Immigrant Entrepreneurship in South Africa: Current Literature and Research Opportunities

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ABSTRACT Immigrant entrepreneurship is significant for employment creation and economic growth in South Africa. The study reviewed the current literature on immigrant entrepreneurship in South Africa. Twenty-four papers, journal articles, theses and dissertations covering the period between 1997 and 2014 were obtained through internet searches. The searches indicated that immigrant entrepreneurship has stimulated many studies in South Africa. The studies can be classified under the following themes: motivations and obstacles (including access to finance), networking, competencies and performance, ethics and gender. The areas for further research are suggested. Two major areas that new research can explore focus on the creation and sustainability of immigrant-owned businesses.

INTRODUCTION

Pendleton et al. (2006) point out that South Africa is a rainbow nation composed of various racial groups from all facets of the earth. Following independence in 1994, an increasing number of immigrants migrated to South Africa from other African countries and from other continents. Bogan and Darity (2008) note that entrepreneurship can provide immigrants with work and income as immigrants find it difficult to enter into the labour markets. Thus, immigrants can become a significant driving force in the creation of new businesses and the reduction of South Africa’s high rate of unemployment currently estimated at 25.6% (Statistics South Africa 2013). Kalitanyi and Visser (2010) and Tengeh et al. (2012) find that immigrant entrepreneurship creates opportunities that have important implications for the South African economy. By creating employment, immigrant entrepreneurship can be one of the ways to reduce poverty, inequality and stimulate economic growth in South Africa. Lemes et al. (2010) point out that in many societies, there has been increasing interest in the study of immigrants as a significant social and economic phenomenon. One of the reasons is immigrants’ traditional dynamism in the creation of business as an alternative to unemployment and their involvement in the identification and exploitation of opportunities. This is consistent with the view of Schuette and Antecol (2006) that immigrants represent an important source of human capital, which is crucial to the development of an entrepreneurial base for many countries. Immigrants are very entrepreneurial. Self-employment rates among many immigrant groups that are significantly higher than those of native workers. Immigrant and immigrant entrepreneurship have stimulated many studies in many countries including South Africa. This study aims to unpack the literature on immigrant entrepreneurship in South Africa and suggest the areas for further research.

Objective of the Study

The study aims at reviewing the current literature on immigrant entrepreneurship in South Africa. In addition, the study will suggest areas that are lacking rigorous investigation.

Literature Review

Definition of Entrepreneurship and Immigrant Entrepreneurship

The literature has failed to come up with one specific definition which totally describes entrepreneurship. Various definitions have emerged in an attempt to explain entrepreneurship. Rwigema and Venter (2004) define entrepreneurship as the process of conceptualising, organising, launching and through innovation, nurturing a business opportunity into a potentially high growth venture in a complex and un-
stable environment. Entrepreneurship is a vehicle to economic growth, success and prosperity. Herrington et al. (2009) point out that an entrepreneur is one that shifts economic resources out of an area of low productivity into an area of higher productivity and greater yield. An entrepreneur is one who organises, manages and assumes the risk of a business enterprise. According to Sathiabama (2010), entrepreneurship is a dynamic process of creating wealth by individuals or groups of individuals.

The link between immigration and entrepreneurship is supported by a number of studies and the important influence of entrepreneurship on the economic and social integration of immigrants has been widely established (Dana 2007). Immigrant entrepreneurship is described as the process by which an immigrant establishes a business in a host country (or country of settlement) which is not the immigrant’s country of origin (Dalhammar 2004). According to Aaltonen and Akola (2014), an immigrant entrepreneur is a person who has immigrated to a new country and started a business there. This definition excludes ethnic entrepreneurs belonging to ethnic minorities who have been living in the country for several generations. Volery (2007) argues that an alternative term used for ethnic is immigrant entrepreneurs. This will only include the individuals who have actually immigrated over the past few decades. This definition, however, excludes members of ethnic minority groups who have been living in the country for several centuries. The term immigrant entrepreneurship can thus be used to explain the early stages in the process of ethnic entrepreneurship. That is, when an ethnic group is new in a host society and its members can clearly be considered as immigrants. Vinogradov (2008) describes an immigrant entrepreneur as a person who arrives in the country and starts a business for the purpose of economic survival. Kahn et al. (2013) point out that immigrant entrepreneurs are foreign born. An immigrant entrepreneur is a business owner, having foreign origin, who is involved into the act of economic innovation, organization creation and profit-seeking in the market sector. Aaltonen and Akola (2014) point out that immigrant business owner is used as a synonym for an immigrant entrepreneur. The definition of an immigrant entrepreneur includes those individuals who employ themselves as well as those who employ also others.

**Studies on Immigrant Entrepreneurship in South Africa**

Internet searches were conducted through the use of a combination of key words such as immigrant, entrepreneur, entrepreneurship, foreign-owned, shops, South Africa. Twenty-four papers, journal articles, theses and dissertations covering the period between 1997 and 2014 were obtained through the internet searches. The searches indicated that immigrant entrepreneurship has stimulated many studies in South Africa. Most of the studies can be classified under the following themes: motivations and obstacles (including access to finance), networking, competencies and performance, ethics and gender.

**Motivations and Obstacles**

Kirkwood (2009) points out that individuals have various motivations for becoming an entrepreneur. These motivations can be classified under push and pull factors. Push factors are characterised by personal or external factors. This category includes issues such as unemployment, redundancy, and a lack of job or career prospects. Pull factors are those that draw people to start businesses. This category includes opportunity identification. According to Bohla et al. (2006), push and pull factors can be compared to necessity-based entrepreneurship and opportunity-based entrepreneurship. Opportunity entrepreneurs are influenced by pull factors to start a business, while necessity entrepreneurs are affected by push factors.

Many studies on immigrant entrepreneurship in South Africa have focused on contribution, motivation and obstacles. One of the earliest studies on immigrant entrepreneurship post 1994 was a paper by Rogerson (1997) titled "International migration, immigrant entrepreneurs and South Africa’s small enterprise economy". The study found that immigrant entrepreneurs create jobs for both immigrants and natives. Most immigrant entrepreneurs start by employing relatives or fellow immigrants from the home country. As the business grows, more South Africans are employed. Thus, once the business is well-established the major beneficiaries in job creation are South Africans. However, immigrant owned businesses tend to fall within a relatively narrow band of activities. Immigrant entrepre-
neurs are in retail or service rather than production activities. Kalitanyi and Visser (2010) find that more than 80 per cent of African immigrant entrepreneurs interviewed employ South Africans in their businesses. In addition, entrepreneurial skills are transferred from immigrant entrepreneurs to their South African employees. Thus, immigrant entrepreneurs contribute to the growth and development of South Africa. The study also confirmed that immigrant entrepreneurs are in retail or service rather than production activities.

Tengeh et al. (2011) find that limited job opportunity in South Africa is the motivation for immigrants to get into entrepreneurship. From a human resource perspective, African immigrant entrepreneurs prefer to employ South Africans during the start-up phase of the business, and the reverse is true during the growth phase. Other studies on immigrant entrepreneurship such as Maharaj (2002), Fatoki and Patswawairi (2012), Sidzatane and Maharaj (2013) and Hungwe (2013) find that immigrant entrepreneurs are driven into entrepreneurship by both push and pull factors. Employment (a push factor) is the most important trigger. Apart from employment, immigrant entrepreneurs are assisting with inner city development such as renting of business premises, buying goods from suppliers and selling goods. The conclusion that can be drawn from the studies on immigrant entrepreneurship in South Africa is that immigrants often start their businesses based on push (necessity) factors rather than pull (opportunity factors).

Networking

Coulthard and Loos (2007) describe networking in a small firm context as an activity in which entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings. In general, networking includes the exchange of affect (liking, friendship), information, benefit and influence. Entrepreneurial firms may use networking to exploit opportunities. Inter-personal networking also plays an important role in enterprise creation and growth. Ngoc et al. (2009) also categorised networks into three main types: (1) official networks - or networks with government officials; (2) managerial networks - networks with top managers of suppliers, customers and business associations and (3) social networks - networks with relatives and friends and networks with members of social organizations and clubs. Tengeh et al. (2011) find that African immigrant entrepreneurs mainly make use of ethnic networks. Fatoki and Patswawairi (2012) find that networking by immigrant is limited to co-ethnics and most immigrant entrepreneurs are not mem-
bers of regional chambers of commerce. According to Hungwe (2013), migrants mainly use their ethnic and religious networks. Such social capital may not really help them to be integrated into the local South African community. Liedeman et al. (2013) find foreign shop keepers are more successful than South Africans because of the strength of their social networks. Networks provide immigrant entrepreneurs with access to labour and capital and enable collective purchasing and market domination. The results indicate that immigrant entrepreneurs make extensive use of social networks and limited use of official and managerial networks.

**Competencies, Growth and Performance**

Tengeh et al. (2012) find that immigrant entrepreneurs grow financially. African immigrants have an estimated start-up financial capital in the range of R 1 000 and R 5 000. After three years, the estimated financial capital moved to a new range of R 50 001 - R 100 000. Fatoki (2013) investigated empirically the determinants of growth expectations of immigrant entrepreneurs. The results indicate that high education, managerial experience, related experience, motivation and networking are entrepreneur’s/founder’s attributes that are significant predictors of growth expectations. In addition, the results indicated that innovation and adequate access to finance are firm-level attributes that are significant predictors of growth expectations. Fatoki (2014) focused on the competitive intelligence activity of immigrant entrepreneurs in South Africa. Immigrant-owned businesses in South Africa face severe competitive pressures. Competitive intelligence is one of the ways to gain and sustain competitive advantage. The study indicates that there is no formalised competitive intelligence gathering process by immigrant entrepreneurs. Fatoki (2014) finds a positive relationship between owners’ education, work experience and related experience and the performance of immigrant-owned businesses. Radipere and Dhiwayo (2013) compared local and immigrant entrepreneurs and find no significant difference between the mean scores of the origin of the owner, motivation to start a business, self-efficacy and performance. This implies that the performance of business is not informed by whether the owner is local or foreign. Ojong and Fomunyam (2011) discover that Senegalese immigrant entrepreneurs find it difficult to separate the use of charms and magic in the day-to-day running of their businesses. The invocation of magical means to promote a modern form of business among the Senegalese immigrant entrepreneurs of South Africa directly undermines purely economic and scientific explanations to business success.

**Ethics and Social Responsibility**

Fatoki and Chiliya (2012) compare the attitudes toward business ethics and corporate (business) social responsibility by local and immigrant SME owners. The results suggest that both local and immigrant SME owners have a good attitude towards business ethics and corporate social responsibility. In addition, the results reveal that there are no significant differences in the attitudes of local and immigrant SME owners toward. The review of the literature indicates that the literature on ethics and social responsibility and immigrant entrepreneurship is limited.

**Gender**

Pines et al. (2010) note that with the growing interest in entrepreneurship in general, research has started to focus on women’s entrepreneurship. Research on entrepreneurship is moving from looking at whether gender makes a difference to how it makes a difference. Rogerson (1997), Tengeh et al. (2011) and Fatoki (2014) revealed that an African immigrant entrepreneur is most likely to be a male. Studies specifically on gender and immigrant entrepreneurship are very few in South Africa.

**RESEARCH OPPORTUNITIES ON IMMIGRANT ENTREPRENEURSHIP**

Two major areas that new research can explore are the creation and sustainability of immigrant-owned businesses in South Africa. Research should explore the entrepreneurial intention of immigrants and the barriers to business start-up by immigrants. What are the conditions that enhance and/or inhibit the entrepreneurial behaviour by immigrants? Access to finance is critical to business formation and growth. Research should investigate the barriers to access to formal sources of finance by immigrant entrepreneurs from the demand and supply sides.
Is their discrimination in the credit market for immigrant entrepreneurs? Do differences exist in access to debt and equity between immigrant and non-immigrant businesses? What is the financial structure of immigrant entrepreneurs at different stages of business, that is, start-up and growth stages? What are the factors influencing access to finance by immigrant businesses (that is, firm and founder’s characteristics)? Are there gender differences in access to finance, motivation, barriers and networking? Research can also explore the financial management practices and the financial literacy of immigrant entrepreneurs. Awareness and use by immigrant entrepreneurs of government agencies that provide financial and non-financial support for small businesses in South Africa is another research area that can be explored.

In addition, research can explore the obstacles to the performance and the causes of failure of immigrant-owned businesses. What are the determinants of immigrant entrepreneurs’ business longevity? How can immigrant entrepreneurs move into high growth industries instead of concentrating on retail and low-level service? The comparison of native and immigrant entrepreneurs in term of business performance and the impact of motivation necessity and opportunity) on performance are interesting research areas. The entrepreneurial orientation (especially the level of innovation) and passion of immigrant entrepreneurs can also be investigated. Research can also focus on second generation immigrant entrepreneurs, family businesses that are owned by immigrant entrepreneurs and how values and culture impact on the performance of immigrant entrepreneurs. Different networking types and their impact on the performance of immigrant entrepreneurs, the ethical challenges faced by immigrant entrepreneurs and the impact of regulations on immigrant entrepreneurship are exciting research areas.

CONCLUSION

The study reviewed the current literature on immigrant entrepreneurship in South Africa. In addition, the study suggested areas for further research. Internet searches were conducted through the use of a combination of key words such as immigrant, entrepreneur, entrepreneurship, foreign-owned, shops, South Africa. Twenty four papers, journal articles, theses and dissertations covering the period between 1997 and 2014 were obtained through the internet searches. The searches indicated that immigrant entrepreneurship has stimulated many studies in South Africa. Most of the studies can be classified under the following themes: motivations and obstacles (including access to finance), networking, competencies and performance, ethics and gender. The searches indicated that immigrant entrepreneurship has stimulated many studies in South Africa. The studies on gender, ethics and social responsibility are much fewer than the ones on motivation, obstacles, networking and performance. There has been an improvement in research on immigrant entrepreneurship since 2010. The results revealed that the research on immigrant entrepreneurship is quantitatively weaker than the research on small businesses in general. This is reasonable, given that the number of immigrant small businesses is also smaller. However, the importance of immigrant entrepreneurship to the South African economy cannot be over emphasised. Thus, there is the need for sustained research on immigrant entrepreneurship in South Africa.

LIMITATIONS

It is possible that not all the studies on immigrant entrepreneurship have been taken into consideration despite an exhaustive internet search by the author. In addition, the study focused specifically on immigrant entrepreneurship and not ethnic entrepreneurship. Studies on entrepreneurship and the ethnic groups in South Africa were not included.

REFERENCES


