Durban, and Types of business**

<b>Biographical Variable</b>	<b>F</b>	<b>p</b>
Age	3.107	<b>0.027**</b>
Years of Stay in South Africa	8.021	<b>0.000*</b>
Years of Doing Business in Durban	5.953	<b>0.000*</b>
Types of Business	2.568	<b>0.038**</b>

**\* p < 0.01**

**\*\* p < 0.05**

The results, as presented in table 5.14 above, indicate that there is a significant difference in the levels of the need for high achievement varying in the biographical variables (age, years of stay in South Africa, years of doing business in Durban and types of business), with a 1% significance level.

Consequently, in order to assess exactly where the differences lie, the Post Hoc Scheffe’s test was employed and the results of the computation are shown in the table 5.15 below.

**Table 5.15: Post Hoc Scheffe’s test – Need for High Achievement and Biographical Variables**

<b>Dimension</b>	<b>Categories of Age</b>	<b>N</b>	<b>Mean</b>
Need for High Achievement	0-30 Years	40	4.4750
	31-40 Years	153	4.3816
	41-50 Years	132	4.3326
	51-60 Years	13	4.6154
	<b>Years of Stay in SA</b>		
	0-3 Years	43	4.4977
	4-6 Years	72	4.5431
	7-9 Years	64	4.3413
	10-12 Years	86	4.2337
	13 Years and Above	73	4.3671
	<b>Years of doing business in Durban</b>		
	0-3years	109	4.5211
	4-6years	48	4.2729
	7-9years	90	4.2989
	10-12years	54	4.3407
	13years and above	37	4.3861
	<b>Types of business</b>		
	African food and groceries	95	4.3532
	ICT and innovation	65	4.4277
	Wearable and cosmetics	57	4.2842
	Household items and services	96	4.4604
	Ungrouped items	25	4.3000

The finding from the above results in the table 5.15 revealed that there is no significant difference in the biographical variables (age, years of stay in South Africa, years of doing business in Durban, and types of business) concerning the need for high achievement that influence African immigrant-

owned micro businesses in Durban. Hence, it suggests that the participants were more convinced that the biographical variables had significant impact on the need for achievement which influence African immigrant owned-micro businesses in Durban.

### 5.4.3 Validity of the Research Instrument: Normality Test

To determine if the data is normally distributed, it was tested for Skewness and Kurtosis. Kurtosis value measures if the data is peaked or flat relative to its normal distribution. For a normal distribution, skewness and kurtosis is assumed to have values between -2 and +2 (George & Mallery, 2016). The Skewness ratio value is between -0.228 and -1.110; and Kurtosis ratio value is between -0.531 and 1.343. As a result, the data were normally distributed.

**Table 5.16: Normality test**

<b>Factors</b>	<b>N</b>	<b>Skewness</b>	<b>Standard Error of Skewness</b>	<b>Kurtosis</b>	<b>Standard Error of Kurtosis</b>	<b>Minimum</b>	<b>Maximum</b>
Sociological	338	-0.968	0.136	0.782	0.272	3.10	5.00
Psychological	338	-1.110	0.136	1.343	0.272	3.00	5.00
Innovation	338	-0.241	0.136	-1.095	0.272	1.75	5.00
Need for High Achievement	338	-0.228	0.136	-0.531	0.272	3.30	5.00

A test for multicollinearity was also conducted to determine if variables are highly correlated with each other. According to Aries, Vional, Saraswati and Ikhsan (2020), this can be reported when the tolerance value is greater than 0.1; and the VIF value is less than 10. In order to check for multicollinearity, collinearity diagnostic test was carried out and the result showed that there was no problem of multicollinearity because none of the tolerance value is less than 0.1 and the VIF values are less than 10 and this signifies that none of the variables are highly correlated with each other.

**Table 5.17: Multicollinearity**

<b>Factors</b>	<b>Collinearity Statistics</b>	
	<b>Tolerance</b>	<b>VIF</b>
Sociological	0.237	4.219
Psychological	0.212	4.724
Innovation	0.547	1.827

#### **5.4.4 Factor Analysis**

The validity of the self-developed research instrument was evaluated using Factor Analysis. In extracting the factors, only items with loadings  $> 0.4$  were considered to be significant. Further, if an item loaded significantly on more than 1 factor, only that with the highest loading was considered. The principle component analysis extracted four components (factors). The varimax rotation was conducted to make the components (factors) interpretable. The findings from the result are presented in the table 5.18 below.

**Table 5.18: Factor Analysis – Rotated Component Matrix**

Item	Component			
	1	2	3	5
SF_16	0.697	-0.314	0.196	-0.333
SF_7	0.708	-0.036	-0.070	-0.327
SF_8	0.654	-0.292	0.337	-0.072
SF_9	0.686	0.259	0.089	-0.202
SF_10	0.767	-0.131	-0.015	-0.505
SF_11	0.553	-0.206	-0.283	0.195
SF_12	0.665	0.253	0.242	-0.194
SF_13	0.605	0.180	0.204	-0.216
SF_14	0.511	0.548	-0.286	-0.141
SF_15	0.560	0.506	-0.292	-0.145
PF_16	0.641	0.239	0.363	-0.146
PF_17	0.821	-0.045	-0.079	-0.156
PF_18	0.761	-0.216	-0.153	-0.234
PF_19	0.507	0.111	-0.287	0.453
PF_20	0.486	0.483	-0.316	0.229
PF_21	0.747	0.096	-0.332	-0.168
PF_22	0.413	0.398	0.243	0.422
PF_23	0.670	-0.090	0.075	-0.005
PF_24	0.766	-0.078	-0.373	-0.156
PF_25	0.613	0.571	-0.172	0.038
PF_26	0.445	0.450	0.284	0.292
IN_27	0.635	-0.379	-0.088	0.048
IN_28	0.495	-0.304	-0.040	0.446
IN_29	0.624	-0.270	-0.447	0.120
IN_30	0.624	-0.457	-0.175	0.324
IN_31	0.561	-0.223	0.205	0.469
IN_32	0.622	-0.016	-0.003	0.441

<b>IN_33</b>	<b>0.561</b>	-0.474	0.003	0.402
<b>IN_34</b>	<b>0.589</b>	0.054	0.234	0.150
<b>NA_35</b>	0.316	0.248	0.072	0.127
<b>NA_36</b>	-0.033	0.227	0.158	0.294
<b>NA_37</b>	0.409	0.012	<b>0.604</b>	-0.058
<b>NA_38</b>	0.345	-0.046	<b>0.572</b>	-0.059
<b>NA_39</b>	<b>0.641</b>	0.067	0.026	-0.307
<b>NA_40</b>	0.499	-0.386	0.209	-0.114
<b>NA_41</b>	<b>0.724</b>	-0.301	-0.197	-0.238
<b>NA_42</b>	<b>0.530</b>	-0.215	0.337	-0.057
<b>NA_43</b>	0.464	<b>0.560</b>	-0.133	0.023
<b>NA_44</b>	0.242	0.405	0.361	0.231
<b>Eigenvalue</b>	<b>13.576</b>	<b>3.703</b>	<b>2.684</b>	<b>2.355</b>
<b>% of Variance</b>	<b>34.8</b>	<b>9.5</b>	<b>6.9</b>	<b>6.0</b>

The above table 5.18 indicates that 28 items loaded significantly on Factor 1 and account for 34.8% of the total variance. Out of the total of 28 items, 10 items relate to sociological factors, 9 items relate to psychological factors, 6 items relate to innovative factors, and the remaining 3 the items relate to the need for high achievement. Therefore, since the majority of the items relate to sociological factors, Factor 1 could be named as such.

Furthermore, 4 items loaded significantly on Factor 2 and account for 9.5% of the total variance. Out of the total, 2 items related to sociological factors, 1 item relates to psychological factors, and the rest of the 1 item also relates to the need for high achievement. However, since most of the items relate to sociological factors, Factor 2 may be labelled as such.

Lastly, 2 items loaded perfectly for Factor 3 and account for 6.9% of the total variance. Both items related to the need for high achievement. Therefore, since all the items relate to the need for high achievement, Factor 3 can be named as the need for high achievement.

Accordingly, KMO and Bartlett's test was further employed, to determine the validity of the research instrument. Hair *et al.* (2010) suggest that the, "KMO measure of sampling adequacy index ranges from 0 to 1, reaching 1 when each variable is perfectly predicted without any error by other variables". This measure can be interpreted as follows; 0.80 or above (meritorious), 0.70

or above (middling), 0.60 or above (mediocre), 0.50 or above (poor) and below 0.50 (unacceptable). The results are shown in Table 5.19 below.

**Table 5.19: KMO and Bartlett's test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.868
Bartlett's Test of Sphericity	Approx. Chi-Square	10692.349
	df	741
	Sig.	0.000

The findings from table 5.19 above revealed that the measure of sampling adequacy for the factors which influence African immigrant-owned micro businesses in Durban was 0.868 and Bartlett's test was significant. Hence, this indicates that the data set complies with the requirements of sampling adequacy and sphericity for the factor analysis performed.

#### **5.4.5 Reliability: Cronbach's Coefficient Alpha**

The reliability of the measuring instrument was evaluated using Cronbach's Coefficient Alpha. The findings of the results are shown in the table 5.20 below. Accordingly, Sekaran and Bougie (2016) recommend that a Cronbach's coefficient alpha score of 0.07 and beyond is considered reliable, hence, the instrument is acceptable.

**Table 5.20: Reliability of the Measuring Instrument – Cronbach's Coefficient Alpha**

<b>Dimension</b>	<b>Number of Items</b>	<b>Cronbach's Alpha</b>
Sociological Factors	10	0.873
Psychological Factors	11	0.877
Innovation Factors	8	0.873
Need for High Achievement	10	0.731
<b>All Dimensions</b>	<b>39</b>	<b>0.937</b>

The findings from table 5.20 revealed that the research instruments employed in the study was highly reliable and has a very high level of inter-item consistency ( $\alpha = 0.937$ ). Evidence further suggests that the instrument measuring sociological factors, psychological factors, innovation, and need for high achievement have a high degree of reliability. The use of the instrument for the

measurement of psychological factors is particularly reliable and has a very high level of inter-item consistency ( $\alpha = 0.877$ ). The item reliabilities for the questionnaire, therefore, range from 0.731 to 0.877 for the separate dimensions of the study. Thus, 39 items measuring sociological factors, psychological factors, innovation factors, and need for high achievement have very high degrees of inter-item consistency and reliability ( $\alpha = 0.937$ ). The research instrument is therefore reliable and can be adopted by any researcher for the same or a similar purpose.

#### 5.4.6 One Sample T-Test

The one sample T-Test was calculated to determine whether gender influences the sociological factors, psychological factors, innovation factors, and need for high achievement. The findings of the results are shown in table 5.21 below.

**Table 5.21: One Sample T-test**

Items	T-test					
	T	Df	Sig. (2-tailed)	Mean Difference	Mean	Standard deviation
Sociological Factors	155.641	338	<b>0.000*</b>	3.59231	4.592	0.42433
Psychological Factors	160.750	338	<b>0.000*</b>	3.62153	4.622	0.41358
Innovation Factors	78.018	388	<b>0.000*</b>	3.64582	4.646	0.85913
Need for High Achievement	160.094	338	<b>0.000*</b>	3.38249	4.383	0.38786

**\*  $p < 0.01$**

The findings of the test revealed that there is significant agreement in the levels of sociological factors, psychological factors, innovation and need for high achievement factors, and gender of the participants, at a 1% level of significance. Consequently, in order to determine the views of males and females on all dimensions of the study, a Post Hoc Scheffe's test was conducted to ascertain the means, so as, to find out whether there exist differences in the two categories of gender. Hence, table 5.22 below, reveals the findings.

**Table 5.22: Post Hoc Scheffe’s test – Sociological factors and Gender**

<b>Dimension</b>	<b>Categories of Gender</b>	<b>N</b>	<b>Mean</b>
Sociological Factors	Male	287	4.5906
	Female	51	4.6020

Accordingly, from table 5.22, the results clearly show that there is a statistical difference among males and females concerning the sociological factors that influence African immigrant-owned micro businesses in Durban. Whilst females were more convinced that sociological factors influence African immigrant-owned micro businesses, males on the other hand were less convinced that sociological factors influence African immigrant-owned micro businesses. Further, Post Hoc Scheffe’s test was also employed to determine the differences in two gender categories and psychological factors. The findings are shown in table 5.23 below.

**Table 5.23: Post Hoc Scheffe’s test – Psychological factors and Gender**

<b>Dimension</b>	<b>Categories of Gender</b>	<b>N</b>	<b>Mean</b>
Psychological Factors	Male	287	4.6176
	Female	51	4.6435

As indicated in table 5.23 above, the results show that there is a statistical difference among males and females concerning the psychological factors that influence African immigrant-owned micro businesses in Durban. Both males and females were convinced that psychological factors influence African immigrant-owned micro businesses in Durban. Furthermore, in continuation of the study’s necessary tests, another Post Hoc Scheffe’s test was employed to determine the differences in two gender categories and innovation factors. Hence, table 5.24 below, reveals the findings.

**Table 5.24: Post Hoc Scheffe’s test – Innovation and Gender**

<b>Dimension</b>	<b>Categories of Gender</b>	<b>N</b>	<b>Mean</b>
Innovation Factors	Male	287	4.6317
	Female	51	4.7255

The information from table 5.24 suggests that there is a statistical difference among males and females concerning the innovation factors that influence African immigrant-owned micro

businesses in Durban. Females were more convinced that innovation factors influence African immigrant-owned micro businesses than males who, on the other hand, were less convinced that innovation factors influence African immigrant-owned micro businesses in Durban. Moreover, the same test (Post Hoc Scheffe’s test) was conducted for the need for high achievement and gender to determine the differences. The findings are shown in table 5.25, below.

**Table 5.25: Post Hoc Scheffe’s test – Need for High Achievement and Gender**

<b>Dimension</b>	<b>Categories of Gender</b>	<b>N</b>	<b>Mean</b>
Need for High Achievement Factors	Male	287	4.3720
	Female	51	4.4412

Accordingly, from table 5.25 above, the findings suggest that there is a statistical difference among males and females concerning the need for high achievement which influences African immigrant-owned micro businesses in Durban. Females were more convinced that the need for high achievement influence African immigrant-owned micro businesses in Durban than males who, on the other hand, were less convinced that the need for high achievement influence African immigrant-owned micro businesses in Durban.

## **5.5 CONCLUSION**

This chapter dealt with data presentation and analysis of the results. As mentioned in chapter four above, the quantitative data collected from the participants were analysed using the SPSS version 25.0. The study employed both descriptive and inferential statistics. The overall results of the study showed how entrepreneurial factors such as sociological, psychological, innovative, and the need for high achievement positively influenced African immigrant-owned micro businesses in Durban. Hence, the next chapter presents the discussion of the results.

## **CHAPTER SIX**

### **DISCUSSION OF THE RESULTS**

#### **6.1 INTRODUCTION**

The previous chapter presented and analysed the key findings which emanated from the study. This chapter proceeds with the discussion of the results in accordance with each of the objectives of study. The research objectives that guided the study are:

- 1 To understand the sociological factors or sociocultural factors that influence African immigrant-owned business in Durban;
- 2 To ascertain the entrepreneurial psychological characteristics that influence African immigrant-owned business in Durban;
- 3 To determine the entrepreneurial innovation factors that influence African immigrant-owned business in Durban;
- 4 To determine what factors, influence the need for high achievement in entrepreneurs that operate African immigrant-owned business in Durban; and
- 5 To develop a conceptual framework to indicate various influences that impact on African immigrant-owned business in Durban.

The findings of the results of the study are discussed below as follows:

#### **6.2 SOCIOLOGICAL FACTORS THAT INFLUENCE AFRICAN IMMIGRANTS-OWNED MICRO BUSINESSES IN DURBAN**

The first objective of the study sought to understand the sociological factors or social cultural factors that influence African immigrant-owned micro businesses in Durban. In order to address this objective, ten questions were asked in the study-administered questionnaire to produce the findings. These factors include; the ability to communicate in business, awareness of time and deadlines, understanding customers questions or needs, the ability to understand how people respond to the management and authority, the ability to understand how customers make decisions and negotiate, the ability to manage employees and projects, the tendency to take businesses risks, the ability to develop and maintain relationships, the ability to negotiate successful business deals,

and the ability to enter the local market. The overall results of the study revealed that there were a few sociological or sociocultural factors which influenced African immigrant-owned business in Durban.

However, the results of the descriptive statistics showed that sociological factors had a mean score of 4.592 when compared to a maximum attainable score of 5, on a 1 to 5-point Likert scale. The mean score value suggests that there was a significant strong positive relationship between sociological factors and foreign-owned micro-businesses in Durban. According to Hisrich (2010), language is an important factor which affects foreign-owned businesses in South Africa. This factor influences the ability of the foreign-owned entrepreneurs to communicate effectively. This finding by Hisrich (2010) is contrary to the finding in this study. Hisrich (2010) argues that language is, “considered as the mirror of culture, is composed of verbal and non-verbal components”. He opines that South Africa has national pride in terms of its culture and official languages, therefore, an entrepreneur and his team can only survive if only they have a full command of the language in the country in which the business is being conducted.

Zimmerer and Scarborough (2005), in their study, argue that successful entrepreneurs are those that are ready or willing to take risks. Zimmerer and Scarborough (2005) believe that, “an entrepreneur is someone who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth, by identifying significant opportunities and assembling the necessary resources to capitalise on them”. Chell *et al.* (1991) support the above views that risk taking is a key determinant of entrepreneurial character and functions. Kuratko (2009) concurs that most successful entrepreneurs take calculated risk before they make the decision to participate in any business venture in a very calculated, carefully thought-out manner, while ensuring that the odds are in their favour so as to avoid taking unnecessary risks. By contrast, researchers Miner and Raju (2004) and Xu and Reuf (2004) doubt the degree to which the risk-taking propensity is an entrepreneurial characteristic. They argue that most entrepreneurs are no longer risk tolerant, but in some instances, are even more risk avoidant than other managers and permanently employed persons.

Further, O'Connor and Fiol (2002) discover that entrepreneurs are innovative, creative, and open to change, as well as, have the ability to identify opportunities and organise resources to achieve their goals. Collura and Applegate (2000) also perceive that commitment and determination are

the passions with which entrepreneurs pursue an opportunity. Collura and Applegate (2000) again argue that commitment is a founding drive to entrepreneurs which energises them to overcome any setbacks which might confront them. Longenecker *et al.* (2006) are of the view that entrepreneurs with strong commitment and determination are, “tenacious, decisive, and very persistent in solving problems.

### **6.3 PSYCHOLOGICAL FACTORS THAT INFLUENCE AFRICAN IMMIGRANTS-OWNED MICRO BUSINESSES IN DURBAN**

The second objective of the study desired to understand the entrepreneurial psychological characteristics that influence African immigrant-owned micro businesses in Durban. In order to achieve this, eleven questions were asked in the study administered questionnaire, which addressed the question and produced findings. The psychological factors were; the ability to improve business performance, the ability to maintain business and inter-personal relationships with the locals, the feedback to evaluate the business, the ability to pursue challenging goals, the ability to face opposition, the ability to possess vision or foresight, the desire for higher achievement, non-reliance on external funding, ability to possess managerial skills needed for the business, and possessing self-confidence and passion for the business. The findings from the study suggest that several psychological factors positively influenced African immigrant-owned micro businesses in Durban.

Nevertheless, these findings are in line with previous studies; Nandram and Samsom (2007), in their study, found that a psychological or trait approach to the study of entrepreneurship is perhaps the most widely represented area in literature studies. The trait theory focuses on the personal disposition of individuals and their traits (Nandram and Samsom, 2007). According to Kothari (2013), psychologists concentrate on personality traits to explain the entrepreneurial choice of an individual. McClelland’s work in the early 1960s is pioneering in this regard. A study by Timmons and Spinelli (2008) on the traits entrepreneurs possess identifies characteristics, such as a need for achievement, locus of control and a risk-taking propensity, commitment and determinations, leadership, opportunity obsession, tolerance of risk, ambiguity and uncertainty, creativity, self-reliance and ability to adapt, motivation to excel, leadership, need for power, need for affiliation, resourcefulness, creativity, visionary, independent thinker, hard worker, and being optimistic as the psychological characteristics of successful entrepreneurs.

Zimmerer and Scarborough (2005) argue that an entrepreneur is someone who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalise on them. Bolton and Thompson (2004) postulate that an entrepreneur is a person who habitually creates and innovates by building something of recognised values around perceived opportunities. Furthermore, Drucker (1985) concurs that to be an entrepreneur, a person must possess certain unique characteristics as opposed to others. Scholarly literature (Avolio *et al.* 2004; Collura and Applegate, 2000; Longenecker *et al.*, 2006) shows that commitment and determination form part of the psychological characteristics of successful entrepreneurs. Collura and Applegate (2000) view commitment and determination as the, “passion with which entrepreneurs pursue an opportunity”. Collura and Applegate (2000) also believe that commitment is a founding drive of entrepreneurs which energises them to overcome any setbacks which might confront them.

Further, Longenecker *et al.* (2006) suggest that entrepreneurs with strong commitment and determination are, “tenacious, decisive and very persistent in solving problems”. Avolio *et al.* (2004) express the view that, “commitment manifests itself as both an attitude and behaviour” since it reflects complete loyalty towards an organisation. Timmons and Spinelli (2008) find that entrepreneurs with strong commitment and determination often overcome many obstacles and compensate for their weaknesses. Research suggests that self-confidence is one of the important psychological characteristics of successful entrepreneurs (Good, 2003; Ho and Koh, 1992; Robinson *et al.*, 1991). Good (2003) believes that entrepreneurs are people who demonstrate high levels of self-confidence and base their feelings on the fact that they can overcome all setback that are likely to impede their success and still attain their desired goals.

Furthermore, evidence suggests that self-confidence is a key characteristic of an entrepreneur, which enables them to believe in themselves and have the ability to achieve their desired goals and objectives (Robinson *et al.*, 1991). The authors claim that entrepreneurs who possess high levels of self-confidence reject the belief that the success or failure of their new business depends on luck, fate, or other external factors. Rather, they are confident that their personal control and influence are the driving forces behind the achievement of their goals. Scholarly literature (Damanpour, 1996; Mirela, 2008; Robinson *et al.*, 1991) reveals that the success or failure of entrepreneurship depends on the owner’s innovativeness. Robinson *et al.* (1991) assumes that innovativeness is

associated with perceiving and acting on business activities in new and unique ways. Damanpour (1996) sees innovativeness as the creation or adoption of an idea or behaviour new to the organisation.

Moreover, Mirela (2008) argues that innovation is the characteristic technique of entrepreneurs because it acts as a means of exploiting change to accomplish different business goals or services. Mirela (2008) points out that the requirements for accomplishing a successful innovation includes a clear business strategy, availability of resources, the realistic evaluation of an individual's innovation potential, detailed knowledge of market demand, forecast of future needs, evaluation of an innovation project's criteria, establishing close contact with beneficiaries, and setting realistic objectives to be achieved. Again, Utterback (1996), in a previous study, indicates that innovativeness is a key determinant in a firm's survival, development, and business success. Morrison (2000) argues that successful entrepreneurs survive the changes embarked upon by doing things differently and innovatively.

Then again, education and managerial skills have also been identified as key psychological characteristics which influence entrepreneurial business. Research reveals that educational attainment, experience, and skills affect an individual's motivation to pursue entrepreneurship (Robles and Cordero-Guzman, 2007). Lofstrom and Wang (2007) discover that individuals with low educational levels are less likely to be motivated to become entrepreneurs and are often less successful than those with higher educational levels. Dana and Morris (2007) also find that managerial skills influence potential entrepreneurs' motivation to start new ventures. More so, Dana and Morris (2007) argue that managerial skills may be a more direct predictor of an entrepreneur's motivation than formal educational levels. According to Ullah, Farooq and Ahmad (2012), an entrepreneur's abilities and skills are main determinants in exploiting opportunities.

Grundesten (2004) postulates that opportunity recognition and exploitation is an essential part of the domain of entrepreneurship. Shane and Venkataraman (2000) see entrepreneurship as the discovery and exploitation of opportunities. They (Shane and Venkataraman, 2000) also present a model of entrepreneurship which is comprised of the existence, discovery, and exploitation of entrepreneurial opportunities.

#### **6.4 ENTREPRENEURSHIP INNOVATION FACTORS THAT INFLUENCE AFRICAN IMMIGRANT-OWNED MICRO BUSINESSES IN DURBAN**

The third objective of the study sought to determine the entrepreneurial innovation factors that influence African immigrant-owned micro businesses in Durban. As a result, eight innovation factor questions were asked in the study administered questionnaire to address the objective, and they were; the kinds of training and development offered to the interested entrepreneurs, the potential of the enterprise to serve as a marketing outlet for other companies, skills required to strengthen business culture, innovative ideas generated for other industries, participation in economic development of the community, the potential to introduce a new product onto the market, the ability to open up a new line of businesses, and the potential of introducing new ideas to develop the business more. The results of the study showed that entrepreneurship innovation was one of the major factors influencing African immigrant-owned micro businesses in Durban.

However, recent studies (Hossain, 2013; Varis and Littunen, 2010) have found that innovation and entrepreneurship are considered the most essential driving forces of progress and prosperity in any business venture. Hence, much attention has not been paid, to identifying and exploiting factors that drive the development of innovative solutions and the emergence of entrepreneurial dynamics. Contrary to the above assertion, Feldman *et al.* (2005) argues that several efforts were made in developing more effective innovation systems based around new technological knowledge, process optimisation, business models, networking, and collaboration. Drucker (2002) suggests that innovation can only take place when the entrepreneur places emphasis and value on innovation development.

Further, Aujiraponpan *et al.* (2011) see innovation as the ability of a firm to undertake the development of innovations, including process innovation, product innovation, and innovative ideas in organisation. Lee and Hsieh (2010) refer to innovation as resources and the new ability to create wealth, which can be trained and learned. Saravanan (2002) perceives innovation as the, “design and implementation of creativity to generate business, overcome setbacks and enhance existing systems”. Tidd, Bessant and Pavitt (1997) also define innovation as the resources that an organisation uses to incorporate technology, organisation, and market change to enhance business success. Afuah (1998) believes that innovative processes within an organisation cannot be separated from the business strategies and competitive environment. Vincent, Bharadwaj and

Challagalla (2004) propose that successful entrepreneurs overcome the negative effects of competition on the business performance through innovation.

Furthermore, similar researchers (Barney 1991; Reed and DeFillippi, 1991) also believe that innovation is a means through which firms can display their core competencies and transform such competencies into performance outcomes that are critical for success. However, Wolfe (1994) suggests that previous studies on innovation are, “inconclusive, inconsistent, and lacking explanatory power”. That notwithstanding, Saravanan (2002) discovers that there are three, “main predictors of innovative capability which assist SMMEs in their survival and success in business operations, namely: the ability to take risks, the ease with which businesses make connections and the need to consistently pursue new and different work approaches to enhance the production of goods and services or processes”.

Furthermore, training and development have been identified as important factors, which drive the innovation process in an organisation. Siguaw *et al.* (2006) suggests that training and development (learning orientation) builds creative knowledge, which results in innovation. Calantone *et al.* (2002), in a previous study, finds that training and development are positively linked to innovation. A recent study by Phuangrod (2015) also reaffirms that employees can benefit a lot from training and development, and they can use what they learn to adapt and develop new creative products and systems. Messeni *et al.* (2015), in their study, also confirm that innovativeness and entrepreneurial dynamism could be achieved through learning from other types of industry and organisational systems.

Much further, Smith *et al.* (2008) suggest that business skills are amongst several factors which affect companies' abilities to manage innovation, irrespective of their geographical location. Solesvik (2012) discovers that entrepreneurial innovation largely depends on the kind of skills possessed by the entrepreneur and his team members. Morales and Marquina (2013) also argue that entrepreneurs from the around the world possess varied skills. Chell (2013) and Morales and Marquina (2013) recommend that defining and specifying skills is ambiguous and complex. In spite of the controversy about the definition of skills, McLarty and Dousios (2006) refer to skill as the ability to perform a task. Brière *et al.* (2014) claim that South Africa is an emerging economy and creates employment through entrepreneurship. However, Herrington and Kew (2015) argue that entrepreneurship innovation in South Africa is challenged by shortages in business skills.

Adendorff *et al.* (2013) also discover that only few entrepreneurs in South Africa can identify opportunities and believe that they have the necessary skills to create business ventures out of them. The authors further confirm that there is a research gap in specific entrepreneurial skills suitable for entrepreneurs in South Africa (Adendorff *et al.*, 2013). Studies (Brière *et al.*, 2014; Turton and Herrington, 2012) support the view that a lack of entrepreneurial and business skills in South Africa may be due to inadequate training and a poor educational system. Turton and Herrington (2012) contend that the, “education system in South Africa is failing to effectively equip individuals with skills and confidence required to consider entrepreneurship as a valid choice”.

Herrington, Kew and Kew (2014) suggest that the education system in South Africa should focus on providing learners with practical exposure to entrepreneurship as a career path and put a stronger focus on problem solving skills and self-confidence, which are baseline skills for successful business venturing. Researchers (Chell, 2013; Unger *et al.*, 2011) also believe that skills are the outcome of investment in education and work experience. The scholars are of the view that an entrepreneur engaged in innovation and production will require skills categorised as production and business skills. Amorós and Bosma (2014) opine that individuals with a higher level of education are more likely to have acquired the business skills to start new business ventures. Chell (2013) points out that one way of creating innovative business is through ideas generation, which is the ability of the entrepreneur to be aware of the business environment and the factors that are conducive to opportunity exploitation. According to Paltoniemi (2015) and Schiuma (2011), business ideas can be generated through the analysis of the business environment and learning from other organisations.

Gibb (2011) sees idea generation in entrepreneurship as an embedded practice within the unique personality traits of an entrepreneur. However, Ben (2013) argues that generating business ideas is the central pillar of the entrepreneurial innovation process. According to Ben (2013), “most entrepreneurial discoveries are reached after a business opportunity is recognised or an idea is generated”. He further adds that the recognition and generation of business opportunities and ideas creates an enabling environment for the smooth take off and management of business outfits. Ammettler *et al.* (2014) advocates that business creation is an important part of innovation. The effects of business creation are reflected in economic growth and competitiveness. The scholars

argue that innovation contributes to the economic development of a country. In a similar opinion, Carvalho and Jonker (2015) discover that entrepreneurship could have economic, psychological, and social consequences in any country.

OECD (2010) indicates that there is a growing demand for entrepreneurs with a new vision to solve the global, national, and local problems that the market and the state have failed to solve. Scholarly literature shows that innovative entrepreneurs participate in the development of their communities by responding to the social needs of their target public (European Commission, 2013; Santos, 2012). Aujiaponpan (2011) suggest that innovativeness is a firm's ability to undertake the development of innovations, including product innovation. Doran *et al.* (2013) argue that there are four main dimensions of innovation, namely; process, product, organisational, and marketing. Knosková (2015) discovers that new product introduction with high levels of novelty is positively influenced by foreign ownership. Ettlíe and Elsenbach (2007) suggest that innovative companies are not only those who produce innovative products, rather they are those who know how to modify the formal product development process in order to come to an acceleration of change. Ettlíe and Elsenbach (2007) postulate that new product introduction is influenced by several factors, such as formalised innovation processes, highly developed and efficient systems for new product development including technology and market trends evaluation, and alternative and parallel processes for radical innovation that are not in line with common procedures.

Knosková (2015) proposes that the innovativeness of an entrepreneur can be measured based on the kind of business that they establish. Knosková (2015) is of the view that innovative entrepreneurs are those that have multiple lines of business that contribute to economic development through job creation and the alleviation of poverty. Smith *et al.* (2008) are of the opinion that innovation processes could be measured by the extent to which the firm creates different business opportunities towards the socio-economic development of the nation. Mortara and Minshall (2011) in their study assert that entrepreneurship innovation could allow the entrepreneur to create different kinds of business, not only for personal gain, but also for the socio-economic development of his country. Mortara and Minshall (2011) contend that entrepreneurship businesses or the SMME sectors are the engines of growth in any economy. This is because they help in job creation, poverty reduction, and improving the standard of living.

## **6.5 NEED FOR HIGH ACHIEVEMENT FACTORS THAT INFLUENCE AFRICAN IMMIGRANT-OWNED MICRO BUSINESSES IN DURBAN**

The fourth objective of the study sought to determine the factors that influence the need for high achievement in entrepreneurs that operate African immigrant-owned micro businesses in Durban. The need for high achievement questions that helped to address this objective were; the desire to support ones family, peer pressure, the desire to increase the size of the business, availability of business opportunities, better location of the business venture, economic and political instabilities in respective countries, an enabling business environment, possession of business skills and strategies, the desire to improve the lifestyles, and the desire to be well-established in the line of business. The overall results of the study showed that the need for high achievement is one of the factors influencing African immigrant-owned micro businesses in Durban.

According to Kothari (2013), the key to successful entrepreneurship lies in achievement motivation and a high need for achievement. The author (Kothari, 2013) argues that those who have a high need for achievement possess five critical attributes. Firstly, he opines that high achievers like situations where they can take personal responsibility for finding solutions to problems. Secondly, high achievers prefer quick feedback so that they can judge whether they are improving or not. The third attribute is that higher achievers avoid easy or very difficult tasks and they dislike succeeding by chance. The fourth attribute is that high achievers prefer striving to achieve targets which represent a challenge and are not beyond their capabilities. The fifth is that high achievers are interested in a concrete knowledge of the results of their decisions and money most often serves as a good measurement of success (McClelland, 1961). Stefanovic *et al.* (2010), in their study, discover that there are several motivating factors for the need for high achievement.

Research on the role of family in business decision-making can be traced back to the 1950 when Davis (1970) first examined the relative influence of husbands and wives on the operation of business. Since then, several studies (Belch *et al.*, 1985; Mangleburg, 1989; Foxman *et al.*, 1989) have been conducted to examine the various aspects of family decision-making. Martensen and Gronholdt (2008), in their study, identify the family as one of the most important variables in decision making and a consumption unit that has attracted interest from many scholars in marketing. Polya and Szucs (2013) discover that family has a great effect on an individual's business. Doherty *et al.* (2011) posit that some people desire to migrate to different countries where

they can do business so as to support their family members. Walsh and Schyns (2010) assert that expatriates leave their countries to look for the better opportunities in order to provide support for their family members. However, on the contrary, Zachary (2011) discovers that most research studies have not focused much on the influences of family systems in expatriation.

Further, scholarly literature shows that peer pressure has a major influence on an individual's decision to expatriate to other parts of the world to set-up business (Gillani, 2012). The author (Gillani 2012) suggests that peer pressure is a social phenomenon where members of a society or social group demonstrate pressure which influences an individual's decision. However, peer pressure may not always be negative, but it can lead to socially undesirable behaviour. Makgosa and Mohube (2007) see peer pressure as the extent to which the attitudes, beliefs, and actions of an individual are being influenced by others (peers). Ahmad *et al.* (2014) in their study argue that peer pressure plays a significant role in nurturing the self-concept of an individual. John and Christopher (2013) suggest that an individual is assumed under informational influence if they observe the behaviour of others and actively search information from those whom they think are experts in the relevant field.

According to Barba-Sánchez and Atienza-Sahuquillo (2012), most entrepreneurs these days desire to increase the size of their businesses. The authors (Barba-Sánchez and Atienza-Sahuquillo, 2012) argue that successful entrepreneurs are those that can increase the size of their businesses. They discover that entrepreneurs who are primarily growth-oriented are higher in achievement motivation than managers and small business owners who primarily focus on producing current family income instead of growth. Kalitanyi and Visser (2010), in their study, point out that most of the immigrants who run businesses have been in South Africa for no more than five years, yet they have managed to grow their businesses to a greater level in a very short time in the country.

Furthermore, Kahyihura (2013) suggests that doing business in any part of the world is quite challenging but doing it in most African countries poses a more unique set of challenges for entrepreneurs. These challenges include, but are not limited to, funding (finance), economic growth, and business opportunities. Tharenou and Caulfield (2010) discover that there are more business opportunities in most developed countries, which South Africa is no exception, opposed to developing countries such as Nigeria, Ghana, Zimbabwe, and others. Kalitanyi and Visser (2010), in their study on African immigrants in South Africa: Job takers or job creators, point out

that 15 out of 40 participants said that they left their home countries with the intent of pursuing business opportunities. In the same study, it was found that 9 out of 20 of the African immigrant entrepreneurs from Senegal who were interviewed left their country for economic reasons (Kalitanyi and Visser, 2010).

Further, Tharenou and Caulfield (2010) discover that the migration of entrepreneurs from other parts of the African continent to South Africa is influenced by location characteristics such as the access to better infrastructure and other facilities. They (Tharenou and Caulfield, 2010) further found that South Africa is attractive to many investors because of the easy access to business locations. However, contrary to the above finding, Khoza and Kalitanyi (2014) in their study on the challenges in operating micro-enterprises by African foreign entrepreneurs in South Africa, discovered that although xenophobia is not a frequent problem to African foreign entrepreneurs, it is detrimental to their enterprises. They (Khoza and Kalitanyi, 2014) also found that getting access to business locations is one of the challenges affecting African foreign entrepreneurs. Goetz (1999) asserts that economic booms are one of the reasons for people migrating in search of better living conditions. A similar study conducted by Hunter and Skinner (2001) also shows that African immigrant entrepreneurs leave their home countries because of political and economic challenges in their respective countries.

A study by Kalitanyi and Visser (2010) also reaffirms the previous findings. The authors (Kalitanyi and Visser, 2010), in their study, discovered that all the African immigrant entrepreneurs interviewed left their country (Somalia) because of the political instability. It was further found out that immigrant entrepreneurs have confirmed that their lives and those of their children are threatened because of the political instability in their country Somalia. South Africa Information (2004) further confirms that the majority of South Africa's current refugees are from countries such as the DRC, Burundi, Rwanda, Angola, and Somalia because these countries are experiencing political instability. Kurunova (2013) also points out that the decision to migrate largely depends on a combination of factors but is mostly influenced by economic and political instability.

## **6.6 CONCLUSION**

This chapter discussed the results of the study. The discussion was done based on each of the research objective outlined above. The study integrates empirical literature into the discussion of the results. The next chapter presents the conclusions and recommendations of the study to the stakeholders.

# **CHAPTER SEVEN**

## **CONCLUSION AND RECOMMENDATIONS**

### **7.1 INTRODUCTION**

The previous chapter presented the discussion on the key findings of the study. However, this chapter provides the conclusion and the recommendations of the study based on the key findings and further provides the directions for future research. The overall aim of the study was to determine the factors that influence African immigrant-owned micro businesses in Durban. This was assessed by exploring the factors such as the sociological factors, psychological factors, entrepreneurial innovation factors, and the need for high achievement factors. However, the fundamental research objectives were; to understand the sociological factors or sociocultural factors that influence African immigrant-owned micro businesses in Durban, ascertain the entrepreneurial psychological characteristics that influence African immigrant-owned micro businesses in Durban, determine the entrepreneurial innovation factors that influence African immigrant-owned micro businesses in Durban, determine what factors influence the need for high achievement in entrepreneurs that operate African immigrant-owned micro businesses in Durban, and, finally, and develop a conceptual framework to indicate the various influences that impact African immigrant-owned micro businesses in Durban. Hence, the next section, 7.2, discusses the conclusions made from the study.

### **7.2 CONCLUSION OF THE STUDY**

This section of the chapter presents the concluding remarks regarding the outcomes of the study according to the aims and objectives of this research.

#### **7.2.1 Objective One: To Understand the Sociological Factors that Influence African Immigrant-owned Business in Durban**

The overall result of the study showed that there was a significant positive relationship between sociological factors and African immigrant-owned business in Durban. Thus, sociological characteristics positively influenced African immigrant-owned businesses in Durban. The sociological characteristics or factors which influenced African immigrant-owned business in

Durban were the ability to communicate in business, understanding the importance of time and deadlines, understanding customers' questions or needs, understanding how people respond to management and authority, the ability to understand how customers make decisions and negotiate, the ability to manage employees and projects, the tendency to take business risks, the ability to develop and maintain business relationships, the ability to negotiate successful business deals, and the ability to penetrate the local market. The findings are in keeping with the empirical research discussed in chapter two, above (Hisrich, 2010; Kuratko, 2009; Zimmerer and Scarborough, 2005).

### **7.2.2 Objective Two: To Ascertain the Entrepreneurial Psychological Characteristics that Influence African Immigrant-owned Business in Durban**

The second objective of the study investigated the entrepreneurial psychological characteristics that influence African immigrant-owned business in Durban. The overall findings from the study suggested that entrepreneurial psychological characteristics positively influenced African immigrant-owned business in Durban. The various entrepreneurial psychological characteristics (factors) identified in relation to the study were; the ability to strive for improved business performance, the ability to maintain business and inter-personal relationships with the locals, request for feedback to evaluate the business, the ability to pursue challenging goals, the ability to face opposition, inclined with the ability to possess vision or foresight for the business, the desire for higher achievement, non-reliance on external funding, possessing managerial skills needed for the business, possessing self-confidence, and being very passionate about the business. The findings in this area of the study confirmed the findings of existing research (Kothari, 2013; Nandram and Samsom, 2007; Timmons and Spinelli, 2008).

### **7.2.3 Objective Three: To Determine the Entrepreneurial Innovation Factors that Influence African Immigrant-owned Business in Durban**

The third objective of the study explored the entrepreneurial innovation factors that influence African immigrant-owned business in Durban. The result of the study findings revealed that the entrepreneurial innovation factors positively influenced African immigrant-owned business in Durban. Further, the study showed that the various entrepreneurial innovation factors which influenced African immigrant-owned business in Durban were; training and development offered

to the interested entrepreneurs, the potential of the business enterprise to serve as a marketing outlet for other companies, possession of skills required to strengthen business culture, innovative ideas generated for other industries, participation in economic development of the community, the potential to introduce a new product onto the market, the ability to open up a new line of business, and the potential to introduce new ideas to develop the business more. The findings of this area of the study also supports other existing studies (Amorós and Bosma, 2014; Aujiraponpan *et al.*, 2011; Herrington *et al.*, 2014; Hossain, 2013; Varis and Littunen, 2010).

#### **7.2.4 Objective Four: To Determine what Factors Influence the Need for High Achievement in Entrepreneurs that operate African Immigrant-owned Business in Durban**

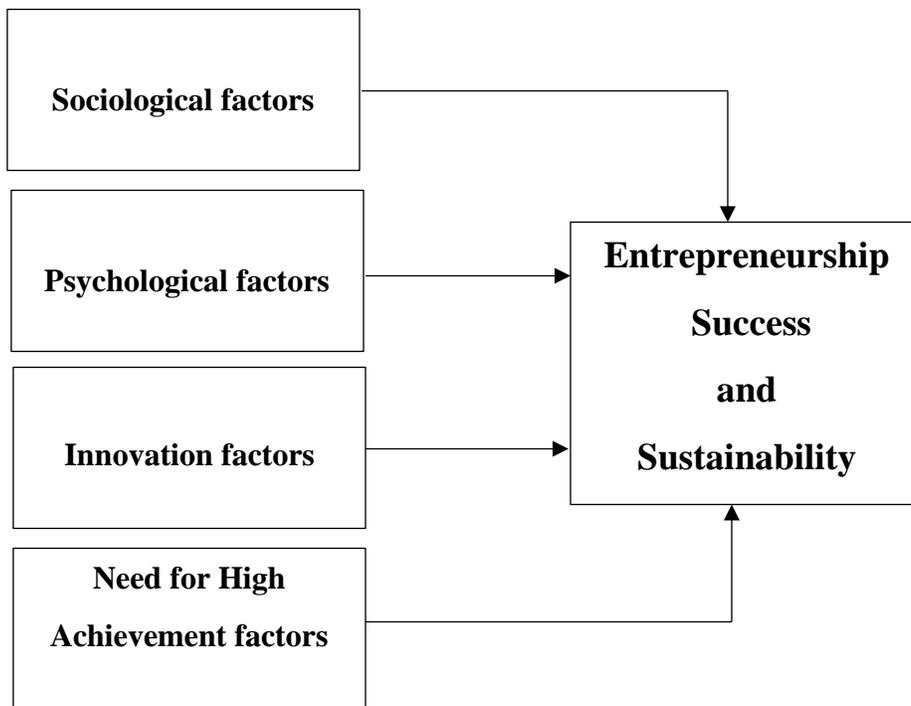
The fourth objective of the study investigated the factors that influence the need for high achievement in entrepreneurs that operate African immigrant-owned businesses in Durban. The overall results of the study findings showed that there was significant positive relationship between the need for high achievement and African immigrant-owned business in Durban. In other words, the need for high achievement had a significant impact on African immigrant-owned business in Durban. The study further found out that the individual factors which affected the need for high achievement were; the desire to support one's family, pressure from the peers, the desire to increase the size of the business, availability of business opportunities, better location of the business, economic and political instabilities in respective countries, enabling business environment, possessing business skills and strategies, the desire to improve the lifestyles, and the desire to be well-established in the line of business. The findings this area of the study reaffirmed previous studies (Kothari, 2013; McClelland, 1961; Polya and Szucs, 2013; Stefanovic *et al.*, 2010).

#### **7.2.5 Objective Five: To Develop a conceptual framework to indicate the various influences that impact on African immigrant-owned micro businesses in Durban.**

The fifth objective of the study seeks to develop a conceptual framework, which will indicate the various factors that have significant influence on African immigrant-owned micro businesses in Durban. The results indicate that sociological, entrepreneur psychological, entrepreneurship innovation and the need for higher achievement factors have significant influence on African immigrant-owned micro businesses in Durban, with innovation factors being more pronounced.

The interesting fact is that sociological factors such as ability to communicate in business, understanding the importance of time and deadlines, and the ability to negotiate successful business deals were highly and positively ranked on the Likert-Scale. Moreover, individual factors such as, the desire to support one’s family, peer pressure, political instability in respective migrant home countries and enabling business environment proved to be relevant constituents of the need for high achievement among African immigrant entrepreneurs operating micro-businesses in Durban. The overall results showed that the four factors have significant influence on the entrepreneurs (African immigrant owned micro business operators), thereby attaining successful entrepreneurship and sustainability. The study achieved success in developing a conceptual framework that clearly indicates the influential factors and the outcome. Summarily, the figure below shows the conceptual framework;

**Figure 7.1: Conceptual framework of entrepreneurial success**



### **7.3 RECOMMENDATIONS OF THE STUDY**

In accordance with the findings which emerged from the study, the following recommendations are put forward to the South African government and African immigrant-owned businesses in Durban and South Africa.

#### **7.3.1 Recommendation One – Managerial Skills**

Taking into account that the study found that the African immigrant-owned micro businesses in Durban lack the necessary managerial skills to propel their various businesses to an expected successful level, the study recommends that African immigrants business owners strive to acquire the necessary managerial skills in order to enable them to achieve and maintain business success. This recommendation is also consistent with previous studies (Baron and Shane, 2007; Chilya and Robrets-Lombard, 2012; Hyder and Lussier, 2016; Olutunla and Obamuyi, 2008; Schwartz and Hornyk, 2010). It was discovered that micro business owners in South Africa lack the business managerial experience needed to drive the performance of their businesses because of the shortages in critical and managerial skills. It is against this background that this current study recommends that African immigrant business owners should acquire managerial business skills. Chandler and Jansen (1992), in their study, recommended that an entrepreneur's abilities and skills are the main determinant in exploiting opportunities. Nieman (2001) also suggests that the managerial skills possessed by entrepreneurs increases productivity, which reduces the chances of failure and, therefore, may be important factors in a firm's entrepreneurial orientation. Similarly, BER (2016) recommends that, management or managerial skills is a critical factor for the success of any organisation.

#### **7.3.2 Recommendation Two – Education, Training, and Development**

The study found that not all the owners of African immigrant's micro businesses in Durban received formal entrepreneurship education, training, and development. Also, the success of an entrepreneurial business depends on the educational background of the entrepreneur as well as the kind of training and development programmes they received. The study, therefore, recommends formal entrepreneurial education, training, and development to African immigrant owners of micro businesses in Durban. It was also found that, historically, education constitutes an important component in an entrepreneur's human capital formation and development with positive influences

on entrepreneurial orientation (Ullah, 2012). An educated entrepreneur has a higher probability to operate their business enterprise with higher entrepreneurial orientation compared to non-educated entrepreneurs.

Education changes the cognitive processes within individuals which may provide new skills for solving complex problems. Herrington *et al.* (2014) recommend that the education system in South Africa should focus on providing learners with practical exposure to entrepreneurship as a career path and put a stronger focus on problem solving skills and self-confidence, which are baseline skills for successful business venturing. Training and development are important tools which can equally contribute to the success of an entrepreneurial business. According to Sigauw *et al.* (2006), training and development (learning orientation) builds creative knowledge, which results in innovation. Training and development will enable entrepreneurs to acquire the managerial skills required for the effective and efficient running of their various businesses.

### **7.3.3 Recommendation Three – Identification of Business Opportunities**

The findings of the study revealed that not all the African immigrants were able to identify business opportunities in Durban before investing in the economy. It is against this drawback that the study recommends the African immigrant owners of micro businesses in Durban indulge in research and feasibility studies to enable them to develop and to be able to identify several extant business opportunities beckoning them for investment. Tharenou and Caulfield (2010) discover that there are more business opportunities in most developed and developing countries, including South Africa. Kalitanyi and Visser (2010), in their study on African immigrants in South Africa: Job takers or job creators, point out that 15 out of 40 participants said that they left their home country for the reason of pursuing business opportunities within their host country. Without the required experience in business and feasibility studies, locating business opportunities is always very difficult.

### **7.3.4 Recommendation Four – Creating an Enabling Business Environment for African Immigrant-Owned Businesses**

Recognising the fact that creating an enabling business environment for African immigrant-owned micro businesses has been lacking and very difficult in nature. The study, therefore, recommends that the government should, as a matter of importance, create a conducive and opportunity-driven,

enabling business environment, including the protection of the lives and property of the African immigrants and their micro businesses in Durban and country wide. It is mostly an undeniable fact that many foreign-owned micro businesses, especially African immigrant-owned micro businesses in Durban and South Africa, are faced with diverse challenges, including; rigid regulatory framework, crime, xenophobia, and culture issues.

Scholarly literature (Khosa and Kalitanyi, 2015) shows that South Africa is considered as an economic powerhouse of Africa that attracts many investors and entrepreneurs. Howe-Walsh and Schyns (2010) also confirm that the conducive business environment in South Africa has been attracting foreign migrants from diverse parts of the world. However, in recent times many foreign-owned micro businesses have expressed the view that the above challenges are affecting them and their various businesses. Though most of the respondents report that South Africa has an enabling business environment, others believe that the business environment is not conducive for their business operations.

### **7.3.5 Recommendation Five – Generation of Innovative Business Ideas**

The study findings revealed that not all the African immigrant-owned businesses operating in Durban were able to generate innovative business ideas. Some are dependent on the ideas generated by others while some are totally out of it. Therefore, it is against this setback that the study recommends that business owners, especially African immigrant should endeavour to participate in generating innovative business ideas to enhance their extant businesses or new business ventures. This recommendation is in line with previous studies. According to Chell (2013), one way of creating innovative business is through ideas generation. The scholar refers to ideas generation as the ability of the entrepreneur to be aware of the business environment and the factors that are conducive to opportunity exploitation. On the other hand, Ben (2013) argues that generating business ideas is the central pillar of the entrepreneurial innovation process. Further, Ben (2013) asserts that most entrepreneurial discoveries are reached after a business opportunity is recognised or as an idea is generated.

### **7.3.6 Recommendation Six – Identification of Suitable Locations for the Business**

The study found that whilst some of the African immigrant-owned micro businesses operating in Durban were situated at strategic locations, others were located in places that were not strategically

located for their business operations. Hence, in line with this challenge this study recommends that micro business entrepreneurs, especially African immigrant should indulge in feasibility studies to locate to more suitable and strategic business locations prior to business investment. Similarly, the municipal government should create or build more business centres in strategic and accessible locations for the establishment of more entrepreneurial micro businesses.

South Africa is attractive to many business investors because of the easy access to business locations. However, most of these businesses are still struggling with access to better and strategic locations, especially for their particular business (products or services). This finding is supported by existing research, such as in a study by Khosa and Kalitanyi (2014) where it is discovered that getting access to suitable or strategic business locations is one of the challenges affecting African immigrant entrepreneurs.

#### **7.4 DELIMITATIONS OF THE STUDY AND DIRECTION FOR FUTURE RESEARCH**

This study investigated the sociological factors, psychological factors, innovative factors, and need for high achievement factors which influenced African immigrant-owned micro businesses in Durban. By implications, the study was limited to only African immigrants who owned and operated micro businesses in Durban. Therefore, the findings can only reflect or be applied to Durban, South Africa.

Future research, therefore, should focus on African immigrant-owned micro or other businesses from two or more large economic cities in South Africa, such as Johannesburg, Cape Town, Pretoria, or others. Another delimitation of the study is that the study was conducted only among the African immigrants in Durban who operate micro businesses and not all the foreigners or immigrants from other continents of the world. Such a study should have involved all immigrants from other different continents but this one could not because of time constraints and the nature of the study. Hence, this delimitation does not allow the results of the study to be generalised to cover all foreign-owned micro businesses in Durban. A future research study should be able to include immigrants from other countries of the world and across continents other than only Africa.

## 7.5 CONCLUSION

Entrepreneurship has been acknowledged to be the fundamental source of increased efficiency, economic growth, and wealth creation, which are important to any economy and is an essential driver and one of the key tools of the economic performances of a country. It generates jobs, achieves social cohesion and combats social exclusions. In South Africa, African immigrant entrepreneurs face many challenges while operating micro businesses. Some of these challenges have proved to be detrimental to their businesses and even life threatening, and may lead to their extermination.

However, despite all these challenges faced by African immigrant-owned micro businesses, their contribution to the economic development of the South Africa country is in no doubt. The study investigated the effect of four key factors namely; sociological or social cultural, entrepreneurial psychological, entrepreneurship innovation and factors that influence the need for high achievement in African entrepreneurs, and how these factors influence African immigrant-owned micro businesses in Durban, South Africa.

The results indicate that sociological, entrepreneur psychological, entrepreneurship innovation and the need for higher achievement factors have significant influence on African immigrant-owned micro businesses in Durban, with innovation factors being more pronounced. Furthermore, a conceptual framework was developed and it helps to indicate the factors that influence African immigrant-owned micro businesses towards business progression and sustainability. The study recommended various measures that will lead to amelioration of challenges that inhibit the factors influencing African immigrant-owned micro businesses in Durban. Lastly, the chapter provided directions for future research.

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## **9. APPENDICES**

### **9.1 Appendix A: Informed Consent**

#### **UKZN HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE (HSSREC)**

##### **APPLICATION FOR ETHICS APPROVAL For research with human participants**

Information Sheet and Consent to Participate in Research

Date:

Greetings,

My name is Joseph Chikwendu Ezennia from the discipline of Management studies, School of Management, IT and Governance of University of KwaZulu-Natal. My contacts are; Cell - 079 536 1913, email address: [chinakueze@yahoo.com](mailto:chinakueze@yahoo.com)

You are being invited to consider participating in a research project titled: Factors influencing foreign-owned micro businesses – A case study of Durban. The aim and purpose of this research is to find out the various factors influencing foreign-owned micro businesses in Durban. The study is expected to include 364 respondents in total, from the city of Durban's Central Business District (CBD), which is in eThekweni Municipality, KwaZulu-Natal province, on the east coast of South Africa. It will involve selecting the sample using a snowball technique to locate the respondents from the population. The duration of your participation, if you choose to participate, in the study is expected to be about 30minutes.

The study may involve taking your precious business time. The study will provide no direct benefits to participants but will highlight your importance and influence on the society and the economy of Durban. Participation in the study is optional and you are free to withdraw at any time.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee with the approval number **HSS/0035/016D**.

In the event of any problems or concerns/questions you may contact the researcher on; Cell: 079 536 1913 or E-mail: [chinakueze@yahoo.com](mailto:chinakueze@yahoo.com) or the UKZN Humanities and Social Sciences Research Ethics Committee, contact details as follows:

**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban 4000 KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

Your participation in the study is voluntary and by participating, you are granting the researcher permission to use your responses. You may refuse to participate or withdraw from the study at any time with no negative consequence. There will be no monetary gain from participating in the study.

Your anonymity will be maintained by the researcher and the School of Management, I.T. and Governance, and your responses will not be used for any purposes outside of this study.

All data, both electronic and hard copy will be securely stored during the study and archived for five years. After this time, all data will be destroyed.

If you have any questions or concerns about participating in the study, please contact me or my research supervisor at the numbers listed above.

Sincerely,

Joseph Chikwendu E.

## 9.2 Appendix B: Consent to Participate

### Consent to participate

I, \_\_\_\_\_ have been informed about the study entitled: Factors influencing foreign-owned micro businesses – A study case of Durban, by Joseph Chikwendu Ezennia.

I understand the purpose and procedures of the study. I have been given an opportunity to ask questions about the study and have received answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher on; Cell: 079 536 1913 or E-mail: [chinakueze@yahoo.com](mailto:chinakueze@yahoo.com)

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researcher then I may contact:

### **HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

Additional consent, where applicable

I hereby provide consent to:

Audio-record my interview / focus group discussion YES / NO

Video-record my interview / focus group discussion YES / NO

Use of my photographs for research purposes YES / NO

---

**Signature of Participant**

---

**Date**

---

**Signature of Witness**  
**(Where applicable)**

---

**Date**

---

**Signature of Translator**  
**(Where applicable)**

---

**Date**

### 9.3 Appendix C: Research Instrument - Questionnaire

#### Section A: Biographical data

1. What is your gender?

Male	
Female	

2. How old are you?

0 – 30 years	
31 – 40 years	
41 – 50 years	
51 – 60 years	
61 years & above	

3. How long have you stayed in South Africa?

0 – 3 years	
4 – 6 years	
7 – 9 years	
10 – 12 years	
13 years & above	

4. How long have you been doing business in Durban?

0 – 3 years	
4 – 6 years	
7 – 9 years	
10 – 12 years	
13 years & above	

5. What type of business do you do? \_\_\_\_\_

**Section B: Sociological or social culture factors that influence foreign-owned micro businesses in Durban.**

Indicate your agreement that these factors influence your business performances:

<b>Factors</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
6. I am able to communicate (with customers, suppliers, etc) in my business					
7. I understand the importance of time and deadlines					
8. I understand when customers ask questions or highlight their needs					
9. I know how people respond to management and authority					
10. I understand how customers make decisions and negotiate					
11. I have the ability to manage employees and projects					
12. I have the tendency to take business risks					
13. I am able to develop and maintain business relationships					
14. I can negotiate successful business deals					
15. I have the ability to enter into the local market					

**Section C: Psychological characteristics that boost the performance of the entrepreneur**

Indicate your agreement with the following statements:

<b>Characteristics</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
16. I continuously strive for improved business performance					
17. I maintain business and inter-personal relationships with locals					
18. I always ask for feedback to evaluate the business					
19. I pursue challenging goals					
20. I have the ability to face opposition					
21. I am inclined to possess vision or foresight					
22. I have the desire for higher achievement					
23. I do not rely on external funding					
24. I possess managerial skills needed for the business					
25. I have self-confidence					
26. I am passionate about the business					

**Section D: Innovation factors that enhance the process of development of the economy**

Indicate your agreement with the following statement:

<b>Factors</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
27. I offer training and development for my kind of business to interested					
28. My enterprise serves as a marketing outlet for companies					
29. I have acquired business skills to strengthen business culture					
30. I generate innovative ideas for industries					
31. I partake in economic development of the community					
32. I have introduced a new product onto the market					
33. I have opened up a new line of businesses					
34. I introduce new ideas to develop the business					

**Section E: The factors that influence the need for high achievement (achievement motivation)**

Indicate your agreement that the following factors are motivation to attain high achievement:

<b>Motivating factors</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
35. I have a family to support					
36. I am faced with peer pressure					
37. I have the desire to increase the size of my business					
38. There is availability of business opportunities					
39. My business is well-sited on a good location					
40. The presence of economic and political instability in my country					
41. South Africa has an enabling business environment					
42. I have business skills and strategies					
43. I want to improve my lifestyle					
44. I have the desire to be well-established in my line of business					

**Thank you for your time!**

## 9.4 Appendix D: Turnitin Report

Mr

*by* Joseph Chikwendu Ezennia

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TIME SUBMITTED	26-APR-2019 04:41PM (UTC+0200)	CHARACTER COUNT	438244
SUBMISSION ID	1119685354		

Mr

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ORIGINALITY REPORT

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SIMILARITY INDEX

% **8**

INTERNET SOURCES

% **1**

PUBLICATIONS

% **1**

STUDENT PAPERS

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PRIMARY SOURCES

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<b>1</b>	<a href="http://academicjournals.org">academicjournals.org</a> Internet Source	<% <b>1</b>
<b>2</b>	Submitted to CVC Nigeria Consortium Student Paper	<% <b>1</b>
<b>3</b>	Submitted to University of Cape Town Student Paper	<% <b>1</b>
<b>4</b>	Submitted to Rivers State University of Science & Technology Student Paper	<% <b>1</b>
<b>5</b>	<a href="http://digitalcommons.ilr.cornell.edu">digitalcommons.ilr.cornell.edu</a> Internet Source	<% <b>1</b>
<b>6</b>	Submitted to Harare Institute of TEchnology Student Paper	<% <b>1</b>
<b>7</b>	Samson Nambei Asoba, Robertson K. Tengeh. "Analysis of start-up challenges of African immigrant-owned businesses in selected craft markets in Cape Town", Environmental Economics, 2017 Publication	<% <b>1</b>

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## 9.5 Appendix E: Language Editor's letter

### *Barbara Dupont Language School*

37A Hilltop Road  
Hillcrest  
3610  
Cell No: 0846668351

22<sup>nd</sup> August 2019

To Whom It May Concern

#### **EDITING OF ACADEMIC THESIS**

I hereby confirm that I, Barbara Dupont, edited the thesis written by **Ezennia Joseph Chikwendu** titled "Factors Influencing Foreign-Owned Micro Businesses – A Case Study Of Durban" and commented on the grammatical anomalies in MS Word Track Changes and review mode by the insertion of comment balloons prior to returning the document to the authors. Corrections were made in respect of grammar, punctuation, spelling, syntax, tense and language usage as well as to sense and flow. Reference guidelines and additional comments were provided to assist with corrections.

I have a been teaching English for the past 12 years and have a Cambridge CELTA diploma in teaching English as a foreign language. I am also employed by the British Council as an official IELTS examiner for Southern Africa. I have been editing academic and other documents for the past four years, regularly editing the research dissertations, articles and theses of the School of Nursing, Environmental Studies and various other schools and disciplines at the University of KwaZulu-Natal and other institutions, as well as editing for publishing firms and private individuals on a contract basis.

I trust that this document will prove acceptable in terms of editing criteria.

Yours faithfully

*B Dupont*

**Barbara Dupont**

---

**Small Giants (Pty) Ltd**  
Registration No: 2012/000621/07  
Directors: Riccardo Benedetti, Barbara Dupont  
Registered Address: 37a Hilltop Road, Hillcrest, 3610

## 9.6 Appendix F: Ethical Approval



22 January 2016

Mr Joseph Chikwendu Ezennia (213572986)  
School of Management, IT & Governance  
Westville Campus

Dear Mr Ezennia,

Protocol reference number: HSS/0035/016D

Project title: Factors influencing foreign-owned micro businesses – A case of Durban

### Full Approval – Expedited Application

With regards to your application received on 11 January 2016. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Dr Ziska Fields  
Cc Academic Leader Research: Professor Brian McArthur  
Cc School Administrator: Ms Angela Pearce

---

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

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Website: [www.ukzn.ac.za](http://www.ukzn.ac.za)



1910 - 2010  
100 YEARS OF ACADEMIC EXCELLENCE

Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville