

THE EFFECT OF THE USE OF SOCIAL NETWORKS ON THE PERFORMANCE OF IMMIGRANT ENTREPRENEURS OPERATING SMMEs IN THE EASTERN CAPE PROVINCE, SOUTH AFRICA

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ABSTRACT

The objective of this study was to investigate the extent to which the use of social networks affect the performance of immigrant owned SMMEs operating SMMEs in the Eastern Cape Province of South Africa. The study followed a quantitative research approach. The population for this study consists of immigrant entrepreneurs operating SMMEs in the Eastern Cape Province of South Africa. A sample of 400 respondents (owner/managers of immigrant owned SMMEs) was selected using non-probability sampling method, specifically snowball and purposive sampling techniques. To collect data, the researcher used the survey method by way of self-administered questionnaires. Data was analysed using correlation and regression analysis. It was found that the use of social networks have an effect on the performance of immigrant-owned SMMEs.

Keywords: Immigrant Entrepreneurs, Social Networks, Social Capital, Performance, SMMEs.

INTRODUCTION

Entrepreneurship is essential for the growth of any economy and is seen as the economic engine of many countries (De Vita et al., 2013; Bruwer, 2013; Flowers et al., 2013). Although most entrepreneurs operate as small, micro and medium enterprises (SMMEs), they contribute significantly to the gross domestic product (GDP), employment creation, poverty reduction and equitable distribution of income in developing countries (Bruwer, 2013; Cant & Wiid, 2013; Flowers et al., 2013). In South Africa alone, SMMEs comprise almost 95% of all enterprises, contributing 56% to the country's GDP and accounting for 75% of employment (Erasmus et al., 2013).

Although SMMEs play a central role in socio-economic development of South Africa, the majority of SMMEs fail within the first five years of operation due to the challenges they face (Cant & Wiid, 2013; Bruwer, 2013). In spite of several government programmes in place and institutions that were established to support these businesses, the failure rates for SMMEs remain high in South Africa (Cant & Wiid, 2013; Bruwer, 2013).

Due to the rise in migration, South Africa has also experienced a rise in the number of non-South Africans operating entrepreneurial ventures in different sectors of the economy (Kalitanyi & Visser, 2010). Van den Tillaart (2007) described this as a global phenomenon which is known as immigrant entrepreneurship. Efrat (2008); Crockett (2013) stated that

immigrant entrepreneurship has been of interest to researchers because the success rates of immigrant entrepreneurs usually outweigh those of their native counterparts.

It has been suggested in literature that the success of immigrant entrepreneurs may be attributed to the use of social networks or social capital that they have access to through their social networks (Solano 2015; Ndoro et al., 2018).

It is also important to understand that while the terms ethnic entrepreneurship and immigrant entrepreneurship are often used interchangeably, there is a significant difference between them (Chand & Ghorbani 2011; Azmat & Zutshi 2012) as ethnic entrepreneurship is broader than immigrant entrepreneurship (Volery, 2007). Immigrant entrepreneurship only includes individuals who have migrated over the past few decades and excludes members of ethnic groups who have been living in the country for centuries. Few studies have been conducted on immigrant entrepreneurship and there are still research gaps in this area (Eresia-Eke & Okerue, 2018; Ndoro et al., 2018; Ngota et al., 2019).

Problem Statement

The majority of SMMEs in South Africa fail within a period of five years (Tengeh, 2011; Fatoki & Smit, 2011; Cant & Wiid, 2013; Bruwer, 2013). However, one apparent anomaly emerging from the literature is that immigrant small business owners are more entrepreneurial than their native born counterparts and consequently more successful, with greater survival rates (Fairlie 2008; Efrat 2008; Crockett, 2013). It is argued that a study of the characteristics specific to immigrant entrepreneurs may reveal important insights about what drives the success of immigrant entrepreneurs, as this can give an understanding as to how these characteristics can be relevant to the South African context so as to improve the success and survival rate of South African entrepreneurial enterprises. Notwithstanding the obvious benefits appreciating the factors driving the success of immigrant entrepreneurs, generally, it is an area that has not been adequately researched (Tengeh 2011; Azmat & Zutshi 2012). This is the case particularly in South Africa where the growth in the number of successful immigrant entrepreneurs has been witnessed in the last two decades (Landau, 2005; Kalitanyi & Visser, 2010; Gebre et al., 2011).

While there are a number of factors affecting immigrant businesses (Eresia-Eke & Okerue, 2018), it is also important to explore the effect of the use of social networks by immigrant entrepreneurs (Ndoro et al., 2018) in improving the performance of their business. This study seeks to answer the following question: to what extent does the use of social networks explain the success of immigrant-owned SMMEs in South Africa?

Objectives

The objective of the study is to investigate the extent to the use of social networks affect the performance of immigrant-owned SMMEs operating in South Africa.

Hypotheses

The hypothesis of this study is as follows:

H₀: The use of social networks has no effect on the performance of immigrant-owned SMMEs.

H₁: The use of social networks has an effect on the performance of immigrant-owned SMMEs.

Significance of the Study

This study is important in helping to close a literature gap in South African entrepreneurial discourse. The effect of the use of social capital on the performance of immigrant-owned small businesses still needs to be studied. In addition, the study will contribute to the improvement of the SMMEs sector of South Africa. Identifying strategies used by immigrant entrepreneurs to survive and succeed in business will be important to South African entrepreneurs in developing their businesses. The study will also inform policy makers and other institutions that promote the success of the SMMEs sector in South Africa. The success of SMMEs in South Africa will have positive effects on economic growth as well as on employment creation.

LITERATURE REVIEW

The social capital theory and literature relating to the use of social networks and its effect on the performance of immigrant owned SMMEs is discussed in this section.

Social Capital Theory

Bourdieu (1986) identified several forms of capital. These include economic capital which is immediately and directly convertible into money and may be institutionalised in the form of property rights; cultural capital which could be embodied in people, objectified in art and institutionalised, for example in university degrees; and social capital which is the resources grounded in durable exchange-based networks of persons. Boxman et al. (1991) described social capital by considering capital attributes that individuals possess in a network. Bourdieu & Wacquant (1992) were of the opinion that social capital is the sum of the resources that accrue to an individual or group by virtue of possessing a durable network of institutionalised relationships of mutual acquaintance and recognition. Putman (1995) described social capital as features of social life, networks, norms and trust that enable participants to act together more effectively to pursue shared objectives. According to Portes (1998), social capital is the ability of actors to secure benefits by virtue of membership in social networks or other social structures. Social capital has also been explained as a set of social resources embedded in relationships (Tsai & Ghoshal, 1998). Tsai & Ghoshal (1998); Sawyer et al. (1999) defined social capital as a set of social resources embedded in relationships and that are used to access resources and information and also to gain legitimacy.

Contemporary studies of immigrant entrepreneurship and the importance of social embeddedness can be traced to the works of Max Weber and Joseph Schumpeter (Urban, 2011). Both argued that the source of entrepreneurship behaviour lies in the social structure of societies and the value structures they produce (Schumpeter, 1934; Weber, 1948).

It has been observed that entrepreneurship does not occur in a vacuum, but is rooted in cultural and social contexts, within webs of personal and institutional networks (Chan et al., 2006). Entrepreneurship is embedded in networks of continuing social relations and networks allow people to access information and resources and to gain legitimacy (Urban, 2011). People use social capital, which involves social interaction that people use to access information and resources (Abbas et al., 2011; Han & Afolabi, 2014). This is confirmed by Davidsson & Honig (2003); Steensma et al. (2000) who also stated that from an entrepreneurial perspective, social

capital provides networks that facilitate the discovery of opportunities as well as the identification, collection and allocation of scarce resources and strategic initiatives.

Social network literature provides rich discussion of the concept embeddedness (Granovetter, 1973; 1985) and recognises the importance of understanding group composition in order to understand social life (Simmel, 1955; Slotte et al., 2010). There are numerous studies focusing on networking as a key aspect of an entrepreneur's social capital base which may also be understood as the goodwill that is engendered by the fabric of social relations and that can be mobilised to facilitate action (Granoveter, 1973; Adler & Kwon, 2002; Audretsch & Keilback, 2004).

Social capital also includes the relational dimension which encompasses aspects that arise from interactions, including trust and loyalty (Abbas et al., 2014). Adler & Kwon (2002) focused on social capital as a resource that exists essentially or permanently in the social network binding a central actor to other actors that are the resources available to actors as a function of their location in the structure of their social relations. Social capital is embedded in relationships among individuals (Shen, 2010); therefore, the bonding view of social capital requires reciprocity and solidarity, builds trust within the group, and provides substantive and emotional support (Shen, 2010; Abbas et al., 2014).

According to Abbas et al. (2014), research suggests that conceptualising social capital in terms of network structures, as articulated by the strength of the weak ties theory (Granovetter, 1973; 1983) provides valuable insight to researchers. The weak ties theory by Granovetter (1983) is very important in conceptualising the social capital in terms of network structures as these weak ties play a role in the success of firms. This theory explains the value of relationships or social ties in the performance of a business.

Although some aspects of networking are generic, it is reasonable to postulate that given the socially embedded nature of networking activities, entrepreneurs of different cultures may have different networking styles (Dodd & Patra, 2002). Furthermore, looking at networks in a multicultural context such as South Africa could also provide a way of understanding what goes on within the relationships that make up a network (De Klerk, 2010).

The Use of Social Networks

Although much attention has been given to the concept of social networks in entrepreneurship, there is no unanimous definition for the concept. According to Jackson (2010), a social network refers to people with whom entrepreneurs interact, both on a regular and an irregular basis. Thus, people in one's networks can influence one's beliefs, decisions, and behaviours. Kim & Sherraden (2014) defined social networks as an arrangement of individuals' organised relationships with others.

In a small business context, Sirec & Bradac (2009) defined social networks as activities in which SMME owners or entrepreneurs build and manage personal relationships with particular individuals in their circles. This definition is similar to the one provided by Surin & Wahab (2013) who defined social networks as interrelationships between entrepreneurs and their contacts for business purposes.

It is evident from the above definitions that the concept of social network involves building, maintaining and managing relationships with other people who will be of help to an entrepreneur in one way or the other. It can, therefore, be accepted that the more connected an entrepreneur is, the higher the chances of business survival and success (Sirec & Bradac, 2009).

Different types of networks have been identified in literature. Innovation networks and solidarity networks are described as fulfilling different functions. Innovation networks improve firm performance by allowing better information flow between members, whilst solidarity networks are designed to reduce uncertainty (Naude & Havenga, 2007). Solidarity networks tend to dominate in Africa due to uncertainty, particularly in terms of a lack of contract discipline. Moreover, surviving or necessity entrepreneurs are reported as being more active in social relations than their unsuccessful counterparts (Sawyer et al., 2003; Urban, 2011).

Social networks are assets for small business owners struggling to survive in competitive markets (Urban, 2011). There is an increase in literature suggesting the importance of networks to entrepreneurs and that social capital may be the most significant source of knowledge for entrepreneurs (Audretsch & Keilbach, 2004; Arenius & De Clercq, 2005; Urban, 2011). According to Urban (2011), social networks provided by extended family, community-based or organisational relationships are often theorised to supplement the effects of education, experience and financial capital that are necessary in improving the performance of a business venture.

Herrington et al. (2010) declared that aspiring entrepreneurs have low levels of entrepreneurial experience, inadequate education, and lack access to finance and business-orientated networks. Networking is important for small businesses since they are constrained by size to make sufficient investments in generating new knowledge; thus, they can access information through their networks (Urban, 2011). Entrepreneurs report on the lack of access to networks, highlighting the fact that these entrepreneurs have less opportunity to utilise formal social capital features (Menzies et al., 2007; Urban, 2011). Social capital and social networks provided by extended family, community-based or organisational relationships are often theorised to supplement the effects of education, experience, and financial capital (Urban, 2011).

The Use of Social Networks by Immigrant Entrepreneurs

Despite the importance of entrepreneurial networking, a limited amount of theoretical research has examined the dynamics of networking in a developing country such as South Africa (Urban, 2011).

Immigrant entrepreneurs use social networks or their connections to build social capital. Social capital can be viewed as all the resources embedded in network relationships of individuals, communities, networks, or societies (Burt, 1997). According to Ozman (2009), network research at the firm level is concerned with uncovering the benefits derived from networks measured mostly as economic or financial firm performance. The dominant view in the literature is that networks and the social capital embedded in these relationships are positively associated with innovativeness as well as SMME performance (Pittaway et al., 2004; Gronum et al., 2012).

There is wide agreement that the resources embedded in entrepreneur's personal networks are critical for the performance of firms. Stam et al. (2014) explained that network connections enable entrepreneurs to identify new business opportunities, obtain resources below the market price, and secure legitimacy from external stakeholders. Informal firms use networks to access resources including business information, labour, market knowledge (concerning competitors, customers and suppliers) and financial support (Nikjamp, 2003; Grant, 2013). Entrepreneurs use informal contacts (including business people, family and friends) more than formal network contacts such as bankers, lawyers and information sources (Van Scheers, 2010). Lack of networking can lead to low rate of start-ups (Van Scheers, 2010).

Researchers increasingly acknowledge that entrepreneurial activity is embedded in network relationships that direct resource flows to entrepreneurs who are somehow better connected (Aldrich & Zimmer, 1986). The literature clearly indicates that social capital, or the resources that entrepreneurs may access through their personal networks (Adler & Kwon, 2002), allows entrepreneurs to identify opportunities (Bhagavatula et al., 2010), mobilise resources and gain legitimacy for their firms (Elfring & Hulsink, 2003; Stam et al., 2014) which will ultimately improve their firm performance.

Welter & Smallbone (2006) reported that successful new entrepreneurs are more likely to be those who can build networks of trust, which then assist them in creating legitimacy within the market. A major factor improving the strength of social capital consists of trust, which is often a result of obligations, threat of censure, and exchange. Trust has been described as the 'glue and lubricant' which hold networks together (Davidsson & Honig, 2003; Urban, 2011). This trust forms bonding glue that holds entrepreneurs together. Empirical results from a variety of Western and Eastern European economies illustrate that personal trust appears to play a less important role during periods of business growth and in stable environments, whereas institutional trust gains importance, although without dominating the nature and extent of entrepreneurship. By contrast, institutional trust needs personal trust to develop, regardless of the regional and sector environment. This implies that entrepreneurship is typically affected by a mixture of personal and institutional trust (Welter & Smallbone, 2006).

Social networks have a crucial role in raising capital, recruiting labour, and dealing with customers and suppliers (Sahin et al., 2012). Social networks may be the main determinant for the development of immigrant-owned enterprises (Sahin et al., 2012).

According to Garg & Phayane (2014), closely connected to social capital, is the ability to access human capital. Immigrant entrepreneurs are able to find workers within their immigrant community, often at a lower cost (Garg & Phayane, 2014). In most cases, migrants proactively create new business opportunities, taking advantage of the available low skilled and cheap migrant labour who are known to work for longer hours and demand lower pay (Nijkamp et al., 2009; Baycan-Levent et al., 2009; Sahin, 2012). Halkias et al. (2009) admitted that the immigrant community itself then benefits mainly because job opportunities are made available to members who may have difficulty in finding employment through the South African mainstream labour market.

Entrepreneurs are apt to develop networking relationships and connections with external stakeholders to secure needed resources such as information, knowledge, and legitimacy (Nordqvist & Goel, 2008; Acquah, 2012). There is a positive relationship between the use of social networks by entrepreneurs and the performance of their businesses (Stam et al., 2014).

Social networks are sources of social capital (Chung-Ming, 2011) and are necessary organisational resources (Houghton et al., 2009; Ma et al., 2009; Chung-Ming, 2011; Ibeh et al., 2012). Social networks are critical resources for firms to gain information (Chung-Ming, 2011).

METHODOLOGY

This study was conducted in the Eastern Cape Province of South Africa. The province is characterised by high levels of unemployment and is the poorest in South Africa (Dodd & Nyabvudzi, 2014). The study followed a positivist paradigm and used a quantitative research approach. The population for this study consisted of immigrant entrepreneurs operating SMMEs in the Eastern Cape Province of South Africa. Since there is no one trusted database with all details of immigrant entrepreneurs, it remains difficult to estimate the actual total number of

immigrant entrepreneurs in this province. Snowball and purposive sampling techniques were used to select respondents (owners and managers) from immigrant-owned SMMEs. Respondents were selected from immigrant owned SMMEs, operating in the Eastern Cape Province, employing not more than 200 employees.

Data was collected using a self-administered questionnaire. Scales were developed from literature to measure the use of social networks. The use of social networks scale consisted of 24 items ($\alpha=0.99$).

It is important to note that the performance of SMMEs can be measured through a subjective approach (Aziz et al., 2014). In this approach, the performance of SMMEs was measured by assessing the perception of the owner/manager providing responses to the Small Business Performance Questionnaire on their business's asset growth, growth in sales revenue, profitability, employment growth, chances of survival, and general performance in relation to competitors (Bontis et al., 2000; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2005; Hubbard, 2009; Mahmood & Hanafi, 2013; Aziz et al., 2014). These questions, which include both financial and non-financial performance indicators, were measured on a five-point Likert scale. Performance was measured using a 14 item scale (Cronbach's alpha=0.98).

Factor analysis was also conducted to ensure the validity of the scales used in the questionnaire. Correlation and regression analysis were used to test the hypotheses. Ethical clearance was obtained from the University of Fort Hare Research Ethics Committee. The researchers also sought informed consent from the respondents and also ensured that there is confidentiality of information provided by the respondents. Privacy and anonymity of respondents was also ensured in this study.

RESULTS

Of the 400 questionnaires distributed, only 378 were usable. Thus the response rate was 95%. Ninety-six (25%) of the respondents were female while 282 (75%) were male. A total of 28% of respondents identified themselves as owners of SMMEs, 8% identified themselves as managers, and the majority (64%) identified themselves as both owners and managers. About 2% of the respondents were below 25 years of age, 8% were between the ages of 25 to 30 years, 27% of the respondents were between 31 and 40 years of age. The majority (64%) of respondents were above 40 years of age. Of the respondents, 22% have been operating their businesses for three years or less while the majority (78%) have been in business for more than three years. The results also showed that 25% of respondents in this study operate micro businesses, 72% operate small businesses and only 3% operate medium businesses.

Respondents were from 27 different countries. The results also show that the majority of immigrant entrepreneurs operating in the Eastern Cape Province of South Africa are from African countries. Nigeria had the highest number of respondents (11.9%), followed by Somalia (10.6%) and Zimbabwe (10.1%). Other countries that had more respondents include Ghana (9.8%), Ethiopia (7.1%), and Pakistan (6.1%). This is in line with what was noted by Ibeh et al. (2012) when they stated that Africa to Africa internationalisation has increased. About 56 percent of the respondents were members of at least one business association while 44% of respondents are unaffiliated with any business association. About 2% of respondents were from the construction industry, about 3% were from the manufacturing industry, 47% were from the service industry, 48% were from the trading sector, and less than 1% was from other sectors.

It is clear from the results that the majority of immigrant entrepreneurs operate either in the trading sector or the service sector. More than 61% of the respondents have attained at least

high school in their education. However, 39% of the respondents indicated that their highest level of education is below that which can be attained at high school. The majority (92%) of immigrant entrepreneurs operate a business in rented premises. Only 8% operate in premises that they own.

Respondents were asked questions on the extent to which they agree or disagree to statements relating to the use of social networks and performance of their businesses. The results for the use of social networks are presented in Table 1.

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Number	Mean	Standard deviation
I can obtain information about my industry from my network of contacts faster than competitors can obtain the same information	19 (5.1%)	44 (11.7%)	25 (6.6%)	246 (65.4%)	42 (11.2%)	376	3.66	0.994
I have a relationship with someone influential in my industry	14 (3.7%)	43 (11.4%)	26 (6.9%)	201 (53.3%)	93 (24.7%)	377	3.84	1.041
I have engaged with someone influential in my industry in informal social activity (e.g. playing sports).	10 (2.7%)	42 (11.1%)	29 (7.7%)	194 (51.5%)	102 (27.1%)	377	3.89	1.011
I rely on my social networks to access information	10 (2.7%)	41 (10.8%)	27 (7.2%)	183 (48.5%)	116 (30.8%)	377	3.94	1.026
I rely on my social networks to identify opportunities	11 (2.9%)	39 (10.3%)	23 (6.1%)	178 (47.2%)	126 (33.4%)	377	3.98	1.036
I access resources through my social networks	13 (3.4%)	39 (10.3%)	22 (5.8%)	170 (45.1%)	133 (35.3%)	377	3.98	1.067
My social networks helped me to gain legitimacy	17 (4.5%)	37 (9.8%)	16 (4.2%)	175 (46.4%)	132 (35.0%)	377	3.98	1.093
Social networks are important for the success of immigrant-owned businesses	14 (3.7%)	36 (9.6%)	25 (6.7%)	187 (49.9%)	113 (30.1%)	375	3.93	1.042
I rely on my social networks to cut costs	12 (3.2%)	41 (10.9%)	24 (6.4%)	176 (46.7%)	124 (32.9%)	377	3.95	1.056
I am active in my network	9 (2.4%)	42 (11.1%)	26 (6.9%)	176 (46.7%)	124 (32.9%)	377	3.97	1.030
I have an influential position in my network or association	8 (2.1%)	45 (11.9%)	25 (6.6%)	180 (47.7%)	119 (31.6%)	377	3.95	1.025
I raised capital to start up my business through my social networks	10 (2.7%)	43 (11.4%)	24 (6.4%)	180 (47.9%)	119 (31.6%)	376	3.94	1.038
I raise my working capital through social networks	12 (3.2%)	43 (11.4%)	23 (6.1%)	178 (47.2%)	121 (32.1%)	377	3.94	1.060
I rely on my networks for assistance	10 (2.7%)	43 (11.4%)	23 (6.1%)	174 (46.2%)	127 (33.7%)	377	3.97	1.046
I can easily access capital through my social networks	11 (2.9%)	44 (11.7%)	24 (6.4%)	181 (48.0%)	117 (31.0%)	377	3.93	1.049
I have helped someone in my networks to start a business	13 (3.4%)	42 (11.1%)	20 (5.3%)	179 (47.5%)	123 (32.6%)	377	3.95	1.066

I was helped by people in my networks to start a business	15 (4.0%)	38 (10.1%)	20 (5.3%)	177 (47.1%)	126 (33.5%)	376	3.96	1.074
A person in the same line of business is not my competitor as long as we belong to the same business association	14 (3.7%)	38 (10.1%)	17 (4.5%)	192 (50.9%)	116 (30.8%)	377	3.95	1.044
I get customers referred to me by people in my network if they don't have the items in stock	11 (2.9%)	45 (11.9%)	23 (6.1%)	173 (45.9%)	125 (33.2%)	377	3.94	1.064
I refer customers to my networks when I don't have what they want in stock	14 (3.7%)	41 (10.9%)	16 (4.2%)	181 (48.0%)	125 (33.2%)	377	3.96	1.070
I can access training through my networks	8 (2.1%)	44 (11.7%)	22 (5.8%)	171 (45.4%)	132 (35.0%)	377	3.99	1.034
I can easily find people to work for me through my networks	7 (1.9%)	47 (12.5%)	16 (4.2%)	176 (46.7%)	131 (34.7%)	377	4.00	1.029
I work together with other people in my networks	12 (3.2%)	38 (10.1%)	19 (5.0%)	174 (46.2%)	134 (35.5%)	377	4.01	1.048
I communicate frequently with people in my networks	10 (2.7%)	39 (10.4%)	17 (4.5%)	163 (43.4%)	147 (39.1%)	376	4.06	1.044
Total							94.67	25.09
Average							3.94	1.05

The sum of means for the use of social networks (94.67) is above the expected average (60) suggests that immigrant entrepreneurs operating in the Eastern Cape Province of South Africa generally agreed that they use social networks for business purposes. The average mean score ($M=3.94$; $SD=1.05$) closer to 4 (which means agree) further confirms that there is a general agreement among respondents that immigrant entrepreneurs use social networks for business purposes.

Males ($M=97.72$; $SD=19.03$) reported significantly higher levels of the use of social networks than females ($M=85.89$; $SD=28.74$); $t(118.394) = 3.69$; $p=0.000 < .05$. This means that male immigrant entrepreneurs use social networks more than their female counterparts and the mean difference (11.83) is not by chance.

Respondents that belong to a business association ($M=102.11$; $SD=13.89$) reported significantly higher levels of the use of social networks compared to those that do not belong to any business association ($M=85.68$; $SD=27.26$); $t(232.169) = 7.04$; $p=0.000 < 0.05$. Since these results are statistically significant, it means that the mean difference (16.43) is not by chance.

From results presented in Table 1, it can be seen that although the respondents are spread in their views. However, the majority of respondents agreed to the statements that they make use of social networks. For all statements, the mean scores are closer to 4 (agree) which indicates that on average, respondents generally agreed to the statements. Based on the results presented in Table 1, it can be said that the majority of immigrant entrepreneurs operating businesses in the Eastern Cape Province use social networks in order to succeed in business.

These results are in line with previous studies (Burt 1997; Nikjamp 2003; Grant 2013; Stam et al., 2014) that have also observed that immigrant entrepreneurs depend on and make use of social networks to access resources, to access information, and to gain legitimacy.

H_0 : *The use of social networks has no influence on the performance of immigrant entrepreneurs*

To determine the association between the use of social networks and performance of immigrant-owned SMMEs, Pearson product moment correlation analysis was used. This was

chosen mainly because of the interval nature of the variables and because it can help to provide answers as to whether there is a relationship, the pattern of the relationship and also the strength of the relationship. Table 2 presents the results.

		Total SMME performance score	Total use of social networks score
Total SMME performance score	Pearson Correlation	1	0.944**
	Sig. (2-tailed)		0.000
	N	369	363
Total use of social networks score	Pearson Correlation	0.944**	1
	Sig. (2-tailed)	0.000	
	N	363	371
**. Correlation is significant at the 0.01 level (2-tailed).			

Based on the results presented in Table 2, the p-value of $0.00 < 0.05$ indicates that there is a statistically significant relationship between the use of social networks and the performance of immigrant-owned SMMEs, with the positive Pearson R (0.944) meaning that the relationship is positive. The coefficient is 0.944, which is very closer to 1, and hence the association is very strong.

Although association was established, the effect or impact of the use of social networks on performance cannot be determined using correlation analysis only. Hence, there is need for regression analysis.

Regression Analysis Results

Simple linear regression analysis was conducted, with the dependent variable being performance and the explanatory variable being the total score for the use of social networks. The results are presented in Table 3.

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	0.944 ^a	0.891		0.891	4.070	1.487
a. Predictors: (Constant), Total use of social networks score						
b. Dependent variable: Total SMME Performance score						

The model summary presented in Table 3 shows that about 89% (0.891) of the variation in performance of SMMEs is explained by the use of social networks. This, therefore, means that by observing the use of social networks one is able to predict the performance of immigrant-owned SMMEs with 89% accuracy.

The model is considered fit, F (295.733) is large and statistically significant with a p -value<0.05 respectively. The results for the goodness of fit test using ANOVA are presented in Table 4.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	49121.581	1	49121.581	2965.631	0.000 ^b
	Residual	5979.466	361	16.564		
	Total	55101.047	362			
a. Dependent variable: Total SMME performance score						
b. Predictors: (Constant), Total use of social networks score						

Having established model goodness of fit, Table 5 shows the coefficients of the explanatory variable (the use of social networks), detailing whether there is an impact, the pattern of the relationship (positive or negative), and the magnitude of the impact.

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.087	0.930		6.545	0.000
	Total use of social networks score	0.520	0.010	0.944	54.458	0.000
a. Dependent variable: Total SMME performance score						

The results show that there is a relationship between these two variables since the p-value (sig.) of 0.00 is less than 0.05. These results also show that the relationship is positive and moderate, with a unit increase in the use of social networks increasing the performance score by 0.520 units. Given these results, the null hypothesis is rejected at a 95% confidence level in favour of the alternative hypothesis.

CONCLUSION

It is, therefore, concluded that the use of social networks has a positive effect on the performance of immigrant-owned SMMEs operating in the Eastern Cape Province of South Africa. This therefore means that immigrant entrepreneurs who perform better are those that use their social capital effectively. These findings are supported by Nijkamp (2003); Grant (2013); Bhagavatula et al. (2010); Elfring & Hulsink (2003); Stam et al. (2014) who also stated that effective use of social networks or social capital by entrepreneurs will help improve their access to information and resources and enable them to easily gain legitimacy in the market, which ultimately improves the performance of their businesses.

Managerial Implications

The study has contributed to the body of knowledge on the performance of SMMEs by providing new insights into the the affect the effect of social networks on the performance of immigrant-owned SMMEs. The findings of this study also contribute to the discourse on entrepreneurial success factors. The findings also give an idea that the performance of immigrant-owned SMMEs is affected by the use of social networks.

Based on the findings of the study, recommendations are suggested to immigrant entrepreneurs. It is suggested that immigrant entrepreneurs continue to take responsibility for the performance of their businesses regardless of the challenges that they face. Immigrant entrepreneurs should understand the value of their social networks and use their networks and social capital for the success of their businesses. Thus, immigrant entrepreneurs should continue developing network ties in South Africa by joining business associations and by attending business networking functions.

LIMITATIONS OF THE STUDY

The study was conducted in only one province of South Africa, focusing only on immigrant entrepreneurs operating SMMEs. This study also excluded foreigners who migrated to South Africa and invested in large businesses that employ more than 200 employees.

It is important to note that this study used non-probability sampling, which is sometimes criticised by other researchers, yet it remains useful in cases where probability sampling cannot be used. This study adopted a quantitative research approach, hence foregoing the advantages of qualitative research. Although this approach was useful and effective in achieving the objectives set for this study, a follow-up qualitative study in the same area may provide some more information on how the use of social networks affects the performance of immigrant-owned SMMEs.

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