Business and Social Profiling of Immigrant-Owned Small Medium Enterprises: The Case of Somalian Immigrant Entrepreneurs in Thembisile Hani Municipality of South Africa

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Abstract
This study examines Somalia’s immigrant entrepreneurs in South Africa so as to identify patterns of ethnic entrepreneurship and socio-economic challenges faced by ethnic entrepreneurs. The research aims to enhance understanding of the characteristics and business profiles of Somalia immigrant entrepreneurs in Thembisile Hani Municipality, Mpumalanga Province of South Africa. It also seeks to make recommendations to government and private sector agencies for policy formulation that supports and encourages these Somali immigrant entrepreneurs. A survey administered to 43 Somalia’s immigrant entrepreneurs recorded a wide range of data from which frequency distributions, cross-tabulations and Chi-square tests were processed. This was to reveal strong associations between business and social profiling. Findings reveal that the Somalian immigrant entrepreneurs, rather than turning to the private sector financial sector for capital often set up enterprises with their own capital. Findings also reveal that the fraction of the educated and the not educated is comparatively the same. They also further specify that South Africa is not the terminal migration destination of choice for these Somalia immigrant entrepreneurs. Market-share of work permits is proportionately larger than their residence permit share, this differs from other ethnic groups by substantial preference for enterprise operation, and they are very much bound to ethnic enclaves. This frame of research offers a unique contribution to an area which has been until now largely ignored.

Keywords: Somalian immigrant entrepreneurs, self-employment, chain migration, ethnic entrepreneurship, economic integration

1. Introduction
Since 1991, numerous political and security analysts have pronounced Somalia as a failed government, lacking effective centralized governance institutions and experiencing recurring humanitarian crises. The collapse of government resulted in the loss of public jobs, increased levels of poverty and unemployment rate. According to Bygrave (2009), Somalians pride themselves in their distinctive entrepreneurial spirit that has allowed them to survive and even thrive despite persisting challenges and adversity. Individual, social and environmental factors all have a direct bearing on the entrepreneurial process, its motivation, innovation, continuity and expansion (Bygrave, 1994).

In South Africa, most immigrants start small businesses in their quest to become economically self-sufficient, send money back to relatives in their countries of origin, serve the consumer needs of fellow newcomers, and integrate into community life. In addition, they increases social wealth by creating new markets, new industries, new technology, new institutional forms, new jobs, net increases in real productivity and, increases in income which culminates in higher standards of living for the population (Simon White, 2005). According to Statistics South Africa (StatsSA 2010) immigrant businesses make up about 2.5% of the total number of businesses and the immigrant population is about 3% of the total population. Immigrant-owned businesses are estimated to account for about 2% of new business start-ups.

The purpose of this research is three-fold: 1) to determine characteristics and business profiles of small firms owned and operated by Somalians in Thembisile Hani Municipality 2) to view ethnic enterprises as a means of socio-cultural integration in the host society, aiming to reveal rich and varied forms of economic self-organisation, and 3) According to the results, make recommendations to government and private-sector agencies for policy formulation that support and encourage:

a. Sustainable small-scale economic development activities by Somali immigrants and determine ways to integrate these small businesses into existing rural economic development projects and strategies, and
b. Social policy addressing issues of immigrant social exclusion and successful community integration.
2. Literature Review

2.1. Conduit for Somalian migrant to South Africa

The collapse of government in 1991 resulted in public jobs loss and increased level of poverty and unemployment rate. The appealing factor, the importance of traveling to South Africa, is based on diasporic routes, which provide them with contacts they can trust and the right to hospitality. According to Samadia (2014), Somalia prioritised socialisation with South African Indian Muslims, establishing a Muslim neighbourhood. They want to live in Muslim territories rather than race or Africanism became their mode of identification.

The aforementioned pattern points to social networks as a major driving force to developing markets to sustain their business networks. In most cases Somali migrants hold a passport either from Kenya or countries such as Canada. Such grants them an option of transnational mobility. Furthermore, it allows Somalian entrepreneurs to import goods and set up economic partnerships with other members of the diaspora. A passport confers a higher status in the Somalia’s economic hierarchy.

Somalians have developed numerous markets around South Africa and where the Somalian mosque. These markets are suited various businesses areas which represent a nexus between the center of the city with its urban townships and more rural areas. For instance in Johannesburg, different classes disperse into different entrepreneurial spaces, with wealthier Somalian traders working in the city and others in townships or more peripheral areas (Wadiae, 2014).

2.2. South Africa as ‘Home’ to increasing numbers of Somalian migrants

Many of the entrepreneurs leave Somalia for diaspora communities in South Africa, Kenya, Ethiopia, Europe, and the United States. This resonates from the belief that entrepreneurship development creates employment through the start-up of new entrepreneurship or the expansion of existing ones. In addition, increases the numbers of Somalia’s in South Africa are due to a wide variety of factors, including porous borders, lack of luster immigration policies, black market trade opportunities, and even political instability.

Somalia is characterised as a “Nation of Entrepreneurs” who emphasize the importance of economic stability and prosperity over ideological and political goals. This highlights the level of Somalian interaction with the international business community. The first flow of Somalians has been established as reliable and hardworking with a sense of business acumen which have paved the way for future Somalians by being a source of information and support. Consequently there were two additional waves of migration to South Africa; the second flow of Somalian migrants’ occurred between 1995 and 2000 with the third in 2006 when Ethiopia invaded Somalia.

This first group of forerunners established themselves in Cape Town and Johannesburg, urban centres that had economic potential. Over the years, some migrants relocated to rural areas and smaller towns in the Eastern Cape, Mpumalanga Limpopo and North-West provinces. Somalian community leaders claim that the actual number of Somalian’s is higher than official figures (Jinnah, 2010).

2.3. Somalia drive self-employment activities in South Africa

Apart from the natural business acumen – in direct contrast to most Africans entering South Africa – entrepreneurial ventures often reward a wide range of personal attributes, such as candidness to risk-taking, ambitious aspirations, motivation, and resourcefulness. These character mannerisms are in high demand and are distinctive entrepreneurial spirit that has allowed Somalian immigrant entrepreneurs to survive and even thrive despite persistent challenges and adversities. Individual, social, political and environmental factors have a direct bearing on the entrepreneurial process, its motivation, innovation, continuity and expansion (Bygrave, 1994).

In many parts of the world, certain group of immigrants have high levels of self-employment exceeding the national average. In South Africa, the level of self-employment is the highest among Asians and African immigrants. Immigrant business owners have increased in numbers compared to a decade before. In 2013, it was reported that a large proportion of entrepreneurs is accounted to the Somali population which is gradually increasing.

The increasing number of immigrant-owned entrepreneurs especially in the rural areas leads to increased attention on immigrant entrepreneurship. This should be the specific point of interest in an effort to explain the variations in the level of entrepreneurial activity between different groups of entrepreneurs. These businesses tend to specialise in supplying food, music and clothes from home countries, confirming the importance of networks in directing forms of entrepreneurship (Rapidere and Dhlwayo, 2014). A lot of research has noted an unidentified amount of immigrants which drive income generation through various forms of enterprises.

2.4. Risks faced by Somalians in South Africa

The recent sprouting of attacks on foreign-owned shops reveals that the negative attitudes of many South
Africans toward foreign nationals which remains mostly unchanged since the 2008 attacks and murders. This is seen through the recent attacks in March 2015. Far too many locals, from the political elite to the unemployed surviving in informal settlements, believe that foreign nationals ‘steal’ jobs from South Africans. Such emanates from the believe that they dominate the informal sector and allegedly have an unfair advantage over locals in this segment of the economy. Furthermore, statements by the politicians are untrue that foreign nationals are taking South Africans jobs. In many instances politicians are quick to propagate such misconceptions; possibly because they are of the view themselves, or perhaps they aim to distract an increasingly restless population from their failure to meet the current job demands and the routinely promised jobs creation in State of the Nation speeches.

Majority of Somalis have proven to be fierce competition to local businesses hence South Africans enterprise owners perceive them to be their strongest threat. Somali owned businesses in city centres, townships and rural areas across South Africa have provided goods at cheaper prices, and longer trading hours. This has resulted in stiff competition for business (Tamukamoyo, 2015). Several researchers believes that immigrants contribute to the economy by renting shops from South Africans, providing employment to locals and paying value added tax.

2.5. Socio-Cultural issues influencing integration of Somalia immigrants in South Africa

There is a general consensus that immigrant entrepreneurs play a vital role in South African economic growth. Hence there is a need for better understanding and appreciation of their influence at a socio-cultural level given that a large majority of the country’s immigrant population hails from less-developed nations. This has many implications beyond economic considerations as intolerant character towards immigrants serves to uphold an exclusion worldview which does not support integration and assimilation at bay. This invariably keeps immigrants at a disadvantaged position to access social and public services. The significance of which has specific consequences for economic and social inclusion of immigrants.

Islamic identity has been a major source of social capital for Somalia seeking help and solidarity from South African Muslims of Indian origin, who have their own economic and religious territory. In the case of Somalia, class needs to be understood in economic and religious terms. Religion is an important distinguishing factor for Somalis therefore absence of mosques in rural areas presents a risk and a danger to morality. Gender is another differentiating factor. Women’s mobility is enabled by Islamic marriage. Traveling alone as a single woman is unsafe and considered immoral. Women often get married in transitory places such as the United Nations refugee camps in Kenya or once they have settled in South Africa. This is a strategy often used in the past by female refugees from various countries in Africa and elsewhere. The traveling female body has social consequences in family circles: women gain confidence after proving they can survive migratory journeys.

Research indicates that despite Somalia immigrant groups being partially influenced by the host society, an unwavering aversion to venturing beyond the ethnic enclave perpetuates ongoing restricted share of knowledge and overcrowded habitation set up. Academic investigation into the need for immigration policy reassessment and the introduction of an asylum agenda cannot ignore the significance of the aforementioned when considering that South Africa’s Somali immigrants top the ranks of those holding unwavering to ethnic enclave approaches.

3. Research Methodology

The criteria for inclusion in this study is that an immigrant-owned business is one that is owned and managed by the immigrant and/or more than one family member (Hollander & Elman, 1988; Astrachan & Astrachan, 1993). This definition is clearly less restrictive than other definitions because it is not dependent on the involvement of multiple family members (Winter et al., 1998). A second reason for adopting a broad definition is that this paper is an exploratory study and our sample represents a relatively small number of Somalia-owned businesses in South Africa.

The sample of this study focuses on Somalia immigrant businesses. A Somalian business owner in Thembisile Hani Municipality gave the researchers further contacts for Somalis immigrant entrepreneurs, while some were identified by the researcher is familiar with the area. In addition, the Researcher conducted a field search in the Somali immigrant communities from personal contact sources in the rural communities of Thembisile Hani Municipality. The sample represented the primary industries for Somali entrepreneurial activity: retail, food, beverage, providing micro-saving strategies amongst country mates and sending money services to their family members all over the world.

The interview survey was conducted by Researcher (taking the survey to business owners) who on average spent 60 to 90 minutes interviewing the respondents and writing down the answers on the survey itself. The survey was done from January 2014 - March 2014. 43 valid interview surveys were completed by the Researcher and used in the study’s data analysis.

The survey was written in English and there was a need for explanation by the Research conducting the individual interviews since Somali immigrants spoke little English. The demographic questions included: age,
gender, marital status, number of children, relationship with the owners, and level of formal/informal technical trading education. The remaining questions in the first section were open-ended and pertaining to perceptions of the immigrant owners on their relationship with their own immigrant group, their relationship with the host society, and the effect of the global business environment on immigrant entrepreneurship. A final open-ended question allowed the respondents to add any further individual perceptions they wished, which were not included in the survey.

The second section of the interview survey collected business data (industry sector, financial data, marketing, growth/expansion strategy, technology, distribution channels, employee profiles, supplier profile, and customer profile). According to this information, data was collected and analysed to frame a clear depiction of the immigrant entrepreneur’s social profile and key characteristics encompassing the business profile of each enterprise.

3.1. Research Participation Rates
Ascertaining immigrant small enterprises was the first phase of research. The second phase, the most challenging and time-consuming, was building the rapport necessary to actually conduct interviews. The researcher identified 117 immigrant businesses however 43 in-depth interviews were conducted with the business owners. Immigrants are unnervingly hesitant to participate in research interviews owing to numerous explanations.

Many of their reasons for declining participation are similar to those of established-resident business owners: reluctance to share financial information, concerns about the potential benefits for their competitors etc. However, immigrant business owners often have additional reasons to decline research participation: language barriers, concerns that their business practices or personal lives will draw the attention of authorities with whom they remain unfamiliar or even suspicious of, potential exposure of their employment of undocumented immigrants, etc. (Grey et al., 2004).

Some newcomer business owners granted interviews on the initial day of contact. Others granted interviews only after several weeks of persistent inquiries. Some business owners did not live in the same community, forcing a potentially long wait to arrange an interview. Even among those business owners who were interviewed, there was reluctance to answer every question in the interview protocol. This was particularly the case in terms of financial information. In order to encourage participation, business owners were assured through signed informed consent forms that the name and specific location of their business would not be identified in this survey.

3.2. Data Results and Analysis
3.2.1. Demographics
A sample of 43 immigrant entrepreneurs from Somalia were interviewed in the municipality and the results collected were analysed. Finding respondents agreeing to participate in the survey proved to be very challenging due to various reasons. About 62 percent of Somali immigrant entrepreneurs are between the ages of 30 and 40. Comparing this figure with the number of years they have been in South Africa we can say that most of them came to South Africa in their mid twenties (85 percent indicated that they have been in South Africa for five to 10 years). The majority of them (54 percent) started their entrepreneurial activity during their first five years, while the rest started later. This is an indication that a majority of the immigrants struggle to get employment. Henceforth they borrow within their relatives, and some will gather enough financial resources and ventured into becoming business owners.

With the exception of 5 that said they entered the country illegally, all others declared they got a visa/work permit/ status when they were invited by relatives, while some came to the country through refugee status. 64 percent chose South Africa because of perceived economic opportunities and 30 percent were motivated by relatives already in South Africa. 62 percent came alone while the rest declared that they came with friends, relatives or co-workers. With the exception of three, everybody in the sample is married with children. Regarding their educational level, 34 percent have reached only secondary education levels, 33 percent have undergraduate degrees in various fields and the rest came as experts to search for the so called greener pastures. 70 percent of the respondents’ sample does not see South Africa as the ultimate destination. This is correlated with the sporadic but insistent, and at times fatal, attacks on immigrant entrepreneurs; many still are confident and persistent to stay in the country a while longer.

3.2.2. Data concerning the Somalia Immigrants’ Business Life Cycle
For Somali immigrants to be financially liberated and be in control of their own destiny, they venture into entrepreneurship. As a result of the saturated labour market and inspiration from local immigrant entrepreneurs (33 percent) and other family members and country mates who are already entrepreneurs (41 percent) the immigrants start their business after saving enough for a start-up operation. 87 percent are single owners while the rest started businesses with a 60 percent with a relative or friend from the same ethnic group. A significant cross-tabulation (Chi-Square = 0.002) revealed that education level was not the determining factor to form
partnerships. This is mainly because Somalia by nature is a nation of entrepreneurs because they normally emphasize the importance of economic stability and prosperity over ideological and political goals. Hence it’s easy for Somalis to support each other in all business aspects and endeavours.

When asked if they continually search for new opportunities, 77 percent said they strongly agree with that statement meaning it represents their viewpoint and outlook on business activities. Only a few Somalia felt competition from other immigrants while only one said they felt competition from South Africans. Interestingly, both the latter individuals had tertiary education degrees while all the rest only reached secondary education levels (Chi-Square = 0.005). A conceivable account is that they focus on different products or deal with a market segment that host entrepreneurs do not address. Also, those that felt competition from local entrepreneurs were internet café, salon owners – entrepreneurial activities South Africa are also involved in. Most South African migrate from rural to urban areas, which most believe to have, healthier economic opportunities or what is known as “lower hanging fruit”. Hence immigrants identify the move of South Africans as an opportunity to establish small enterprises.

As they are motivated and naturally entrepreneurial, Somalians take up every opportunity to meet a market need (60 percent) hence Somali entrepreneurs are involved in a variety of operations. An interesting finding that differentiates Somalian entrepreneurs from others was how they managed to take over the rural communities enterprises. 89 percent of Somalia entrepreneurs are involved in mini-market operations and distribution activities (grocery shop for local communities). They prosper or excel in the business because they take up all the business which South African consider not feasible. 21 percent reported that they operate services which Somalian use to send money to their families in their native country or all over the world and provide micro-saving strategies while in the host country. This is an indication of strong relationships with their relatives, friends in their country and all over the world. Somali entrepreneurs in South Africa financed their start-up exclusively from personal savings and loans from friends and relatives instead of turning to micro-financing (only one did not answer the relevant questions). This may be an outcome of South Africa’s laws which prohibit immigrant entrepreneurs from accessing bank loans unless they have sufficient initial funding. The immigrants did not seem to be worried because there have a strong social structure which succors them in their venture.

As Somali immigrant enterprises matured, we observed contributions from revenues indicating successful business outcomes. When asked directly if they had financial difficulties, only two said they did not have any financial difficulties when starting up their enterprise. At later stages of the business’ life cycle, there is a direct relationship between perceived financial difficulties with the success of the venture. By the early business stages, 64 percent consider their venture successful with 25 percent unwilling to provide information, and the rest remained unsure about their level of success. Interestingly, 62 percent already use computers in their businesses primarily for Internet, banking and billing. This is logical given the types of businesses documented (41 percent provide micro-saving strategies).

Lastly, varied states of mind were noted regarding their confidence level in their skills and fear of failure during the birth, early years and maturity stages of the business life cycle. At the birth stage, 45 percent were unsure about their capability to succeed in their business while the rest were confident about their skills. At the early stages of up to three years from the birth of the business four of them had their confidence increased while the other four’s confidence reduced. This might be a reflection of the success or failure of the venture that seems to have a direct impact on the confidence level of the entrepreneur. In accordance with this finding, opposite trends were observed regarding their fear of failure.

3.2.3 Socio-Cultural perceptions of Somalia immigrant entrepreneurs

Reworking to South African culture appears controversial to the participants in our sample, with contradictory opinions being noted for the perceived perception on the native towards Somalia entrepreneurs. 19 percent of interviewed entrepreneurs’ experienced xenophobic attacks, 67 percent know of another country mate who had experienced an attack and the rest were afraid to talk. 76 percent said they fear for their personal safety, and 34 percent refused to answer the relevant question or even hesitant to answer. Only one referenced dress code as a problem among South African woman in general.

There were also concerns raised by the respondents on the lack of places of worship and communication problems with the locals. A significant relationship was revealed (Chi-Square = 0.006) when cross-tabulating these issues with the educational level of the immigrant. It appeared that those with only up to secondary education levels responded they either had no adaptation issues or their only concern was the lack of a place of worship. The participants with tertiary education were more concerned about restrictions because of discrimination and communication issues.

Sixty-two percent of Somalia immigrant entrepreneurs in the study’s sample employed personnel (only males) from the same ethnic group – the majority of whom were relatives or friends. The remainder was working with their wives. Gender bias regarding entrepreneurial opportunities was observed but not to the degree expected. A surprising 31 percent believe both sexes have the same rights in working. Given that our entire sample is composed of males it is interesting to see if their exposure to a South African type society. 38 percent
believed males have favorable opportunities because women are for family issues. This is in accordance with the general perception that women have a different purpose in life than running a business, as well as religious and cultural restrictions set upon women outside the home.

Regarding their suppliers, 30 percent of the sample indicated their suppliers were from the same ethnic group as the immigrants indicating an immigrant community with strong ethnic identity. This evidence is further supported by the fact that 46 percent indicated their ethnic community was supportive by being customers and 38 percent said they felt the Somali immigrant businesses were helping each other.

With regard to barriers, immigrants perceived in their new environment, they felt their local, immigrant community was supportive and that their neighborhood (local community) did not cause them any problems (62 percent). While xenophobic attacks were recorded as a general perception of the Somali entrepreneurs it seems that this was not present in face-to-face interaction with the local community. Somali immigrants in the sample unanimously agreed that continued personal interactions with host country nationals act to eliminate differences in multicultural settings. They also unanimously reported two obstacles in starting and maintaining an immigrant entrepreneurial venture: firstly, the laws and policies towards immigrant entrepreneurs and, secondly, the language barriers, xenophobic attacks and lack of support towards South African entrepreneurs.

4. Conclusions and Discussion
This paper is about the important role of Somali immigrant entrepreneurial activity in South Africa and seeks to address two main questions: 1) what are the distinguishing factors of Somali-owned small businesses, and 2) what are the socio-cultural factors influencing the ongoing development of entrepreneurial activities of Somalia immigrant businesses in the rural communities. The study’s findings are summarized and theoretical implications are discussed.

With such a relatively small study, the Somali immigrant entrepreneurs provide evidence of some clear business trends. As immigrants, they are predominantly well-coordinated and have established small enterprises independent of the private financial sector or public sector support. They represent a limited cross-section of products and services but are primarily focused on supplying the needs of the locals and immigrant community. In addition to reliance on the local and Somali communities as their customer base these enterprises however are dependent on Somali communities for financial support and expertise. The self-reliance is embedded on the perceived lack or non-existent proactive state support for their endeavours and what is perceived as a strong cultural barrier in terms of their language difficulties and social and religious customs.

In summary, several trends emerge from the study’s survey findings on Somali immigrant entrepreneurs starting small businesses in South Africa. These businesses largely focused on retail or service sectors, are mostly male run and, are partnership or collective cooperation enterprises. They focus on growing/expanding their products and services in markets dominated by Somalia customers and South African suppliers. Family networks are critical to their success as suppliers to these businesses are acquaintances of the owners. However, these businesses use multiple distribution approaches and have mostly a consistent customer base.

Detailed evidence about the number of customers served and sales was difficult to obtain. Most interviewees were cautious to provide even estimates of customers and sales. They were fearful of the possibility of sharing their business strategies with their competitors, or that were tax and/or regulatory implications. Nonetheless, we managed to obtain some thought-provoking information.

During the survey interview, immigrant entrepreneurs would often engage in casual, “off the record” discussions about various aspects of Somali immigrant entrepreneurship in the country. Through not part of the actual data collection and analysis, many of these discussions focused on similar themes that are worth noting for the purposes of discussion and making recommendations for further research on the subject of Somalia immigrant entrepreneurship in South Africa and even African as a whole..

4.1. Recommendations for further research
It is a small sample readily accessible in rural areas on Thembisile Hani Municipality. Evidently, there is no comparison with other migrant groups in South Africa and the sample group is small therefore this does not provide the overall picture of immigrant owned enterprises. With increase of size and scope, the research will be able to properly inform academe, and social and economic policy makers, as well as prospective migrant entrepreneurs.

Continuing research will enable recommendations to be made to government and private sector agencies for policy formulation and deployment on:

a. Sustainable small-scale economic development activities by immigrant entrepreneurs,
b. Financial, social, political, and legislative supports that encourages ongoing migrant entrepreneurship and social inclusion, and
c. Integration of migrant entrepreneurial businesses into existing community economic capacity building
projects and strategies.
To achieve this, the succeeding phase of this process is an additional expanded study on Somalian immigrant entrepreneurs. Such a study will need to address cross-sectional surveying and analysis that will enable an even more insightful view of migrant entrepreneurial ventures.

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