

**COMPARATIVE ANALYSIS OF THE DETERMINANTS OF PERFORMANCE OF ASIAN AND  
BLACK-OWNED SMALL SUPERMARKETS IN RURAL AREAS OF THULAMELA  
MUNICIPALITY, SOUTH AFRICA**

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## DECLARATION

I, Livhuwani Gladys Nkondo, hereby declare that this thesis for the Doctor of Philosophy in Rural Development (PHDRDV) submitted to the Institute for Rural Development at the University of Venda has not been submitted previously for any degree at this or another university. It is original in design and in execution, and all reference materials contained therein have been duly acknowledged.

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## ABSTRACT

Studies conducted in some parts of the world have highlighted the fact that Asian-owned small, medium and micro enterprises (SMMEs) always thrive better than those that other racial groups own. For example, a Global Entrepreneurship Monitor study revealed that in South Africa, Blacks owned few businesses and rarely took advantage of the entrepreneurial opportunities available to them even though there are policies that underpin the promotion of SMME. The aim of this study was to compare the determinants of performance of Asian and Black-owned small supermarkets in Thulamela Local Municipality. Specific objectives of the study were to: (1) assess the indicators of performance of small supermarkets; (2) compare the performance factors of Asian- and Black-owned small supermarkets; and (3) suggest intervention strategies to improve the performance of the small supermarkets.

A cross-sectional study underpinned by a mixed methods approach and techniques was applied in two sequentially integrated phases. The first phase was qualitative in nature and participants were officials from the Local Economic Development units in Thulamela Local and Vhembe District Municipalities, representatives of Associations of Business Owners, Blacks (Venda and Shangaan speaking) small supermarket owners and Asian (Indians/Pakistanis and Chinese) small supermarket owners. Snowball sampling was used to select interviewees. Data was analysed using the Atlas- ti.7.0.81 software. The second phase was quantitative in nature. Small supermarket owners who were involved during qualitative phase also participated in phase two. Data was analysed using the Statistical Package for Social Sciences (SPSS) ver 24.0 for windows. Mann-Whitney tests were conducted to establish if there were differences in the perceptions of participants due to race, gender and geographic location.

The indicators of success commonly mentioned were number of employees, profit, survival of the business over a long period, and stock or inventory and growths. Asian-owned small supermarkets were performing better because they used more effective and efficient purchasing plus supply systems. Their collectivist culture and networking abilities made them realise higher levels of efficiency when purchasing goods compared to the Black entrepreneurs. Black-owned small supermarkets were performing poorly because of their weak entrepreneurship culture, human capital and business ties. Unfair competition from spaza shops negatively affected their performance. Other factors hindering the performance of the latter were crime and rigid labour laws. In small supermarkets owned by Asians, shoplifting and burglaries were monitored using surveillance cameras during the day. Security companies were deployed during night hours.

Regarding perception of motivation to start a business, there were significant differences due to race of small supermarket owners and location or area of operation ( $P < 0.05$ ). Significant differences in perception ( $P < 0.05$ ) among the races and due to gender and location were attributed to the culture of business owners. Effects of social capital on performance of small supermarkets were reported ( $P < 0.01$ ).

Based on the findings of this study, small supermarket owners should strengthen their human capital through participating in training programmes, especially on supply chain management, marketing and financing. The need for creating networks that help to access information needed to take advantage of the support from the state institutions and the non-governmental sector was evident. Thus, it was concluded that improved performance of small supermarkets could be realised through strengthening human capital, joint purchasing, establishing effective networks and diversifying business activities.

**Key words:** Business performance, small supermarkets, human capital, social capital, intervention strategy

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## ABBREVIATIONS

ABO	Association of business owners
BBBEE	Broad Based Black Economic Empowerment
CRDP	Comprehensive Rural Development Programme
DRDLR	Department of Rural Development and Land Reform
DTI	Department of Trade and Industry
FMCGs	Fast moving consumer goods
GEM	Global Entrepreneurship Monitor
IDP	Integrated development plan
LED	Local Economic Development
LEDA	Limpopo Economic Development Agency
MDGs	Millennium Development Goals
NYDA	National Youth Development Agency
SAWEN	South African Women Entrepreneurs
SCA	Sustainable competitive advantage
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SMME	Small, micro and medium enterprises
SSO	Small supermarket owners
STATSA	Statistics South Africa
USA	United States of America

## CHAPTER 1 INTRODUCTION

### 1.1 Background

Although previous Global Entrepreneurship Monitor (GEM) studies, conducted in South Africa over the period 2010 – 2013, have shown that Blacks owned few businesses during that period and that they rarely took advantage of the entrepreneurial opportunities available to them (Herrington and Kew, 2010; Herrington and Kew, 2013), a recent study has shown a change in this situation (Herrington *et al.*, 2014). The latter study revealed that the number of Black South Africans involved in early stage entrepreneurial activity was increasing, citing increased opportunity rather than necessity as the reason for the observed increase. However, in spite of this positive trend, the rate of entrepreneurial activity in South Africa should be regarded as being too low for a developing nation. In order to address this, and contribute to the economic growth of the country, there exists the possibility that active participation in running businesses could help address the unacceptably high unemployment rate in the country, estimated at 30 % (Statistics South Africa: Stats SA, 2012). Thus establishment of viable small, micro and medium enterprises (SMMEs) might help reduce the unemployment rate and contribute to economic growth in the country.

Several studies done in the last twenty years in various countries, such as Herrington and Kew's (2010) GEM study show that historically a strong relationship between population groups and entrepreneurial activity exists. In the late 1990s, Basu (1998) in a study conducted on entrepreneurial activity among Asian small business in Britain, revealed that at that time, even though Asians migrated from Asia to Britain only after the Second World War, by the 1980s they operated about two-thirds of the country's independent retail outlets. A similar study done 10 years later by Robb and Fairlie (2009) revealed that self-employment rates among Asians had remained consistently high since the 1980s. The fact that Asians often start businesses in other continents which are unfamiliar to them, and yet succeed, highlights what appear to be traits of aggressive risk-taking temperament and perseverance (Haq, 2015). Whatever the reasons for this, cultural or historical, studies such as these suggest that Asians are shrewd entrepreneurs.

A similarly rapid expansion in the number of Asian businesses has been shown to be evident in the USA from the 1990s on. From 1997-2002 the number of Asian-owned businesses increased by 24 %, which was roughly twice the national average (Fairlie *et al.*, 2009). According to this study, Indian entrepreneurs realised a net business income of \$84 080, which was significantly higher than the national average of \$52 085 in the USA at the time. Compared to White-owned businesses, enterprises that Asians ran were about 17 % less likely to close, 21 % could generate a profit amounting to at least \$10 000 per year and 27 % were found to be more likely to hire employees (Robb and Fairlie, 2009) compared to other minority groups in the USA. These histories of Asian entrepreneurship, and the accompanying statistics, suggest an opportunity for strengthening the performance of SMMEs such as small supermarkets, particularly in rural areas, through learning from the experiences of Asian-owned businesses elsewhere and in South Africa.

Using the results of their studies conducted in the United Kingdom (UK) and in Canada, Fairlie *et al.* (2009) observed higher proportions of Indian businesses with employee numbers above the national average. By virtue of being immigrants, Asians have had to overcome difficult social and economic circumstances often found in the societies where they have attempted to set up businesses (Timmons and Spinelli, 2004). The fact that these studies demonstrate that, during this period, Asians' businesses consistently outperformed those of other nationals, in turn demonstrates, or affirms the traits of strong commitment, determination, adaptability and motivation to excel first mentioned by Basu, (1999). These are the traits which are generally considered to be major attributes of exemplary, cutting edge entrepreneurs.

The same pattern of success shown by studies done on Asian business operators in developed economies has been shown to exist in Africa. Carmody and Hampway (2010) argued that the reason Asian business persons were succeeding was that they took advantage of the opportunity to sell cheap products and services to local communities. However, these scholars did not indicate whether the products were cheap in terms of quality or price. In Botswana, consumers complained because shops belonging to Chinese were selling low quality consumer goods (Zi, 2015). A major downside to the penetration by Asian businesses into African communities seems to be the collapse of businesses run by locals. However, there continues to exist inadequate research on Asian-owned businesses in most parts of Africa, including South Africa. Apart from cultural differences in entrepreneurial skills, there are other demographic factors worth considering when exploring and promoting business development, in particular in terms of job creation.

Creation and survival of small businesses, such as small supermarkets, are key elements of a strategy for job creation and poverty eradication (Nieuwenhuizen and Nieman, 2009). Throughout the world, various governments are increasingly realizing that establishment of small and micro businesses, and job creation are closely linked employment strategies. This is strongly linked to the Sustainable Development Goals (SDGs), in particular “no poverty”. Since the attainment of democracy in South Africa in 1994, ANC governments have consistently expressed their commitment to achieving this goal. For example, in his 2013 State of the Nation Address, President Jacob Zuma singled out job creation and rural development as top priorities for his government. Given such consistent policy pronouncements, it is not surprising that Vhembe District Municipality’s integrated development plan (IDP) of 2012-2017, amongst others, identifies growth of the economy, job creation, poverty eradication, and improvement of the rural economy, as its top priorities. Nieman (2009) is of the view that central to the latter agenda is the establishment, growth, and development of SMMEs such as small supermarkets. (Lamb *et al.*, 2008) regards supermarkets as businesses that sell mostly fast moving consumer goods (FMCGs). They are operated on a self-service low price and low margin basis. For the purpose of this study, small supermarkets refer to individually owned FMCG retailers with less than 20 full-time employees. Small supermarkets were selected because historically such businesses have been operated by Blacks for decades.

The SMME implementation strategy of the South African government’s Department of Rural Development and Land Reform (DRDLR) places special emphasis on the establishment of businesses, cooperatives, cultural initiatives, and agro-industries in rural areas. In an effort to cement this, in 2009 the Comprehensive Rural Development Programme (CRDP) was designed as an integrated intervention seeking to improve infrastructure, training, advisory services and marketing, upgrading agricultural colleges, and creating job opportunities (DRDLR, 2009). The CRDP is designed primarily to meet people’s basic needs. Its second mandate focuses mainly on the development of entrepreneurs and large infrastructure. The DRDLR believed that this intervention would culminate in the emergence of vibrant and sustainable SMMEs and village markets. However, the ability of the country to achieve these stated goals in the near future remains unclear because the programme is still in its infancy stage of implementation. Of particular concern to the DRDLR is the lack of scientific research on how best SMMEs, such as small supermarkets, can be revamped and help to reduce the high rates of unemployment in rural areas.

Apart from the strategy explained above, the Small Business Act 106 of 1996 was introduced to create an enabling environment for the development of SMMEs. It was envisaged that through this legislation the economic and social welfare of South African citizens would be promoted. Thus, scientific research that seeks to close the gap between the realities of small businesses failure, and what they ought to be doing to counter the slide towards collapse, is required. Taking into account this view on the necessity for scientific research, together with the above exposition, the current study was designed to explore and develop an understanding of the business practices that would have the potential to result in successful establishment, growth, and development of small supermarkets.

A study by Radipere and Dhliwayo (2014) done in South Africa revealed that gender affected business performance, although not whether men or women ran businesses that performed better. However, Milanov *et al.* (2015) pointed out that in the context of entrepreneurship, the lower regard in which women were held compared to men was likely to limit their performance. Koellinger *et al.* (2013) study in 17 countries, also explored this issue, revealing that the lower rate of female business ownership was primarily due to women's lower propensity, but not innate deficiency, to start businesses rather than to differences in survival rates across genders. Kim and Sherraden (2014) found that fewer business ties that women had, or had access to, together with their lower resource levels, negatively affected the performance of their businesses. These observations and arguments emerging from these studies suggest some gender-based variation in business activities.

According to Erasmus *et al.* (2013), the choice of geographical location for premises is important for the success and growth of all kinds of businesses. Badenhorst-Weiss and Cilliers (2014) also cited geographic location as an important factor influencing business growth. An earlier scientific investigation done by Kotler and Armstrong (2008) found that it was important for retailers to select locations that were accessible to the target market. Roslin and Rosnan's (2012) study also highlighted the link between the success of retail business and its location. Thus, these studies suggest the importance of considering geographical location when establishing businesses, including small supermarkets.

The main focus of this study is a comparison of Black-run small supermarkets with those of Asians in terms of success and growth. The study is also underpinned by, and aims to explore, those

assumptions that gender and geographical locations, in addition to race/culture, affect small supermarkets performance.

## 1.2 Statement of the Research Problem

Available literature indicates that there is no consensus amongst scholars and business owners on what 'business performance' actually means, although considerable emphasis is placed on the contribution that the small business sector can make towards relieving the high level of unemployment (Ionita, 2013). Cant and Wiid (2013) contend that the challenge facing SMMEs is that many small businesses in South Africa, including small supermarkets, do not make it past the second year of trading. These authors estimate the failure rate to be 63 %. Small businesses face a myriad of exogenous and endogenous factors that hamper day to day business operations as well as long-term survival, growth, and success. Herrington *et al.* (2014) pointed out that the high rate of discontinuance among South African businesses was greater than that of the established business rate. Positive reasons for discontinuance of businesses were said to include opportunity to sell, pursuing of another alternatives, and planned retirement. In contrast, the negative reasons included lack of profitability of business, or difficulty of accessing finance needed for sustaining a business. The Herrington *et al.* (2013) study revealed that about 62 % of businesses in South Africa closed due to lack of finance.

According to Herrington *et al.* (2014), individuals who reside in urban areas are more likely to engage in entrepreneurial activity. A study by Bird and Sapp (2004) revealed that men-owned businesses are more successful than women-owned businesses in both urban and rural settings, but that men-owned businesses are even more successful than women-owned businesses in urban than rural communities.

Segregatory legislation enacted during the Apartheid era allowed Blacks to own small supermarkets only in townships and rural areas (Kingdom and Knight, 2004). Legislation introduced during the democratic dispensation resulted in increased business ownership by the black population in various geographical areas and sectors of the economy. For example, the number of Black-owned companies listed on the Johannesburg Stock Exchange increased from zero in 1994 to 60 by the year 2000 (Iheduru, 2002). This was in addition to hundreds of unlisted SMMEs that Black people established. The significant increase could be traced to various pieces of legislation, including the Broad Based Black Economic Empowerment (BBBEE) Act No. 53 of

2003. The BBBEE was introduced in order to offer redress to previously economically or financially challenged individuals who included black people, women, and people with disabilities. This was done through helping them increase their shareholding in businesses and giving them preferential procurement. Despite all these achievements the decline and demise of SMMEs that Black South Africans own, in particular small supermarkets, is worrying, especially when viewed in the light of the observation that those run by Asians in the same areas are flourishing.

### **1.3 Significance of the study**

The South African government has through the Department of Trade and Industry (DTI) introduced an integrated small enterprise strategy. The latter strategy seeks to promote the establishment, growth and development of SMMEs. Central to the implementation of the strategy is the need to address race, gender, and geographical location issues (DTI, 2005). It emphasizes addressing the needs of micro-enterprises, black-owned small businesses, and high growth sector SMMEs. Improved flow and management of research-generated information and knowledge is a key ideal of this strategy.

Apart from the strategy explained above, the Small Business Act 106 of 1996 was introduced to provide a conducive environment for the development of SMMEs. It was envisaged that through this act the economic and social welfare of South African citizens would be promoted. However, it seems the policy framework that provides an environment that is conducive for SMME development does not sufficiently determine business success. Also, there is need to identify other determinants of success of businesses. This takes into account the fact that no single success factor works in isolation. It has been highlighted in preceding sections of this chapter that success results from a combination of complementary success factors. In addition to helping identify the factors of business success, the study will compel entrepreneurs to analyse their performance, thereby assisting in identifying the gaps among available resources, capabilities and founding objectives as recommended by Jooste *et al.* (2012).

### **1.4 Aims and Research Objectives**

The aim of this study was to explore and compare the determinants of performance of Asian and black-owned small supermarkets in Thulamela Local Municipality in order to develop intervention strategies for improved performance of black-owned SMMEs. In this regard, the specific

objectives for the study are listed below. For each objective, the research questions that underpin the study are also given:

- 1) To assess the indicators of performance of small supermarkets.
  - a) What are the indicators of performance of small supermarkets?
  - b) What are the current levels of performance of small supermarkets in Thulamela Local Municipality?
  
- 2) To compare the determinant factors of performance of Asian- and Black-owned small supermarkets in Thulamela Local Municipality.
  - a) What are the similarities and differences between the performance factors of Asian- and Black -owned small supermarkets?
  - b) To what extent do gender and geographic location determine the performance of Asian and Black -owned businesses?
  
- 3) To develop intervention strategies for improved performance.
  - a) What strategies do small supermarket owners use to improve performance of their businesses?
  - b) What type of support do small supermarket owners receive from government?
  - c) What type of support do small supermarket owners receive from the non-governmental sectors?

## 1.5 Hypotheses

The study hypotheses are:

- a) There are no differences in motivation due to race, culture, human capital, and social capital as performance factors affecting small supermarkets;
- b) There are no differences due to gender in perceived motivation, culture, human capital, and social capital as performance factors of small supermarkets; and
- c) There are no differences due to geographical location in motivation, culture, human capital, and social capital as performance factors of small supermarkets.

## 1.6 Limitations of the Study

Thulamela Local Municipality does not have a database of small supermarkets and the one received from the district municipality is not extensive. It does not separate businesses according to local municipalities or types. Most businesses that were included in the list no longer exist. Small supermarkets that were owned by black people were very few. These limitations were addressed by using snowball sampling and including small supermarket owners who had already closed their businesses.

The study only focused on small supermarket in Thulamela Local Municipality. Thus care should be taken in generalizing the findings to all rural areas in South Africa.

The study may only reflect information that small supermarket owners or managers were willing to reveal. This was assumed to be particularly true in the case of Asians since they may not, for various reasons, want to reveal all the information that determines their success.

## 1.7 Operational Definitions of Key Terms and Concepts

In this study, *Asians* refers to those South Africans who assumed the status of Asian South Africans after migrating from China, India, and Pakistan to settle in the country. They are thus categorized as Asian South Africans. Also classified as *Asians* are recent immigrants from the three countries above who might not be permanent residents in South Africa.

The study was conducted in Thulamela Local Municipality in Vhembe District Municipality, which is home to *Blacks* (local and from other African countries), such as Vendas, Shangaans, Sothos, Zulus, Xhosas, Zimbabweans, Mozambicans, Ghanaians, Nigerians, and Somalis. In this study, the descriptor *Blacks* refers specifically to the Vendas and Shangaans, or the Tsonga people.

Another key concept in this study is *determinants*, which refers to antecedents or factors that make it possible for a business to compete effectively with other businesses. Absence of these factors has the potential to cause the business to collapse.

*Retail businesses* are enterprises that generate money through selling products and services to final consumers. According to Stats SA (2012), a business may be classified as retail if 50 % of its sales are derived from the general public for private or household consumption. Small

enterprises, such as general dealer shops, and large establishments, for example, the *Shoprite*, *Spar* or *Pick 'n Pay* chain of supermarkets, are referred to as retailers. Retail businesses may be formal or informal.

Formal retail businesses are located in purpose-built shops and are part of the registered infrastructure of South Africa. Among these are general dealers, supermarkets, hypermarkets and convenience, specialty, chain, departmental and discount stores. Informal retailers are mostly concerned with subsistence-level operations and are usually not located in a dedicated or designated store (Cant *et al.*, 2006). Examples of these are *spaza* shops, shebeens, hawkers and food vendors. This study was designed to focus specifically on formal small supermarkets.

The heterogeneous nature of SMMEs as explained above makes it difficult to formulate a universally accepted definition for them. Another feature which makes it difficult to define SMMEs is that countries are at different stages of economic development. This implies that what might be regarded as a small business in a third world country could be categorised as a micro-business in a developed state.

Worldwide, the most popular consideration when defining SMMEs is the use of qualitative and quantitative guidelines. In qualitative terms, the most common economic guideline is the fact that SMMEs are independently and/or privately-owned and managed. When the quantitative aspects are considered, a SMME is a business that achieves a turnover of less than R5 million per year (depending on the type of business). Moreover, an SMME should employ fewer than 100 workers, own assets not worth more than R1 million (excluding land and buildings) and have up to five business units or branches.

A *Spaza* shop is a business operated in a section of an occupied residential home or in any other structure on a stand in a formal or informal township which is zoned for residential purposes and where people permanently live (Ligthelm, 2003).

## **1.8 Outline of Thesis**

This thesis consists of seven chapters. Chapter 1 introduced the reader to the background to the statement of the research problem, the research aims and objectives, the research hypothesis, the limitations of the study, and operational definitions of key terms and concepts. Key concepts

underpinning the study are also explained. Chapter 2 is devoted to a review of literature, starting with the conceptualization of supermarkets. Thereafter, indicators of performance of small supermarkets are described. An overview of the global perspective of the determinants of performance of the businesses is provided and the conceptual framework of the study presented. Organisations that support small businesses are also described. Chapter 3 focuses on the research approach used to find answers to the questions underpinning the study by means of a systematic, scientific investigation using a population, a sampling design, measuring instruments, data collection processes, and data analysis. Ethics and limitations of the study are also discussed. Chapter 4 addresses the first objective: 'to assess the indicators of performance of small supermarkets. Chapter 5 deals with the second objective: 'to compare the determinant factors of performance of Asian- and Black-owned small supermarkets in the Thulamela Local Municipality. In chapter 6, the objective 'to develop intervention strategies for improved performance, is addressed. The final chapter, 7, presents the general discussion of the research in terms of the data analysis, a conclusion, and recommendations. The list of appendices that includes the work plan, budget, data collection and ethical clearance tools is included at the end of the thesis, immediately after a Harvard System-guided reference section.

## CHAPTER 2 REVIEW OF LITERATURE

### 2.1 Introduction

This chapter presents a review of literature related to the area of research of the current study. The review includes studies and articles on SMMEs, mostly in countries outside of SA, including literature which provides conceptualizations of supermarkets and a description of the indicators of performance of small supermarkets. An overview of the global perspective of the determinants of performance of the businesses is provided, and the conceptual and theoretical framework of the study presented. The review also uncovers a gap in the literature on SMEs in South Africa, particularly those owned by the black sector of the population, together with points of comparison between Black-owned and Asian-owned businesses which can throw light on the factors influencing performance and assist in providing recommendations for interventions.

Yaghoob and Shamsodin (2011) show how both large and small industries play vital roles in enhancing economic growth and employment. According to Reilly (2009), small supermarkets are part of every community and form part of the collaborative fabric that weaves people together. Berman and Evans (2001) described the ways in which SMMEs provide employment, growth in Gross Domestic Product (GDP), and in commodity sales, and show how, in spite of their size, their failure can be chaotic and catastrophic for their owners. These studies point to the importance in terms of the sustainability of SMMEs of selecting reliable measures of success that can be used to gauge such businesses' performance, given that banks, business owners, managers, and researchers all need these to ensure the sustainability of the business. This explains the reasons for the focus of the current study, an examination of the determinants of performance of Asian- and Black-owned small supermarkets. In addition to this, there is need to determine the similarities and differences in small supermarkets that Asians and Blacks own, including outlining the nature and adequacy of the support that these businesses receive. All of this information has the potential to provide the ingredients for developing an intervention strategy that would assist small supermarket owners, managers, and economic development planners to improve and sustain business performance.

## 2.2 Conceptualisation of Supermarkets

According to Lamb *et al.* (2008), supermarkets are businesses that sell a wide range of food products as well as a limited number of non-food items. They are operated on a self-service low price and low margin basis. They sell mostly fast moving consumer goods (FMCGs). Different variations of supermarkets are described in the following sections:

A conventional supermarket is a departmentalized store with a wide range of food and related products, and limited sales of general merchandise. Large scale operations allow a retailer to combine volume sales, self-service, and low prices. Self-service allows supermarkets to cut costs as well as increase sales volume. In this situation, personnel costs are reduced and impulse buying increases. Conventional supermarkets have generally relied on high inventory turnover (Berman and Evans, 2001).

Food-based superstores are more diversified than conventional supermarkets. They seek to stem sales decline by expanding store size and the number of non-food items carried. Some supermarkets merge with drugstores or general merchandise store, but more tend to grow into food-based superstores. These offer people a high degree of one-stop shopping and feature high-profit general merchandise (Berman and Evans, 2001). Their continued existence is important to the consumers.

A combination store unites a conventional supermarket and general merchandise store in one facility, with general merchandise typically accounting for 25 to 40% of total sales. Combination stores are very large which leads to operating efficiencies and cost savings, for example, Wal-Mart in the USA (Berman and Evans, 2001). Large supermarkets are usually blamed for driving out small ones, and this explains why, due to frustrations at their inability to compete with large retailers, small shop owners, hawkers, and protest groups in India have used resistance against the establishment of large supermarkets (Wheeler, 2009; Franz, 2010). Because of their large scale, large supermarkets have competitive advantages over smaller ones.

Box (Limited-Line) stores are food-based discounters that focus on a small selection of items, moderate hours of operation, few services, and limited manufacture brands. They usually have few or no refrigerated perishables, and few sizes and brands per item. Price markings are on the shelf or on overhead signs. Customer cheques are usually not accepted. Box stores depend on

low-priced private labels brands. The focus of this study is on box and limited-line stores which are referred to as 'small supermarket' or 'independent supermarket'. Small supermarkets are not able to manipulate their markets and do not have the volume to compete with large ventures on the basis of prices. As a result, their best options are to seek market niches (Franz, 2010). For their survival and sustainability small supermarkets need to develop strategies to compete successfully with large stores.

### **2.3 Indicators of Performance of Small Supermarkets**

There appears to be no consensus amongst scholars, financial institutions, business practitioners and business owners with respect to the meaning of 'business performance'. A study by Weinzimmer and Manmadhan (2009) in the USA revealed a significant difference between what researchers and business owners regard as successful businesses. The study identified nine success dimensions: accounting, including profit and cash flow; growth; survival; customer focus; employee needs; quality; ethical commitment; community involvement, and quality of life. Financial institutions and business practitioners also have interest in the definition of performance.

Business owners use criteria such as societal impact of their business and their own personal satisfaction from owning and running their business. This subjective criterion cannot be dismissed as business owners who fail to fulfill their personal goals are more likely to close their business even when these are profitable (Gorgievski *et al.*, 2011). Based on a study conducted in China, Yaghoob and Shamsodin (2011) see other performance criteria used by business owners in terms of profit, growth, innovation, firm survival/continuity, and contributing back to society. Banks and venture capitalists use financial measures such as profit, cash flow, and return on investment as measures of performance. For a general balanced and comprehensive assessment of the success of a business, both financial and non-financial criteria should be used to measure performance.

The main problem when conducting research on small businesses is the fact that they are privately held. They are therefore not legally required to publish their financial statements reflecting as profit, cash flow, and return on investment (Lee and Tsang, 2001). Entrepreneurs appear to be wary of revealing this kind of information about their businesses; as a consequence they declare inferior profits rather than the real higher figure (Unger *et al.*, 2010). Financial

measures, as revealed by businesses are therefore not reliable indicators of performance of SMMEs.

Business practitioners use business performance frameworks, or business models such as balanced-score card system and prism models, to measure performance. A performance management framework describes the interrelationships of various performance indicators with their corresponding stakeholders. These frameworks take into account not only the shareholders of the business, but also other stakeholders such as employees and customers (Pantazi and Georgopoulos, 2006). The business performance for each stakeholder group is analysed in order to assess the effectiveness of the business. Such models are based on a specific concept to build a framework that can focus on specific purposes (Ferreira *et al.*, 2012). Stakeholders of a business have different definitions of performance.

Many researchers measure business performance in financial as well as non-financial indicators (Ahmed *et al.*, 2011; Saleem, 2012; Lee *et al.*, 2015). Financial measures are profitability, sales turnover, as well as return on investment (ROI). Non-financial measures are seen as the attainment of personal objectives, such as work-life balance; customer satisfaction and retention; employee satisfaction; the firm's reputation, and good work place relations. In addition to the above measures, Egbert (2009) suggests the foundation of a second or third enterprise by the owner: size and the age of the enterprise. Mikusova and Janeckova (2010) divided performance indicators into those that relate to material factors, and those relating to non-material factors. Material factors are often recorded in bookkeeping, such as, inventory levels, claims accounting level, and the number of employees. Those indicators that may relate to intangible indicators would be such factors as the level of skills and knowledge, creativity, and innovation.

According to Ledwith and O'Dwyer (2009) and Mikusova and Janeckova (2010), customer satisfaction and retention are commonly used to gauge the performance of new products. However, Mikusova and Janeckova (2010) regard these as incomplete indicators of performance. Their reasoning is that, if customers are satisfied with the product they will make repeat purchases and also recommend the product to other people/potential customers. This may lead to increase in sales, which may, in turn, lead to improved financial performance. The problem with this type of analysis is that customer satisfaction and growth in customer numbers may be achieved at the expense of financial performance (Ledwith and O'Dwyers, 2009). This possibility makes it inappropriate for profit and growth to be used together (Calvo and Garcia, 2010). Quality, although

being a vague, subjective, and incomplete indicator of success, may also be a potential source of sustainable competitive advantage since it may lead to increase in sales even if the price is high.

Growth of a business is also a good indicator of performance as growing businesses are employers of large numbers of people. Groenewegen and de Lange (2012) measure growth in terms of the increase in the number of outlets and the number of people employed by the business. While increase in sales and profit are also used to measure growth, an increase in sales does not necessarily lead to an increase in the level of employment as entrepreneurs may replace employees with machinery. An increase in assets, such as machinery, is reflected in the balance sheet which may or may not be revealed to the researcher. It is also necessary to understand that not all businesses aim for growth (Ahmad *et al.*, 2011). For some small supermarkets performance is linked to survival and sustainability. Thus both survival and growth, together, are indicators of performance.

There exist a range of uncertainties and different understandings on the part of researchers and analysts of performance indicators, and the different relationships existing between these indicators, depending on the various factors such as where the research is conducted and by whom. Thus, in order to gain a more comprehensive and overall understanding of this topic requires further investigation to generate more specific, comprehensive and consolidated knowledge. This involves examining criteria for business success in various countries including both developed and developing countries.

## **2.4 A Global Perspective of the Determinants of Success of Businesses**

This section looks at examples of the determinants of business performance in the United Kingdom, United States, Canada, Spain, Pakistan, Kenya, Botswana, Ghana and South Africa. They are thus described below:

The Basu (1998) study mentioned in Chapter 1 which was conducted in Britain in the late 1990s to determine the causes of Asians' high performance in businesses, found that most of the Asians had been in paid employment before going into business. Their motivation for going into business was a desire to better themselves financially and to be independent; both of these are regarded as pull factors. Push factors played no role in their decision to become self-employed. The choice of the type of business they entered was influenced by the availability of start-up capital and the

presence of family or community members in the same line of business. Their high level of performance was attributable to their personal capital investments and detailed information they were able to access, as well as to their education levels and qualifications (Basu, 1998). However, based on their findings from a study conducted in the UK 14 years later, Jones *et al.* (2012) believe that such business owners were pushed into self-employment because, even with higher educational qualifications, Indians in Britain were obliged to subsist as non-skilled manual workers. As a result they saw business start-ups as the only way out of permanent menial jobs. According to Fairlie *et al.* (2012), Indian entrepreneurs were more successful in the United Kingdom as measured by percent with more employees. The authors of this study were in agreement with the findings of that done by Jones *et al.* (2012) that higher education contributed very little to the success rates, seeing the factors that contributed to their performance as being their higher marriage rate and their lower concentration of numbers in agriculture and construction. Thus from these two studies one can conclude that formal higher education is not likely to be the only determinant of business performance amongst this group in the UK.

Fairlie *et al.* (2012) also examined Indian entrepreneurs in the United States and Canada to determine the levels of and reasons for their performance. They found that in the United States businesses owned by Indian entrepreneurs were on average more successful in terms of their earnings when compared with all other businesses, including those owned by entrepreneurs from wealthy countries. Indian firms were also substantially less likely to close compared to all other firms. Unlike the findings of studies conducted in the UK, the USA and Canadian studies indicated that the most important factor influencing the performance of Indian entrepreneurs was their higher levels of education. These findings are in line with the Robb and Fairlie (2009) survey results which found that Asian business owners were successful due to the fact that they had high levels of human capital. Substantial start-up financial capital was also identified as a determinant of and contribution to performance.

Another study conducted by the Guardian in 2010 in the United States sought to identify the specific characteristics or qualities possessed by small business owners who exhibited a strong success orientation. The quantitative study involved more than 1100 small business with between 2 and 20 employees. The characteristics reported were: collaborative, self-fulfilled, future-oriented, curious, tech-savvy, and action-oriented. The critical success factors were uncovered and the top twelve are as follows: being able to create opportunity for others, taking the business to the next level, doing something that they loved to do, being able to decide how much money

they wanted to make, being able to have the satisfaction of creating something of value, a company website, a management team in place, a chief operating officer, sufficient cash flow, use of, and reliance on, technology to make the business more effective and efficient, the possibility of having to sell when they were ready to retire, and differentiating themselves from their competitors (Guardian, 2010). In Canada, Asian entrepreneurs earned slightly less than the average among all other entrepreneurs, but they hired more employees compared with the national average. The success factors influencing performance in business of Indians were found to be higher education levels and higher marriage rates, thus indicating that, as in studies done in the UK, marriage is an important determinant of performance for this cultural group.

Pena (2002) conducted a study in Spain to examine the extent to which intellectual capital assets are associated with a new firm's survival and growth. The results revealed that the majority of companies experiencing growth in sales, employment, and profit were managed by entrepreneurs with college degrees and who had a special interest in education programs. Entrepreneurs with growing firms were the ones that devoted a large number of hours to their business activities, showed a more serious financial investment commitment in their ventures and were more likely to abandon a previous job in order to start-up a new company. Those with prior start-up experience were the stable, non-risk-taking group, which means that their businesses showed no growth in sales, employment and profit. Entrepreneurs in declining firms were characterized by having a strong need to be independent and run the business. There were also those who had serious difficulties in getting a job, and started their firms due to lack of any other employment alternative. A second set of factors is financial resources which contribute to firm endurance. The last set of factors that contributed to firm performance included local suppliers, funds from local financial institutions, and advice from business consultants.

In a study conducted in, Australia, Selvarajah *et al.* (2012) found that the traditional culture of most Chinese people is Confucianism, whose values emphasise the importance of the head of the family, of helping other Chinese, seeking support from the community, trust and family involvement, and guanxi connections (a form of Chinese network). Relying on guanxi connections helps Chinese business owners to develop personal and business networks rather than their having to make use of external business support. Confucianism is regarded as one of the factors of success among the Chinese in the operating of their businesses in Australia, especially amongst the first generation.

A study conducted in China of Chinese entrepreneurs revealed that their motives for business ownership were to increase income, to become their own boss, and to prove that they can succeed (Chu *et al.*, 2011). Their success factors were honesty, customer service, possession of good management skills, and hard work. Fine *et al.* (2012) found that cognitive ability, skills, and a number of particular personality traits were predictive factors of entrepreneurship success. Another study was conducted in China to understand the meaning of entrepreneurship in different cultures and to gather information concerning the characteristics of successful entrepreneurs. The study found high performing entrepreneurs to be passionate and hardworking, visionary, willing to learn, knowledgeable, competent, involved in communication and networking, possessing determination, of strong moral character, focusing on the collective others, and identifying with the country's culture.

In Pakistan, a study conducted to examine key factors in the success of SMMEs in that country. The study concluded that there was a significant relationship between business performance and determinants and that the most important factors in the performance of business as perceived by SMMEs owners were financial resources, marketing strategy, technological resources, government support, and entrepreneurial skill. Saleem (2012) conducted a study to explore what constitutes critical determinants of small business performance. In this study, investment, entrepreneurial experience, business profile and culture were identified as significant determinants of success.

In Nairobi-Kenya, descriptive studies conducted by Bowen *et al.* (2009) sought to understand how SMMEs managed the challenges they faced. Their challenges included competition among themselves and from large firms, lack of access to credit, cheap imports, insecurity, and debt collection. To overcome these challenges, owners employed strategies, such as fair pricing, offering a variety of products and services, superior customer service and continuously improving quality products and service delivery. It was found that formal education was not a critical factor in business performance in Kenya, but relevant training produced positive results in the running of businesses. Of the business owners and managers who had received training, 51% of business said their businesses were doing well. Of those not trained 68% reported that their businesses were doing poorly compared to the 39.2% who reported that their businesses were doing well without training. The majority of business owners also reported discipline in financial management, availability of customers, physical location, skilled workforce, and business networks as reasons that contributed to their business performance.

Asians have been prospering in Botswana despite the hostility of the Europeans. The indigenous Batswana also challenged, or attempted to resist, the proliferation of Asian businesses in the economy, a situation which was creating the problem of Asians having too much control over the economy to the extent of excluding the indigenous Batswana. Historically the Asians' role has been to provide goods and services to an indigenous clientele with no transmission of business skills to the Batswana people. The determinant of Asian business performance therefore was their training and expertise. The Batswana businesses lagged behind those of the Europeans and Asians in size, sophistication, profit-making, employment creation, and expansion possibilities (Jones-Dube, 2009).

Abor and Quartey (2010) conducted studies in Ghana and South Africa to determine the constraints to SME development in both these countries. The results revealed constraints in, and lack of access to, technology, limited access to international markets, the existence of laws, regulations and rules that impede the development of the sector, lack of management skills and training, and lack of finance. Another study conducted by Fatoki (2014) in South Africa aimed to determine the causes of the failure of new small and medium enterprises. The findings revealed the internal factors to include lack of management experience, lack of functional skills, poor staff training and development, and poor attitude towards customers. External forces included the non-availability of a logistics chain and the resultant high cost of distribution, competition, rising costs of doing business, lack of finance, and high levels of crime.

## **2.5 Conceptual Framework of The Study**

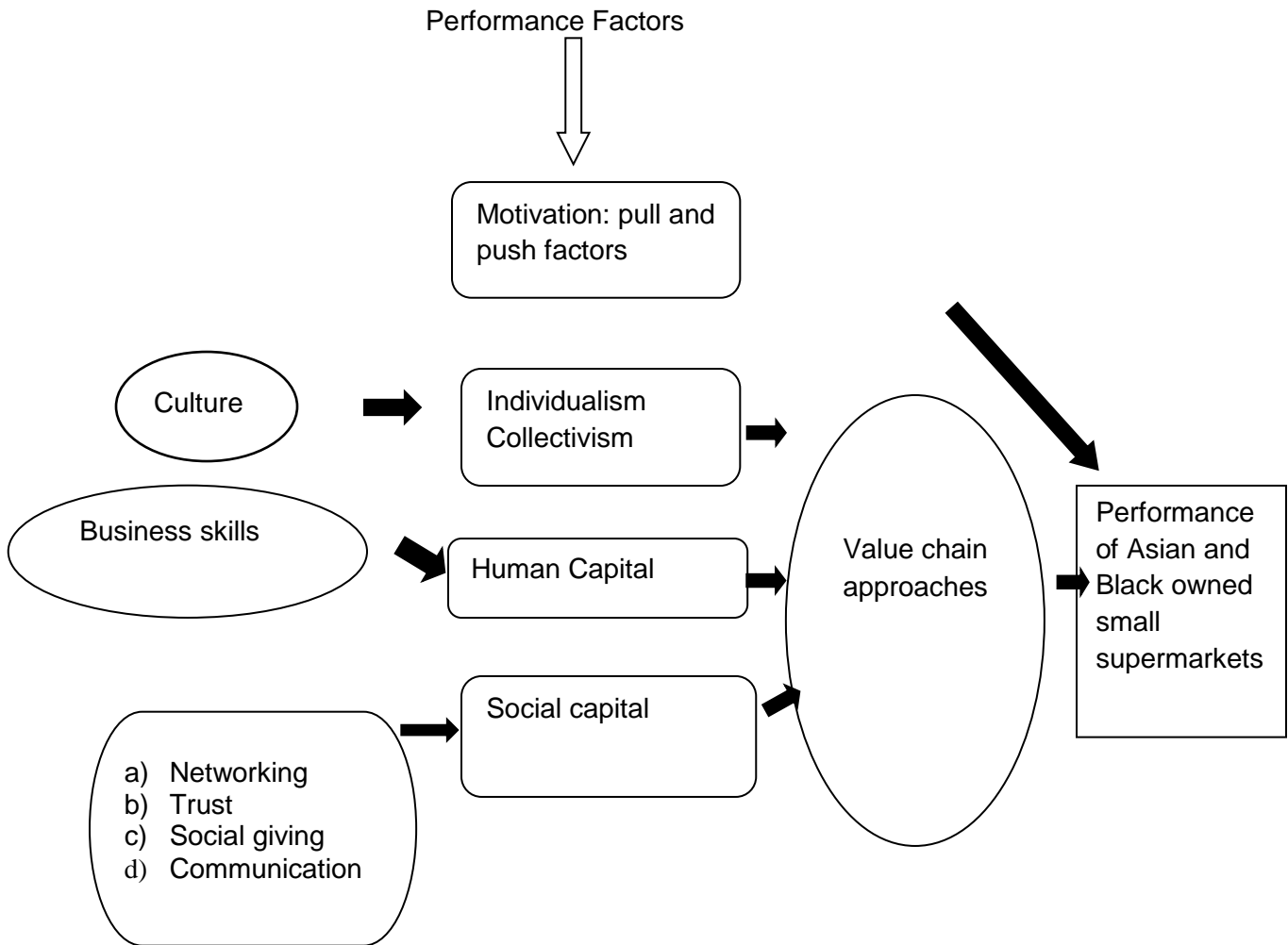
The conceptual framework for the current study was derived from those of Calvo and Garcia (2010) and Kuada (2008). Calvo and Garcia (2010) investigated human capital and the characteristics of the business to determine their effects on established business owners' success. The human factor was the identified variable that helped explain the performance of business owners. This factor was followed by a favourable perception of the business environment on the part of the entrepreneur, and lastly the resilience of the entrepreneur. Kuada's 2008 study challenged the logic underlying contemporary economic growth policies and strategies in Sub-Saharan African countries and argued in favour of enterprise-driven economic growth and poverty alleviation without the enterprises creating dependency on external aid flows. Drawing from the works of economic sociologists, the paper highlighted the importance of social capital in

the context of economic activities. A third contribution to the conceptual framework was focusing on the drawbacks that culturally prescribed expectations carry for entrepreneurs. For purposes of this study, the Calvo and Garcia, and the Kuada models were modified to produce five main constructs that were empirically tested. They are: motivation, culture, human capital, social capital (network), and the performance of small supermarkets. Figure 1 in page 21 shows a conceptual framework for this study.

### 2.5.1 Motivation

Many authors distinguished between pull factors and push factors operating in entrepreneurship or business formation (Benzing and Chu, 2009; Botha, 2009). Pull factors include the entrepreneur's need for independence, recognition gained from managing one's own business, a need to create wealth, and a desire to become one's own boss. Pull factors also called 'opportunity factors' are the factors which make starting an organization attractive to entrepreneurs (Ferreidouni *et al.* 2010). If an entrepreneur believes that an environment is favourable (opportunity driven) such recognition on his or her part should stimulate a favourable attitude toward the growth of his/her organization (Calvo and Garcia, 2010). Push factors include unemployment, retrenchment, job insecurity, discrimination, and lack of education and skills. Push factors, also known as 'necessity factors', impel a person to start a business in order to avoid some undesirable situation (Ferreidouni *et al.*, 2010). Verheul *et al.* (2010) added language skill and a criminal record to push factors.

Necessity-motivated entrepreneurs generally own smaller businesses, whereas opportunity-motivated entrepreneurs expect their businesses to grow and to provide more jobs (Hechavarria and Reynolds, 2009). According to Block (2015), opportunity entrepreneurs are more willing to take risks than necessity entrepreneurs. Giacomini *et al.* (2011) however found that more than two profiles exist of entrepreneurs in terms of motivations. Moreover, motivations change over time (Urban, 2011). Kautonen and Palmroos (2010) confirm the existence of sub-groups of



**Figure 1: Performance factors of small supermarkets as a result of motivation, culture, human and social capital**

necessity entrepreneurs' profiles. Motivations to start businesses also differ across races (Edelman *et al.*, 2010). Carsrud and Brannback (2011) argue that some necessity entrepreneurs cannot afford to wait to achieve a long-term goal as they may starve to death while waiting. Thus a necessity motivated entrepreneur has to be on high alert for opportunities.

### **2.5.2 Cultural factors**

According to Cant (2008), culture comprises a complex set of values, norms and symbols that have developed in a society over a period of time and in which all of the society's members share. In this sense, culture has an influence on entrepreneurial orientation. Venter *et al.* (2008) regard culture as a form of social capital; therefore, entrepreneurship is a culturally embedded phenomenon (Lee and Tsang, 2001).

At the beginning of the century many people perceived the economic growth of the Asia Pacific region as a reflection of the underlying entrepreneurial spirit in the region and saw this as illustrating that, in a culture that recognizes and celebrates entrepreneurship, people have a high need for achievement (Lee and Tsang, 2001). In social theory, structuralism holds that the inner laws or rules of a society determine the behavior of individuals in that society; hence the adherents of this theory, such as Wolff and Resnick (2012) see cultural values as being linked to entrepreneurial activities. Thus, according to this theory, differences between cultures could be associated with differences in the use of adjustment strategies (Lee *et al.*, 2015). Culture has been said to have an influence on entrepreneurship formation and performance. According to this view entrepreneurial traits include risk taking, locus of control, innovativeness, and creativity. In a social system that places a high value on innovation, risk-taking, and independence, there are more individual entrepreneurial events than there would be in a system with contrasting values (Ferreidouni *et al.*, 2010).

Moreover, according to Thornton and Ribeiro-Soriano (2011), when an individual creates business in a specific cultural environment, the business reflects that cultural environment. Alongside the macroeconomic environment, and the more immediate business environment, are enduring national characteristics that have been predicted to have an impact on the level of entrepreneurship activity. If entrepreneurship is not valued in the culture of a particular country, other forms of economic encouragement and/or motivation will prove ineffective.

There are significant differences among entrepreneurial rates of different groups which may occur in spite of relatively modest differences among their economic characteristics. This may be a result of differences in cultural traits (Venter *et al.*, 2008). Thus, according to this view, entrepreneurial activities may increase when cultural values are supportive towards new venture creation.

According to Sriram *et al.* (2007), there is enough evidence to suggest that some ethnic and racial communities flourish despite their minority status, for example, Indians in East Africa and Chinese in Indonesia. This highlights the notion of cultural traits associated with entrepreneurship, including issues such as collectivism versus individualism. The authors further mentioned that Indians hold relationships, community and family as an important framework on which to build success. Cultural values such as thrift and close family ties play a role in the success of their businesses as well as motivating individuals to engage in entrepreneurial activities. Frequently, the use of unpaid labor reduces operating cost in small supermarket and family members who provide assistance also gain experience in the process (Sriram *et al.*, 2007).

As has been mentioned, according to Basu (1998), Asians have a culture of collectivism, thrift and hard work which could be regarded as determinant factors of their performance. The culture of collectivism helps them to acquire labour, capital, and valuable information. In many African societies, there is also a culture of collectivism which however, it can be argued, does not promote the spirit of independence and self-reliance that people need to be more enterprising. A culture of collectivism can, according to this view, therefore be said to produce different outcomes for Asian in comparison to those for African business owners. For Asians, their form of collectivism serves to enhance their businesses as they gain capital, labour, and markets. With lower costs they are able to reduce prices, thereby increasing value for customers. Africans on the other hand are, according to some views, disadvantaged by the same culture of collectivism in the sense that it makes them totally dependent on others and on the government (Nieuwenhuizen and Nieman, 2009). Thus according to this view, the culture of collectivism does not enhance the performance of businesses owned by black people.

According to Nieman and Bennett (2014), customers can receive value through the company's pricing policy. The culture of collectivism help businesses to gain pooled negotiating power that provided them with greater leverage over suppliers, resulting in lower costs (Jooste *et al.*, 2012).

According to Kuada (2008), within the African continent there are different sub-cultures, many of which affect the way people do business. Multiple cultures may also exist within a particular society. Kuada (2008) claims that some of the cultures may show stronger entrepreneurial propensities than others. In Nigeria, a study was conducted by Madichie *et al.* (2008) to examine the influence of the cultural traits of the Nnewi people on what propels their entrepreneurial emergence and success. This group of people was found to be different from other population groups in Nigeria and that their culture had a strong and positive impact on their entrepreneurial and managerial performance. The critical aspects of the Nnewi culture that were found to propel entrepreneurial zeal and managerial performance include prudence, individualism, trust, intimacy and openness in the workplace, submissive apprenticeship, and perseverance.

Culture is also seen by some researchers to affect an individual's motivation to do businesses. In the Benzing and Chu (2009) studies conducted in Nigeria, Ghana and Kenya, it was concluded that building a business to pass on to one's progeny was one of the motivations for Ghanaians, which may be a result of better developed inheritance laws in Ghana. However, in both Kenya and Nigeria tribal customs and Islamic laws have to date determined succession, making it less likely for the surviving spouse to inherit the estate. This has the potential to reduce the motivation to grow the business.

Building on Hofstede's dimensions of cultural variations, Kaasa and Vadi (2010) studied the relationship between those dimensions and the capacity of people of a particular culture for initiating innovation. These cultural dimensions are described as 'Power distance'. According to Kaasa and Vadi (2010), in societies which are high in power distance, social institutions subscribe strongly to, and serve to entrench, the hierarchy of authority. In this way high power distance denies the majority of people the opportunity to develop decision-making skills. In comparison to high power distance societies, those societies that exhibit less power distance develop creativity and innovativeness among their members. In high power distance societies uncertainty avoidance is evident. This refers to a tendency to avoid uncertain situations, or an unwillingness to take risks; rules are also strictly followed. In societies with low uncertainty avoidance, organisational rules can be violated, and ambiguous situations are regarded as natural and interesting. Risk taking is one of the characteristics of such a society, and of good entrepreneurs (Kaasa and Vadi, 2010).

In the individualism-collectivism dichotomy, individualistic societies are seen by some social theorists to be characterised by weak relations between individuals. Individuals are independent and self-reliant, while, in comparison, collectivism indicates a greater deposition towards group interests (Kaasa and Vali, 2008). In the latter societies people connect their identities with groups which protect them during their lives. A masculinity-femininity dichotomy society has been described by some social theorists in terms of 'masculine' and 'feminine' societies respectively. A society characterised by masculinity is said to have a high drive for achievement as well as competition. A 'feminine' society focuses on people and is characterised by a warm and supportive emotional climate, by low conflict, and by trust. The measures used to categorise societies in this way in the study by Kaasa and Vali (2008) were based on the European Social Survey. The final results are that to be successful in initiating innovation, a region should have lower than average power distance, uncertainty avoidance, family-related collectivism and masculinity.

### **2.5.3 Human capital**

Human capital includes education, training and experience (Valdez, 2008). Education is defined by Amos *et al.* (2008) as "a process that provides knowledge, skills, moral values, and understanding required in the normal course of life - focused on developing people for the future". Training is defined by Amos (2008) as "an attempt to alter or change the knowledge, skills, and behavior of employees in such a way that organizational objectives are achieved". Ukena *et al.* (2010) found that training and skills were stronger predictors of human capital effectiveness in the small scale enterprise context. The same study also revealed the importance of training and skills to small business owners on financial and non- financial performance of the firm. Training has a positive impact on SMMEs' profits, revenues, and size, (Costin *et al.*, 2011). According to Statistics South Africa (2012), only 2.9% of Asians had no schooling in 2012 compared to 10.5% Blacks. As has been mentioned, Asian owned businesses in the United States and Canada were successful owing to their high educational qualifications of their owners (Fairlie *et al.*, 2009; Robb and Fairlie, 2009).

Entrepreneurs who have high levels of education are associated with more creative business opportunities than those who do not (Moreno, 2008) and higher entrepreneurial activity (Botha, 2009; Nieman, 2009). Education may also help the business owner in developing analytical

capabilities and the ability to introduce efficient organizational systems (Basu, 1998). Business owners need financial and business knowledge in order to deal with the ever changing economic environment (Unger *et al.*, 2009). Calvo and Garcia (2010) found a positive link between education and growth. According to Costin *et al.* (2011), entrepreneur education directly contributes to the formation of entrepreneurial skills for recognizing opportunities. -Entrepreneurs who have a solid grounding in business and finance education tend to pursue more opportunity-based ventures, while those who are less well-educated tend to be involved in business out of necessity rather than for relishing a challenge (Venter *et al.*, 2008; Verheul *et al.*, 2010). Elmuti *et al.* (2012) found causal linkages between entrepreneurial education and entrepreneurial success. Higher general education was found in one study to enable businessmen to understand and more successfully negotiate the business world (Saleem, 2012). In the study conducted by Albornoz (2008), in which he focused on the content of the current literature on entrepreneur training, the researcher found that there was more content related to knowledge than that related to skills and attitude. From these studies it can be concluded that there is a positive link between higher education and entrepreneurial performance.

### ***Training and experience***

Human capital is not only the result of formal education, but includes experience and the kind of practical learning that takes place on the job in addition to specific training courses (Venter *et al.*, 2008; Jones *et al.*, 2010). All the above contribute in adding value to the business. According to Moreno (2008), business opportunity identified and exploited by an entrepreneur depends initially on work experience and level of education. The importance of having a family business background resides in an informal learning or apprenticeship type of training that occurs in working in a family business (Robb and Fairlie, 2009). Magableh *et al.* (2011) found that training has a positive impact on an SME's profits, revenues and size.

Entrepreneurs in charge of a business need to possess certain skills to enable their business to grow (Tahir *et al.*, 2011). According to Calvo and Garcia (2010), the entrepreneur's business experience has the greatest impact on the venture's growth. One needs to have accumulated and be open to experience in order to gain from it (Shane *et al.*, 2010; Fine *et al.*, 2012) and part of this work experience includes having dealt with start-up problems (Venter *et al.*, 2008). Thus entrepreneurial experience can be said to have a positive impact on small business performance.

Different authors have reported on the skills that result from personality, education, training, and experience. For example, Van Aardt *et al.* (2008) report, amongst others, the following important ingredients for a successful business: the ability to organize, lead and control, a sense of responsibility, innovativeness, and educational background. A study to determine the relationship between four managerial skill dimensions (technical skill, administrative skill, human skill, and citizenship behavior) and managerial effectiveness found that all four of the managerial skill dimensions were significantly important. The most important factor was administrative skill followed by human skill (Tonidandel *et al.*, 2012). Fine *et al.* (2012) also found business skills, such as planning and coordinating, leading, decisiveness, communicative skills, and instruction are associated with entrepreneurship performance.

In addition to these four skills, Venter *et al.* (2008) advocate the need for business owners or managers to have basic knowledge of marketing and financial management. These authors describe these kinds of knowledge, in terms of marketing management skills which include the ability to calculate market potential of a product, to determine the price of products and services, to distribute the product, and communicate effectively with the market and potential market, and financial management skills. These include cash flow management and cost price calculation.

The value chain of a business can be added through customer care (Nieman and Bennett, 2014). Customer care is an important dimension of quality and success in marketing. It has its foundation in the fundamental concepts of marketing which put customer at the core of entrepreneurial thinking and activity. Customer expectations relate to both 'hard', tangible, and quantifiable factors which can be measured, and to 'soft', intangible factors, such as customer feelings, perceptions, expectations, and requirements, all of which are difficult to measure. Small supermarkets have direct contact with, and easy access to, shoppers. The way they serve customers affects the total retail experience (Carson *et al.*, 1995). In this way customer care represents a source of competitive advantage.

Closely related to customer care is relationship marketing. The essence of relationship marketing stems from the increased refinements of customer care, internal marketing, and the broader parameters of total quality management. The driving force behind relationship marketing is broader than just the company/customer interface. It is concerned with relationships between an organization and a whole range of personnel at point of contact and interaction with customers. Broader interaction includes business associates and suppliers as well as key influencers within

an industry. The prime objective of relationship marketing is long term customer retention (Carson *et al.*, 1995). Thus it is important for organisations to remain trustworthy, since trust is one of the criteria that customers have been found to use to judge this relationship quality.

As has been described, Selvarajah *et al.* (2012) conducted a study to identify the key factors that enable Chinese entrepreneurs of first and second generations to set up and operate their business in Australia. Amongst other findings, both generations were found to possess relevant business knowledge and skills, personal attributes, and capabilities when they established their businesses. They applied good management and organizational skills to overcome the difficulties that they faced. Thus, although entrepreneurs may have some of the skills to start businesses, they also need to acquire good management skills to manage the growth of their businesses.

#### **2.5.4. Social capital**

Social capital includes membership of networks which are defined by Adams (2009) as patterned beneficial relationships between individuals, groups or organizations that assist in securing certain critical economic and non-economic resources needed to start and manage a business. Networks give firms the advantage of sharing costs and risks that would otherwise be too high to take on alone. With the increase of globalization, market expansion and complexity, companies that are less able to retain the skills and expertise that are required for competitive success must look elsewhere for the needed expertise (Vickey, 2011). In a study conducted in China by Su *et al.* (2015), it was revealed that in the cultural and economic context business networking has a positive effect on the relationship between entrepreneurial orientation and new venture performance. Sigmund *et al.* (2015) found that network had moderating effects on venture size, and the interaction between venture size and the institutional environment. Networks ensure that the goals and vision of the business are realized and point to the need for small supermarkets to build these relationships.

In a quantitative study conducted by Abou-Moghli and Al-Kasasbeth (2012), it was concluded that social networks provide better access to resources and support. This is in line with Human (2009) who noted that a firm's performance depends upon the activities and performance of others, and hence upon the quality of relationship a firm develops with its counterparts. According to Jones *et al.* (2010), external knowledge, that is, knowledge from external sources can be a significant source of organizational learning when it is systematically incorporated and integrated

with existing knowledge. They further emphasized that the ability to learn through the acquisition and application of knowledge is fundamental to improving organizational learning. Thus relationships that small supermarkets have with other organisations, may help them to achieve value chain.

Networks are also important for alliance formation. Mitsuhashi and Greve (2009) found that alliance-networked firms exhibit better match quality than isolated firms. Business networks also influence the social performance of their members. Social performance of small business owners and managers is significantly related to the collective expectations and patterns of the business associations to which they belong. If the other members of the business association to which they belong engage in socially responsible behavior, business owners are more likely to be socially responsible than members of associations where socially responsible behavior is less prevalent (Besser and Miller, 2011). Networking plays an important role in improving ethics and social responsibility. It is important for small supermarkets to build relationships with organisations that are socially responsible.

In a study of the venture capital industry Guler and Guillen (2010) used data from a database provided by Thompson financial. The aim of the survey was to determine if social-status advantage is transferable from one market to another as a signal of quality. It was found that firms entering a foreign market face challenges because they lack knowledge about the local context. They must also convey to and convince customers, suppliers, and collaborators that they are trustworthy.

While Egbert (2009) agreed that network resources are beneficial, he also considers them to be constraints. Networks include social obligations and responsibilities and these are deducted from an enterprise's capital. This can cause problems to the enterprise and may lead to business failure. The results of his empirical study show the difference between entrepreneurs of Asian origin and those of African origin in terms of setting up and sustaining networks. The first difference was that African entrepreneurs were found to regularly provide their family members with comparatively small amounts of money whereas Asian entrepreneurs gave larger sums to immediate and extended family to provide the receivers incentives to set up a business of their own. The second difference was that African entrepreneurs were found to provide family members with capital even if the gesture created problems for the original enterprise. No entrepreneur of Asian or Arabic origin supported his family if the action constituted a burden. The study showed

the necessity of taking the cost of relationships and their effects on the businesses into account during their formation.

Focusing on the ethnic-religious communities called Bohras, which are a sub-group of the Asian inhabitants in East Africa, it was found that their businesses were particularly successful in comparison to others in the region. The group is highly committed to hierarchically-structured communities and there are severe controls. Members are provided with interest-free loan schemes that allow them to take credit for business investments. This contributes directly to entrepreneurial success. There are however, there are some Bohra entrepreneurs who are excluded from the community. The survey found these people to own the most successful companies in the region. The study concluded that their release from the network in fact brought more prosperity for their enterprises. These entrepreneurs may find it difficult to network because dependence on relationships runs counter to modern entrepreneurs' belief in individualism as a prerequisite to business success. From a study done on LinkedIn networks in Ireland, Vickey (2011) claimed that individualism is a key trait in the entrepreneurial culture; it teaches and celebrates independence, self-sufficiency and self-reliance (Vickey, 2011). Thus he concluded that, when there are too many rules and regulations, entrepreneurs feel restricted and caged as they do not want to be told what to do by somebody else. Whilst important for support, social capital reduces levels of independence, thus reducing the level of flexibility necessary for entrepreneurs to succeed.

The above findings are consistent with Semrau and Werner's (2012) conclusion from a longitudinal study which sought to determine the relationship between nascent entrepreneurs' investment in network size and the relationship and their success in new venture creation. The findings showed that investing time in developing and increasing intense network relationship can lead to positive but diminishing resource returns and opportunity cost of time. Another risk associated with networking, as Vickey (2011) found, is unbalanced business relationships where one party contributes more than the other. Unbalanced relationships go against the principle of reciprocity which simply refers to 'give' and 'take'. The findings of these studies would suggest that relationships should create value that benefits all parties involved equally.

Reagans and Zuckerman (2008) and Stam and Elfring (2008) present a contrasting view, that size may lead to both higher costs and additional benefits. Granovetter (2005) affirmed this view, adding that the dimension that networks work well when there is trust, a view similar in turn to that

of Besser and Miller (2011), that networks that require trust, such as sharing of information and resources, are more easily facilitated in smaller networks. Besser and Miller (2011) further argued that, although larger networks presented more difficulties in facilitating trust, participating businesses received benefits that are uniquely available through the collective power of many members, such as, strategic and successful lobbying, and purchasing group insurance.

Many authors differentiated between strong and weak ties (Kuada, 2008; Luczac *et al.*, 2010; Urban, 2011). Urban (2011) regards strong ties as those with whom the entrepreneur interacts at least twice a year, and weak ties as those relationships that are enacted at least once a year. According to Kuada (2008), networks with strong ties tend to become self-sufficient while those with weak ties are more open and therefore likely to access new information about business opportunities. Information from close family and friends is likely to be the same as that which has already been accessed from a wider network. Weak ties are important as they provide information that would be unavailable or costly to locate. Strong ties, such as those derived from family relationships, provide secure and consistent access to resources. Strong ties are especially important where people expect to deal with each other over a long period as they create trust as well as predictability. However, Venter *et al.* (2008) see having ties with more than one person with similar characteristics, as being redundant and as not providing value; to be effective network ties should be diverse (Urban, 2011). These studies advocate small supermarkets forming relationships with both strong and weak ties.

## **2.6 Similarities and Differences between Black and Asian-owned Businesses**

In the current study comparisons are drawn between Asian and Black small supermarket owners in order to determine whether significant differences exist between the determinant factors of performance of the businesses and business owners of the two groups. Both Asians and Blacks share a 'culture of collectivism'. According to current accepted definitions, in a collectivist culture people are tightly integrated into groups, which include their families, friends, and colleagues, that protect them/each other. Members of the group guide their decision making according to what is best for the group, although this may limit creativity and innovativeness which are currently seen as the career anchors associated with entrepreneurship (Brettel *et al.*, 2008). Table 1 presents a summary of the differences between the factors of performance of Blacks and Asians owned businesses as identified by this and other researchers.

## 2.7 Gender as a determinant factor for performance

A study by Haus *et al.* (2013) found a higher entrepreneurial intention for men compared to women. Santos *et al.* (2016) found that women and men form their intention to start a venture in the same manner, but that women see this option as being less attractive and less feasible than men do. In other words, while women may feel starting a venture per se is highly valued by the society, they do not consider it a socially acceptable option for them as women. Goktan and Gupta (2015) report individual entrepreneurial orientation as being higher among men than among women. According to the quantitative study of Mahmood and Hanafi (2013), entrepreneurial orientation has a positive effect on the business performance of female-owned small businesses. Females are also less likely to succeed in starting their businesses than males, although women who are educated have the same probability of success as men, sometimes higher (Kodama and Odaki, 2011). According to Katangole (2015), in his study successful women entrepreneurs were those who had complemented their formal training with informal entrepreneurial training and education. Justo *et al.* (2015) found that in Spain females do not fail more often than do men, but that they exit voluntarily and generally due to personal reasons. In general, women enter into formal entrepreneurship activity due to pull factors rather than push factors (Meyer and Landsberg, 2015). Sharafizad and Coetzer (2016), in their study conducted in Australia, found that female small business owners prefer to interact with networks with which they have close ties.

According to Fairly and Robb (2014), female-owned businesses in the USA and Canada are less successful than male-owned businesses because they use less start-up capital and have less prior business experience. Marlow and McAdam (2013) on the other hand found that women owned businesses are concentrated in lower performing market sectors. In their view, that does not lead to under-performance, but to constrained and lower performance. Similarly, Robb and Watson (2012), in their study conducted in the USA, found that there were shortcomings in many of those prior studies which had concluded that female-owned ventures underperform in comparison with male-owned ventures. The main reason given for the findings of these previous studies was that, while female-owned businesses are generally smaller, they do not underperform in relation to male-owned ventures provided appropriate performance measures are adopted and key controls are incorporated into the analysis. Moreover, according to Kirkwood (2009), basing his theory on women in societies in modern/developed countries, women's motivations to become entrepreneurs are strongly affected by relational thinking.

**Table 1 : Differences between the factors of performance of Black and Asian owned businesses**

Descriptors	Asians	Blacks
Motivation	<p>Opportunity-motivated entrepreneurial activity rates are higher among Asians compared to Blacks (Herrington <i>et al.</i>, 2010). Need for achievement, which is also opportunity motivated has an impact on business growth (Calvo and Garcia, 2010).</p>	<p>Black South Africans are mostly motivated by necessities, such as unemployment (Barrett and McEvoy, 2013; Herrington <i>et al.</i>, 2010) although there have been reports of increase in their opportunity motivated enterprises. Necessity motivated businesses are characterized by survival (Giacomin and Guyot, 2011)</p>
Culture	<p>Asians have a culture of collectivism. They do help each other with capital, but that does not happen at the expense of the business (Egbert, 2009). The family members who are employed in the business show a sense of commitment, discipline, and diligence (Kuada, 2008). Asians have an entrepreneurial culture,</p>	<p>Africans have a culture of a type of collectivism that does not enhance their businesses. The pursuit of collective interests that characterises most African societies, has not promoted the spirit of independence and self-reliance that individuals need to be more enterprising (Kuada, 2008; Nieuwenhuizen and Nieman, 2009; Preisendorfer <i>et al.</i>, 2012). The 'free rider mentality' that is found in most African communities cause relatives to rely on business resources for support at the expense of profitability.</p>
Human capital	<p>According to the Census 2011 (Statistics South Africa, 2012), 21.6% of Asians attended a level of education higher than Grade 12 and learn business skills from a younger age as they start helping in the family business.</p>	<p>According to the Census 2011 (Statistics South Africa, 2012) only 8.3% of Blacks attended a level of education higher than Grade 12.</p>
Social capital	<p>Asian entrepreneurs have horizontal as well as vertical business links. These links provide them with information, resources and advice. (Egbert, 2009).</p>	<p>Long-term horizontal linkages (small firms collaborating together) are non-existent among Africans Kuada (2008)</p>

## **2.8 Geographic location as determinant factor for performance**

Roslin and Rosnan (2012) pointed out that store locations represent long-term strategic investment and that, once a viable location has been identified, this may become a competitive edge for retailers which competitors may find difficult to thwart. Similarly, Marlow and McAdam (2013) concluded that location has an impact on the potential of the business in terms of durability, growth and wealth creation. According to a study done by Besser and Miller (2013) in remote rural areas in the USA, where fewer people lived than in more densely populated areas, and with lower incomes, entrepreneurs faced the challenges of fewer potential purchases. These entrepreneurs dealt with these challenges by making use of available community bridging social capital to enhance entrepreneur performance, by helping to retain and attract skilled labour, thus reducing costs, providing access to capital, and in the process engendering resident customer loyalty. However, based on their study done on Danish start-ups in remote areas of Denmark *et al.* (2012) argued that, whereas, in a country like Denmark, where one might expect entrepreneurs to perform better in the regions where they have deep roots because of their richer endowments of regionally-embedded social capital, they might also perform worse if their location choices reflect instead a preference for spending time with family and friends. These studies would suggest that geographical location is an important determinant of performance and location is identified by Ibrahim (2015) as one of the competitive devices that contribute positively to the profitability of the small business.

## **2.9 Intervention strategies for improved performance of small supermarkets**

A strategy is defined by Bateman and Snell (1999) as a pattern of action and resource allocation employed by entrepreneurs to achieve the goals of their organisation. In this section strategies devised to achieve business objectives are described. They include strategies devised and used by business owners and those devised by the government. Table 2 presents a summary of the strategies used by business owners.

### **2.9.1 Intervention strategies devised by the South African government**

Several government institutions have been introduced in South Africa to support business start-ups and build the capacity of existing ones. Adams (2003) highlights a number of support institutions that render services to small businesses in rural areas and townships. They include, amongst others, the Small Enterprise Finance Agency (SEFA), the Small Enterprise Development Agency (SEDA), the Limpopo Economic Development Agency (LEDA), the South African Women Entrepreneurs' Network (SAWEN), and the National Youth Development Agency (NYDA). They are presented in Table 3.

**Table 2: Strategies used by business owners to improve performance**

Strategies used	Explanation of meaning
Diversification	Diversification is a dynamic growth options for a business (Lazenby, 2014)
Related diversification	This process contributes to synergy (Lazenby, 2014).
Unrelated diversification	An organisation provides diverse products and services (Lazenby, 2014).
Expansion	Dairy farm expansion ensures future profitability of farm business (McDonald <i>et al.</i> , 2013)
Cooperatives	Cooperation may help a firm improve its strategic position (Chittithaworn <i>et al.</i> , 2011)
Globalisation	The relationships between dynamic global marketing strategy and firm survival had positive relationship with the mediating factors (Akkrawimut and Ussahawanitchakit, 2011).
Customer service	Effective customer service may result in the survival of some of the small supermarket (Ligthelm, 2008).
Joint retailing	Joint retailing takes place when two normally separate businesses combine to create a synergistic offer to their customers (Cant <i>et al.</i> , 2006).
Other strategies	<p>Some business owners use networks to improve business performance (Abou-Moghliand and Al-Kasasbeh, 2012)</p> <p>Others rely on entrepreneurship perspective to achieve success (Passaro and Thomas, 2010)</p>

**Table 3: State owned companies**

Government body	Year of establishment	Mandate	Legal framework/Act of parliament
a) Small Enterprise Finance Agency (SEFA)	2012	To foster the development of small and medium enterprises and cooperatives.	There is no separate act of Parliament.
b) The Small Enterprise Development Agency (SEDA)	2004	Its mandate is to implement national government's strategy. Design and implement a standard and common national delivery network.	National Small Business Amendment Act, 29 of 2004.
c) Limpopo Economic Development Agency (LEDA)	2012	To stimulate and strengthen the economic development plans of the Limpopo Province.	None. It is a result of amalgamation.
d) South African Women Entrepreneurs' Network (SAWEN)	2002	To form a vehicle that brings individuals and groups of women together to speak about challenges that affect South African women entrepreneurs.	None. Subscribes to Beijing plan of action to ensure economic empowerment.
e) National Youth Development Agency (NYDA)	2009	To address youth development issues in the country. To tackle challenges that the youth are faced with.	National youth development agency Act, 54 of 2008.

## 2.10 Summary of Literature Review

The literature showed universal indicators of business performance to be non-existent and advocated for researchers to use non-financial measures, such as survival over a number of years. Growth may also be used as an indicator of success, measured as an increase in the number of employees and the number of outlets, rather than as an increase in profit or sales. The literature indicated that financial measures are used by business owners as well as their suppliers. Globally the determinants of success were found to be pull factors, such as a pull for independence, the desires of the owners to better themselves financially, and the desire of a prospective business to be her or his own boss. Capital investment was also regarded as one of the determinant factors. Other factors included the possession of, and/or access to, information as well as the level of educational qualifications, skills, and experience.

In cultures that value entrepreneurship, there tend to be more entrepreneurial activities. While both Asians and black communities were found to have collectivist cultures, Asians were found to combine their particular collectivist culture with thrift and hard work, and a spirit of independence, in the development and growth of their businesses. In the black communities studied, their particular collectivist culture was not found to promote a spirit of independence. The human capital considered by many authors to be necessary for the establishment and development of successful entrepreneurial enterprises includes education and skills acquired through training and experience. Functional skills required include financial management and marketing. Skills in management tasks, such as planning, organizing, activating and control, were also found to be important. While on the one hand, social capital provides access to resources, information and support, on the other hand, it reduces the level of independence that entrepreneurs need in order to be flexible. Social networking was often found to lead to higher costs. Social relationships should include both strong and weak ties. Asian entrepreneurs were found to possess both horizontal and vertical links, both of which links were found to be virtually non-existent among Blacks. Entrepreneurial orientation and intentions were found to be higher for men than for women. Location of a business was found to be an important determinant of performance.

The three determinant factors of performance, culture, human capital and social capital contribute to the value chain approach on a form of lower prices and by ensuring that products meet the needs of customers for whom they are intended.

Strategies employed by business people to ensure success were identified and discussed. They include related and unrelated diversification, global strategies, acquisition of skills and networks to create sustainable competitive advantages, vertical and horizontal integration, and cultivating a culture of entrepreneurship. Services provided by state owned companies were identified.

Many studies discussed performance factors of small businesses and supermarkets. However, there exists a scarcity of studies that focus on small supermarkets; many studies are on larger super markets. Given this gap in the literature and in research done on small supermarkets, the current study is considered to have made a valuable contribution to the body of knowledge on the determinant factors of performance of small businesses, particularly small supermarkets, by investigating the findings from both developed and developing economies.

## CHAPTER 3 RESEARCH METHODOLOGY

### 3.1 Introduction

Research methodology involves the forms of data collection, analysis, and interpretation that researchers propose for their studies. The proposed research was aimed at comparing the determinants of performance of Asian and Black-owned business in Thulamela Local Municipality. The study is a mixed method survey, that is, qualitative and quantitative techniques involving stakeholders and small supermarket owners or managers. The reason for using mixed research is that one method may lead to the discovery of new insights which are followed up through the use of the other method (Saunders *et al.*, 2016). The approach is useful to a researcher who wants to explore a phenomenon but also wants to expand on the qualitative findings (Creswell, 2009). The same author also added that the model could make a largely qualitative study more palatable to the advisor, committee, or research community well versed in quantitative method and that may be unfamiliar with the qualitative approaches. The research design, description of the population and sampling procedure, data collection tools and data analysis techniques were explained in this section. How ethical issues were addressed is also clarified.

### 3.2 Description of the Study Area

The study was undertaken in Thulamela Local Municipality (Figure 2) within Vhembe District Municipality. The District covers a geographical area of approximately 2 966 km<sup>2</sup>. It is one of the five that constitute Limpopo Province of South Africa. According to the latest statistics, the local municipality is 85 % rural with a population of 618 462 people and 156 594 households. The unemployment rate was 43.8 % while the dependency ratio was 70.1 Tourism is the economic back-bone of Thulamela Local Municipality.

According to Statistics South Africa (STATSSA, 2011), there were 2 879 businesses in Thulamela Local Municipality. Most of them (2 032) were in the Thohoyandou area and the remaining 847 in Malamulele. Informal discussions with the business licensing office in Thulamela Local Municipality, in 2014 revealed that only 701 traders renewed their licenses. Most of the businesses are in the retail sector. The fact that a majority of the retail enterprises are one

employee or family concerns only means that their contribution to employment opportunities and income generation are minimal (Vhembe District Municipality, 2012).

### 3.3 Research Paradigm

Saunders (*et al.* 2016) made an overview of five philosophies which are explained below.

A *positivist* paradigm relates to the philosophical stance of natural scientist and entails working with an observable social reality to produce law-like generalisations. Posivists collect measurable and quantifiable data. The researcher is detached, neutral and independent of what is researched. It is suitable in highly structured, large samples, quantitative methods of analysis.

*Critical realism* focusses on explaining what is seen and experienced, in terms of the underlying structures of reality that shape the observable events. They use range of methods and data types.

In *interpretivism*, the emphasis is on the fact that humans are different from physical phenomena because they create meanings, and these meanings are studied. As different people of different cultural background, under different circumstances and different times make different meaning and so create and experience different realities, researchers cannot discover 'universal laws' that apply to everybody. Interpretivism is more suited to small samples and qualitative methods.

The emphasis for *postmodernism* is the role of language and of power relations, seeking to question accepted ways of thinking and give voice to alternative marginalized views. Postmodernist researchers seek to make what has been left out or excluded more visible. They are open to the deconstruction of any form of data.

*Pragmatism* researchers believe that concepts are relevant if they support action. The aim here is to contribute practical solution to inform future practice. Pragmatists recognise that there are different ways of interpreting the world and undertaking research.

To address the research problem, the interpretivism paradigm was used. The approach was chosen because it put more emphasis on perceptions of participants. This paradigm looks at organisations from the perspectives of different groups of people (Saunders *et al.*, 2016). It took

## Thulamela Local Municipality Map

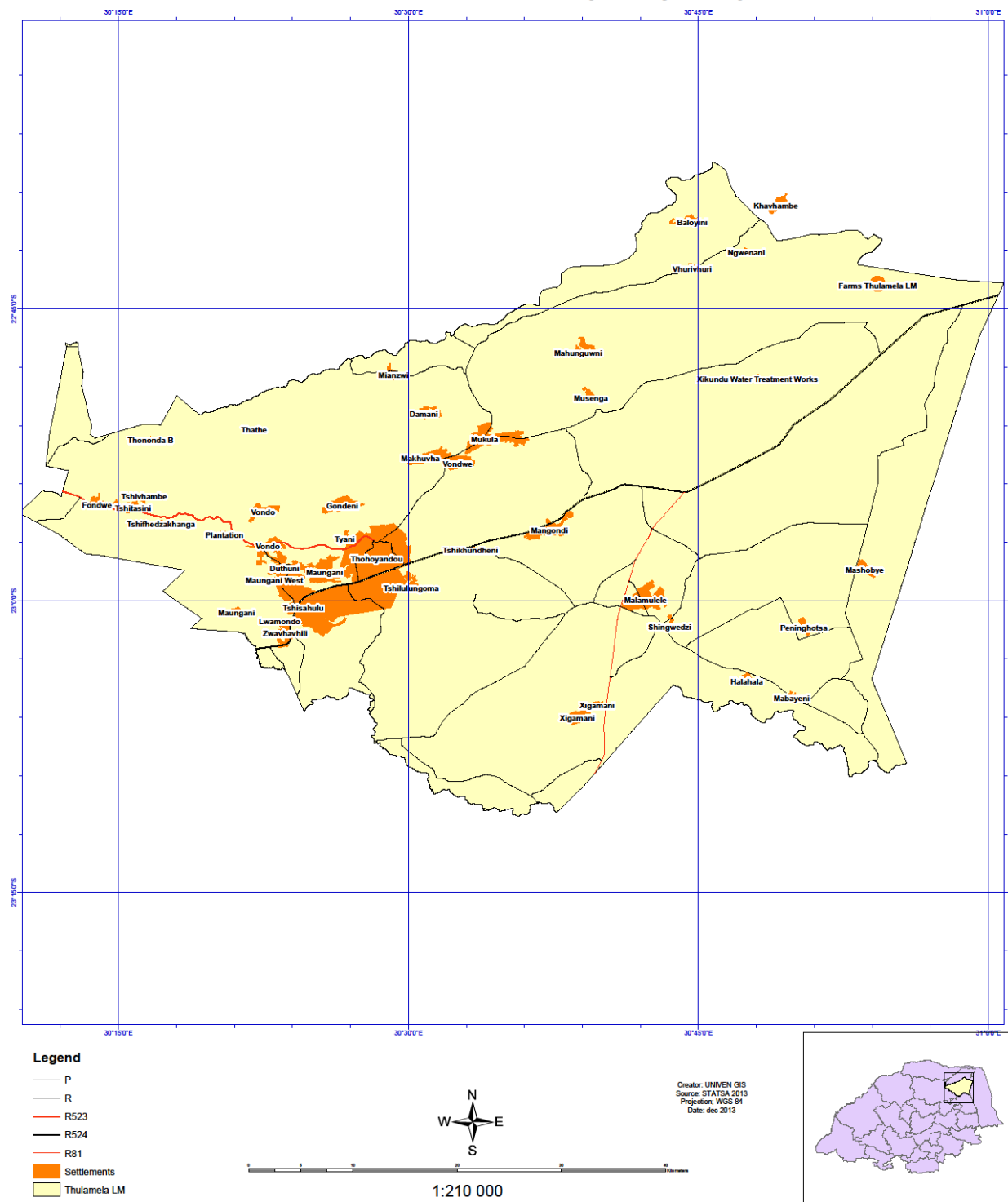


Figure 2: Map of Thulamela Local Municipality (Source: University of Venda GIS Unit, 2013)

into account the fact that participants from different race, gender and geographic location may experience the same events in different ways.

### **3.4 Phase 1**

This phase addresses objectives 1, 2 and 3; namely, to assess the indicators of performance of small supermarkets, compare the performance factors of Asian- and Black -owned small supermarkets in Thulamela Local Municipality and develop intervention strategies for improved performance.

#### **3.4.1 Research Design**

'Research design' is defined by Creswell (2009) 'as the plan and the procedure for research that span the decisions from broad assumptions to detailed methods of data collection and analysis'. A cross-sectional study design was employed in which the stakeholders were interviewed to assess the indicators of performance, compare the determinants of performance of Asian and Black -owned small supermarkets in Thulamela Local Municipality and to identify strategies that small supermarket owners are using to achieve success in their businesses. A strategy that will help small supermarket owners to improve their performance was then formulated. The researcher explored the topic using qualitative data before attempting to measure it quantitatively. During the first phase of the study, qualitative data was collected from individual stakeholders by means of in-depth interviews before the data was analysed. In the second phase quantitative data was collected from small supermarkets owners or managers. Weight is placed on the first phase. Mixing occurred between a qualitative data analysis of the first phase of research and the data collection of the second phase of research (Creswell, 2009).

#### **3.4.2 Population and Sampling Procedures**

For all the objectives, the same population was used. The population for the selection of stakeholders was composed of officials from the Local Economic Development, the representatives from the Association of Business Owners and small supermarket owners. The same sample was used to address the objectives. Snowball sampling was used to select the 36

interviewees. This method is defined by (Nieuwenhuis, 2007) as a method whereby participants with whom contact has already been made are used to penetrate their social networks to refer researchers to other participants who could contribute to the study. Two municipal officials in the local economic development unit supplied the names of persons deemed to be knowledgeable about issues relating to small supermarkets in both Malamulele and Thohoyandou regions of Thulamela Municipality. Thereafter, each interviewee provided 2-4 names and contact details of other knowledgeable people. In total this approach resulted in the compilation and interviewing of five officers employed in the local economic development departments of Thulamela Local and Vhembe District Municipalities, five representatives of associations of business owners, 14 Asian and 12 Black small supermarket owners. Twelve Indian and two Chinese supermarket owners were the identified Asian small supermarket owners. With respect to the Blacks, 6 Venda and 6 Shangaan-speaking small supermarket owners were identified and interviewed. Data saturation, which is further clarified below, determined the size of the sample. Data saturation refers to the fact that any additional data collected would provide little, if any, new information or suggest new themes (Saunders *et al.*, 2016). A total of 36 research participants were interviewed.

### **3.4.3 Research instrument**

An interview guide prepared by the researcher was used to collect data from multiple stakeholders. It was derived from the research questions. The questions were related to indicators of performance and current level of performance in Thulamela Local Municipality. Questions regarding the common success and failure factors of Asian and Black owned small supermarkets were also included. In addition, there were questions on the extent to which gender and geographic location determine the performance of small supermarket. Other questions were based on strategies used by small supermarkets to improve performance of their businesses, challenges that small supermarkets face, type of support that small supermarkets receive from government as well as non-governmental sectors.

### **3.4.4 Observational notes**

The researcher used field notes for observations that could not be captured on voice recorder. Observation focussed on stock on shelves, traffic of customers to the store and security features.

### 3.4.5 Data Collection

An open ended interview was used to collect data from participants in order to get their perceptions about the determinants of success. Interviews were face-to-face in order to make it easy for the interviewers to assist with issues that were not clear to the respondents as the method is recognised as yielding the highest response rates (Maree and Pietersen, 2007). The researcher and a research assistant conducted personal interviews to enable observation of respondents' body language during the interviews. In the cases where the supermarket owners were not comfortable to engage in conversations in English, they were interviewed using the commonly spoken local languages, namely Tshivenda and Xitsonga. All the Chinese and Indian supermarket owners were interviewed in English. Chinese were interviewed in the presence of their employees who clarified terms they could not understand. All interviews were tape-recorded with permission obtained from respondents, prior to the interview. Where the respondents were not comfortable with recordings, notes were used. On average, each interview took about 30 minutes to complete.

### 3.4.6 Data Analysis

According to Maree (2007) qualitative data analysis tend to be an ongoing rather than non-linear process, implying that data collection, processing, analysis and reporting are intertwined, and not merely a number of successive steps (Nieuwenhuisen, 2007). ATLAS ti.7.0.81. was used to analyse the data. Atlas ti is computer-assisted qualitative data analysis software (CAQDAS). Apart from Atlas ti, content analysis was also used to supplement it. The following were the steps for Atlas ti to formulate codes themes:

Step 1: Create a *Hermeneutic Unit (HU)* or a project. A HU containing all documents, quotations and codes was created.

Step 2: Prepare documents for import. Ensure data is in *text-based, electronic* format. Recorded interviews were transcribed in a word processing application in order to make them text-based.

Step 3: Assign primary documents. The recorded interviews were assigned or imported. A document was opened by choosing the document from the drop-down list. The document opened in the HU editor.

Step 4: Create quotations. To create a textual quotation, text segments were selected in the primary document. The cursor was moved into the selected area and right clicked on the marked region to open the context menu. *Create Free Quotation* was chosen from the selected context menu. The quotation appeared in the quotation drop-down list.

Step 5: Code documents. *Open Coding* was used to create a new node associated with an existing quotation or text segment.

- (a) Select the text segment or quotation to code
- (b) Choose *Codes/Coding/Open Coding* from the main menu
- (c) Enter a name for code and click OK.

A new code was added to the code list, and if needed, a new quotation to the quotation list.

Step 6: Assign families. Families are containers or holders for different kinds of codes. *Documents/Open Families/ Edit Family Browser* was opened. The Family Browser window opened up, and from there a new family was created, by clicking the New Family Button. The name of the family was entered. Code families were created by going to the *Codes* menu and following similar steps. Codes were assigned to families.

The *families* represent the *themes* and *codes* the *categories* in the table with findings.

Step 7: Networks were used to build a network view. The network is defined by a set of nodes and links. Nodes in ATLAS.ti can be any number of codes or quotations. Links were defined which allowed specification of the relationship between nodes. The network editor was used to create and manipulate network structures. A name was entered for the new network view. Nodes were imported into the network view by choosing *Nodes/Import Nodes* from the network editor's menu bar. Links were created between nodes by selecting "relations" and choosing the "is cause of" relation.

Step 8: XML Export/Import. Codes were exported into the XML format. To export selected codes, the open *Code Manager* was selected from the *Codes* menu and *Export Selected Codes (XML)* was selected from the Code Manager's menu.

### **3.4.7 Ethical Considerations**

Research ethics refer to the “appropriateness of the researcher’s behavior in relation to the rights of those who become the subject of his/her work or affected by the work” (Saunders *et al.*, 2016). The following guidelines were adhered to:

#### ***Permission to conduct the study***

Prior to conducting the study, the researcher applied for permission to the University of Venda’s Health, Safety and Research Ethics Committee to conduct the study. This department granted ethical clearance. Thereafter, on application for permission and clearance, Vhembe District and Thulamela Local Municipalities granted permission to the researcher to conduct the study.

#### ***Informed consent***

At the beginning of each interview session, the purpose and objectives of the study were explained to the interviewee. Participants were informed that their participation was voluntary and that they had the right to withdraw at any time without fear of victimisation. They were given the opportunity to ask whatever questions they wished to ask on the study and related matters. Moreover, code names were given to participants to link participants with the collected data, thus ensuring that participants’ anonymity was protected. Before using the audiotapes, permission was sought from the participants and they were informed of their rights not to be recorded if they did not wish it.

#### ***Confidentiality***

Confidentiality of the study participants was assured. The names of the participants were not used in the study and the data they provide was not linked to their names. Only transcribed recorded data was analysed and the collected data was at all times kept under secure conditions.

## ***Trustworthiness***

Triangulation was adopted in order to achieve credibility of the data. Interviewing and observation were used to ensure that the triangulation was realised. Snowball sampling was carried out with a view to achieve transferability of findings. Apart from this, reflexive analysis was used to achieve dependability. This was done through a detailed description of the methodology and conformability. In line with Saunders (2016) advice, this involved self-examination, evaluation and interpretation of attitudes and beliefs, reacting to data and findings, and interaction with respondents and acknowledging the way these affect both the processes and outcomes of the research. Conscious effort was made during the interviews to avoid using leading questions, which helped to reduce researcher bias.

### **3.5 Phase 2**

The second phase of this study followed a quantitative approach. This approach addresses objective 2: to ‘compare the performance factors of Asian-and Black-owned small supermarkets in Thulamela Local Municipality’. This phase commenced immediately after completion of the qualitative data analysis of the first phase of the research. A quantitative approach is a process that is systematic and objective in its ways of using numerical data from a selected subgroup of a universe to generalize the findings to the universe that is being studied (Maree and Pietersen, 2007). Quantitative data were collected and analysed during this phase.

#### **3.5.1 Research Design**

A cross-sectional study design was employed to collect data from Asians and Black business owners and managers in order to compare their factors of performance in terms of motivation, culture, human capital, and social capital. A structured questionnaire was used to collect data from the selected Asian and Black owners of small supermarkets in Thulamela Local Municipality in order to fulfill the research objectives mentioned above.

### **3.5.2 Population and Sampling Procedures**

The target population was small supermarket owners and managers of Asian descent, and South African Black supermarket owners and managers who are operating in Thulamela Local Municipality. A sample in a quantitative study is a subset of the research population consisting of a predetermined number of randomly selected sampling units from the population (Maree and Pietersen, 2007). One challenge in Vhembe in terms of collecting quantitative data is that there is no extensive database of business owners; so, for example, business owners are not divided according to race or local municipalities. The list of business owners includes all the businesses in Vhembe District Municipality and not just in Thulamela Local Municipality. It is also inclusive of all businesses, not only small supermarkets. The businesses which had already closed were still included in the list. This situation reflected the difficulty of finding reliable, up-to-date sampling frames in many developing countries as described by Khayesi and George (2011).

Questionnaires were administered to a total of 33 participants comprising of small supermarket owners. These business owners were those who were operating their small supermarkets in Thulamela Local Municipality which is divided into the Thohoyandou and Malamulele regions. The same participants who were interviewed during qualitative data collection were requested to complete the questionnaires. A total of 7 participants were added to the group of small supermarket owners through snowball sampling method.

### **3.5.3 Research instrument**

The questionnaire that was developed by the researcher was used to get data on the two racial groups of small supermarket owners/managers (see Appendix 3). Results from the first phase were used to develop structured, close ended questionnaire that consisted of rating and ranking questions. Existing literature/models from journal articles and books was also used to develop the questions. The questionnaire consisted of two sections. Section A included background information such as location of the business, race, age, gender, marital status, highest level of education attained and experience in business. Section B consisted of 28 questions that sought to evaluate the performance factors of Asian and Black owned small supermarkets. They cover the following determinants: motivation, culture, human and social capital and environmental factors.

### **3.5.4 Data Collection**

The questionnaire was pilot tested to ensure its validity and reliability. Data were collected by the researcher and a trained research assistant who was pursuing a master's degree at the University of Venda. Questionnaires were administered during a feedback workshop in order to confirm the results of the qualitative study. Participants who were not present during the feedback workshop were contacted later. Participants were requested to indicate their perceptions of items on a 5 point scale, ranging from 'very' true to 'totally untrue'. Each questionnaire took participants an average of 50 minutes to complete.

### **3.5.5 Data Analysis**

Data collected for the purposes of drawing a comparison between the two races/cultural groups of factors of performance were analysed using the Statistical Software Package for the Social Sciences (SPSS 24). SPSS was chosen because a non-parametric statistical package was required for this particular analysis. The demographic data were analysed by means of descriptive statistics. Analysis based on the comparison of performance factors started with the calculation of percentages. These were then analysed using non parametric statistics. A non-parametric method is used when very little is known about the variable's distribution in the population. The analysis of choice started with the assessment for normality involving two tests, the Kolmogorov-Smirnov and Shapiro-Wilk tests. The results of these tests revealed that the data violated the parametric assumption of normal distribution. Non-parametric tests therefore used to analyse the data. The Mann Whittney test was used because the dependent variables were being measured on a ranking scale. A chi-square test was conducted to see if there were any significant differences between Black and Asian small supermarket owners.

### **3.5.6 Validity and reliability**

When general constructs or scales need to be measured, researchers usually choose to use standardized measuring instruments (Maree and Pietersen, 2007). These authors further mention that, for a measuring instrument to be standardized, it must be reliable and valid. Validity of the questionnaire means the likelihood of the questionnaire enabling accurate data that measure the concepts the researcher is interested in (Saunders *et al.*, 2016). Face validity of the questionnaire

used in the current study was assessed which means that a process was followed to evaluate the ability of the questionnaire to measure what the researcher intended it to measure with maximum accuracy. The questionnaire was developed in such a way that it would represent the reality of what was being measured.

Content validity was also assessed. This refers to the extent to which the measurement device covers the complete content of the investigative question (Maree and Pietersen, 2009). Content validity was achieved through a process of careful definition of the research through the literature reviewed. An expert was also asked to comment on the representativeness and suitability of the questions as well as the structure of the questionnaire. The suggestions of the expert, together with what emerged from the pilot study, were then used to make amendments on the questionnaire.

Reliability is concerned with whether or not the questionnaire will produce consistent findings at different times and under different conditions (Saunders *et al.*, 2016). Reliability was tested through comparing responses to alternative forms of the same question or group of questions.

### **3.5.7 Limitations of the methodology**

Cresswell (2009) mentioned the limitations that the mixed method approach imposes on the researcher in terms of the need for an extensive data collection and the time-intensive nature of analyzing both text and numeric data, together with the requirement for the researcher to be familiar with both quantitative and qualitative forms of research. In the current study data collection involved interviewing and questionnaire administration. Moreover, analyzing both text and numeric data was time consuming.

## **CHAPTER 4: INDICATORS OF PERFORMANCE OF SMALL SUPERMARKETS**

### **4.1. Introduction**

This chapter addresses the research question, ‘What are the indicators of performance of small supermarkets?’, and the findings of the research conducted in order to address this question. The first section of the chapter presents the results of the empirical study. The second section contains the discussion of the results. The last section presents the conclusions from these.

### **4.2. Results**

In the course of the research process various indicators of performance of small supermarkets in Thulamela Local Municipality emerged and were identified. These were placed under nine specific themes as shown in Table 4: levels of inventory or stock, sustainable turnover, number of employees, size of the market, profit, growth of the business, state of the building and place, healthy cash flow situation, and the survival of the business over a long period of time. Each one of these themes is elaborated further in the next sections. Figure 3 presents the visual representation of the perceptions of LED officials regarding the determinants of performance of Asian and Black-owned small supermarkets.

#### **4.2.1 Level of inventory**

One Local Economic Development (LED) official and two members of the Association of Business Owners (ABO) cited “level of inventory” as a useful indicator of the performance of small supermarkets. According to the perceptions and views of these participants, the larger the inventory the more successful the business was. They considered it to be important that small supermarkets always satisfy demand by having the required products available when customers want them. The officers argued that their perception was based the level of competition in a given area which had the potential to render some enterprises unprofitable. Asian business owners concurred with the LED officials, pointing out that, having large stocks of goods most of the time, coupled with appropriate support systems for employees, could make small supermarkets viable

on a sustainable basis. For these business owners, small supermarkets that realised continuous increases in expenditure were likely to be increasingly less profitable. These views are reflected in the following statement of one Asian business owner:

*“When there is stock, customers, support of my workers.”*

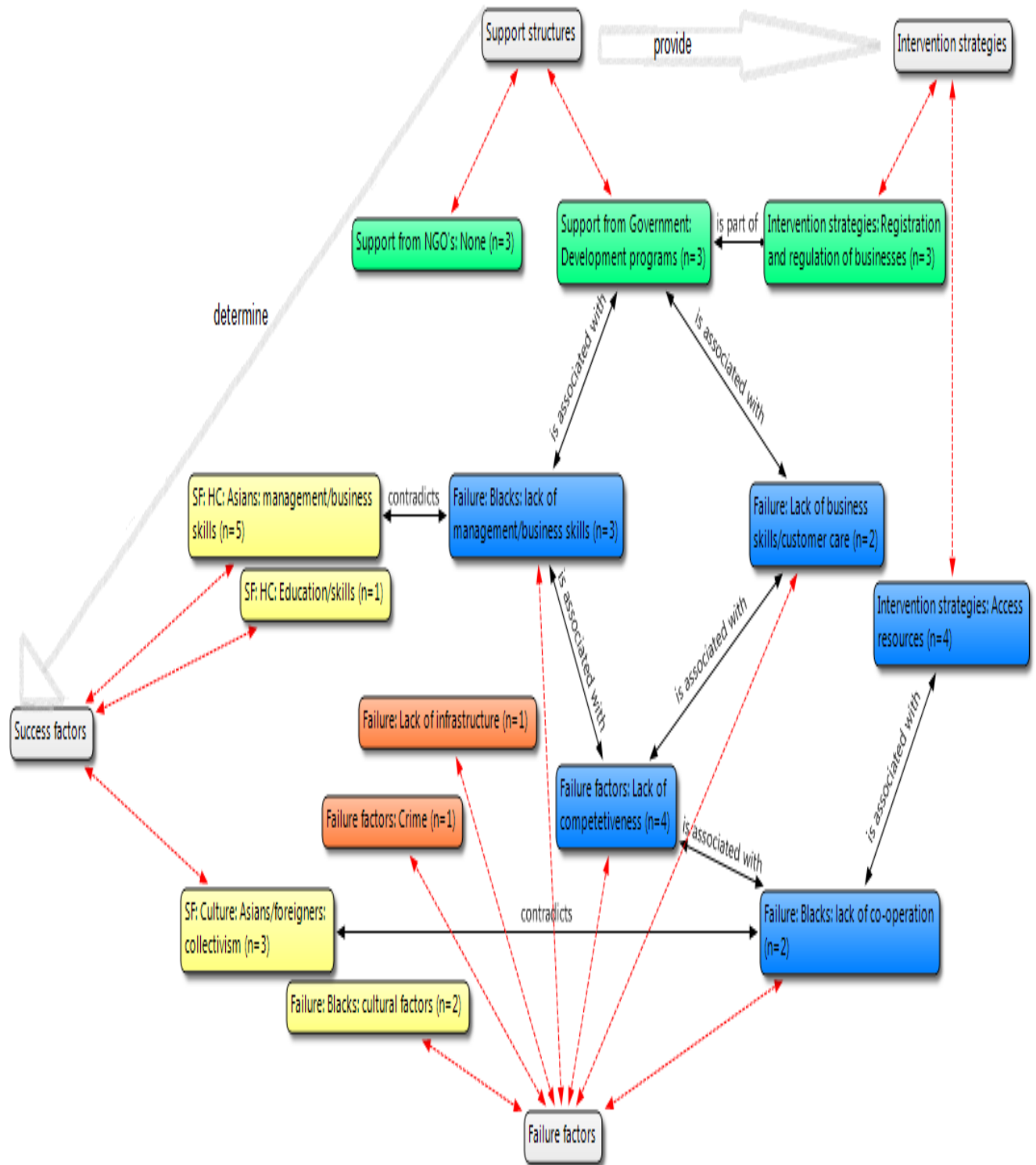
Three LED officials perceived a well performing supermarket as one that created jobs. Furthermore, employing many people indicated that the supermarket was busy and served a large number of customers.

A LED official had this to say in support of the view that large numbers of employees could be a useful indicator of health of a small supermarket:

*“We also look at the number of people who are working in that business taking into accounts the level of competition in the area. Having many employees indicates that the business is busy. One cannot work alone if the business is very busy because he cannot cope alone. When the owner works alone it shows that it is not busy. Even if one does not want to spend on employees he’ll be forced to employ when it is busy.”*

One Shangaan speaking participants said:

*“When managers are able to manage funds and businesses. They are able to separate business and personal finance. They must know how to calculate profit. When the business is able to employ a lot of people who are in turn able to support their families.”*



**Figure 3: Visual representation of the perception of Local Economic Development officials regarding determinants of performance of Asian and Black-owned small supermarkets**

**Table 4: Indicators of business success**

Indicators	Local economic development officials n=5	Association of business owners n=5	Asian Business owners n=14	Black owners Vanda speaking n=6	business Shangaan Speaking n=6	Total n=36
a) Level of inventory	1	2				3
b) Sustainable turnover	3					3
c) Number of employees		1	1		1	3
d) Size of the market	3	3	12	3	2	23
e) Profit	2	2	1	2	2	9
f) Growth of the business	1	2				3
g) State of the building					1	1
h) Healthy cash flow Situation				2		2
i) Survival of the business over a long time	1	1				2

#### 4.2.2 Size of the market

Three LED officials, three members of the ABO, twelve Asians, three Venda, and two Shangaan speaking small supermarket owners believed that the number of customers patronising the supermarket was an indication of whether the business was flourishing or not. Often large numbers of customers satisfied with the goods on sale was a clear sign of positive performance. The participants thought that goods should not be kept on the shelves for long periods. Asian business owners emphasised the need for customers to be happy with the range of groceries sold. They pointed out that a successful small supermarket should be one that is well-known and well established, and kept consumers happy and free to support the business.

Another perception was that successful supermarkets enable their owners to attain their long and short-term goals within set timeframes. The Shangaan speaking small supermarket owner expressed a view highlighting the importance of size of supermarket and customer satisfaction as a measure of business performance:

*“.....when there are customers and they are satisfied with the products. When products are not just gathering dust on the shelves.”*

#### 4.2.3 Profit

Two members of the ABO, two officials from the LED, one Asian small business owner, two Venda and two Shangaan speaking small supermarket owners singled out profit and growth as indicators of performance of small supermarkets. Linked to this was the view that, for this to happen, managers of small supermarkets should be able to manage funds and businesses effectively. A Venda speaking participant was of the view that successful performance of a small supermarket was possible if managers were able to distinguish between business and personal finances. These participants also posed a number of questions to explain how they gauged the ways in which profit fits into the business performance matrix:

*“Does it have stock? Are they getting profit? Is there a demand for their products? If a person wants to buy, are products always available to customers? The business must grow overtime.”*

An Asian small supermarket used another criterion:

*“The number of people that we employ, the number of customers that come to buy and the profit that we make.”*

One member of the ABO used the sustainability and profitability criteria:

*“Businesses that are performing are those that are sustainable and profitable.”*

#### **4.2.4 Growth**

One LED official and two members of the ABO regarded growth to be an indicator of performance of supermarkets. In this regard, they considered growth to cover expansion to other areas or an increase in the variety of products sold. They reported such growth ported to result from the increase in the demand of products and services. A member of the ABO further clarified this:

*“I consider profit and growth...when it expands to other areas or in terms of other products.”*

A Venda speaking small supermarket owner added his view of growth in terms of effective management and compensation of employees this:

*“If it is growing, if it is not closing and the way the manager is operating and the way employees are compensated.”*

#### **4.2.5 State of the building and the place**

The Shangaan speaking supermarket owners suggested that one should look at the state of the building where a business is conducted to determine whether it is successful or not. Apart from this, the area where the supermarket operates also determines its performance. The better the area where the business is located in terms of infrastructure, the more successful the business is:

*“I look at the building and state of the place. If everything looks good, I believe the business is performing well. Another thing that I look at is the availability of stock that satisfies customers.”*

#### 4.2.6 Healthy cash flow situation

The two Venda-speaking supermarket owners emphasised a healthy cash flow as being a sign of the viability of their businesses. They were of the view that a supermarket with a good cash flow manages to pay for basic running expenses, such as electricity, municipal rates, and security. They thought that having sufficient stock and realising profit also indicated that a supermarket was performing well. Such supermarkets had many customers, a fact that enabled them to compete effectively with other businesses, as one Venda speaking supermarket owner noted this indication of success, and linked it with sustainability and survival of a business:

*“When it does not owe, if it is able to pay for its current costs such as municipality rates, electricity, and everything that needs to be paid including security. It must also make profit. It must also be able to compete with other businesses and even outperform its competitors. That is why this one that was started in 1978 and has competed with all others is still standing.”*

#### 4.2.7 Survival

LED officials and members of the ABO regarded continuity or survival of the small supermarket over a long period as another indicator of performance. In the course of the current study, all participants groups revealed that many local supermarkets had already collapsed. Thus, a small supermarket that continued to operate was likely to be breaking even or making a profit. A member of the ABO clarified the reasons for the survival of a supermarket:

*“If it is growing, if it is not closing and the way the manager is operating and the way employees are compensated.”*

A LED official added to this:

*“Firstly it must have a sustainable turnover and it must have the ability to create jobs.”*

#### 4.3 Current levels of performance of small supermarkets in Thulamela Local Municipality

The officials inform LED expressed varying views on the levels of performance of small supermarkets in Thulamela Local Municipality and the reasons for this. There were those who mentioned that small supermarkets were performing very well, but felt that it was also necessary to look at people whose businesses are successful and the reasons for their success. They believed Asian owned small supermarkets were the only ones that were performing well. Indian owned small supermarkets in villages had all been taken over from failing Black owned supermarkets. They also mentioned that it was only those that were operated in towns such as Thohoyandou that were performing well, although another participant said that they were not performing well. An official from LED confirmed the failure of Black-owned supermarkets and the transfer of ownership to Indians or African immigrants:

*“All supermarkets that are Black-owned have failed. There is no black who still owns supermarket. All businesses that were operating before 1994 are being rented to Indians or Somalians or other people who are able to come and run businesses.”*

Another official confirmed this, giving what he saw as the reasons:

*“Blacks are now landlords to Indians and Chinese. Indians now own most of the businesses. When they come here their focus is on making money. They have no time to shine (display their wealth) like the black business owners who create more debts that they are making in their businesses.”*

A member of the ABO agreed that Asians were performing well, but worried about the quality of the products that people were buying. The feeling was that the businesses are only good in terms of bringing goods within easy reach of consumers, but that the products are not in the kind of condition that the Department of Health -the custodians of people’s health - would approve. Products are cheap, but they may cause illness or disease. People are able to access products without having to travel long distances, but customers are exploited in terms of what they pay for, and employees are exploited when it comes to income. One participant expressed doubts about

the performance and morality of small supermarkets in Thulamela in terms of possibly exploiting customers and jeopardising their health. This participant was a member of the ABO:

*“Our people’s literacy level is such that they can’t even identify products that have expired. There are products that people in certain income levels never buy in our supermarkets unless there is an emergency. The way bread is distributed from the bakery to the small supermarket is very unhygienic. The transports that are used to deliver bread are not the proper vehicle allowed to distribute by the department of health. You find that the bread’s weight is not measured or SABC approved and people don’t mind. They just buy.”*

One view was that small supermarkets are performing effectively, while another view was that they are performing well in places other than in Malamulele region. The third view was that they were not performing well regardless of location or other factors.

In general, however, it was believed that small supermarkets in the Thulamela Local Municipality were performing well. This was particularly so in Thohoyandou town. Business was said by most participants to have been brisk in rural areas only in the past. Small supermarket business performance in urban areas was also quantified and estimated to be 75-80 %. Most of them were reported to be well-established. During the interviews, one Asian small supermarket owner said that he found it difficult to know how someone else ran his or her business. Another participant believed that having a solid customer base was a major factor that determined the success of small supermarkets. The following sentiments of interviewees show there to be a generally held view that Black-owned small supermarkets were not successful. An Asian manager of a small supermarket articulated this view:

*“I do not think most of the Blacks businesses are successful because there are no more their businesses here. Asian-owned businesses are the ones that are performing well. Many people are employed here. Even I am just Indian but I am working for the boss is in Cape Town. All these many people are working.”*

An Asian small supermarket owner said:

*“As you can see it is only Indians, Chinese and Ethiopians who are doing well. Few Black people are running the businesses.”*

#### 4.4 Discussion

The data obtained from the interviews show that profit was a good indicator of performance of small supermarkets. Cant *et al.* (2016) made similar observations in a study in Gauteng, South Africa, and pointed out that one of the main goals in any organisation is to make profit. Many researchers (Ahmed *et al.*, 2010; Calvo and Garcia, 2010; Yaghoob and Shamsodin, 2011) also agree that profit is a good measure of the performance of businesses, large and small. However, as was mentioned in Chapter 1, in the current study it was difficult to access small supermarkets' records and use them to make any substantial or reliable financial calculations. This emanated from them being privately owned. Also, the supermarket owners were not compelled or obliged to publish their financial statements, which made efforts to ascertain profit, cash flow, and return on investment impossible (Lee and Tsang, 2001). As Unger *et al.* (2009), and Calvo and Garcia (2010) contend, business owners tend to declare inferior profits rather than their actual performance. Therefore, financial measures cannot be said to be reliable indicators of business performance. In support of this view, Collins-Dodd *et al.* (2005) argue that relying on financial statistics to determine the performance of businesses with any accuracy is too simplistic. These cannot reliably capture the nuances of entrepreneurship.

Sustainable turnover was regarded by participants as a separate indicator of business performance. While it is closely related to profit, it does not always result in the realisation of profit. This is mainly due to the fact that the costs of running the business might be higher than the income earned. Small supermarket owners must ensure that there is a balance between increased turnover and costs.

The ability of small supermarkets to create employment opportunities was identified as a measure of positive performance. It was further argued that if the small supermarket had many customers, the owner working on his/her own would not satisfactorily serve all of them. This would compel him or her to employ additional staff. Preisendorfer *et al.* (2012) support this view when they state that growth of employment is a valid approximation of performance. A business that is not doing well is highly unlikely to hire additional employees. In addition, and also in support of the findings of the current study, some scholars, some participants measured growth of businesses in terms of the increase in the number of outlets and people employed (Feizpour and Jamali, 2009; Groenewegen and de Lange, 2012).

Jooste *et al.* (2012) contended that growth was one of the most important objectives of many organisations, in particular those which were entrepreneurial. As has been mentioned, Egbert (2009) observed that growth should be regarded as the foundation of enterprises that a business owner establishes. Even though this is so, there is a need to caution that not all small supermarkets are entrepreneurial (Ahmad *et al.*, 2011). Some of the supermarkets might be just subsistence businesses that do not usually try to participate in national or global markets (Toledo-Lopez *et al.*, 2012). Moreover, lack of growth does not necessarily mean the businesses are not successful or sustainable (Sanchis-Palacio *et al.*, 2013). A business can be regarded as being successful and sustainable even if it is not growing.

Continuity or survival over the long-term was cited by participants as another indicator of well performing small supermarkets. Yaghoob and Shamsodin (2011) made similar observations. Tengeh *et al.* (2012) explain this by indicating that survival, or the number of years that the business has existed, is ultimately linked to profit, because the business which does not break even is likely to close down.

Another issue raised by participants and endorsed in the literature as worth taking into account was/is the view that economic growth and a sustainable high standard of living motivate subsistence entrepreneurs to remain in business (Toledo-Lopez *et al.*, 2012). According to Mokhtar (2013), small business owners who run enterprises on a lifestyle basis, employ few or no people. These scholars express the view of many of the participants that business owners were mainly concerned with survival and ensuring that their enterprises provided them and their families with sufficient income. Many expressed the view that, depending on the goal of the entrepreneur, survival of the business may also be an indicator of performance.

Size of inventory or stock held was said by most participants, and affirmed by the literature, to be an important measure of survival of a business. Availability of sufficient stock of finished goods means that customer demands can be fulfilled (Badenhorst-Weiss *et al.*, 2015). This means that having limited stock of fast-moving products, such as grocery items in a small supermarket, often results in lost sales. Thus, from the responses of participants, and from the literature, it can be concluded that confidence in the business that reliably supplies customers with the goods they require is a key ingredient of success.

Some participants in the current study perceived performance as the ability to manage both funds and the business itself. This meant that financial and business management skills were critical determinants of performance of small supermarkets. Jooste *et al.* (2012) coined these as key performance factors, and factors which imparted the competitive skills required to succeed in the market. Small supermarkets that did not owe money were classified by both the participants and by the some of the literature as successful. However, this view should be treated with caution because any growing business needs capital to finance the higher demands associated with the increasing scale of operations and managerial demands. In a study that Lekhanya and Mason (2014) conducted, businesses that relied solely on their own funding were found to be less successful than those utilizing 'bank funding'. This suggests that a balance between own and borrowed capital is needed.

#### **4.5 Conclusion**

Many indicators of performance of small supermarkets were identified by the participants in the current study, and endorsed by much of the literature. Among them was profit making, size of market share, and stock holding or inventory. Survival of the small supermarket over a long period, growth of the business and/or the number of employees could also be used as useful measures of business performance. Although size of profit was considered a major indicator, the fact that reliable data was either unavailable or unreliable was a concern that was seen as needing urgent attention if any effective performance assessment tools or interventions are to be devised. Other financial indicators of performance included sales and cash flow statement. All these indicators provide a basis for developing a tool to use to develop and use to assess the performance of small supermarkets using objective criteria. It is most likely that the tool will help to compare the levels of performance of Asian- and Black-owned small supermarkets in Thulamela Local Municipality in a balanced and objective way.

## CHAPTER 5: COMPARISON OF FACTORS OF PERFORMANCE OF BLACK AND ASIAN-OWNED SMALL SUPERMARKETS

### 5.1 Introduction

The chapter addresses the research questions ‘what are the similarities and differences between the performance factors of Asian- and Black -owned small supermarkets?’ and ‘to what extent do gender and geographic location determine the performance of small supermarkets?’ empirical results were provided and discussed before conclusions were reached.

### 5.2 Results for qualitative phase

Table 5 presents the themes of the success factors of Asian and Black-owned small supermarket owners in Thulamela Local Municipality. The themes of the failure factors are presented by table 6 and Table 12 presents the themes for the effects of gender and geographic location. Example of small supermarkets owned by Asians and Blacks are presented by figure 5 and 7 respectively. Figure 4 and 6 present the visual representations of the perceptions of Shangaan and Venda-speaking business owners regarding determinants of performance of Asians and Black-owned small supermarkets.

#### 5.2.1 Success factors: Asians

##### *Social capital/network*

Two local economic development officers, two members of business association, three Asian business owners and one Venda business owner were of the view that one of the reasons Asian-owned small supermarkets were successful was because they bought their goods in bulk, apart from their advantage of owning wholesales. They had warehouses in Thohoyandou where they stored their stock. That made it possible for them to sell to consumers at lower prices than Black-owned small supermarkets. Asians, in particular Indians, are members of strong networks. The networks helped them to distribute stock to stores in villages and towns at lower cost than most

Black small supermarket owners. It was also observed that the networks were so powerful that they cushioned fellow Indian when they experienced challenges. It was explained that the Indian networks practice of buying in bulk and sharing cost and stock enabled them to sell their goods more cheaply compared to those who bought stock individually.

They then gained the loyalty of a large number of customers while reducing the market share of Blacks owned small supermarket considerably. An officer in the department of local economic development said:

*“When they buy in bulk and share stock among themselves and when they do that it is cheaper than when they buy one-by-one. They work together. When a client comes to buy something that is not available, he refers them to another Asian. They even go to the extent of going with you to the buy it there.”*

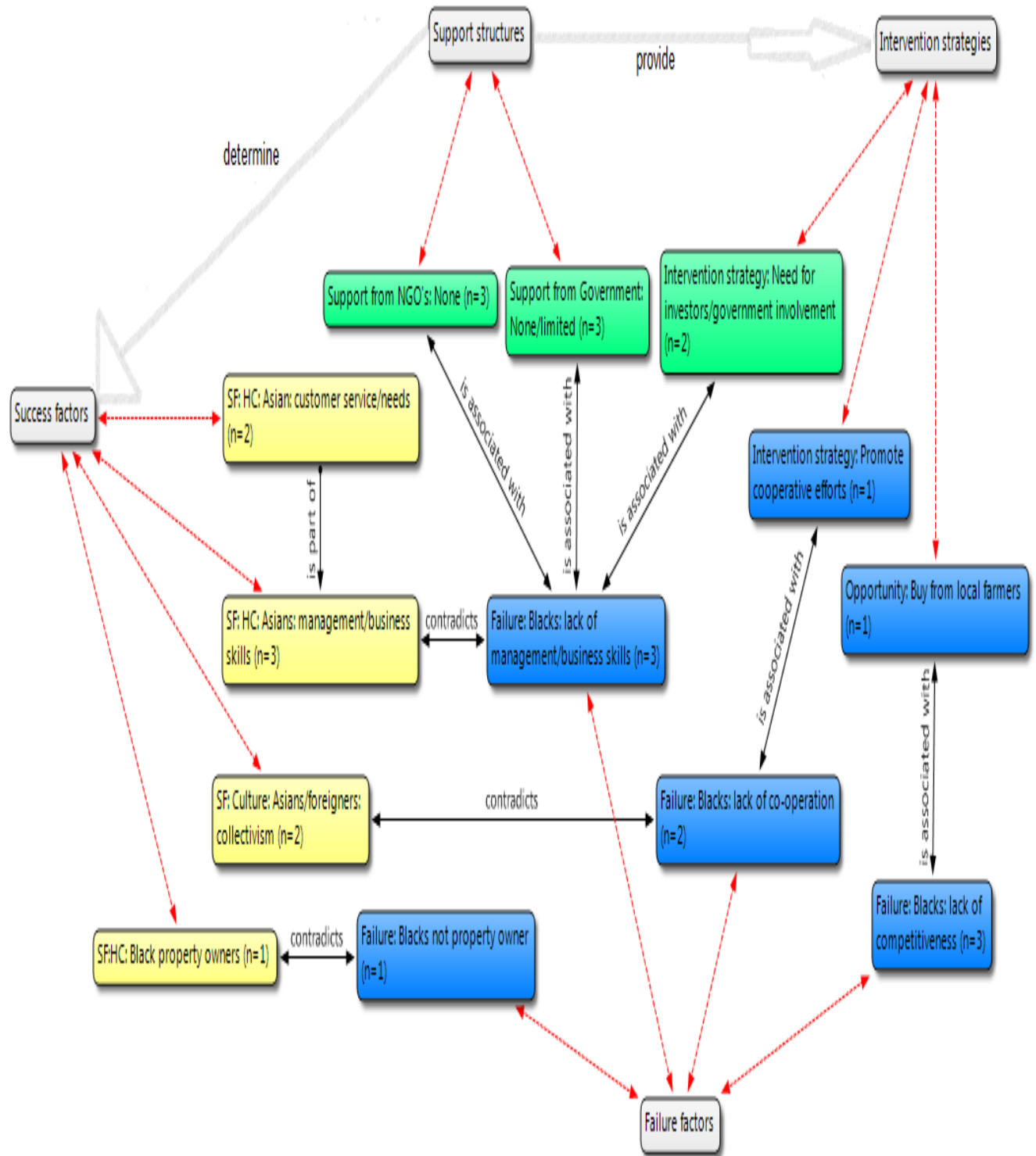
### **Culture as determinant factor**

According to three local economic development officers, two Shangaan and two Venda business owners, Indians closed their shops at one o'clock every day in order to go and worship, leaving their customers waiting. This shows a high level of commitment which is not surprising why they would be so committed in their cooperation for the success of their businesses. It was said that if they were not that strong-willed and committed in what they did it would not have been possible for them to cooperate in running their businesses. The belief was that the “things” that they ritually burn inside their shops might have been the cause of their good business performance. The fact that even after they closed their shops their customers still waited patiently until they reopen, caused people to believe that their rituals did in fact work. One officer in the local economic development said:

*“Maybe it is because of the things that they burn inside their shops.”*

**Table 5: Themes and sub-themes of the success factors of Asian- and Black -owned small supermarkets in Thulamela Local Municipality**

<b>Success factors</b>	<b>Local economic development n = 5</b>	<b>Association of business owners n = 5</b>	<b>Asian business owners n = 14</b>	<b>Black owners Shangaan n = 6</b>	<b>business Venda n = 6</b>	<b>Total n = 36</b>
Asian owned small supermarket	2	2	3		1	8
a) Social capital						
b) Cultural factors	3		6	2	2	13
c) Human capital	5	5	8	5	4	27
Black owned small supermarket						
Human capital				1	1	2



**Figure 4: Visual representation of the perception of Shangaan-speaking business owners regarding determinants of performance of Asian and Black-owned small supermarkets**



**Figure 5: An example of a successful Asian owned small supermarket**

Six Asians said that they have been trained to operate small supermarkets when they were still young. They also worked together and found places where they could procure their inventories at low prices. They saved money to grow their businesses rather than using it on luxuries they could not afford. In cases where other Asians experience shortages in terms of stock, they helped one another. An Asian participant had this to say:

*“Supermarket owners must work together to find the best place where they can purchase products”*

Another one said:

*“Indians are able to save and they help each other.”*

Two Shangaan and two Venda business owners were of the view that the particular Asian culture of collectivism has contributed to the success of Asian owned businesses. Asians who were struggling were given assistants until they could stand on their feet. The fact that they bought stock as a collective like cooperatives helped them to get bulk discount. A Shangaan speaking small supermarket owner said:

*“Indians help one another. If one business is failing they support it until it starts to perform well.”*

### ***Human capital (management/business skill)***

Two local economic development officers, two Asians, four Venda and three Shangaan business owners mentioned that Asian children started learning business skills at a very young age because they were born into families where there were businesses. That provided them with the experience to manage their own small supermarkets. That is how they became experts in business management. Asians are good in purchasing and supply management. They keep on bringing new stock to customers, told customers about them and taught them how to use those products. They keep large variety of stock in sufficient quantities. They are also skilled in stock taking and control. They always have sufficient inventory of wide diversity and range. Customers were able to get everything they needed on demand. That way they increased sales, profit and loyal customers.

One Venda and one Shangaan business owner were aware that Asian wholesale owners observed and noted the buying habits of black supermarket owners. Those black supermarket owners who bought more stock regularly were asked about the location where they operated their businesses. These black supermarket owners being unaware of the purpose of the interviews told their Indian interlocutors about the villages where they operated. These Asian suppliers then went and established their small supermarkets in those villages. The black business owner participant described this as these Indian business owners' "market research". Immediately after they started trading there, they increased the cost of stock and refused them credit. A Venda speaking participant explained as follows:

*"Many black supermarket owners fail because Asians observe the buying and selling habits of who buy stock from their wholesales. If they buy more stock regularly they ask them to find out where they are selling. That is how they do their market research. Before long you'll see them coming to the village where you are selling. The prices are now different. Stock is now sold to black small supermarket owners at higher cost compared to other Indians. Black owners no longer get credit. That is how they end up struggling because they are now competitors."*

Three local economic development officers and eight Asians revealed that Asians listened to customers in order to know what they want. They then purchased products that customers wanted. Communication with customers is a very important factor of success, because they were able to convince customers to buy their goods.

Another factor that Asian participants saw as making Asian owned small supermarkets successful was entrepreneurial experience. The main reason given was that Asians had been in the industry for a long time. They possessed financial and management skill. The fact that Indians accept very low profit per item helped them to survive. Even with low prices Asian owned supermarkets still gained more profit because they sold more items. They also added hardware into their small supermarkets to expand their businesses. The following are the words uttered by some Asian participants:

*"...the other thing that makes our business successful is experience because we have been in this industry for long."*

*“Lot of stock and prices are very low. This is a wholesale retail. That is why we are able to sell at low prices. Other retailers buy from us, even other Indians buy from us.”*

### **5.2.2 Success factors: Blacks**

#### ***Human Capital: customer service/needs***

A Shangaan and also Venda business owner revealed that black supermarket owners who performed well were those who had self-discipline. They went out to the market to find out what their needs were, what competitors were doing and what their strength and weaknesses were vis-à-vis competitors. They had market knowledge and excelled in what they knew about the market. They were able to reach out to people and offered what they wanted. One Venda speaking participant said:

*“Blacks who succeed have self-discipline. They have the knowledge of the market and they excel in what they know about the business. They must also be able to reach out to people.”*

### **5.2.3 Failure factors: Asians**

#### ***Human capital***

They kept too much inventory of goods that were not on demand and that caused them to remain on the shelves for a long time. Products should be stocked according to seasons.

A good example was products like ‘cool time’ that couldn’t move during winter. Another Asian business owner revealed that they also fail due to shortage of stock and limited market. An Asian participant commented as follows:

*“Many Indians are also failing and this is caused by buying too much stock that is not moving fast. Those that do not concentrate on stock don’t know what is on demand. There is a season of stock. Products like ‘cool time’ cannot move during*

*winter. Goods that are not in demand end up gathering dust on shelves. I have also lost plenty of stock myself.”*

#### **5.2.4 Failure factors: Blacks**

Asian participants, local officials and ABO members appeared to have negative perceptions of black business owners, at times verging on racist stereotypes. Two LED official LED officials, two members of the ABO, and five Asian business owners were of the view that Black owned small supermarkets failed because the owners were not skilled in, or did not care sufficiently about, human relations: they undermined their workers and their customers and did not have time to listen to customers. These participants perceived several other factors as contributing to the failure of Black-owned businesses, such as lack of knowledge of stock control and financial management. In addition, in order to display their wealth they were perceived as using the money belonging to their businesses and spent it on luxuries. These participants perceived the reasons for this as black business owners not being able to separate business and personal funds. In addition, failure to acquire stock at low cost caused them to charge high prices and lose their customers. They also raised prices to make up for the money they wasted on luxurious products. Money for buying stock was also used on the large numbers of women they were maintaining. Unlike Asian business owners, Black small supermarket owners did not have the knowledge and skill to do stocktaking, costing for electricity, water, and other basic things necessary for running a business.

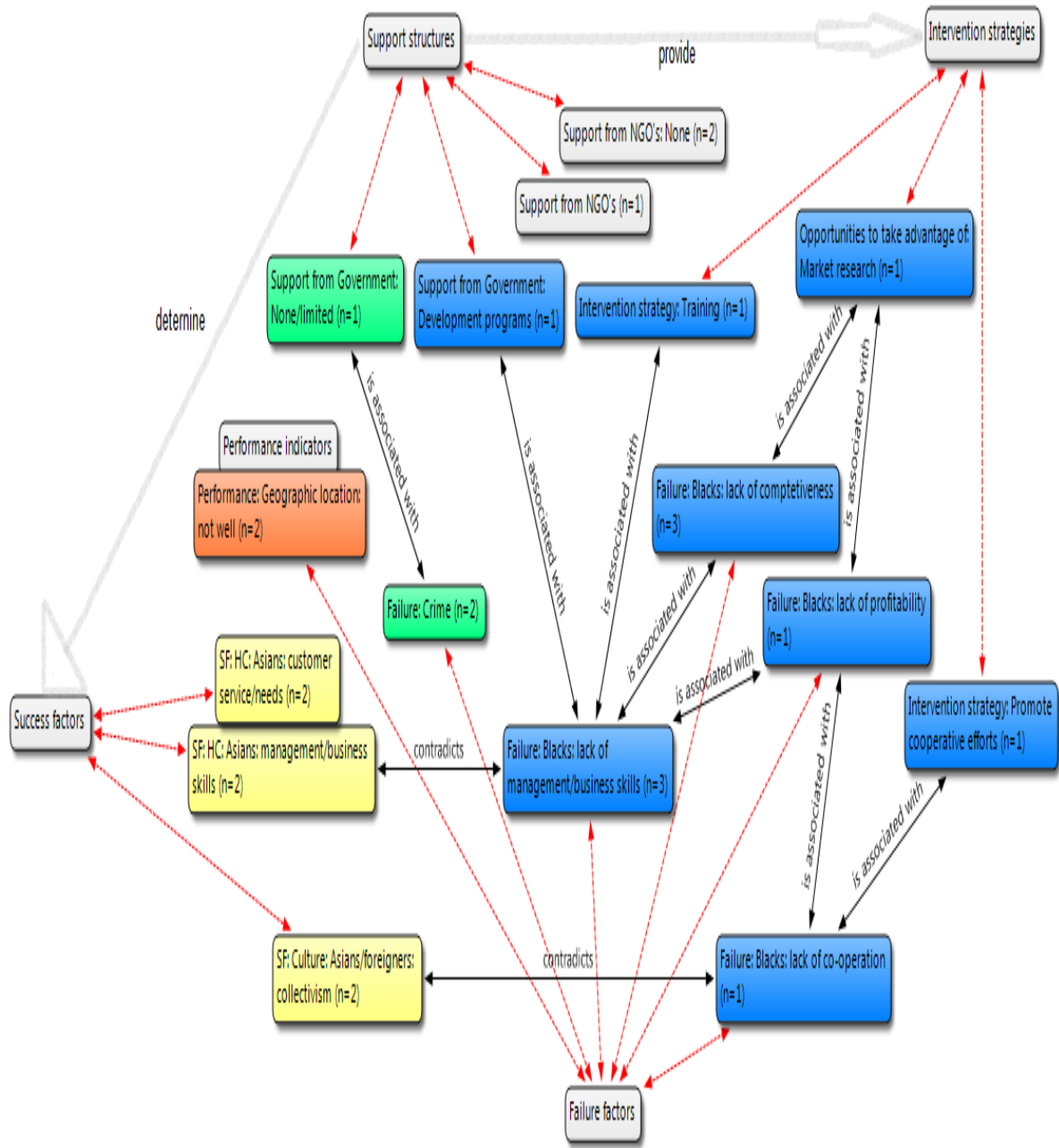
Three members of the ABO, five LED officials, and three Asian supermarket owners had the perception that, unlike Asians, black supermarket owners did not involve other family members in their businesses. Due to this, their children grew up without business skills. Some participants held a perception that could be described in terms of racist stereotyping, that black small supermarket owners raised their prices because of greed and that was the reason their products just gathered dust in the shelves without moving. As with the previous group of participants, this group also saw black- owned small supermarkets as failing due to the owners having no knowledge of customer care. An Asian participant, similar to those in the previous group, in addition to remarking on the lack of financial skills of black supermarket owners, echoed the negative greed/“many women” black stereotype:

*“Black-owned businesses are failing because most of them want a lot of profit which makes them selling with high prices. They are not educated in terms of financial skills because us when we put price we count money for transport, profit, and product itself but still we manage to put less price. Blacks also find it difficult to get cheap stock and they have many women.”*

Three Asians had the perception that Black-owned small supermarkets always have insufficient stock. Customers did not always get products that they wanted. Blacks, unlike Asians, did not possess marketing knowledge nor did they study market trends. They also failed to keep track of fast moving consumer goods. Without that vital knowledge they retained old stock of unwanted products which discouraged customers who then shifted their loyalties to Asian owned small supermarkets.

Three Blacks and three Asians held the perception and, in the case of the former black supermarket owner, reported that Black small supermarket owners did not have the means to exercise proper credit control. Thus most customers who bought goods on credit from small supermarket owners did not pay back. Even if these supermarket owners sought legal assistance they still could not get the money they were owed. As a result it became impossible for them to get funds to buy more stock. They were left with no option but to close their supermarkets. A former Shangaan speaking small supermarket owner described this vicious cycle of debt and loss of customers:

*“When customers buy on credit they don’t repay. You give them food and after eating they don’t come back. Even if you take them to the magistrate, he’ll just give you a paper, but he can’t make them pay. You’ll find that so many people have bought goods on credit and they all fail to pay. At first they pay and when they have gained your trust you give them more goods. That is when they stop coming.”*



**Figure 6: Visual representation of perceptions of Venda-speaking business owners regarding determinants of performance of Asian and Black-owned small supermarkets**

**Table 6: Themes and sub-themes of the failure factors of Asian- and Black-owned small supermarkets in Thulamela Local Municipality**

Failure Factors	Local economic development	Association of business owners	Asian business owners	Black owners	business	Total
	n=5	n=5	n=14	Shangaan n=6	Venda n=6	n=36
<b>Internal Factors</b>						
a) Cultural factors	2					2
b) Lack of social skills	2	4		2	1	9
c) Lack of human capital	5	4	5	3	3	20
d) Lack of competitiveness	4	3	4	3	3	17
e) Unprofitable businesses				2	2	4
<b>External factors</b>						
a) Crime	1	3	4	2	2	12
b) Lack of infrastructure					1	1
c) Government regulations			1	1		2



Figure 7: An example of a failing small supermarket

A Shangaan speaking former business owner revealed that some businesses had to be closed, not because the owners were failing to operate them, but because they had to retire. He explained that is usually the case with sole traders because these businesses are owned by one person. Thus it is not unusual for businesses owned by black people to die after the owner has retired or passed on because the family had not been involved in the business when it was still running. Those who remained did not have the functional skills necessary to run the business successfully. With few or no financial skills they were unable to separate business and personal funds. Money belonging to the business was used for personal expenses. His, arguably more informed, view seemed to confirm other participants' perceptions of black business owners' lack of financial skills but without what could be seen as the 'greed'/ love of luxury judgemental stereotyping of some Asian participants.

#### **5.2.5 Poor social skills such as co-operation**

Two officials from the LED, four members of the ABO, and three black business owners were of the view that failure to network has resulted in Black supermarket owners' inability to deal with increased competition. They charged higher prices because, unlike their Asian counterparts, they bought as individuals, and as such they could not achieve the quantity that qualified them for discounted prices. They could therefore not use the bulk procurement strategies that would enable them to compete with Asians successfully. Thus they acquired their stock at higher costs compared to Asian owned stores.

#### **5.2.6 Lack of competitiveness**

Four officials from the LED, three members of the ABO, four Asian business owners, and three Black business owners saw the failure of Black-owned small supermarkets in terms of competition. Transport availability in some villages in the area made it possible for consumers to travel to the towns. Thus they had no reason to spend their money in small supermarkets in villages when they could easily go to town and buy at lower prices from big supermarkets such as Shoprite, Game and Spar. These customers were using small local supermarkets as convenience stores.

Three officials from the LED, four Asian business owners and six black business owners reported that what made matters worse for black business owners was that spaza shops sold products in

quantities that were not supposed to be offered in spaza shops. The spazas traded in direct competition with supermarkets. For example, spazas sold 80kg bags of mielie meal whereas they were only allowed to sell products in smaller quantities, such as 2kg-5kg packets. Another factor that caused failures in black owned small supermarkets was that Somalian spaza shops charged much lower prices. Their prices were below the cost paid by locals at supermarkets. One participant from the LED described the kind of competition challenge the spaza shops were increasingly presenting to supermarkets:

*“No they are not performing well because of the spaza shops. Spaza shops were supposed to be just for emergency, but now they are selling like supermarkets. You find a spaza shop selling for example an 80kg of maize meal of which we do not expect. They are only expected to sell up to 5kg of maize meal. The same spaza shops are now competing with supermarkets and that is not acceptable. Everything that should be found in a supermarket can now be found in a spaza shop.”*

Three black business owners mentioned that Black-owned small supermarkets failed because they could not compete with Somalian spaza shop owners who had opened their businesses in large numbers. Before 1994, they had only one supermarket in one village, but later on spaza shops were found in each and every street. This development had caused black small supermarket owners to lose their customers. Sales and profits decreased so much that most businesses had to close down. Somalians rented garages and used them as spaza shops. They had fewer costs because they did not employ workers and had no need for security guards because they sleep in their shops or in the room next to the shop. Due to the fact that they sleep in their shops they were able to open very early and close very late. A Shangaan speaking small business owner lamented this development:

*“After the start of democracy that happened under the present government so many businesses on a form of spaza shops were created. During the olden days before democracy this was the only supermarket. Everybody used to buy here. Now people created many spaza shops. In each and every gate there is a spaza shop. Everybody is able to buy wherever he is standing. That is what caused our downfall. Since you arrived here you should have seen some customers, but you found me alone and there is no customer who entered since you came. This means*

*that no money is coming our way. One person will come after some time. Previously we used to get enough money to buy cars, but these days I don't even think of buying one".*

### **5.2.7 Unprofitable businesses**

Two black business owners complained about the cost of stock that had been continuously and considerably increasing, and had made it impossible to keep prices constant. There were issues of electricity price hikes and workers who stole from the businesses; all of these factors made it impossible for them and their businesses to survive. They did not have money to buy stock. Unlike Indian business owners, who helped one another with stock, there was no one who could help them to raise funds. A Venda speaking participant described the factors which had caused him to close his small supermarket. He also provides an alternative reason for lack of cash flow of black business owners to that given by Asian participants who cited love of luxury and women:

*"Prices started to increase. I realised that I was not going to succeed. Rising cost affected prices and profits. That is why I opened a bottle store. I grew tired and decided to give it to someone. I used to buy stock from an Indian wholesaler called Prime G. When the time for payment came I would find myself with no profit. Indians perform well because they help one another with stock. Us black owners have a lack of cash. We are not able to buy stock because we don't have money."*

One black owner reported that the municipality in Thulamela was in the process of registering small businesses. Amongst the documents required before they could register, was the letter from the traditional leader. The problem was that traditional leaders were demanding exorbitant amounts for these letters and this added yet another cost to the cost of running the business. A Shangaan business owner described this costly transaction:

*'I asked the leader to write the letter and he said I must pay R4500. Where will I get that kind of money? I did not want to close this shop, but now I have to. What shall I do?'*

### 5.2.8 Crime

One LED official, three members of ABO, four Asian business owners, and two Venda and two Shangaan business owners reported that small supermarkets belonging to both Asians and Blacks had been affected by crime. They lost stock, money and capital to criminals. Criminals would either break in after working hours or rob them during the day when their small supermarkets were open for business. This put a financial strain on small supermarkets. It also discouraged some business people to continue with their businesses. They tried not to expose their supermarkets to thugs by putting burglar proof on doors and windows, but criminals still entered through the roof and this lack of safety and security placed a considerable strain on their businesses. Some black small supermarket owners were reluctant to borrow money for stock for fear that it would be stolen. Should this happen it would be difficult, if not impossible, to pay their creditors. A member of ABO described the effect of this situation on his ability to take a bank loan:

*“...and there is a lack of financial support. If I want to borrow from the bank, it does not help if the stock is stolen.”*

A former female Black small supermarket owner said:

*“Criminals also stole from us after getting through the roof. I finally allowed other people to rent the whole building.”*

A local economic development officer said:

*“Crime is affecting all businesses irrespective of nationalities. Small supermarkets experience burglaries as well as robberies.”*

### 5.2.9 Lack of infrastructure

One Venda business owner reported that some small supermarkets failed because of lack of infrastructure. That affected some small supermarkets which were situated in some villages. Roads were not in good condition. That affected the distribution of stock and capital. It had also

affected movement of customers to the shops. Lack of water was also a problem. A Black small supermarket owner said:

*“...access roads that links them to suppliers. They have many potholes and they also lack water.”*

### **Government regulations regarding remuneration**

One Asian and one Shangaan business owner revealed that the government has also caused small supermarkets to fail because they prescribed rigid and unrealistic minimum wages that had to be paid to employees. The minimum wages had been prescribed without looking at how much the supermarkets were making. Retrenching workers was not going to be an option because the authorities would have compelled shop owners to pay them for a given period. Small supermarket owners did not have knowledge of the proper procedure to be followed when employees had to be laid off. The only option was to close down their businesses.

## **5.3 Gender as a determinant factor of performance**

### **5.3.1 Businesses are not for women**

Four officers from the local economic development, three members of the association of business owners, eight Asians and five black business owners believed that men had been running businesses for a long time. For black people businesses that were operated by men performed better than those that were operated by women.

Indian women didn't own businesses, but only assisted their husbands. In black culture, women spent time in the kitchen raising children while the men took care of the businesses. Though the situation was changing, the mind-set that men should take care of business was still there.

One LED participant said:

*“In black culture, women spend time in the kitchen and raising children while the men take care of the businesses. Though we are changing, the mindset is still there that men should take care of business.”*

One officer from the local economic development, and one member of the association of business owners, mentioned that men stayed long in business because they wanted to persevere. Women had not been actively involved in supermarkets. They had always been in informal sectors. If they were to get into supermarket business they would succeed. That was evident from the way they showed their commitment in informal trading; the way they would patiently sit in open air for the whole day while selling. If they could get someone to change their mind-sets they would get ahead. Black men who have created their businesses were secretive and didn't share business issues with their wives. Another reason given by the participant after observing the attitude of women who worked as assistant was that they had a tendency to undermine people because of the way they looked which offended customers. In addition, women didn't know how to communicate with customers. They were rude towards customers. Men did not have such problems. A member of the association of business owners said:

*“Yes, there is a difference. Women are not actively involved in supermarkets. They are in informal sectors. But if they get into supermarket business they'd succeed. If you look at how they are committed, sitting there for the whole day. If they get someone to change their mindset they can get ahead. But they don't participate in supermarkets.”*

Asian women, in particular were only expected to assist their husbands. Even after the death of a supermarket owner his wife would not succeed him in the business. The male relative became the successor and provider of the family. In the case where the daughter was married the son in law became the successor. An Indian small supermarket owner commented as follows:

*“Men perform better. Some women get pregnant every year. Women don't actually operate businesses. They are just investors.”*

### **5.3.2 Women do well**

One local economic development officer, two members of the association of business owners, two Asians business owners, two Shangaan and three Venda business owners believed that women who owned businesses were independent. They didn't depend on men and as a result they strove to succeed. They didn't see failure as an option. They worked with the knowledge that

if it didn't work they would have nothing to fall back on. That is why they worked hard and avoided unnecessary expenditures. An officer in the local economic development commented as follows:

*“Women who own businesses are independent. They don't depend on men for success so they strive to succeed because if they fail they are doomed. That is why they are successful.”*

Another view was that gender had no role in the success of small supermarket owners. Women worked as assisting staff members, but they didn't own businesses. The gap between men and women in terms of business ownership was still big. There was no difference between men and women when it came to performance. The majority of businesses had been started by men and as such one cannot establish whether the women would have failed or not if they had started their own supermarkets.

A local economic development officer said:

*“No, gender has no role in the success. Black men who have created their businesses are secretive and don't share business issues with their wives. Women work as assisting staff members, but they don't own businesses. The gap between men and women is still large.”*

One local economic development officer, two members of the association of business owners, two Asians business owners, two Shangaan and three Venda business owners believe that the culture of Asians do not allow them to own businesses.

*“For Indians, cultural and religious beliefs don't allow women to own businesses.”*

## **5.4 Geographical location as a determinant factor of performance**

### **5.4.1 Businesses in Thohoyandou region perform well**

Three local economic development officers, four members of the association of business owners, eight Asian business owners, two Shangaan and three Venda business owners expressed the view that there was a difference in performance between small supermarkets in Thohoyandou and Malamulele regions. In Thohoyandou region due to the fact that Venda was an independent state, people had learnt that they didn't have to depend on the South African government or

anybody. An example given was the fact that most of them built their own houses without having to depend on the loan from the banks. The knowledge that they should not depend on anyone made them independent thinkers. Others perceived that small supermarkets in Thohoyandou region perform better because there was a large population and high economic activity. In a location where there was a large market the business performed well. In Thohoyandou region the market is larger than in Malamulele. Region. Therefore, small supermarkets in Thohoyandou region would be expected to perform better than those in the Malamulele. In addition, small supermarkets in Thohoyandou region were performing better because Venda speaking people tried to speak other languages even if they were not perfect, whereas Shangaans insisted on speaking their own language. In villages there were no differences in performance between the two regions.

One Local Economic Development officer said:

*“People in Venda due to the fact that they were in an independent state, have learnt that they don’t have to depend on the South African government or anybody. If you look at the houses that they had built and compare them with the houses of other tribes not necessarily in Malamulele, you find that they are much better. That was not because they were earning too much money. The knowledge that they should not depend on anyone made them independent thinkers.”*

Two local economic development officer, one members of the association of business owners, three Asian business owners, three Shangaan and two Venda business owners who believed that businesses that were situated in Thohoyandou town performed better than those that were situated in villages. The reason was that if customers had failed to get products in a large supermarket they turned to small supermarkets nearby. Another view was that Malamulele region was worse off because they lacked resources. They lacked infrastructure, banks, and malls. The fact that the municipality was situated in Thohoyandou made things worse. Customers from Malamulele region also bought products from businesses located in Thohoyandou.town. That resulted in small supermarkets in Thohoyandou region having a larger market than Malamulele. One Venda speaking participant commented as follows:

*“No, not at all. Malamulele side lack resources. They lack infrastructure, banks, malls, and the municipality is here. What contribute to our businesses performance*

*are the customers that come from Malamulele. This indicates that what they come here to buy is not available where they stay.”*

Another difference was caused by the fact that Thohoyandou was the centre of Thulamela Municipality, which the participants regarded as the heart of the local municipality. All the people from around the villages of both Thohoyandou and Malamulele bought their products in Thohoyandou. Even people from the neighbouring countries like Zimbabwe and Mozambique also came to buy in Thohoyandou.

#### **5.4.2 Levels of performance of small supermarkets in Thohoyandou and Malamulele are the same**

One perception was that there was no difference between businesses that were located in Thohoyandou and Malamulele. They did however found those in rural villages to be failing. Consumers bought goods and services from town and didn't spend much at villages. They preferred to buy products in towns where there were other businesses that offered complementary goods and services. A Shangaan speaking small business owner said:

*“Geographical location does not have any effect. Blacks in both Malamulele and Thohoyandou are renting out their businesses to Asians.”*

Another one said:

*“There is no difference between Thohoyandou and Malamulele regions. Those in rural villages are not successful. People want to buy products in towns where there are other things such as banks.”*

**Table 7: Themes and sub-themes of the effects of gender and geographic location**

Gender	Local economic Development	Association of Business Owner	Asians	Black business owners		Total
				Shangaan	Venda	
a) Number of respondents	5	5	14	6	6	36
b) Business not for women	4	3	8	3	2	20
c) Women-run small supermarkets do well	1	2	2	2	3	10
d) Small supermarkets in Thohoyandou perform better than those in Malamulele	3	4	8	2	3	20
e) Level of performance of small supermarkets in Thohoyandou and Malamulele is the same	2	1	3	3	2	11

## **5.5 Results of the Quantitative Phase of the Study**

### **5.5.1 Characteristics of small supermarket owners or managers**

The demographic data was analysed by means of descriptive statistics. Analysis on the comparison of performance factors started with the calculation of percentages. Characteristics of the small supermarket owners include location, race of the respondents, age, gender, marital status, highest level of education attained and business experience. The highest number of participants operated businesses in Thohoyandou at 63.6 %. The majority of the participants were Asians at 60.6 %. More than sixty percent (63.6 %) of the participants were 36-60 years old. The results indicated that males were the dominant gender that participated in the study at 90.9 %. The majority of respondents were married (90.9 %). The results revealed that most participants have obtained a matriculation certificate as the highest academic achievement (33.3 %). The majority of respondents (42.4 %) had 11-15 years' experience.

### **5.5.2 Normality test**

The choice of statistics started with tests for normality. This was done to establish whether the distribution for a variable differ significantly from a comparable normal distribution. Normality test may be done graphically or statistically. In this study statistical tests were preferred because actual probabilities are calculated. Shapiro-Wilk tests were used rather than Kolmogorov-Smirnov since the sample was less than 2000. On top of the menu, the term analyse was selected followed by descriptive statistics and then explore, a normality plots with tests was chosen. A significant test of  $P < 0.05$  means that the sample distribution is not shaped like a normal curve. In that case the hypothesis is rejected because the test is significant. If  $P$  is low, there is a low probability of type 1 error (rejecting the null hypothesis when one should not). Because  $P$  was found to be less or equal to 0.05, non-parametric test were conducted.

### **5.5.3 Mann Whitney test**

Since the results from normality test revealed that the data violated the parametric assumption of normal distribution, non-parametric method was used. Mann Whitney test was used because there were two separate groups of participants. A chi-square test was conducted to see if there were any significant differences between Black and Asian small supermarket owners. Data was

analysed as follows: On top of the menu, the term analyse was selected, followed by legacy dialogs and then two independent samples. The range was defined. The variables containing scores was moved into test variable list. The mean ranks for each condition, the Chi-Square the significant level or P value were obtained.

### ***Motivation to start the small supermarket***

About 27.3 % of the small supermarket owners rated the perception that 'Asians start small supermarket business because of unemployment' as very true. None of the participants regarded the perception as totally untrue. The difference was significantly high associated with the race and location of small supermarket owners. On the view that 'Asians start supermarket business to pursue business opportunity' there was a significant difference associated with race. 27.3 % of the participants regarded the view as being very true. With regard to other views, the perceptions of participants were the same. On the perception 'Asian supermarket owners are highly motivated and work hard to ensure success of their small supermarkets', 63.6 % rated the view as very true. Only 6.1 % of small supermarket owners rated 'Black supermarket owners are highly motivated and work hard to ensure success of their small supermarkets' as very true. The results are presented in Table 7.

### ***Culture***

There is a significant difference on the view that 'there are positive elements of the culture of Black owners of supermarkets which they use to run their businesses' associated with race. 33.3 % of the participants view the statement as being very true, while only 6.1 % view it as totally not true. On the perception 'There are positive elements of the culture of Asian owners of supermarkets which they used to run their businesses', there are significant differences associated with gender. With regard to 'Blacks do not believe or rely on ritual practices to run their small supermarkets' there is significant difference associated to race. 69 % of respondents rated the perception as very true. Regarding the view 'Asians do not believe or rely on ritual practices to run their small supermarkets', 63.6 % perceived it as true. There are significant differences regarding the same view associated with location. The results are presented in Table 8.

### ***Human capital***

Table 9 shows that respondents agreed with all the views associated with human capital. More than seventy-five percent (75.8 %) regard the perception that ‘Asians display a strong drive to start and run successful businesses’ as very true. None of the respondents regarded the perception as not true or totally untrue. Just below seventy percent (69.7 %) of participants regard the view that ‘Asians have adequate management skills’ as ‘very true’.

### ***Social capital***

With regards to the view, ‘Asians heavily rely on their strong business networks to run successful enterprises’ there are significant differences associated with race. Just below sixty percent of respondents regards the view as very true. ‘Blacks heavily rely on their strong business networks to run successful enterprises’ also showed significant differences associated with race. Only 6.1 % of participants regard the statement as very true. The results are presented in Table 10.

### ***Environment***

Table 11 presents issues related to the environment. On the perception ‘South African labour laws create an enabling environment for entrepreneurs to run successful small supermarkets,’ there was significance difference associated with race and gender. 45.4% of participants regarded the view “high levels of crime are affecting Black business-owned small supermarkets more than those of Asians’, as being very true.

**Table 8: Effect of race, gender and geographical location on perception of motivation to start a small supermarket as a factor of enterprise performance**

Perception	Significance of differences in Extent of agreement or disagreement, % perception due to							Totally Not true	Total
	Race	Gender	Location	Very true	True	May be	Not true		
a) Asians start small	**	ns	*	27.3	24.2	33.3	15.2	-	100
b) Business because of unemployment									
c) Blacks start small	ns	ns	Ns	9.1	24.2	36.4	30.3	-	100
d) Business because of unemployment									
e) Asians start supermarket business to pursue business opportunity	***	ns	Ns	27.3	24.2	45.5	3.0	-	100
f) Blacks start supermarket business to pursue business opportunity	ns	ns	Ns	3.0	3.0	75.8	15.2	3.0	100
g) Asian supermarket owners are highly motivated	ns	ns	Ns	63.6	36.4	-	-	-	100
h) Black supermarket owners are highly motivated	ns	ns	Ns	6.1	21.2	33.3	30.3	9.1	100

**Key:** ns = not statistically significant ( $P > 0.05$ ) \* =  $P < 0.05$  \*\* =  $P < 0.01$  \*\*\* =  $P < 0.001$

**Table 9: Effect of race, gender and geographical location on perception of culture as a factor of performance of small supermarkets**

Perception	Significance of differences in perception due to				Extent of agreement or disagreement, %					
	e				Very true	True	May be	Not true	Totally Not true	Total
	Rac	Gender	Location							
a) There are positive elements of the culture of Black owners of supermarkets which they use to run their businesses	**	ns	ns	ns	33.3	15.2	15.2	30.3	6.1	100
b) There are positive elements of the culture of Asian owners of supermarkets which they used to run their businesses	ns	ns	ns	ns	33.3	24.2	42.4	-	-	100
c) Blacks do not believe or rely on ritual practices to run their small supermarkets	***	ns	ns	ns	69.7	9.1	-	-	21.2	100
d) Asians do not believe or rely on ritual practices to run their small supermarkets	ns	ns	***	***	27.3	63.6	3.0	6.1	-	100

**Key:** ns = not statistically significant (P > 0.05) \* = P < 0.05 \*\* = P < 0.01 \*\*\* = P < 0.001

**Table 10: Effect of race, gender and geographical location on perception of human capital as a factor of performance of small supermarkets**

Perception	Significance of differences in Extent of agreement or disagreement, %							Total	
	perception due to			Race					
	Race	Gender	Location	Very true	True	May be	Not true	Totally Not true	
a) Asians take advantage of the good knowledge of customer service	ns	ns	Ns	48.5	36.4	9.1	-	6.1	100
b) Blacks take advantage of the good knowledge of customer service	ns	ns	Ns	15.2	-	51.5	30.3	3	100
c) Asians have adequate management skills	ns	ns	Ns	69.7	24.2	6.1	-	-	100
d) Blacks have adequate management skills	ns	ns	Ns	12.1	-	45.5	39.4	3.0	100
e) Asians are always looking for new, better ways	ns	ns	Ns	60.6	39.4	-	-	-	100
f) Blacks are always looking for new, better ways	ns	ns	Ns	3.0	6.1	36.4	51.5	3	100
g) Asians display a strong drive to start and run successful businesses	ns	ns	Ns	75.8	21.2	3.0	-	-	100
h) Blacks display a strong drive to start and run successful businesses	ns	ns	Ns	9.1	21.2	48.5	-	21.2	100
i) Asians have means of effectively competing	ns	ns	Ns	60.6	30.3	9.1	-	-	100
j) Blacks have means of effectively competing	ns	ns	Ns	6.1	36.4	33.3	24.2	100	100
k) Asians have more effective strategies	ns	ns	Ns	48.5	36.4	9.1	-	6.1	100

**Key:** ns = not statistically significant

**Table 11: Effect of race, gender and geographical location on perception of social capital as a factor of performance of small supermarkets**

Perceptions	Significance of differences in Extent of agreement or disagreement, % perception due to							Total	
	Race	Gender	Location	Very true	True	May be	Not true		
a) Asians heavily rely on their strong business networks to run successful enterprises	***	ns	Ns	57.6	33.0	3.0	6.1	-	100
b) Blacks heavily rely on their strong business networks to run successful enterprises	***	ns	Ns	6.1	-	42.4	33.3	18.2	100
c) Asians have mechanisms that encourage the development of an in-built succession plan for running small supermarkets.	ns	ns	Ns	63.3	30.3	6.1	-	-	100

**Key:** ns = not statistically significant (P > 0.05)

\* = P < 0.05

\*\* = P < 0.01

\*\*\* = P < 0.001

**Table 12: Effect of race, gender and geographical location on perception of operational environment as a factor of performance of small supermarkets**

Perceptions	Significance of differences in perception due to							Total	
	Race			Gender		Location			
a) South African labour laws create an enabling environment for entrepreneurs to run successful small supermarkets	***	**	Ns	3	27.3	21.2	21.2	27.3	100
b) High levels of crime are affecting Black business-owned small supermarkets more than those of Asians	ns	ns	Ns	45.4	6.1	27.3	12.1	9.1	100
c) Escalating costs of goods are threatening the viability of Black small supermarket owners more than those run by Asians	ns	ns	Ns	27.3	6.1	39.4	21.2	6.1	100

**Key:** ns = not statistically significant (P > 0.05)

## 5.6 Discussion

Asian-owned small supermarkets were perceived to exceed those that were black owned in terms of performance as measured by survival, stock, and growth. According to this widely held perception, Asians outperformed black owned supermarkets because they had human capital in the form of experience that they acquired from helping in the family businesses while they were still young.

In agreement with the findings the current study, Calvo and Garcia (2010) conclude that an entrepreneur's knowledge and experience have the greatest impact on enterprise growth. Knowledge of marketing helps them to be market-oriented. Such entrepreneurs know their consumers' needs and use this knowledge to procure goods and services. They were applying a marketing concept, which, according to Lamb *et al.* (2010), is based on acknowledging that customer-need satisfaction is the key to successful marketing; in other words, a supermarket must provide what customers want and not what the business thinks they want or should want. These entrepreneurs also conducted their own market research to find out where the market for their product was. This was not perceived to be the case in Black-owned small supermarkets, where the owners were perceived not to understand that people cannot continue to buy products they do not want just to support the business. This confirms the conclusions of Didinet *et al.* (2012) who argue that while small businesses are better suited to respond to the dynamic global environment than larger ones, it is only those that are market-oriented that succeed.

The most common success factor for Asian-owned small businesses was seen to be the fact that Asians were able to buy in bulk, and therefore achieved quantity discounts. With lower costs they were then able to sell their products at low prices to consumers. These findings were in line with Hugo and Badenhorst-Weiss (2011), who argue that, by purchasing more efficiently, a business can reduce its costs and increase its profits. Participants further stated that supply management had a major impact on profits by contributing to sales increases and by reducing costs. Participants agreed that the biggest expenditure in supermarkets is purchasing costs because no value is added to final products. According to Erasmus *et al.* (2013), purchasing costs constitute an area where cost savings can make a vital contribution to the business's profits, since profit can be expressed as the favourable difference between income and expenditure. Small supermarkets that were owned by Blacks were seen to be paying higher costs for stock and were therefore not able to charge lower prices. Due to this they lost customers to Asian owned supermarkets whose

owners had a sustainable competitive edge based on cost. According to Lamb *et al.* (2010), marketers try to maximise the value the customer receives by lowering customers' costs or by increasing benefits. Asians chose the former. Knowledge of purchasing and supply management also helped Asians to keep sufficient stock in their small supermarkets. That was not the case in the small supermarkets that were owned by blacks and this caused them to lose turnover and customers, who then transferred their loyalty to Asian owned small supermarkets. This trend is supported by (Badenhorst-Weiss *et al.* (2015) who argue that consumers do not want to hear that a product is not available, a supplier is out of stock, or that a product they paid for will be delivered late. Product availability is a function of customer service management.

Participants agreed that small supermarkets owned by Asians were able to reach quantities required for discounts because they contributed money in large groups. This is supported by the literature. Venter (2009) argues that pooling of scarce resources between businesses allows the role players to tackle challenges which they would not be able to undertake independently. Adams (2009) sees networks as giving firms the advantage of sharing costs and risks that would otherwise be too high to take alone. Within their networks, Asians also gave advice to those who had problems. In a quantitative study conducted by Abou-Moghli and Al-Kasasbeth (2012), it was concluded that social networks provide better access to resources and support. Empirical results also revealed that, when one member of the network had a shortage of stock the other members would not let customers leave without the goods that they wanted to buy; they sent them to other Asians or even went to fetch the products for them. In small supermarkets that were black owned, the owners purchased as individuals and therefore paid higher costs to their suppliers and charged higher prices to their customers.

Some Asian small supermarket owners operated wholesales before integrating forward. This is one of the strategies of business growth. It involves moving downstream with respect to product flow, such as when a manufacturer or a wholesaler buys or creates the wholesaler's own retail outlets (Jooste *et al.*, 2012). Because they were already buying directly from factories, Asian small supermarket owners paid factory prices to manufacturers. In this way they gained a competitive advantage over black owned small supermarkets that were buying from them.

Both Asian and Black participants complained about fierce competition from Somalians who were operating spaza shops. As has been described, the spaza shops affected both Asian and black owned small supermarkets negatively. Van Rensburg (2014) has mentioned that, where intense

competition exists, prices may be forced to go below break-even levels. Thus, according to this argument, and that put forward by Erasmus *et al.* (2013), management need to scan the environment to identify environmental changes, such as economic influences, political factors, changes in consumer preferences, and increasing competition, in order to ensure survival and growth. One of the concern of both Asian and Black participants was that they sold goods that were not supposed to be sold at spaza shops. The number of spaza shops was also unreasonably high. As stated by Chittithaworn *et al.* (2011), change in the environment causes much more uncertainty in SMEs than in large organisations because they respond to the environment differently. Large organisations may respond by making an exit from one business area.

Shoplifting and employee theft also contributed to the failure of black owned small supermarkets. Even though Indians were also affected by crime, they put systems in place to reduce it. During interviews in some Asian owned small supermarkets, the researcher observed surveillance cameras that were being used to discourage and prevent thieves from leaving with stolen goods. After working hours Asian owned small supermarkets were looked after by security companies that made use of alarm systems. Studies carried out in Botswana (Zi, 2015) also found that Chinese small business owners used security cameras, not only for scarring thieves away, but also for recording the activities of employees and the business situation in the shops. Black owned small supermarkets could not afford such security systems. Uhland (2010) reported on the four biggest types of store losses that affect retail stores: shoplifting, employee theft, vendor fraud, and burglary. He further mentioned that smaller stores were more vulnerable because they have fewer resources to put towards security systems. Achumba *et al.* (2013) reported a similar situation in Nigeria where there were virtually no security systems, or systems that were interfered with, in the business environment and where criminal activities included, amongst others, organised armed robbery, and repeated invasion and blockading of business installations. These inevitably resulted in serious losses, and in closures of businesses which were unable to afford viable security systems.

Some of the challenges mentioned by former small supermarket owners concerned debt defaulting customers which resulted in business owners not being able to pay for their expenses and in turn resulting in closure of their small supermarkets. Administrative costs, financing, and bad debts are the most significant costs to any business (Bloom and Boessenkool, 2014). Supermarket owners were unable recover their money from debt defaulters even after seeking assistance. Another challenge confronting small supermarket owners was in the form of

unreasonable labour laws. Where the amount of wages demanded by employees and their labour unions was more than that made from sales, supermarket owners were left with no choice but to close their shops. Labour laws also did not make it easy for small supermarket owners to expel employees who stole or underperformed. Due to trade union action/protection of employees, and employee low work ethic, many organisations are forced to close their doors, with a resultant loss in employment opportunities (De Bruyn and Kruger, 2014). Erasmus *et al.* (2013) argue that one of the main reasons for South Africa's unemployment level is the inflexibility of labour law. Kitching and Wilson (2015) are of the view that policy makers should recognise the kinds of diverse dynamic influences and restraints that that rigid regulations have on small business activity and performance when designing and enforcing regulations. These authors argue that, in the case of small supermarkets, law enforcement has led only to the undesirable consequences of business failure.

According to Wennberg and DeTienne (2014), not all entrepreneurial exits occur as a result of failure. The current study found some small supermarket owners closed their businesses because they were too old to work and decided to retire, the kind of exit that cannot be regarded as failure. Coad (2014) regards voluntary closure as 'business death' rather than business failure. The current study found that, in the small supermarkets owned by black people, the death or retirement of the owners resulted in the death of the business because their children had no skills in business management to enable them to continue with the business. In those that were owned by Asians, the successors were trained at very young age and took over from their parents.

With regard to differences in performance between male and female-owned small supermarkets there were differing views. This may have been due to the fact that examples of small supermarkets in the region that had been started by women were scarce. As in other areas in Africa, according to a study done in Thulamela by Mathaulula *et al.* (2015), businesses owned by women in Thulamela Local Municipality were in the informal sector. Similarly, there were also differing views amongst participants with regard to the performance of small supermarkets in the two regions, Malamulele and Thohoyandou. Since many Black owned small supermarkets in both Malamulele and Thohoyandou have failed, the regions where the failed businesses were located could not have been the cause of failure or be labelled under success factors. The same applies to the small supermarkets in villages and towns in the two regions; those owned by Asians are thriving while those owned by Blacks are failing.

The majority of participants in the study were Asians. This indicates that there was large number of Asian small supermarkets operating at the time the study was conducted. Basu (1998) found similar results in Britain, as did Robb and Fairlie (2009) in their studies conducted in the USA, where they reported the USA. More than sixty percent of the participants in the current study were 36-60 years old. This indicates that it was the mature part of the population involved in small supermarkets. There is a much lower participation among the 21-35 group. The results are disturbing, given the high rate of youth unemployment in the local municipality which at the last Census stood at 58.3 % (Census, 2011).

As has been mentioned, the majority of participants in the study were married, and several studies have found that being married is a critical success factor for business due to the fact that a spouse is regarded as a strong tie (Urban, 2011). Studies have found that social capital – which can derive from marriage and family -provides resources which improve the financial performance of small enterprises (Sigmund *et al.*, 2015). Thus according to these studies, from all the race/cultural groups in the current study one would expect small supermarkets to be sustainable and growing. However, the qualitative results indicated that Black business owners did not want to involve their wives and children in their businesses; it was Asians who run family businesses, grounded in trust. Networks work well where there is trust (Granovetter, 2005).

A substantial number of participants had more than 10 years' experience in business. Many studies have found experience to be a critical success factor in business. Calvo and Garcia (2010) found an entrepreneur's experience to have the greatest impact on the venture's growth. The current study found that this may have contributed to the continued success of a large number of Asian small supermarket owners whose small supermarkets were still thriving. In the current study, regarding motivation to start business, there were significant differences associated with the race and location of small supermarket owners. Giacomini *et al.* (2011) mention that more than two profiles exist of entrepreneurs in terms of motivations.

This means that one entrepreneur who is unemployed may both start a business to pursue an opportunity and simultaneously escape unemployment. This argument differs from that of the Block *et al.* (2015) study, which found that opportunity entrepreneurs represent a selection of entrepreneurs with a more positive outcome history. According to responses to statements in the questionnaire in the quantitative part of the current study, on culture, there was a significant difference in responses to the statement/view that 'There are positive elements of the culture of

Black owners of supermarkets which they use to run their businesses' associated with race. On the perception, 'There are positive elements of the culture of Asian owners of supermarkets which they used to run their businesses', there were significant differences in responses associated with gender. With regard to the statement in the questionnaire 'Blacks do not believe or rely on ritual practices to run their small supermarkets' there the responses showed significant difference associated to race. There were also significant differences in responses regarding the same view associated with location. According to Breazeale *et al* (2016), the perceptions of the local entrepreneurial culture correlate with entrepreneurial activity in that a negative cultural environment was seen by most participants as a barrier to business expansion and growth.

With regards to the view, 'Asians heavily rely on their strong business networks to run successful enterprises' there were significant differences in the responses associated with race. Just below sixty percent of participants regarded the view as 'very true'. This is consistent with the Kuada (2008) study which revealed that Asian entrepreneurs have horizontal as well as vertical business links and that these links provide them with information, resources, and advice. Formation of these links is due to their higher level of trust and this lowers their transaction costs.

Responses to the statement, 'Blacks heavily rely on their strong business networks to run successful enterprises' also showed significant differences associated with race. Only 6.1 % of participants regarded the statement as 'very true'. These results resonate with Kuada (2008), who pointed out that long-term horizontal linkages are non-existent among Africans.

With regards to the view, 'Asians heavily rely on their strong business networks to run successful enterprises'; Just below sixty percent of participants regards the view as very true. The results are consistent with the Kuada (2008) study which found that long-term horizontal linkages (small firms collaborating together) are non-existent among Africans. Responses to 'Blacks heavily rely on their strong business networks to run successful enterprises', showed only 6.1 % of participants regarded the statement as 'very true'. Roxas and Azmat (2014) found that social networks within the community can equip a would-be entrepreneur with entrepreneurial knowledge, including business opportunities, markets, and access to resources. Responses to 'Blacks heavily rely on their strong business networks to run successful enterprises' also showed significant differences associated with race. Only 6.1 % of participants regarded the statement as 'very true' and 63.3 % of participants ranked the perception that 'Asians have mechanisms that encourage the development of an in-built succession plan for running small supermarkets' as

'very true'. These responses align with the findings of Besser and Miller (2013) that building bridging social capital is an important strategy for economic development and community betterment.

## 5.7 Conclusions

Responses from participants in both the qualitative and quantitative phases of the study showed perceptions that Black-owned small supermarkets were performing poorly because of their lack of entrepreneurship culture and of human and business ties. In the external environment they were negatively affected by the unfair competition they faced from spaza shops. Other factors hindering their performance were both reported and perceived to be burglaries and theft, customers defaulting on making payments, and unreasonable and rigid labour laws. In small supermarkets owned by Asians shoplifters and burglars were controlled by surveillance cameras during the day and security companies after hours. Their credit control mechanisms protected them from bad debtors. In spite of the fact that they outperformed Black-owned small supermarkets, they, like black small supermarket owners, still faced challenges from spaza shops owned by Somalians and by other Asians. Some participants explained that Asian-owned small supermarkets were performing better because they used effective and efficient purchasing and supply systems. Their particular collectivist culture and networking abilities made them realise higher levels of efficiency when purchasing goods than black entrepreneurs were able to do. Only one female Venda small supermarket owner had started her business from scratch.

Significant differences found, or perceived, in motivation were associated with race and location. Difference in the culture of a race group was associated with race and gender. In the case of human capital as a critical success factor, all participants were in agreement. On social capital the differences were associated with race. The social capital hypothesis was, therefore, partially rejected by the researcher.

With regard to the differences in performance between male and female-owned small supermarkets there were differing views and perceptions. Similarly, there were also differing views with regard to the performance of small supermarkets in the two regions, Malamulele and Thohoyandou. In both areas the differences in performance were due to race and not geographic location.

## CHAPTER 6: INTERVENTION STRATEGIES FOR IMPROVED PERFORMANCE

### 6.1 Introduction

This chapter addresses the questions: 'What strategies do small supermarket owners in two regions use to improve performance of their businesses?', 'What type of support do small supermarket owners receive from the South African government?', and 'What type of support do small supermarket owners receive from non-governmental sectors?' The results of the data collected and analysed in order to address these questions are described and discussed in detail before conclusions are reached.

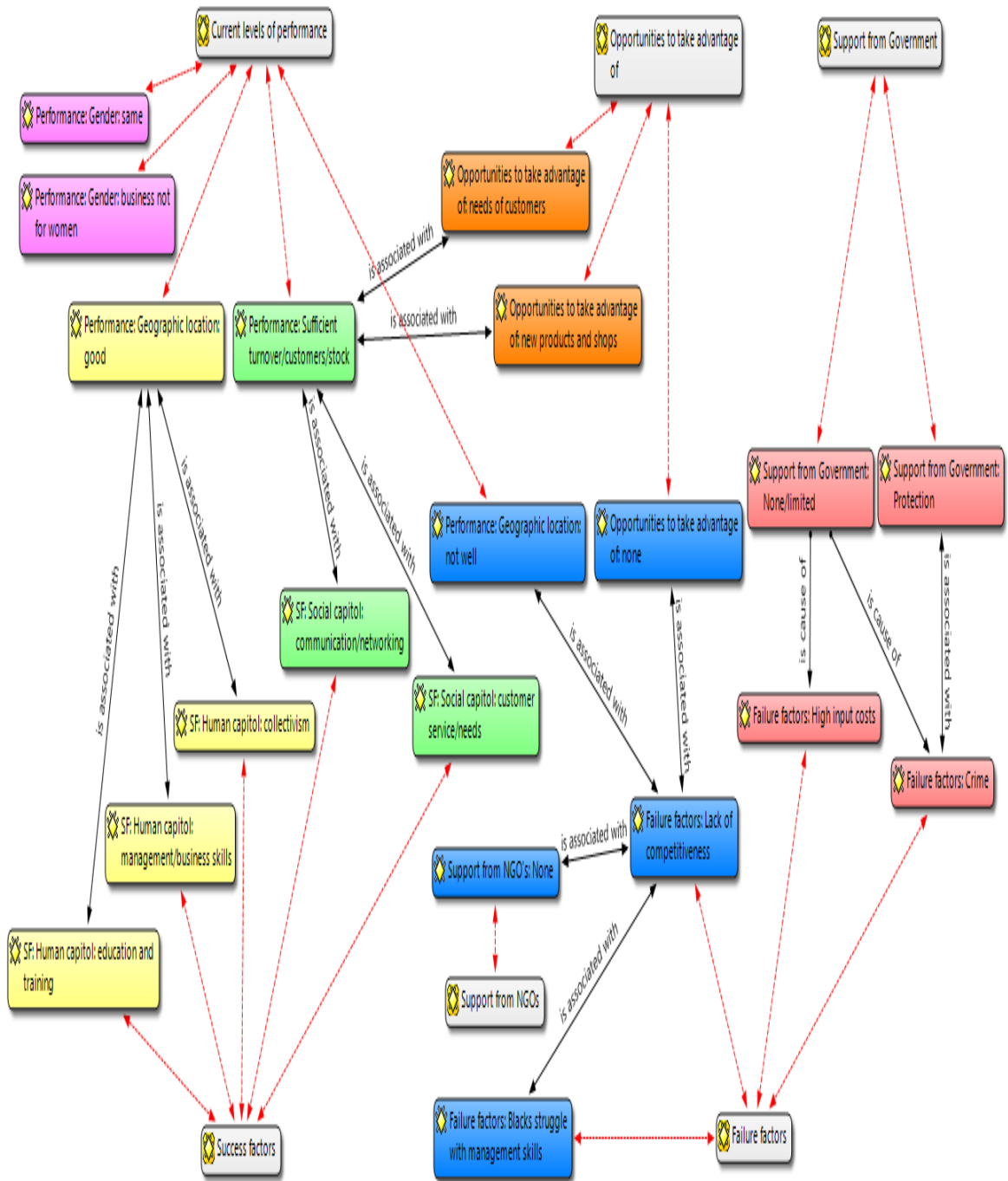
### 6.2 Results

Suggestions for intervention strategies for improved performance of small supermarkets are presented in table 13. Table 14 presents the various kinds of support that small supermarkets receive from government and non-government sectors. They are described in detail in the following sections. The visual representation of the perceptions of the Asian participants and the ABO members regarding the determinants of performance of Asian and Black-owned small supermarkets are presented in figure 8 and 9 respectively.

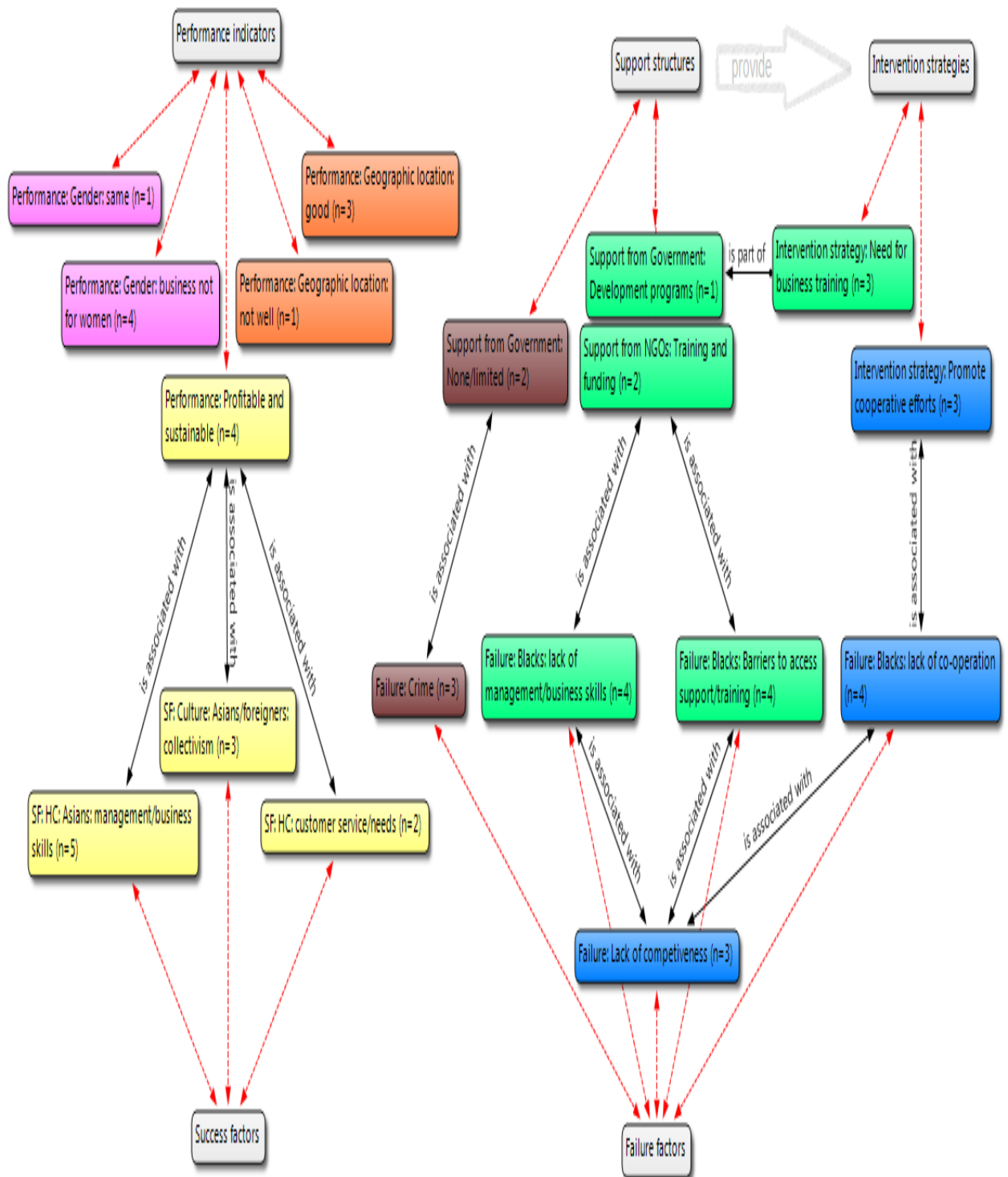
#### 6.2.1 Intervention strategies

##### ***Join business association***

Four members of the association of business owners (ABO) advocated for small supermarket owners joining the available business associations and, within this structure/network, support one another. In order to give and receive support, they should have their own wholesales where they can procure stock at low cost and make these wholesale outlets available to other members of the association. In addition, they would be able to receive training and acquire skills in financial and business management within these associations. It was further advocated that



**Figure 8: Visual representation of the perception of Asian participants regarding determinants of performance of Asian and Black-owned small supermarkets**



**Figure 9: Visual representation of the perception of members of the association of business owners regarding determinants of performance of Asian and Black-owned small supermarkets**

**Table 13: intervention strategies for improved performance of small supermarkets**

Strategies	Local	Association	Asian	Black business	Total	
	Economic Development	of business owners	Business Owners	Owners	Shangaan	Venda
a) Join associations	n=5	n=5	n=14	n=6	n=6	n=36
b) Registration and regulation of businesses	3	4				4
c) Diversification		3			3	6
d) Price wars		3	4		1	8
e) Need for investors and government involvement				2	1	3
f) Lodging complaint	1		1			2
n = number of respondents						

small supermarkets need to work together and maintain good relationships with other stakeholders. In addition to joining business associations, for support, they should take advantage of government parastatals, such as the Limpopo Economic Development Agency (LEDA), the Small Enterprise Finance Agency (SEFA), the National Empowerment Fund (NEF), and the National Youth Development Agency (NYDA) in order to access training as well as funding. A member of ABO summed up the kind of support he thought business owners needed:

*'They must have associations that support each other. They must have their wholesales. They must get training in order to acquire skills in financial and business management.'*

### **6.2.2 Registration and regulation of businesses**

Three officials in the local economic development (LED) advocated for small supermarkets to be registered with the municipalities so that there will be control. If there is control regarding where the business is located and how many businesses they are in that area, the possibility exists that overall performance of small businesses in that area would improve. Having registered supermarkets also means that, as an owner, one can get business from the government and in his way achieve one's objectives. Those who have not registered are not included in the database and thus would not receive the benefits. The belief emerging from government officials is that the government is already doing its part. One participant from LED advocated for more control of businesses in the area through mandatory registration with local government, and summarized the disadvantages of non-registration for both business owners and government:

*"If the law that says all businesses must be registered becomes effective we can start to see changes. There is no control as to where the business is located. One just obtains a spare room from you and run his/her business there. Another one gets another room next door opens his own."*

One participant believed that there was nothing small supermarket owners could do to improve performance, and that the problem resided with spaza shops. The view of this participant was that it was the responsibility of the municipality to regulate spaza shops. Performance of small supermarkets declined because the local municipality neglected that duty.

Rules needed to be enforced to ensure that spaza shops sold what they were mandated and expected to sell. Supermarkets were expected to operate in a separate piece of land away from the residence of the owner.

### **6.2.3 Diversification of products**

Three Asian business owners and three Venda business owners reported that they had survived through diversifying their products. Black small supermarket owners added liquor, car wash businesses, mill, and leasing part of their businesses initially in order to supplement income from sales of products. Although two of the Venda business owners were still surviving in the business, they were no longer operating as small supermarkets. They preferred to own and operate businesses in which Asians were not involved. Amongst the Asians, Indians added hardware to the usual grocery products, and Chinese small supermarket owners added textile products.

### **6.2.4 Price reduction in order to gain competitive advantage**

One LED official, and one Venda small supermarket owner reported that Asian supermarket owners were involved in price reduction to gain competitive advantage. They instigated these through making a significant reduction in their prices to force black small supermarket owners out of the market. Once black small supermarket owners have left the market, these Asian supermarket owners would charge customers the same price they were charging before:

*'They reduce their prices until all the black business owners close their business. Later on their go back to the original price.'*

### **6.2.5 Need for investor and government involvement**

Shangaan business owners were of the view that performance of the small supermarkets would be improved if other businesses that do not compete with them come and invest. One Shangaan and one Venda business owner believed that government involvement would also go a long way towards improving performance.

## 6.2.6 Lodging of complaint

An official in the LED and one Asian business owner reported that, when Asian small supermarket owners had approached the local municipality to complain about the large number of Somalians who were operating spaza shops, they were not provided with any assistance, being told that there was nothing the municipality could do:

*“Since they came from 2011 upwards things got worse and worse and worse. Around this area there was let’s say 3KM radius only there was my shop. Now in this area less than 1KM radius there are 15 Somalians spaza shops. They are not closing the business at 5 o’clock. If you ask people to take action there is nothing.”*

## 6.3 Support from the government

### 6.3.1 Development programmes

Table 14 shows three officials in the LED, one member of the ABO, and one Venda business owner believed that there were many programmes that were initiated by the government. A case in point is the fact that the President had established a separate Ministry of Business Development. They believed that it was the responsibility of the LED to benchmark the models that had worked elsewhere.

Examples included models that had been applied in Soweto and which were working well. The same model had also worked in Orange Free State and in Durban. The belief of these participants was that if the model was implemented in Thulamela it could also bring confidence to black people in their ability to succeed in operating small supermarkets. They mentioned other services offered by the government through parastatals, such as SEDA. Through these those potential business owners who have good business ideas could be assisted to develop business plans.

They thought that if the local municipality could have a legitimate budget that helps small supermarkets in the same way as NSFAS, which assists students, it could fund those supermarket owners who have been mentored. They would then pay back the money that could in turn be used to fund new small supermarkets. The ABO member described these initiatives and their potential to encourage and strengthen potential black business owners with enthusiasm:

*“There are a lot of programs initiated by the government. The president has started a separate ministry of small business development, however, the honors is on us to see to it that the policy which the government has put into place and is supporting is implemented. Let’s take for instance, the model that is used in Soweto. It is good and working. It is bringing confidence that black people can own supermarkets. What stops us from benchmarking that? Why is our leadership not copying that model? Copying is not wrong. If we are copying the mall that is in Centurion it means that copying is not wrong. The minister of small business development came up with that model that is working. The model is also working in Orange Free State and in Durban. We should implement that model.”*

### **6.3.2 Business regulation as a strategy for business formation and performance**

Officials in the LED were of the view that three levels of government assist small supermarkets and other businesses through regulation. Thus government regulation ensures that all businesses operate within the profiles of the law. In Limpopo province, the act called Limpopo Business Registration Act, which became applicable from the 1 April, 2015 was designed to regulate and enhance the performance of small supermarkets. As was mentioned in 6.2.1.1 above, government assists small businesses through parastatals, such as the Limpopo Development Agency (LEDA), the Small Enterprise Finance Agency (SEFA), the National Empowerment Fund (NEF) and National Youth Development Agency (NYDA). Thus small supermarket owners are able to access borrowed funds to increase stock during peak hours. They also linked small businesses with big ones. A participant from the LED outlined the levels of government support, and their potential advantages, for small business owners:

*“Government in all levels from the national to provincial and local are playing an important role in supporting businesses. They do that through regulation so that businesses work through the profiles of the law. There is what we call Limpopo Business Registration Act which is still new (1st April 2015). The purpose of the act is to introduce a simplified and prompt method of business registration. Businesses that were dying will survive.”*

However, one LED official mentioned that, although the government assisted small businesses through parastatals, his perception was that small supermarkets did not benefit. He saw this as due to the fact that small supermarkets were individually owned. Government only assisted businesses that were formed by groups such as cooperatives. The only benefit small supermarkets enjoyed were obtaining licenses. This was in fact confirmed by the LED official:

*'They ensure that each and every business has a license. The government is not able to contribute funding to small supermarkets because they are individually owned. The government funds businesses that are owned by groups of people like close cooperation or cooperatives. The only thing small supermarkets owners can do is to apply for a loan at the commercial banks. Governments assist group projects.'*

### **6.3.3. Infrastructure**

Participants said the only support they knew about was that which was not given directly to business owners and was in the form of a tarred road and an operational petrol pump in the village. An Asian participant mentioned that the government also gave them official permission to run their businesses in the country:

*"Yes, but just with registering company. They give us permission to run businesses in South Africa."*

### **6.3.4 Police protection**

Most participants agreed that government was assisting them in maintaining law and order in the areas where they operate their businesses. Law Enforcement would even go to the extent of going to find out if business owners had been experiencing problems. They were also receiving assistance from local municipalities.

In times of unrest in the public sector policemen protect them from looters. An Asian small supermarket owner said:

*“They keep law and order. They come to find out if we have problems.”*

Another Asian participant described support they were receiving from local municipalities:

*“Yes, we get support from the local municipalities. They help us if there is strike from the public sector. They come and protect us from looters”*

## **6.4 Support from the non-government sector**

Support provided by non-government sector is also shown in table 14. All of the participants agreed that small supermarket owners were receiving no support from non-government sectors. NGOs did not support profit making businesses like small supermarkets, preferring rather to support other- non-profit - organisations. A participant from LED clarified this perception by specifying that

*“Not necessarily because the NGO’s would not support profit making businesses. They would rather support the non-profit organizations.”*

### **6.4.1 Training and funding**

Participants reported that non-government sectors provided some services to small business owners. One such organization is the National African Federated Chamber of Commerce (NAFCOC) which requested government assistance in the training of small business owners. People who had joined this organisation had enjoyed such services. Commercial banks also assisted the businesses with borrowing funds. The problem was that some supermarket owners, after receiving such funding, used it for personal assets, such as home improvements.

**Table 14: Support for small supermarkets from the government and non-government sectors**

Type of support	Local Economic Development n=5	Association of business owners n=5	Asian Business owners n=14	Black business Owners		Total n=36
				Shangaan n=6	Venda n=6	
a) Support from government						
b) Development programs	3	1			1	5
c) Business regulation	3		6	3	1	10
d) Infrastructure			1			
e) Police protection			3			3
f) Training and funding		2				2

n = number of respondents

There were small supermarket owners who did not know about the availability of assistance from the non-government sector. Another participant from the LED described the kind of assistance offered by NAFCOC:

*“NAFCOC provides some services like when they ask government to train small businesses. Joining the organisations and get trained to operate their businesses successfully.”*

A member of ABO described institutions and organisations offering financial assistance to small businesses but that this funding is often misused:

*“There are businesses in Thohoyandou that fund small scale business with little funds. There are also commercial banks that help businesses with funding. The problem is that people borrow money and use it for other things such as home improvements. They use it for something irrelevant and that is why they are unable to repay.”*

A Shangaan speaking participant disputed this: *“I don’t know about that.”*

## **6.5 Discussion**

Many participants, particularly black small business owners, were of the view that small supermarkets could improve by joining business associations in order to access various kinds of assistance. They agreed that associations are a form of social capital. Asians on the other hand did not see trade associations as a source of support because they have cultural associations and networks that fulfill similar roles (Willemse, 2014). In terms of the literature supporting this idea, as was mentioned, Abou-Moghli and Al-Kasasbeth (2012) see social networks as providing better access to resources and support than other sources.

Some participants were of the view that small supermarkets should register their businesses. This is in line with Mihindou *et al.* (2014) who report that small businesses owners are encouraged by government to formalize their businesses and become contributors to the South African economy. However, because they were unable to pay the amounts charged for the letters required for the registration process, instead they ended up closing their businesses.

Some small supermarket owners reported on diversifying their products. Diversification is described by Jooste *et al.* (2012) as entering products/markets that are different from those in which an organization is currently active. In this context, Indians had added hardware products to their supermarket shelves, whereas blacks had opened liquor businesses and car washes, as well as leasing their supermarkets to Indians and Somalians. The competitive advantage blacks have over Indians when entering the liquor business is that the Muslim religion does not allow Indians to sell alcohol. Chikweche (2015) found that small retail stores in Zimbabwe used diversification as one of their coping and survival strategies. They did that by actively engaging in commercial farming thus achieving a double benefit as they generated extra revenues from sales of cash crops and also provided their shops with fresh supplies of vegetables that were sold in their outlets – all this by actively engaging in commercial farming.

Another strategy that was used by Asian small supermarket owners was the temporary reduction of prices in order to force black owned small supermarkets out of the market. After these black supermarket owners had left the industry, these Asian traders increased the prices back up to the level that the black owned small supermarkets had been charging. Black small supermarket owners did not, or could not, re-open their businesses even after realizing that the prices had again been raised.

A strategy that was suggested by participants was having investors who could come and open businesses which sold complementary products in villages. Government involvement was deemed necessary in that regard.

Indian small supermarket owners responded to what they considered unfair competition by lodging complains with the local government about the presence of many Somalian spaza shops that were destroying their supermarkets. This strategy is similar to the one recently used by the South African textile industry when it lobbied for stricter controls over imported textiles and clothing from China. In this case the government intervened, although this tightening of controls led to both legal and illegal activities to circumvent the trade restrictions (Van Rensburg, 2014). However, the Indian traders did not get a positive response to their complaint from the local municipality.

Some participants mentioned that small supermarkets should take advantage of the availability of parastatals such as the Limpopo Development Agency (LEDA), the Small Enterprise Finance Agency (SEFA), the National Empowerment Fund (NEF), and the National Youth Development Agency (NYDA). These parastatals assist with the facilitation of acquisition of skills, the developing of markets, and with funding. Mihindou *et al.* (2014) consider that, while on paper South Africa has good policies designed to promote entrepreneurship, the problem is that not all entrepreneurs have had access, or sufficient education to access, and make most of the policies set up for their benefit. The authors then recommended that the policy be advertised in the 11 official languages and that government also utilize the different forms of the media to reach more entrepreneurs. The study done by Rankhumise and Lehobye (2012) recommended that, after funding has been provided by various agencies, mentoring programs are provided to assist businesses and ensure that they work in accordance with the business plan. Kaplan (2012) argues that many emerging entrepreneurs have several obstacles to face before their business can become sustainable, even with outsider assistance. The obstacles include accessing finance, finding a suitable market, and finding suitable premises. Nonetheless, the use of government parastatals can go a long way in helping small supermarket owners achieve their objectives.

Participants mentioned the fact that government had provided them assistance indirectly in the form of decent roads constructed in the areas where their businesses were located. Lekhanya and Mason (2014) found that poor infrastructure, specifically road and electricity provision, were experienced by small and medium enterprises in rural areas of KwazuluNatal. Mostert and Van Heerden (2015) argue that infrastructure development has the potential to increase employment in the community, gross domestic product, and income, all resulting in expenditure in the local small supermarket. In this context, Musekene (2013) argues that, although the increase in the demand for labour will be a short term one, there will be long term intercommunity access and mobility.

The participants mentioned that police were assisting them by keeping law and order in the areas where they operate their businesses. In times of unrest the police are proactive as they arrive quickly to protect them from looters. Islam (2014) sees a large and functional police force as important in reducing crime against businesses.

Some participants mentioned that the non-governmental sector had helped them with training and funding. In this context, the literature has highlighted lack of finance as a major challenge for small

businesses. For example, Lekhanya and Mason (2014) found that access to funding was a significant problem for establishing and sustaining a business and the majority of participants were relying on their own funding. Similarly, a study by Preisendorfer *et al.*, (2012) concluded that restricted financial and human capital resources were the major barriers to the expansion of black entrepreneurship in South Africa and that small supermarket owners need business training on issues related to entrepreneurship, financing, purchasing, and marketing. This finding is endorsed by that of Costin *et al.* (2011, who see training as having a positive impact on SMMEs' profits, revenues, and size.

## 6.6 Conclusions

Internally, the strategic options small supermarkets should consider and implement include (i) joining business associations so that they could have different forms of assistants ranging from skills training to access to funding; (ii) to improve their cash flow and grow they can diversify their product markets into either related or unrelated diversification. Engaging in price reduction to push competitors out of the market may also help to reduce the level of competition. Assistants provided by government include development programmes, business regulation and protection. Non-government organisations provide assistants such as training and funding. Externally, they should take advantage of the availability of parastatals as well as non-governmental organisations and access assistants.

## **CHAPTER 7 GENERAL DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

### **7.1 Introduction**

The preceding chapters presented literature review as well as empirical findings from both qualitative and quantitative studies. This section evaluates the objectives of the study and the hypothesis against the outcomes of the research findings. Referring back to section 1.5, the aim of this study was to compare the determinants of performance of Asian and Black -owned small supermarkets in Thulamela Local Municipality in order to develop intervention strategies for improved performance. In this regard, the specific objectives for the study are listed below. For each objective, the questions that underpinned the study were also given. These are restated and presented in Table 15 in order to lay the foundation for this general discussion.

### **7.2 Methodological Issues**

In this study a mixed method research approach was applied. The approach was chosen because it was considered as being likely to overcome the weaknesses associated with using a single method as well as providing scope for a richer approach to the data collection, analysis, and interpretation. A sequential mixed method was used which involved multiple phases of data collection and analysis. During the first phase qualitative data were collected from stakeholder participants using in depth interviews. Participants included small supermarket owners, representatives of business owners and officials from Local Economic Development (LED). The data were then analysed using Atlas ti7.0.81 supplemented by content analysis. The results were used to formulate the structured questionnaire that was then administered to small supermarket owners. Data were collected during a feedback workshop. Appointments were set up for participants who were absent during the workshop. The quantitative data were analysed using Statistical Package for Social Sciences (SPSS) version 24.0 for windows. Mann-Whitney tests were conducted to establish if there were differences in the perceptions of participants. In this way the data collected from the qualitative phase acquired more weight.

**Table 15: Summary of research objectives and related questions underpinning the study on comparisons of determinant factors of performance**

Research objective	Research questions
1) To assess the indicators of performance of small supermarkets	What are the indicators of performance of small supermarkets?
2) To compare the performance factors of Asian- and Black-owned small supermarkets in Thulamela Local Municipality	<p>a) What are the similarities and differences between the performance of Asian and Black small supermarket?</p> <p>b) To what extent do gender and geographic location determine the performance of Asian and Black-owned businesses?</p>
3) To develop intervention strategies for improved performance	<p>What strategies do small supermarket owners use to improve performance of their businesses?</p> <p>What type of support do small supermarket owners receive from government?</p> <p>What type of support do small supermarket owners receive from the non-governmental sectors?</p>

### 7.3 Major Findings of the Study

The first objective was “to assess the indicators of performance of small supermarkets”. Many indicators of success of small supermarkets were identified. Among the key indicators that the multiple participants and stakeholders cited were profits, size of market share, survival, and stock holding or inventory. Growth of the business and the number of employees were also cited as indicators of success. Although size of profit was considered a major success indicator by the participants, the difficulty the researcher faced - and other researchers face in this area of research - in attempting to access such data, was that reliable data were either unavailable or unreliable, was a concern that needed urgent attention. The researcher considers the most significant contribution of the current study to the area of research to be that the indicators identified in the research could serve as the basis for a tool that can be developed and used to assess the success of small supermarkets in an objective manner. Such a tool has the potential to help to objectively compare the levels of success of Asian- and Black-owned small supermarkets in Thulamela Municipality. With regard to the level of performance of small businesses in Thulamela, the common view/perception of participants was that small supermarkets that were operated by Asians in urban areas were the only ones that were successful.

Objective 2 was “to compare the performance factors of Asian- and Black-owned small supermarkets in the Thulamela Local Municipality”. The particular collectivist culture of Asians was seen by many participants to help them to pool funds and achieve bulk discounts through a supply chain strategy to outperform Black small supermarket owners. Asian traders were both reported and perceived to possess the human capital that helped them to use superior business strategies. Networking abilities gave them access to stock, information, skills and customers. Because they had capital, these Asian supermarket owners were better able to deal with external environmental variables, such as crime and competition. Black small supermarket owners were both reported and perceived to lack an entrepreneurship culture. They did not possess the skills necessary to run businesses successfully. They also did not make use of social capital. Due to limited financial capital, they were not able to deal with the environmental variables that destroyed their businesses.

The quantitative study provided information on the characteristics of the participants which included their race, location, age, gender, educational qualification(s), and experience. The

perceptions of participants with different demographic characteristics were compared against one another to find out if there were significant differences and to what extent subjectivity may have influenced their views and perceptions. The differentials of these are summarised in the following sections.

### **Race of small supermarket owners**

Black and Asian small supermarket owners had differing views on the various motivations of business owners to start their businesses as constituting a determinant factor of performance. Different views were also observed with regard to culture and to social capital. Participants were in agreement on the issue of human capital, although – as in any qualitative study - one cannot rule out the possibility that their views could to some extent have been coloured, or filtered through, their own experiences and/or unconscious racial attitudes/stereotypes, as is discussed in the conclusions section of this chapter.

### **Gender of small supermarket owners**

Male and female participants differed on only one perception regarding the culture of small business owners and managers and how this influenced the success of a business venture. On all the remaining determinants of success there were no differences regarding male and female participants.

### **Location of the business**

Participants from Malamulele and Thohoyandou respectively differed in their views with regard to motivating factors to start a business as well as the culture of owner and managers. On the issues of human and social capital, they were in agreement.

All of the three hypotheses based on race, gender, and location are partially rejected.

The third objective was “to develop intervention strategies for improved performance of small supermarkets”. Strategies that participants suggested small supermarket owners could use to increase their success and/or limit their failures included joining business or cultural associations or creating networks with both weak and strong ties. They could also benefit by diversifying their

products into related and unrelated diversification. Vertical integration strategy could also be used to gain competitive advantage. Reducing prices unreasonably low in order to force competitors out of the market worked for Asian small supermarket owners. Small supermarket owners could benefit from registering their businesses. Small supermarket owners should take advantage of parastatals.

## 7.4 Conclusions

In any qualitative study the researcher needs to take into account the element of subjectivity in participants' responses. Participants in this study – in both the qualitative and quantitative phases, were volunteering perceptions and views which were possibly coloured by unconscious racial and gendered attitudes and stereotyping, with the possible exception of those black business owners who were being self-reflexive in reporting on and evaluating their experiences in terms of the key indicators of success. The previous section listed the key indicators that the multiple stakeholders cited for success in sustaining a small business as profits, size of market share, survival, stock holding or inventory, and growth. Black-owned small supermarkets were perceived, by both black and Asian participants to be performing poorly because of their lack of entrepreneurship culture together with a lack of human and business ties. Negative influences emanating from the external environment included the unfair competition all of the small business owners faced from spaza shops. Other factors hindering the performance of all small businesses in the area, both Asian- and Black-owned, were burglaries and theft, customers defaulting on payments, and unreasonable and rigid labour laws. However, in small supermarkets owned by Asians, shoplifters and burglars were controlled by surveillance cameras during the day and by security companies after hours and their credit control mechanisms protected them from bad debtors. In spite of the fact that they outperformed Black-African owned small supermarkets, Asian small business owners still faced challenges from spaza shops owned by Somalians and other Asians. Some participants also explained the reasons for Asian-owned small supermarkets performing better than those owned by blacks: because these Asian business owners used effective and efficient purchasing and supply systems. Their collectivist culture and networking abilities enabled them to realise higher levels of efficiency when purchasing goods than black entrepreneurs were able to do. Both Asian and black participants reported only males having started small supermarket businesses. With regard to the geographical areas where the businesses were situated, participants were of the view location did not make any difference, because in both Malamulele and Thohoyandou small supermarkets that were owned by black people had failed; only a few

remained. Those that were owned by Asians were still running in both regions. In each of the hypotheses, few significant differences were identified. Therefore, the hypothesis was partially rejected.

Internally (as distinct from external/environmental factors/sources of support), the strategic options participants thought small supermarkets should consider and implement included joining business associations so that the owners could call on different forms of assistance ranging from skills training to access to funding. To improve their cash flow and grow their businesses they could diversify their product markets into related or unrelated diversification, and, in addition, combine capital and procure stock in large groups to achieve large quantity discounts. Externally, they should take advantage of the availability of various forms of government and non-governmental support and access the assistance of these.

## **7.5 Recommendations**

The following recommendations arising from the findings were thought by participants to have the potential to improve the performance of both the Asian and black small supermarket owners: The recommendations are also summarised in Table 16 as Intervention strategies for improved performance of small supermarkets

### **Recommendations for small supermarket owners**

- a) Small supermarket owners should strengthen their human capital through training, in particular training in supply chain management, entrepreneurship, marketing, and financing.
- b) Environment scanning should be done regularly in order for the business owner to develop strategies that could counteract the activities and competitive advantage of large supermarkets and spaza shops.
- c) Small supermarkets should consider doing joint purchasing, but should not limit their strategies in terms of reacting to what their competitors are currently doing. They should be proactive and creative, instead of always reacting to the strategies of other players.
- d) They should start to create networks with weak ties, especially with the purpose of accessing information that may help them to make use of the various forms of support provided by state institutions as well as by the non-government sector.

- e) Supermarket owners should register their small supermarkets in order for them to access businesses from a wide range of markets, including from the government.
- f) They should at all times be open to new information regarding new support services that may in the future come their way to assist them in their small supermarkets.

#### **Recommendations for policy makers**

- a) Policy makers should find ways to protect small supermarket owners from criminals.
- b) Rigid labour laws should be revised, especially those governing small businesses.
- c) Small supermarkets should be assisted with the particular challenges that arise when they attempt to register their small supermarkets, especially the unreasonably high amounts demanded by the traditional leaders when applicants ask these leaders for the letters required by government.
- d) By-laws should be enforced to prohibit unfair competition.

#### **Recommendations for further research**

- a) Further studies could measure the effectiveness of the kinds of government and non-government support involved in assisting small supermarket and SMEs in general.
- b) The present and potential future role of the University of Venda in addressing the challenges faced by local small supermarkets and other small businesses in the region should be investigated.

**Table 176: Intervention strategies for improved performance of small supermarkets**

Intervention strategies	Relevant for		Explanation
	supermarkets run by Asians	Blacks	
<b>For small supermarket owners</b>			
a) Strengthen human capital		*	Need for supply chain management, financing, marketing and entrepreneurship skills
b) Do joint purchasing		*	Blacks were not involved in joint purchasing
c) Creation of network with both strong and weak ties		*	Blacks lack network with weak ties/ bridging social capital
d) Register businesses	*	*	Very few businesses were registered
e) Do environmental scanning	*	*	Both groups were affected by threats from <i>spaza</i> shops
f) Instil entrepreneurship culture		*	The culture of entrepreneurship is lacking amongst the Black population
g) Diversification	*	*	Few businesses had diversified
<b>Policy makers</b>			
a) Protect businesses from criminals	*	*	Both groups were affected by crime.
b) Simplify registration process	*	*	Letters from some traditional leaders were accessed at very high cost
c) Revise labour laws	*	*	Some businesses have very low turnover
d) Enforce by-laws	*	*	Unfair competition needs to be discouraged

## 7.6 Contribution of the Study to the Body of Knowledge on Rural Development

In the course of this qualitative and quantitative research process, the current study unravelled a set of measures that could be used to assess in depth the performance of small supermarkets. However, the weight of each measure versus other measures was not determined. Development of a way of measuring this would in turn help to develop an index that would enable scholars to carry out comparisons of small supermarkets and, in this way, distil targeted interventions for improved performance.

Improving the performance of small supermarkets could see a significant increase in the rate of employment in Thulamela Local Municipality. Unfortunately, little research has been conducted to date in this area. In this study the researcher considers herself and the participants to have broken new ground by identifying and combining different factors influencing the performance of small supermarkets; other studies have focussed on large supermarkets. The study contributes to an understanding of performance factors of small supermarkets owned by a number of different racial and ethnic groups living within the same environment.

After the 2008 xenophobic violence in the country, a call was made by government to uncover and share the success factors of foreign owned businesses and, in the process, to provide opportunities for business owners to learn from one another, rather than fighting for survival in a law of the jungle way. The researchers of the current study have responded to that call.

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## Appendix 1: Letters of entry

Sir/Madam

### REQUEST FOR PERMISSION TO CONDUCT RESEARCH

I am a doctoral student at the University of Venda in the School of Agriculture, Institute of Rural Development. I am presently engaged in a research study entitled: Comparative analysis of the determinants of success of Asian and Black-owned small supermarkets in rural areas of Thulamela Local Municipality, South Africa.

The study will be conducted in Thulamelala Local Municipality. The purpose of the study is to compare the determinants of success of Asian and Blacks-owned business in Vhembe District in order to develop intervention strategies for improved performance. I request permission to conduct the research.

The following ethical standards will be followed throughout the research process:

- Informed consent
- Voluntary participation and freedom to withdraw without any penalty.
- Names of participants will not be mentioned during discussions.
- Field notes will be destroyed and audio tapes will be erased as soon as possible.

Thank you in advance

Yours faithfully

Nkondo L.G. (Ms) (073 836 5354)

## Appendix 2: Interview guide

1. When you say a supermarket is performing well, what is it that you look at?
2. What are the current levels of performance of small supermarkets in Thulamela Local Municipality?
3. What in your opinion are the common success and failure factors of Asian and Black-owned small supermarkets?
4. To what extent do you think gender determines the success of Asian and Black-owned businesses?
5. To what extent do you think geographic location determines the success of Asian and Black-owned businesses?
6. In your experience, what strategies do small supermarket owners use to improve performance of their businesses?
7. What challenges do small supermarkets face?
8. What kinds of support do small supermarket owners receive from government?
9. What kinds of support do small supermarket owners receive from the non-governmental sectors?

### Appendix 3: Questionnaire



University of Venda

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Questionnaire NO: (To be written by the researcher)

Sir/Madam

Good day. My name is Livhuwani Nkondo. I am a PhD candidate at the Institute for Rural Development, University of Venda. I would like to invite you to participate in my research, which is entitled '*Comparative analysis of the determinants of success of Asian and Black-owned small supermarkets in rural areas of Thulamela Municipality, South Africa*'. Note that your participation is voluntary. This means that you are free to withdraw at any time during the course of the study should you feel uncomfortable to continue being part of it. Also, I would like to guarantee that your name will not be divulged to anyone. Nor will what you say be linked to you directly. Names of all participants in this study will be in the form of codes that will not reveal the identity of anyone.

The results of this study will be used to prepare my PhD thesis. Apart from this, the same research material might be used to write papers for publication in various for e.g. journals, conference proceedings, book chapters and policy plus media briefs.

Should you require any further information on this research, my cell number is 073 836 5354. You may also consult my main promoter (Prof J. Francis) by phoning him on 076 409 3976.

Signature:

Researcher \_\_\_\_\_

Date \_\_\_\_\_

Respondent \_\_\_\_\_

Date \_\_\_\_\_

## SECTION A: BACKGROUND INFORMATION

Place an x in the appropriate column

### 1. Location of the business (This applies to small supermarket owners only)

Malamulele	1
Thohoyandou	2
Not applicable	3

### 2. Race

Black: Shangaan/Tsonga	1
Black: Venda	2
Indian/Pakistan	3
Chinese	4

### 3. Age, in years

Below 21	1
21-35	2
36-60	3
More than 60	4

### 4. Gender

Male	1
Female	2

### 5. Marital status

Single	1
Married	2
Divorced	3
Widowed	4
Living with spouse but marriage not formalized	5

### 6. Highest level of education attained

Never went to school	1
Primary schooling	2
Secondary schooling but no matric	3
Matric	4
College	5
University/ Technikon	6

7. Experience: Number of years of involvement in business

1-5	1
6-10	2
11-15	3
16-20	4
More than 20	5

SECTION B

1. Another question is “What do you regard as the success and failure factors of Asian and Black-owned small supermarkets?” Examine the many answers given for it. Using a scale ranging from “Very true” to “Totally not true”, mark in the box which applies below. Please be as honest and candid as you can.

Responses	Very true	True	May be	Not true	Totally not true
1) There are positive elements of the culture of Black owners of supermarkets which they use to run their businesses					
2) There are positive elements of the culture of Asian owners of supermarkets which they used to run their businesses					
3) Asian start small supermarket businesses because of unemployment					
4) Blacks start small supermarket businesses because of unemployment					
5) Asian start small supermarkets to pursue business opportunity					
6) Blacks start small supermarket to pursue business opportunity					
7) Asians take advantage of the good knowledge of customer service or needs to develop relevant strategies for running their small supermarkets					
8) Blacks take advantage of good knowledge of customer service or needs to develop relevant strategies for running their small supermarkets					
9) Asians have adequate management skills to run successful small supermarkets					
10) Blacks have adequate management skills to run successful small supermarkets					
11) Asians are always looking for new, better ways of running their small supermarkets					
12) Blacks are always looking for new, better ways of running their small supermarkets					

Responses	Very true	True	May be	Not true	Totally not true
13) Asians have mechanisms that encourage the development of an in-built succession plan for running small supermarkets. The supermarkets benefit from this because there is a high sense of belonging for all people involved in them					
14) Blacks have mechanisms that encourage the development of an in-built succession plan for running small supermarkets. The supermarkets benefit from this because there is a high sense of belonging for all people involved in them					
15) Asians display a strong drive to start and run successful businesses					
16) Blacks display a strong drive to start and run successful businesses					
17) Asian supermarket owners are highly motivated and work hard to ensure success of their small supermarkets					
18) Black supermarket owners are highly motivated and work hard to ensure success of their small supermarkets					
19) South African labour laws create an enabling environment for entrepreneurs to run successful small supermarkets					
20) Asians heavily rely on their strong business networks to run successful enterprises					
21) Blacks heavily rely on their strong business networks to run successful enterprises					
22) High levels of crime are affecting Black business-owned small supermarkets more than those of Asians					
23) Asians have means of effectively competing with other small supermarket owners					
24) Blacks have means of effectively competing with other small supermarket owners					
25) Blacks do not believe or rely on ritual practices to run their small supermarkets					
26) Asians do not believe or rely on ritual practices to run their small supermarkets					
27) Escalating costs of goods are threatening the viability of Black small supermarket owners more than those run by Asians					
28) Asians have more effective strategies for combating factors threatening their small supermarkets than their Black counterparts					