

AFRICAN IMMIGRANT-OWNED BUSINESSES: A SWOT ANALYSIS PERSPECTIVE

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ABSTRACT

This study aims to identify the strengths, weaknesses, opportunities and threats of African immigrant-owned businesses in South Africa. The study highlights the benefit of the network between African immigrant entrepreneurs and suppliers; and the contribution made by African immigrant entrepreneurs into the South African economy. The study also highlights how low entry barriers, xenophobic violence, and other crimes deferred the growth of African immigrant-owned businesses. Recommendations were made to South Africa government to organise workshops and educate African immigrant entrepreneurs about the benefit of transferring network skills to locals; innovation and selling unique products; and integration into the communities.

Keywords: African Immigrant-Owned Businesses, SWOT Analysis.

INTRODUCTION

The role played by African immigrant entrepreneurship is critical towards shaping the business landscape in the South African context (The Conversation, 2017). Immigrant entrepreneurship has a set of characteristics and business strategies that assist them to thrive in a tough business environment, especially spaza shops (Tengeh & Nkem, 2017). This has led to a need to explore the dynamics of the African immigrant-owned businesses specifically, regarding understanding the strengths, weaknesses, opportunities and threats. Such an understanding may help towards establishing thriving small businesses in a country with a high rate of unemployment (Malan, 2017).

Theoretical Framework

This study utilises the strength, weaknesses, opportunities and threats (SWOT) analysis to understand the internal and external aspects that shape the operation of the African immigrant-owned businesses in South Africa. Gurel and Tat identified the SWOT analysis in 2017 as commonly used for strategic and marketing management in organisations. This study utilises the SWOT analysis to understand the internal, and external factors of African immigrant-owned businesses to make recommendations on the possibilities that may be identified from the analysis.

LITERATURE REVIEW

The literature review is discussed under the following headings: strengths, weaknesses, opportunities and threats of African immigrant-owned businesses in South Africa.

Strengths of Immigrant Entrepreneur

The literature on African immigrant entrepreneurship point to the crucial role network plays to provide resources necessary for startup and success of the business. As noted by Chrysostome and Arcard (2009); Tengeh (2011) that one of the strengths of African immigrant entrepreneurs is having a network with suppliers. Through this network, a wide range of resources such as information, capital, and discount and trade credit offered by suppliers. A study conducted by Charman, Peterson, and Piper (2012) found that a group of African immigrant entrepreneurs form a network with spaza 'or 'grocery' business suppliers thereby enjoying discount and economies of scale through bulk buying. In the same vein, Basu and Goswami (1999) opine that the support from friends and ethnic networks is critical to the success of the business. The network is vital to identify opportunities such as cheap labour from immigrant communities. By employing people from their communities and another network, these immigrant entrepreneurs, in most cases, tend to be able to reduce operational costs hence having a better chance to grow when compared to native businesses. Contrarily, Nieman and Nieuwenhuizen (2009) argued that favouritism could lead to nepotism if ethnic members, with no skills, are appointed. Subsequent study consistently corroborated that networking is a crucial strength of immigrant businesses. Waldinger et al. (1990) assert that co-ethnic markets make it easier to deal with co-ethnic customers, especially during the initial stage of the business since it is more comfortable to do business in a language with which the small business owner is familiar.

Despite the co-ethnic comparative advantages of immigrant entrepreneurship, there are many hostilities toward immigrant in South Africa, and one of the causes of these hostilities include, but not limited to the widespread belief that immigrant 'steal jobs' from South African. However, research suggests the presence of a significant proportion of African immigrant entrepreneurs are mainly having a positive influence on generating employment in the South African economy. For instance, a study conducted in Cape Town by Tengeh (2011) asserts that African immigrant entrepreneur employed both South Africans and immigrants. Furthermore, African immigrant entrepreneurs employed South Africans during the startup phase; however, as the business grows, they tend to employ more immigrants. In a similar study, Kalitanyi (2007) found that about 80% of immigrant entrepreneurs in Cape Town employed and preferred to hire South Africans than immigrants. They have transferred skilled to South African in the process of employing them. However, a study conducted by Radipere (2012) on a comparative study on local and immigrant-owned Small, Medium and Micro Enterprises (SMMEs) in Tshwane and Johannesburg emerge a different outcome. About 40% of immigrant-entrepreneur owned businesses employed other immigrants, 48% employing both foreign and local employees while 12% employed locals only.

Weaknesses of African Immigrant Entrepreneur

Although a handful of African immigrant entrepreneurs are doing exceptionally well in South Africa, a large number of these are mere survivalists and micro. This conclusion has been

indicated in studies by various researchers such as Peberdy and Crush (1998); Fatoki and Garve (2010); Rogerson & Rogerson (2011); Khosa & Kalitanyi (2014); Asoba (2016). Most of these immigrant entrepreneurs come from Somalia, the Democratic Republic of Congo, Zimbabwe, Rwanda, Burundi, and Angola (Kalitanyi & Visser, 2010). These usually operate in sectors such as wholesales, retails, craft, restaurant, and shop of small-scale in operation, and small technology within the lower-end of the sectors where barriers to entry are relatively low and do not require substantial capital and sophisticated skills. Such low barriers to entry make it easy for African migrant entrepreneurs to try their luck hence fierce competition. The nature of competition that exists is mostly between co-national or co-ethnic, regarding their merchandise prices rather than quality. Consequently, there is a constant price war, while some are a force to wind-up or close down after a relatively short operational period. To survive in this market, a significant proportion of immigrant entrepreneurs do not conform to the current city by-laws and regulation. At the same time, others engage in illicit business such as prostitution and smuggling drugs. Many South Africans believe that foreigners, especially Nigerians, are smuggling drugs into South Africa (Gastrow, 2001).

Notwithstanding the overall focus of some research on how the national and municipality government and other sectors association have tried to encourage immigrant entrepreneurs to conform to the laws and regulation in the host countries, the proper documentation seems to be another weakness. For instance, a study conducted by Chikamhi (2011) on Greenmarket Square and Hout Bay craft market found that the majority of African immigrant do not have business licenses. At the same time, others were unable to open bank accounts and unable to access valuable services because they do not have a South Africa identity document.

Furthermore, immigrant entrepreneurs find it challenging to integrate into communities they run businesses. Levent, Masurel, Njikam (2003) noted the challenge regarding communication challenges, spoken and written, hence losing out on the benefit of integration into the community, access to business advice and access to bank loans. In the case of Finland, Habiyakere et al. (2009) assert that language barrier affects a significant proportion of immigrant entrepreneurs hence sometimes it takes several days to conduct a business transaction. In Durban, South Africa, a similar study conducted by Hunter and Skinner (2001) quotes one respondent who said: *“people shout at me because I cannot speak Zulu.”* Thus indicate how language barriers affect customer relationships.

According to Wickham (2001), entrepreneurial skills are critical for management and growth of enterprises, and these skills include venture innovation, the potential for growth, and strategic objectives. Van Rensburg (2010) share similar views that entrepreneurial skills include creative and innovation, calculated risk and determination. As per the research conducted by Asoba (2014) in the craft market, over 80% of the African immigrant entrepreneurs participants indicated their sole reason for starting a business as being for survival purposes. From this, an argument can be made that only handfuls of immigrant entrepreneurs do possess critical management and enterprise development skills. However, in cases where they do have the skills, there is a need to adopt them in the South African business environment context, which takes longer at times.

Opportunities for Development of Immigrant Entrepreneurs

Immigrant entrepreneurship is benefiting both immigrants and the host nation. According to Tengeh (2013); Fatoki (2014), as result of block mobility theory, it is much difficult for an immigrant to find jobs in South Africa, and self-employment is one of the solutions to

unemployment. As per Malan (2017), between 70 000 to 90 000 South Africans are renting their Spaza shops to immigrant entrepreneur. Therefore, these Spaza shop owners generate additional income is. Spaza shops are convenient and sell at low prices (Malan, 2017).

Tengeh (2011) revealed that the majority of immigrant entrepreneurs started with a low capital of R5 000 or less and that all participants doubled the value of their businesses, with 40% of them having amassed R50 000 or more within their first three years of existence. This finding is contrary to a report by Willemse (2010), which found out that about 50% to 95% of small businesses fail within their first three years. Paying Value Added Tax (VAT) is not an exception to small-scale street traders and Spaza operators; hence immigrants are also contributing towards the government coffers in the form of input VAT when they purchase stock. Policymakers can draw lessons from examples of immigrants to boost the country's economic activity and job creation.

Furthermore, according to Kloosterman and Van Der Leun (1999), immigrant entrepreneurs help in the introduction of new and cheap products and the opening of trade links between countries. This research also suggests that immigrant entrepreneurs can be role models for fellow immigrants. They may act as self-appointed leaders in the community and thus contribute to the integration of immigrants and local people.

Threats Which Could Significantly Undermine the Development of Immigrant Entrepreneurs

Since 1998, xenophobic violence is pervasive in South Africa. Between May and June 2008 a spate of anti-immigrant attack swept Alexandra Township in Gauteng province and to KwaZulu-Natal, and Cape Town. Immigrant-owned businesses were looted, and 70 people dead, and a hundred thousand were made homeless (Crush & Ramachandran, 2014). Furthermore, in 2015 another anti-immigrant violence started in Durban and spread to Johannesburg and Cape Town. One Somalian shopkeeper was set alight using a petrol bomb, seven immigrants and three South Africans were killed. (Mail & Guardian, 2015) More recently, in 2017, xenophobic violence erupted in Pretoria, immigrants were accused of selling drugs and promoting prostitution (The Guardian, 2017).

According to popular literature, South Africa is among the countries with the highest crime rates in the world (United Nation Office on Drugs and Crime, 2007). Because of the high crime rate, business owners are focusing more on operational matters rather than staying ahead of competitors. The increasing expenditure on crime prevention deterred the growth of most businesses.

CONCLUSION

As mentioned earlier, the goal of this study was to present literature on the Strengths, Weaknesses, Opportunities, and Threats (SWOT) on African immigrant-owned businesses in South Africa. Firstly, it is clear that African immigrant entrepreneurs utilise network with suppliers to access information, capital, discounts, and trade credit. Secondly, a significant proportion of African immigrant entrepreneurs are mainly having a positive influence on generating employment, as well as paying VAT on the goods purchased from wholesalers, thereby contributing to the South Africa economy.

Despite these contributions, most African immigrant-owned businesses are in sectors where barriers to entry are relatively low, and competition is fierce. Also, most African

immigrant entrepreneurs do possess skills, and if they do, they should adopt them in the context of the South African business environment. Lastly, xenophobic violence and other crimes deferred business growth.

RECOMMENDATION

This study recommends that the South Africa government should organise workshops and educate African immigrant entrepreneurs about the following benefit: transferring network skills to local; selling unique products at the market; integrating African immigrant entrepreneurs into the communities through the Ministry of Small Business Development. Alternatively, business incubators can be encouraged to embrace immigrant entrepreneurs to facilitate such skills.

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