



University of Venda
Creating Future Leaders

**A comparative investigation of the success factors affecting local- and
foreign-owned SMMEs in the Thulamela Local Municipality**

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DECLARATION

I, Magodi Fariso, declare that this dissertation, submitted to the Department of Business Management at the University of Venda, in partial fulfillment of the requirements for the Master of Commerce in Business Management, has not been submitted previously to this or any other institution, for the award of a degree. The work presented is entirely original, and all sources consulted and referenced in the study, have been properly acknowledged.

StudentMagodi F..... Date 05/02/2026.....

DEDICATION

I dedicate this dissertation to three people who mean the world to me. My late father, although you passed on without seeing the results, your encouraging words remain in my heart; my mother and my son, who showed me endless support, day in and day out, throughout this study.

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ABSTRACT

Globally, small, medium, and micro enterprises (SMMEs) are considered vital drivers of economic expansion and development, contributing significantly to the economic prosperity of a nation and its inhabitants. In South Africa, they account for approximately ninety five percent of all operating enterprises, roughly sixty percent of the formal labour force and thirty percent of the country's GDP; despite these significant contributions, a greater percentage of small businesses fail in their early stages. SMMEs are thought to have a failure rate that ranges from 70% to 80%, with about 50% of SMMEs failing within the first five years. Both foreign and locally-owned SMMEs face similar challenges, although, foreign-owned businesses encounter unique obstacles, such as xenophobia, racism, and language barriers. Foreign-owned SMMEs, nevertheless, continue to thrive and grow, often outperforming their locally-owned counterparts. The existing literature on the development of SMMEs, primarily focuses on locally-held SMMEs and makes little to no mention of SMMEs owned by foreigners. This study aims to comparatively investigate the success factors affecting locally- and foreign-owned SMMEs in Thulamela Local Municipality. This study adopted an interpretive method and an exploratory research design was employed. Qualitative research method was exploited to select 16 SMMEs within the municipality - 8 foreign-owned and 8 locally-owned. Data were gathered through in-depth interviews guided by a structured interview schedule, while the sample size was determined by data saturation after using a purposive sampling technique to select participants. The data was then analyzed by thematic analysis using Atlas software.

This study's results show that the success of local- and foreign-owned SMMEs, in the Thulamela Local Municipality its mainly dependent on human capital factors, such as education and training, business skills and experience; social capital factors, such as kinship network, social network, group network and information sharing; as well as cultural factors, such as owners' propensity for long working hours and hard work. Both groups demonstrated these characteristics, however, foreign SMMEs owners use these factors more effectively and strategically, hence making them more competitive than local SMMEs owners. Both local- and foreign-owned SMMEs experience challenges from - crime, financial constraints, market and competitive pressure, government rules, regulation and licensing, lack of government support and services. There were, however, distinct extra challenges for foreign SMMEs -

xenophobia, stereotyping and discrimination. Winning strategies employed by foreign SMMEs include - bulk buying, competitive pricing strategy, technological adaptation and cross promotion. This study recommends that local SMMEs invest strongly in social networks and human capital, while also following some of the strategies proven successful by foreign SMMEs' owners to remain competitive.

key words: Challenges, foreign-owned SMMEs, locally-owned SMMEs, Success factors.

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LIST OF ACRONYMS AND ABBREVIATIONS

ATLAS TI : Achieve of Technology and Language for Text Interpretation

DRC : Republic of Congo

GEM : Global Economic Monitor

STATSA : Statistics South Africa

WEF : World Entrepreneurship Forum

SMME : Small, Medium, and Micro Enterprises

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction and background of the study

A crucial component of the South African government's plan for economic growth, alleviating poverty, and job creation, is encouraging the growth of Small, Medium, and Micro Enterprises (SMMEs) (Rajagopaul, Magwentshu and Kalidas, 2020). Rajagopaul *et al* (2020) claim SMMEs make a substantial contribution to GDP and even more to employment. Another intriguing aspect is that GDP is frequently linked to small enterprises, which are essential for building an economy that will benefit future generations in South Africa. Ngo and Westhuizen (2024) assert that SMMEs serve a crucial role for economic expansion and equitable enhancement; their importance stems from their role in mitigating poverty and unemployment, especially through creating job initiatives aimed at economically disadvantaged and underprivileged citizens.

According to Morin and Gash (2017) through linkages between small and large corporations, SMMEs contribute to the growth of industrialized structural output and the building of robust economic frameworks. The Labor Department Report (2016) has emphasized that increasing investment in SMMEs development is essential for reducing unemployment in South Africa. Despite their significance, it is estimated that In South Africa, 50-60 percent of SMMEs do not make it to two years, hindering many of their businesses from reaching their full potential (Fatoki, 2021). Similarly, according to 2015 research by NFB and Endeavor South Africa, 90% of South African small enterprises fail during the first five years of operation.

Despite their importance, South African SMMEs face persistent challenges, including high failure rates. Evidence suggests that a significant proportion of SMMEs do not survive beyond the first few years of operation (Fatoki, 2021). These failures are commonly linked to limited access to finance, weak managerial capacity, poor business planning, and intense competition (Fatoki, 2021). However, this explanation does not fully account for differences in performance between local and foreign-owned SMMEs operating in the same environment.

In contrast to local SMMEs, foreign-owned SMMEs have become increasingly competitive and visible in South Africa's informal and formal sectors (Basson and Omoroyi, 2025). South Africa has attracted economic migrants who establish businesses as a survival and income-generation strategy (Basson and Omoroyi, 2025). Many of these entrepreneurs possess relatively high levels of education and prior business experience, which strengthens their entrepreneurial capability (Fatoki, 2021 and Rogerson, 2018). This suggests that human capital plays a significant role in their success. More importantly, foreign-owned SMMEs often demonstrate higher levels of resilience and adaptability despite operating under challenging conditions such as xenophobia, limited institutional support, and regulatory barriers. Their success is frequently attributed to the use of strong ethnic and transnational networks, which provide access to finance, labour, suppliers, and market information (Urban, Marimbika & Mhangami, 2024). These networks allow them to reduce operational costs, secure goods on credit, and expand market reach, giving them a competitive advantage over many local SMMEs. This creates an important analytical contradiction: foreign-owned SMMEs often succeed despite facing additional structural barriers, while many local SMMEs struggle despite operating in their home environment. This suggests that success is not determined only by external conditions, but also by internal resources such as skills, experience, and networks. Existing literature identifies several key success factors for SMMEs, including education, training, experience, networking, and entrepreneurial skills (Analia et al., 2020; Safii & Rahayu, 2021; Ployhart, 2021). However, most studies focus on these factors individually and often concentrate on local SMMEs, with limited comparative analysis between local and foreign-owned enterprises.

As a result, a clear research gap exists in explaining why foreign-owned SMMEs often outperform local SMMEs within the same operating environment. Specifically, there is limited understanding of how differences in human capital, social capital, and strategic behaviour contribute to performance disparities. Furthermore, there is insufficient analysis of how foreign entrepreneurs leverage networks and experience to overcome structural challenges more effectively than local entrepreneurs. Therefore, this study is necessary to critically compare the success factors of local and foreign-owned SMMEs in order to explain differences in performance and identify the key drivers of entrepreneurial success within the Thulamela local municipality.

1.2 Problem statement

The high failure rate of Small, Medium and Micro Enterprises (SMMEs) remains a major challenge in South Africa, with studies estimating that between 70% and 80% of SMMEs fail within their early stages (Bushe, 2019 and Mphewu, 2019). This situation raises concern about the sustainability of SMMEs and the effectiveness of support mechanisms within the sector. Although both local and foreign-owned SMMEs operate under similar economic and environmental conditions, their performance differs significantly. Research shows that foreign-owned SMMEs often demonstrate higher survival and growth rates than local-owned SMMEs, despite facing additional challenges such as xenophobia, discrimination, and language barriers (Khosa & Kalitanyi, 2018; Musara, 2019).

In Thulamela Local Municipality, this difference is also evident. Local SMMEs face challenges such as limited access to finance, poor infrastructure, and lack of managerial skills, which contribute to high failure rates (Donga, Ngirande & Shumba, 2016). In contrast, foreign-owned SMMEs appear to perform better and are more sustainable within the same environment (Donga, 2019; Hare & Walwyn, 2019). However, there is limited empirical evidence explaining the specific success factors that differentiate foreign-owned SMMEs from local-owned SMMEs within rural municipalities such as Thulamela.

However, the explanatory mechanisms underlying this performance disparity remain insufficiently theorised and empirically underexplored.

The problem of the study therefore, is that there is limited empirical evidence that systematically identifies and compares the specific success factors that account for the differential performance of foreign-owned and local-owned SMMEs within rural municipalities such as Thulamela. Existing studies tend to either generalise SMME challenges or examine local and foreign-owned enterprises in isolation, without offering a rigorous comparative analysis of the underlying resource endowments, capabilities, and strategic behaviours that shape performance outcomes.

This represents a significant conceptual and empirical gap, particularly in relation to understanding how factors such as human capital, social capital, entrepreneurial experience, and network structures interact to produce divergent outcomes under similar operating conditions. Addressing this gap is critical, as it may provide evidence-

based insights into why foreign-owned SMMEs tend to outperform local enterprises, and how such insights can inform targeted interventions to strengthen local SMME competitiveness. Accordingly, this study seeks to comparatively investigate the success factors influencing local and foreign-owned SMMEs in Thulamela Local Municipality, with the aim of generating a deeper understanding of the determinants of performance disparities and informing strategies for enhancing the sustainability and competitiveness of local enterprises.

1.3 Research objectives

1.3.1 Aim of the study

The aim of the study is to comparatively investigate the success factors affecting local and foreign-owned SMMEs in the Thulamela Local Municipality.

1.3.2 Research objectives

- a) To comparatively investigate the success factors of local- and foreign-owned SMMEs in Thulamela Local Municipality.
- b) To identify challenges faced by local- and foreign-owned SMMEs in Thulamela Local Municipality.
- c) To identify and evaluate strategies employed by foreign-owned SMMEs that may be transferable to improve the performance of local-owned SMMEs.

1.3.3 Research Questions

The study will answer the following questions.

RQ 1: What are the success factors of local and foreign-owned SMMEs in Thulamela Local Municipality?

RQ 2: What are the challenges faced by local- and foreign-owned SMMEs in Thulamela Local Municipality?

RQ 3: Which strategies employed by foreign SMMEs-owners in Thulamela Local Municipality can be recommended to local SMMEs-owners to improve their performance?

1.4 Research Methodology

Khoa, Hung, and Heisalem (2023) define research methodology as procedures for gathering, analyzing, and interpreting data to enhance the researcher's

comprehension of a certain topic. This definition highlights the systematic approach researchers take to deepen their understanding of specific subjects (Khoa *et al*,2023). An effective research methodology is crucial for ensuring the validity and reliability of the research findings (Khoa *et al*,2023).

1.4.1 Research Paradigm

Miller (2020) defines a research paradigm as a method of study that is regarded as the norm by a substantial portion of researchers in a given field, based on its long-standing establishment and use. Davies and Fisher (2018) identify four types of research paradigms. Firstly, critical research paradigm which seeks to enhance awareness and drive societal change. It aims to empower marginalized communities while addressing inequality and societal injustices (Davies and Fisher, 2018). Secondly, constructivism research design, which is grounded in the social mediated understanding of the world; this design explores how individuals' interactions and social contexts shape their beliefs and understandings (Mohammed *et al.*, 2020). Thirdly, positivism which employs a hypothetico-deductive method to validate frequently-stated *a priori* beliefs (Kivunia and Kavini, 2017). It involves experimentation in its purest form to investigate observations while searching for causality in correlations between events (Masuku, 2024). Fourthly, the interpretive research paradigm posits that while there may be only "one" reality, individuals interpret it according to their own perspectives (William, 2024).

This study employed an interpretive approach to understand the success factors affecting local- and foreign-owned SMMEs in the Thulamela Local Municipality. The primary data for this study was collected from local and foreign business owners, capturing their different experiences and perceptions regarding the success factors of their SMMEs.

1.4.2 Research Design

Research design represents the structured approach a researcher employs to coordinate all elements of a study, to adequately tackle the research question (Harish *et al.*, 2021). It provides an overarching framework that guides data collection, measurement, and analysis (Harish *et al.*, 2021). According to Biswas and Pal (2022), a research design not only outlines and anticipates the various procedures involved in data collection, processing, and analysis, but also offers a logical justification for these

methodological choices. Furthermore, it ensures that data collection and analysis are aligned with the study's objectives and theoretical foundations (Sekaran and Bougie, 2019)

The exploratory research design was utilized in this study to investigate the research problem. According to Bald (2019), scholars conduct exploratory research to become acquainted with an existing phenomenon and obtain new insights on it. This strategy starts with a broad notion that the use of research findings is to uncover unexplored details relevant to the study's topic (Bald, 2019).

1.4.3 Research Approach

This study employed a qualitative research method. According to Tenny, Brannan, and Brannan (2022) qualitative facilitates an in-depth exploration of real-world phenomena by providing rich and detailed information Ghanad (2023) asserts that qualitative research aids the researcher in understanding underlying causes, perspectives, and motivations pertaining to a topic. The approach generates insights into a problem and assists in formulating concepts or theories for potential quantitative studies. The qualitative approach was specifically chosen for this study because it allows for an in-depth understanding of participants' lived experiences, perspectives, and motivations, which cannot be fully captured through numerical data alone. Unlike quantitative methods, which focus on measurement and statistical analysis, qualitative research provides rich, detailed insights into complex social phenomena (Ghanad, 2023; Tenny, Brannan and Brannan, 2022). In the context of this study, exploring the experiences of foreign- and local-owned SMMEs required capturing their personal narratives, challenges, and decision-making processes in their own words. This approach was therefore essential for uncovering subtle dynamics, contextual factors, and subjective meanings that directly inform the research objectives and contribute to a deeper understanding of the topic.

1.4.4 Target Population

Asiamah, Nestor, Henry, and Oteng-Abaye (2017) explain a target population as the total group of units from which survey data can be utilized to draw conclusions. The study's population includes both foreign- and local-owned SMMEs operating in the Thulamela Local Municipality. Silvera (2024) notes that most of SMMEs operate within the non-formal sector, and the absence of a comprehensive database dedicated

specifically to foreign-owned SMMEs has resulted in limited and imprecise statistical information regarding their ownership.

1.4.5 Sampling Technique

Sampling involves selecting representative individuals and objects from a population to be included in the study (Sekaran and Bougie, 2016). This study utilized a non-probability sampling method due to the absence of accurate records on the number of local and foreign-owned SMMEs in Thulamela Local Municipality, as many businesses operate without formal registration. A purposive sampling technique was therefore adopted, as it is particularly suitable for studies that focus on specific groups or contexts where participants possess relevant knowledge and experience (Tongco, 2017).

1.4.6 Sample Size

Amiruddin, Nasir, and Gandini (2023) define a sample as a portion or subset of the population selected for participation in a study. The sample size for this study includes foreign-owned SMMEs, specifically by Somalians and Ethiopians, as well as SMMEs owned by locals, which have been operating for at least five years in Thulamela Local Municipality. A total of 16 in-depth-interviews were conducted with the owners of the SMMEs - eight foreigners owning SMMEs and the others were eight locals owning SMMEs. The total sample size was determined by data saturation.

1.4.7 Data Collection Method

This study utilised primary data collection methods. As noted by Rabier (2020), primary data collection involves the direct gathering of original information by the researcher rather than the use of existing secondary sources. Data were collected through in-depth, one-on-one structured interviews with both foreigners and locals owning SMMEs.

1.4.8 Data Analysis Techniques

Data analysis involves systematic evaluation, organization, manipulation, and modeling of data to extract meaningful insights, generate hypotheses, and support informed decision-making (Martin, 2020). In this study, Atlas.ti software was employed to perform a thematic analysis of the collected data. According to Clarke and Braun

(2016), thematic analysis (TA) is a method used to identify, examine, and interpret significant patterns or “themes” within qualitative data.

1.4.9 Ethical Considerations

Ethics encompasses a set of moral rules that govern interpersonal interactions in a respectful manner, aimed at meeting the needs of all parties involved (Resnik, 2015). It is crucial to consider how potential research participants may perceive the implications and conclusions of any given study when applying ethical principles to professional social science research (Kostere and Kostere, 2021). The researcher complied with research ethical guidelines by following the five pillars of ethics to respect the participants, prevent any bias and provide accurate results.

1.4.9.1 Permission to Conduct Research

This research follows the ethical guidelines outlined by the University of Venda's Ethical Research Council. The researcher applied for ethical permission and clearance prior to conducting the data collection and the researcher was granted a certificate to proceed with data collection.

1.4.9.2 Informed Consent

To guarantee ethical compliance, participants were informed of their right to either participate or withdraw from the study if they were uncomfortable. The researcher discussed the study's objectives and what was expected of them, allowing participants to ask questions about the study. Participants were told about the use of audio recorders, and their permission was obtained before recording.

Participants were further informed that their participation would not result in any direct benefits or rewards, and that declining or withdrawing from the study would not affect them in any way. They were given adequate time to consider their decision and were encouraged to seek clarification on any aspect of the study before providing consent.

1.4.9.3 Confidentiality

Participants were informed that all data will be treated as anonymous and confidential, ensuring their privacy. Only recorded and transcribed data was analysed, and the actual names of participants were not used. Collected data will be secured in a safe location, and participants were advised not to disclose information that could reveal

their identities. Additionally, the researcher assured the foreign business owners that no information will be linked back to them nor affect their documentation; they were also made aware that their legality status will not be questioned.

1.5 Significance of the study

The importance of this study stems from the importance of SMMEs in national economic growth, particularly in transitional economies, such as South Africa's (Finmark Trust, 2017). Given the recent expansion of small businesses, this study compares the success determinants of foreigner-owned and local-owned businesses (Shangase and Chinyamurindi, 2017).

1.5.1 Theoretical Contribution

This study contributes to existing literature by providing a comparative analysis of success factors influencing both local and foreign-owned SMMEs. It strengthens theoretical understanding by linking human capital, social capital, and resource-based perspectives to explain differences in entrepreneurial performance. The study also addresses gaps in existing research by integrating these theories in a rural municipal context, where limited comparative studies have been conducted.

1.5.2 Practical Contribution

Practically, the findings of this study may assist local SMME owners in improving their business performance by learning from strategies used by successful foreign-owned SMMEs. By identifying key success factors such as networking, experience, and business practices, the study provides actionable insights that can support sustainability and growth of local enterprises in Thulamela Local Municipality.

1.5.3 Policy Contribution

From a policy perspective, the study provides valuable insights for government and local stakeholders regarding the operational dynamics of both local and foreign-owned SMMEs. The findings can inform the development of targeted support programmes, capacity-building initiatives, and policy interventions aimed at improving the competitiveness of local SMMEs and reducing failure rates within the sector.

1.6 Delimitation of the Study

Delimitations define the boundaries set by the researcher for a study (Gossel, 2024). This study focuses exclusively on SMMEs in the Thulamela Local Municipality, limiting the generalizability of the findings to this area. The sample includes only foreign and local business owners, proficient in English and Tshivenda, to ensure effective communication during data collection.

1.7 Operational Definitions

1.7.1 Small, Medium, and Micro Enterprises (SMMEs)

Researchers use different definitions of firms based on their size. Some definitions use the overall value of assets, while others consider labour, turnover, and employee counts. Other definitions focus on legal standing and production techniques. SMMEs can further be classified based on current criteria that are considered and relevant to the topic (Moise, 2017).

1.7.2 Success Factors

Success factors are defined as requirements that a project, business, or organization must meet to achieve its objectives. A team or organization can use critical success criteria to determine what to focus on and how they are performing in relation to their goals (Ybarbrough, 2021).

1.7.3 Foreign-Owned SMMEs

These businesses are owned by foreigners or immigrants from countries outside of South Africa (Moise, 2017). The terms "immigrant-owned SMMEs" and "foreign-owned SMMEs" are used interchangeably in this study to refer to the same concept. In this research, foreign-owned SMMEs are regarded as those owned by immigrants rather than locals or citizens.

1.7.4 Locally-Owned SMMEs

According to Musara (2019), locally-owned SMMEs are those that are run and owned by South African nationals.

1.7.5 Successful SMMEs

Radipere and Dhliwayo (2016), explain that the success of a venture can be assessed using metrics such as profitability, growth, market share, employee account, return on the investment and product lines. This study will consider “successful businesses” as those that have been in operation for more than two years.

1.7.9 Challenges

According to Merriam (2023), challenges are circumstances that require significant mental or physical effort to complete or overcome successfully, thus putting one's abilities to the test.

1.8 Structure of the Dissertation

Chapter 1: Introduction

This chapter provides an introduction and background to the study, including the statement of the research problem. It also presents the research questions and objectives, research methodology, limitations of the study, and dissertation outline.

Chapter 2: Literature Review

In Chapter Two is discussed pertinent literature on the concept of SMMEs, their origin, significance, and several research studies on the subject. The chapter will highlight any gaps in the literature between prior research and this one. The data will be collected from journal articles, accredited publishers, textbooks, government publications, and online sources.

Chapter 3: Research Design and Methodology

This chapter discusses the research design. The discussions will dwell on the qualitative research methodologies used in the study, such as interviews and focus-group discussions, data collection, data analysis, sampling method, and measurement tools. Furthermore, the chapter examines the study's trustworthiness / reliability, which will focus on dependability, credibility, transferability, and confirmability, of the results.

Chapter 4: Research Findings

In this chapter will be provided and discussed the study's results and conclusions.

Chapter 5: Conclusions and Recommendations

In this final chapter, the results will be contrasted with previous research. Focus will also be on recommendations for future research as well as the study's limitations.

1.9 SUMMERY

The study's background and introduction, literature review, problem statement, goal, research questions, objectives, definitions of key words, a synopsis of the research methodology, and the research outline have all been covered in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In order to give readers a better understanding of the success elements influencing both local- and foreign-owned SMMEs in the Thulamela Local Municipality, the literature review will refer to earlier research on success factors for SMMEs. This chapter will examine previous research and pinpoint information gaps in relation to the objective of this study so as to compare the success factors influencing local and foreign-owned SMMEs in the Municipality.

2.2 Overview of South African SMMEs

SMEs were formally recognized by the National Small Business Act No. 102 of 1996 (Bruwer, 2019). According to this statutory document, SMMEs are separate, legitimate business entities, including their branches. In South Africa (1996), a company can be owned and controlled by one or more individuals and operate in any area of the national economy, including its subsidiaries. The National Small Business Amendment Act No. 29 of 2004 and the Amended Schedule one of the National Classification of Small Enterprise in South Africa of 2019 are the two updates to this legal instrument since it was released (Bruwer, 2019).

According to Noordwyk (2023) South African SMMEs engage in several industries such as retailing, transportation, mining, agriculture, building, industrial production, and services. SMMEs in South Africa face challenges related to survival and growth, similar to those in other developing countries (Noordwyk, 2023).

SMMEs hold significance in the South African economy and development and deserve special attention (Noordwyk,2023),hence,the South African government acknowledges the importance of a robust and successful SMME sector(Noordwyk,2023).

SMMEs typically require more labour when compared to larger firms and they create more job possibilities per unit of invested capital. SMMEs serve a variety of purposes, including - maximizing use of the skills, determination, and entrepreneurial spirit of those who are unable to realize their full potential in bigger businesses; providing

services to a niche markets that larger businesses may overlook; increasing the competitiveness of the economy; developing entrepreneurial skills; exploring new businesses, as well as generating social value (Chimucheka, 2018).

2.3 Informal sector in South Africa

The informal sector can be described as economic activities conducted by individuals or small economic units that operate without formal contractual arrangements (Etim and Daramola, 2020). It constitutes a vital part of many Sub-Saharan African economies and makes a meaningful contribution to their economic development (Etim et al., 2020).

The International Labour Organization (ILO) (2018) estimates that two billion people globally are employed in informal jobs, which have a unique mix of risks and vulnerabilities. This is equivalent to 90% of all small and medium-sized businesses and 60% of the global labor force. Hawking, street vending, letter writing, knife sharpening, rubbish collection, drug peddling, and snake charming - are just a few of the many business endeavors that self-employed people engage in. Others in the informal sector are employed as personal servants, mechanics, artisans, barbers, and craftspeople (Blose, 2019). Some are very profitable small-scale enterprises that pay well and employ a large number of people, mostly family members. Sub-Saharan Africa is dominated by microbusinesses, according to the World Economic Forum (2015).

2.4 Measuring SMMEs' Success

According to Mnisi (2020) the success of SMMEs can be measured in numerous ways. Irene (2017:3), for instance, explains that measuring business success can solely be done through financial indicators, such as profitability, turnover, and return on investment. Bridge (2019) however, identified other common markers for measuring organizational growth, including - market value, equity, revenue, workforce size, financial return, operational space, customer service performance, corporate image, client volume, market position, international trade, new products or services, innovation, patents, and additional value. According to Klopper (2015:43), sales and employment are often utilized measures due to their ease of data collection, hence, financial and non-financial interventions can influence entrepreneurial performance although financial measures are being utilized increasingly frequently to evaluate

performance. Klopper (2015:43) distinguishes between financial and non-financial metrics of corporate success. Previous research suggests that success involves both financial and non-financial aspects (Grigsby-Williams 2018). Narain(2022) suggests that successful organizations avoid bankruptcy and have adequate cash flows to repay creditors. To be operational, a business should maintain financial profitability, while also considering non-financial factors. Performance, therefore, can also be evaluated using no financial measures such as self-assessment, training ,expertise and level of competence (Irene, 2017:43). The inability to maintain reliable financial records among SMMEs poses a challenge for assessing business success (Irene, 2017:43).

2.5 Factors contributing to foreign and local-owned SMMEs' success

2.5.1 Networking

Motloun (2021) notes that networking by managers can assist, for instance, female business owners in gaining access to professional contacts, mentors, and guidance from more experienced colleagues. Networking is widely recognised as a critical factor in SMME success because it enables access to information, resources, and business opportunities. Recent studies confirm that strong business networks improve innovation, survival, and access to finance among small enterprises (Ramavhona & Nkondo, 2024; Donga & Chimucheka, 2024). Through networking, entrepreneurs gain mentorship, guidance, and strategic business support, which enhances decision-making and growth (Motloun, 2021).Networking is an effective way to build commercial ties (Sibelekwane, 2023). To succeed as a business owner, it is essential to connect with other entrepreneurs, build relationships, and gain inspiration from other success stories; it is beneficial to businesses as it allows entrepreneurs to share ideas and uncover chances for expansion.

According to Ngobeni (2020), limited and weak social networks can restrict individuals' flow of information from remote areas of the social (and business) system, limiting them to provincial news and the perspectives of their close acquaintances.A study by Ashourizadeh and Saeedikiya(2022) revealed that the superior performance of foreign owned SMMEs can be attributed to the robust social networks that grant access to labour, finance and support group purchasing, and enhance market control. Foreign-owned SMMEs often benefit from stronger transnational and ethnic networks. These networks provide access to labour, credit, and group purchasing advantages, which

enhance competitiveness (Ashourizadeh & Saeedikiya, 2022). Kinship-based networks allow foreign entrepreneurs to obtain goods on credit and maintain well-stocked businesses (Thompson & Grant, 2017). In contrast, local SMMEs tend to rely more on geographically limited networks, which may offer strong social support but fewer economic opportunities. This suggests that network structure, rather than networking itself, explains differences in performance.

2.5.2 Education and training as success factor

Odera (2023) emphasizes that entrepreneurship education fosters independent and enterprising individuals. The study further indicates that such education increases the likelihood of starting new businesses, engaging in self-employment, developing innovative products, and owning high-tech enterprises as self-employed graduates. Additionally, entrepreneurship education for employees was found to enhance the sales growth of emerging enterprises and increase graduates' assets. In a similar vein, Gumel and Bardai (2023) identified a direct relationship between the educational level of SMMEs owners and success of their business. Bensalah and Tinaztepe (2021) also note that the majority of successful Moroccan entrepreneurs are well-educated and leverage their education to enhance their ventures' performance and achieve success.

Business education and training fosters self-awareness, problem-solving skills, self-confidence, and entrepreneurial behaviour, enabling entrepreneurs to identify and pursue opportunities (Gumel and Bardai, 2023). A study by Upulwehera *et al*(2024) concluded that entrepreneurs in a specific sector rely on their education level and business training to give human capital strength; it enables them to survive, maintain corporate profitability, and handle a difficult business environment.

Foreigners frequently run successful firms, which they attribute to education because it provides them with skills and knowledge (Mampheu, 2019). According to Kalitanyi and Khosa (2018), over 80% of immigrant entrepreneurs in South Africa have had a minimum of 10-12 years of schooling, while at least 30% had a form of or finished tertiary education.

Education and training are widely recognised as critical determinants of business success, as they enhance managerial competence, innovation, and decision-making abilities. Recent studies show that financial literacy and bookkeeping skills significantly

improve SMME performance, enabling better planning and cash flow management (Chimucheka et al., 2025).

Foreign-owned SMMEs often benefit from diverse educational backgrounds and international exposure, which strengthens their strategic capabilities (Chimucheka et al., 2025). However, this is not always consistent, as some studies indicate that local entrepreneurs with strong contextual knowledge and practical experience can perform equally well (Chimucheka et al., 2025). This suggests that the effectiveness of education depends on its application within specific market environments.

2.5.3 Knowledge and experience

Individuals with relevant human capital, such as industry experience or previous experience, are an asset to a new business (Ployhart, 2021). Prior experience with new initiatives can enhance business skills and confidence, reducing the risks associated with fresh market entry (Iraini, Ayushianti, Suciati, Rahman and Putea, 2024). Furthermore, previous start-up experience can lead to more efficient decision-making and management due to established routines, processes, and networks (Iraini et al., 2024).

Erickson (2018) suggests that individuals with extensive work experience, particularly in managerial roles, are better positioned to identify opportunities and secure capital, enabling them to establish larger and better-resourced businesses. Consequently, firms led by entrepreneurs with more years of work experience, especially managerial expertise, are expected to have a higher likelihood of early survival. Erickson (2018:16) continues that prolonged experience in a specific industry enables entrepreneurs to develop industry-specific human capital, including specialized market and technological expertise, as well as professional and social networks that support the management of technical and human capital. Similarly, Gruber, Dencker, and Nikiforou (2024) note that entrepreneurs with extensive industry knowledge are more capable of understanding and addressing various challenges related to consumer preferences, technologies, suppliers, and competitors.

The impact of strategic planning on SMEs' innovation is influenced by the owners' and managers' experience as well as their acquisition of new skills (Alotaibi (2021). In the same manner, Aminova (2021) shows that educational attainment and past work

experience have an impact on small enterprises' enhanced performance; hence, prior work experience is essential to the success of SMEs.

In comparison, foreign-owned SMMEs often benefit from prior international or cross-industry experience, which gives them broader business exposure (Dencker and Nikiforou, 2024). Local entrepreneurs, however, may rely more on deep local market knowledge, which can also be a competitive advantage (Dencker and Nikiforou, 2024). This shows that experience is valuable in both contexts, but its nature and impact differ depending on the environment.

2.5.4 Business planning

Ndeisieh (2018:36) explains that strategic planning can be understood through three perspectives commonly used by managers: the planning approach, emergent strategy, and the resource-based strategy approach. Business plans are crucial for success in any organization, including SMMEs (Ahmad, Mohamed and Omar, 2023), hence, planning is strongly linked to small business success and survival (Lampadarios, 2019). Effective planning helps enterprises design, discuss, implement, and improve their strategies to reach their performance targets, maintains Talib, Ali, and Idris (2024).

A study by Ahamed *et al* (2023) concluded that strategic planning enhances a company's capacity to manage resources and identify opportunities for progress. Small organizations can benefit from a systematic strategic planning approach to improve resource allocation and maximize limited resources (Ahamed *et al*, 2023). Strategic planning helps companies achieve success by identifying short and long-term goals, due to developing strategies based on vision, mission, and resources (Ahamed *et al*, 2023). Lampadarios (2019) recommends that business plans should prioritize the demands of key stakeholders, including customers, suppliers, government regulators, employees, and shareholders.

However, formal business planning is often associated with more structured or foreign-owned SMMEs, many local entrepreneurs operate informally and rely on flexible or adaptive planning approaches. This does not necessarily reduce success but reflects differences in resources, training, and business environment.

2.5.5 Marketing skills

Wise and Heidori (2019) assert that attracting consumers depends on smart marketing such as pricing techniques, innovation, and networking. According to Wise and Heidori research (2019), many entrepreneurs attribute their success primarily to marketing. The second most important functional talent of successful businesses was found to be effective personal sales strategies (Masocha and Charamba, 2020). The authors continue that marketing prioritizes the consumer in the firm's actions. It is a comprehensive process in which a company strives to not only effectively and efficiently satisfy its customers, but also to establish long-term profitability. A study by Amin (2021) offered that marketing factors such as pricing, product demand, brand, location, target market knowledge, and competition might impact SMEs.

Marketing skills are essential for attracting and retaining customers. Effective pricing, innovation, and customer engagement strategies are key determinants of business success (Wise & Heidari, 2019). Marketing also involves understanding customer needs, competition, and market positioning (Amin, 2021).

However, access to formal marketing tools and digital platforms is often higher among foreign-owned SMMEs, which may enhance their visibility and competitiveness. Local SMMEs, by contrast, rely more on informal or word-of-mouth marketing strategies, which can limit market expansion but still support survival in local communities.

2.5.6 Customer management and service

Customer management is a critical determinant of SMME success because customer satisfaction directly influences loyalty, repeat purchases, and business sustainability. Recent studies emphasise that effective customer relationship management (CRM) practices improve customer retention and enhance long-term profitability for small businesses (Ramavhona & Nkondo, 2024; Donga & Chimucheka, 2024).

However, foreign-owned SMMEs often leverage structured customer management systems, while local SMMEs rely more on personal relationships and community trust. Both approaches are effective but differ in scale and reach. According to Bhakane (2019) a loyal consumer will consistently purchase from a company, even if competitors provide superior goods or services. SMMEs, therefore, should adopt a customer-focused approach, aiming to satisfy and exceed customer expectations in order to retain and sustain loyalty among existing customers and expand the customer

base, ultimately enhancing a business' market performance. As Bhakane (2019) reiterates, customer loyalty drives retention, which is essential for the success of any business.

Table 2.1 : Summary of past scholars' findings

AUTHORS	Small business success factors
Eze and Lose (2023)	Approximately 89 % of South African entrepreneurs contend that business culture is a significant contributor to business success.
Shangane (2017)	External SMMEs success factors include government policy and networking. Internal SMMEs success factors characteristics include, family group management, efficient leadership, member specialized skills, and networking with local product development groups, contribute to success.
Ng & Kee (2018)	Leadership, creativity, marketing, competitiveness, strategy, competency, human resources, reputation, organizational culture, and networking are all critical to a company's success.
Oxford Economics (2017)	Adopting strategies that prioritize agility, technology, innovation, and talent retention to enhance competitiveness, ensures SMMEs' performance.
Ubarn et al, (2024)	The study found that the success of African immigrant business owners in South Africa is dependent on the institutional and resource-related components of their social capital.

Additionally, it was discovered that human capital - that is, work experience as well as entrepreneurship experience - was a strong predictor of entrepreneurial success.

Denicolai, Hagen, and Pisoni (2018)

Age, education, experience, skills, investment, business profile, entrepreneurial experience, and culture

Lo et al., (2016)

The findings indicate that both technological and entrepreneurial orientations are important success factors for SMEs. Furthermore, senior management support has been proven to be strongly associated with small business success.

Source: researcher own compilation

2.6 Challenges facing SMMEs in South Africa.

SMMEs in South Africa and other developing countries face numerous challenges that impede their growth and sustainability, despite government initiatives aimed at supporting the sector (Chimucheka, 2020). Ndlovu (2024) highlights that the lack of adequate physical infrastructure substantially increases business costs and poses a significant barrier to enterprise expansion. Similarly, the GEM South Africa report (2018) emphasizes that infrastructure is critical for facilitating SMME growth. Compared to larger corporations, SMMEs encounter greater difficulties in accessing information on funding opportunities, as larger firms can attract investors by listing on stock exchanges. Bilal and Mqbal (2015) note that limited networking can exacerbate this problem, as connections with other businesses often provide access to vital information that supports SMME development and success. Ease of access to affordable land or workspace, reliable utilities, transportation networks, and communication infrastructure plays significant roles in supporting SMME growth and assisting newly-established enterprises (Mqbal, 2015).

Another great threat to SMME survival has been their inability to access markets (Makwarami and Makwarami, 2020); access to markets is one of the essential prerequisites (by credit providers) for early-stage funding and mentorship. Small businesses in this industry confront intense competition, making it difficult to maintain stability. To thrive in this market, organizations must have clear marketing strategies to provide ethical services.

The marketplace for businesses is very competitive, and its impact is expected to be mild in markets with a fair playing field, but this is never the case (Makwarami and Makwarami, 2020). These researchers explain that in any market context, there are dominating players who determine the rate of innovation, price, and so on in a certain industry and frequently pose a threat to less-dominant companies. One of the key issues that SMME operators face is competitiveness, especially in developing nations where small enterprises struggle to withstand competitive pressure from large businesses (Makasi, 2023).

Global Economic Monitor, South African study (2018) and World Economic Forum (WEF) study identified the administrative system as a serious issue. South African entrepreneurs and business owners face numerous challenges. The WEF(2018) study

revealed that navigating the approval and licensing process is time-consuming, highlighting procedural bottlenecks in both launching and managing enterprises.

Makwarami et al. (2020) note that access to technology has a fundamental role in the advancement of SMMEs, particularly in facilitating access to domestic and worldwide markets, as well as, sharing business information. SMME operators face poor market knowledge due to a lack of technology (Makwarami et al., 2020). New technology offers numerous options for SMME operators to thrive, making it crucial for their success (Ekechi,Chukwurah,Oyenyi and Okeke, 2024)

2.7 Foreign-owned SMMES operating in South African

2.7.1 Defining foreign-owned SMMES

Chikwendu (2019) contends that there is no consensus on the standard definition of “foreign-owned SMMEs” in the literature. As a result, foreign-owned SMMEs are frequently examined within the framework of foreign-born entrepreneurs (Nel & Abdullah, 2016; Fatoki, 2016; Tengeh & Asoba, 2016). Immigrant entrepreneurship incorporates individuals establishing and managing businesses in host countries different from their country of origin (Nieuwenhuizen, 2019). This conceptualisation highlights the unique difficulties and contributions of foreign-born entrepreneurs; these challenges include navigating unfamiliar regulatory environments, accessing networks, and leveraging cultural and social capital to create business opportunities in the host economy. Nel and Abdullah (2016) also indicate that immigrant entrepreneurs operating within the SMME sector have a higher likelihood of achieving business success.

March, Martin and Redford (2016) describe foreign-owned SMMEs as business activities that contribute to societal welfare by operating within sound institutional frameworks. These institutions support and direct entrepreneurial creativity and effort toward productive ventures that allow consumers to obtain greater value at reduced costs, while simultaneously generating benefits for both business owners and the wider society. Thompson and Zang (2018) explain foreign-owned SMMEs as those that are operated by non-citizens of a country. Foreign-owned companies are defined by the South African Companies Act of 2008 as those that were established outside of South Africa. The Companies Act of 2008 requires foreign SMMEs to register or become totally owned subsidiaries in order to expand their business operations in

South Africa (Chikwedu, 2019), however, this study regards SMMEs run and owned by immigrant business owners as “foreign owned”. There are several ways in which these businesses differ from locally-owned SMMEs.

2.7.2 Immigration in South Africa

March, Martin and Redford (2016) describe foreign-owned SMMEs as business activities that contribute to societal welfare by operating within sound institutional frameworks. These institutions support and direct entrepreneurial creativity and effort toward productive ventures that allow consumers to obtain greater value at reduced costs, while simultaneously generating benefits for both business owners and the wider society. Asoba and Tengeh (2016) contend that economic factors are the primary driving force for global immigration. According to Ngota, Mang'unyi, and Sookdhev (2018), statistics have shown that immigrant-controlled SMMEs in South Africa make up 2.5% of the total number, with 2% being new and unevenly dispersed. African immigrant merchants are responsible for the bulk of craft retail establishments (Asoba and Tengeh, 2016). According to Okerue (2018), 90% of all immigrant entrepreneurs own small businesses.

Recent studies highlight the active role of migrant entrepreneurs in South Africa's informal economy. Van der Walt and Whittaker (2020) note that migrant micro-entrepreneurs leverage social capital to obtain resources and generate opportunities in unpredictable rural contexts. Systematic reviews indicate a growing academic focus on immigrant entrepreneurship in South Africa, examining trends, networks, and challenges faced by foreign-born business owners. Furthermore, empirical research identifies key factors shaping the growth of African migrant enterprises, for instance, in KwaZulu-Natal (Gumede and Moyo, 2023) and the institutional obstacles encountered by Chinese migrant entrepreneurs in urban centres.

2.7.3 Characteristics of foreign-owned SMMEs in South Africa

Nieuwenhuizen (2019) observes that foreign-owned SMMEs display distinct characteristics that differentiate them from locally-owned enterprises. In a similar vein, Adomako (2024) contends that foreign entrepreneurs frequently have more extensive international experience, knowledge, and networks, which enhance the success and growth of their businesses. In addition, Sui, Morgan, and Baum (2015) assert that foreign-owned SMMEs enjoy a competitive advantage over local firms due to their

unique knowledge and resources, as well as their ability to sell their products in many countries. A study by Sui et al. (2015) revealed that foreign business-owners have unique expertise and resources that enable them to thrive in foreign marketplaces. Tomec, Tina, and Gričar (2024) add that foreign nationals often display higher intercultural adaptability, learn multiple languages, and build trusted relationships with their target markets, enabling them to successfully establish and sustain enterprises in other countries. Supporting this, Charoensukmongkol (2016) found that, among Thai SMMEs, cultural intelligence positively influenced export performance through the acquisition of international knowledge. Similarly, Jurásek and Wawrosz (2024) demonstrate that an individual's cultural intelligence plays a significant role in determining their effectiveness in cross-cultural adaptation, decision-processes, and overall performance. Foreign-owned SMMEs typically have strong international strategic linkages.

According to Sandberg, Sui and Baum (2019), connections are formed through pre-existing social relationships with others in one's native country; foreign business owners' access to international business relationships is crucial for successfully identifying and pursuing possibilities in international markets. Wang and Liu's (2015) US study found that foreign-owned SMMEs outperform locally-owned enterprises due to their owners' resilience, technical ability, and global expertise. According to Nel and Abdullah (2016), successful foreign-owned SMMEs have superior technological capabilities which are crucial for business success. Foreign people's distinctive technological qualities have contributed to their success in building multinational companies.

2.7.4 Factors influencing the operation of foreign-owned SMMEs in South Africa

Several factors drive the establishment and operations of SMMEs in South Africa by foreign nationals. Mohamed and Abdul-Talib (2020) observe that upon arriving in South Africa, many immigrants are quickly compelled into entrepreneurial activity due to a combination of push and pull factors. Anegub (2023) notes that long-term unemployment and challenges when entering the South African employment market have forced many immigrants to turn to business as a means of survival. Similarly, Domboka (2018) reported that a significant number of black African women from foreign origins establish businesses in the United Kingdom due to pull factors such as

cultural or family influences, available support structures, role models, identification of business opportunities, financial incentives, and a desire for independence.

The push factor theory suggests that one of the main drivers for foreign nationals establishing businesses in host countries is discrimination in the labour and economic sectors (Asoba, 2014). Supporting this view, Devos et al. (2024) argue that challenges such as limited access to quality employment and labour market discrimination push immigrant women towards self-employment. Their study also discovered that Vietnamese entrepreneurs in Germany were motivated to start businesses due to restrictive policies and discriminatory labour practices. In South Africa, Asoba (2014) reported that over 80% of immigrant participants cited survival as the primary motivation for starting their businesses. At the same time, South Africa's political stability and economic opportunities attract foreign nationals, making the country a desirable destination for entrepreneurship (Masavengane and Zhou, 2021).

The ethnic enclave theory provides further insight into foreign-owned SMMEs. This theory posits that immigrants often find business opportunities within their own communities, which are frequently overlooked by the mainstream economy of the host country (Asoba, 2024). Researchers have used the ethnic enclave concept to explain the strategies and motivations for successful foreign-owned SMMEs in overcoming business challenges (Zhang and Xie, 2016; Elo and Hieta, 2017; Kane et al., 2018). Zhang and Xie (2016) highlight that ethnic enclaves explain the concentration of certain foreign ethnic groups in specific areas, while Elo and Hieta (2017) note that individuals in these communities support each other in starting new businesses and adopt distinctive approaches to entrepreneurial opportunities. The specific strategies used by successful foreign-owned SMMEs, the challenges they encounter, and their motives for starting businesses remain underexplored in the South African context, despite these insights,

2.7.5. Contribution of foreign-owned SMMEs in the South African economy

Foreign-owned small enterprises contribute significantly to the local economy, with a particularly important role in the urban settings (Oliphant, 2017). A study by Tawodzera, Chikanda, Crush, and Tengeh (2015:32) indicates that these businesses provide considerable contributions to the South African labour market, generating employment opportunities for both local citizens and other foreign nationals. Similarly,

Fatoki (2018) asserts that foreign-owned SMMEs are significant drivers of economic development and job creation in the country. Many of these businesses employ local South Africans, thereby helping to alleviate unemployment (Fatoki & Patswawairi, 2017). In addition, immigrant entrepreneurs often act as a source of micro-level foreign direct investment, which further stimulates local economic activity (Garg and Phayane, 2016).

Foreign-owned SMMEs, despite their notable contributions to the economy and societal-wellness, face numerous operational and institutional challenges, including difficulties in accessing finance, navigating regulatory frameworks, and integrating into local business networks. These challenges highlight the need for targeted policies and support mechanisms to ensure that foreign-owned SMMEs can continue to contribute effectively to South Africa's economic growth and employment creation.

2.7.6 Challenges faced by local- and foreign-owned SMMEs in South Africa

2.7.6.1 Inadequate provision of public goods and services

Chikwendu, Mutamba and Indermun (2022) note that foreign-owned business operators face challenges due to a lack of adequate infrastructure networks. These researchers report that, in some cases, operators in this sector lack access to nearby public amenities, security services, health facilities, and even covered areas suitable for conducting business activities. Loader (2016) found that access to public procurement is a challenge for both domestic and foreign-owned SMEs, however, foreign-owned SMEs face the most constraints.

2.7.6.2 Xenophobia, Crime and violence

South Africa has become a popular destination for many Africans from other nations due to its reputation as a haven for African asylum seekers and a welcoming land for economic immigrants from developing countries (Fubah and Moos,2022). This, however, is frequently not the case in practice, as xenophobic violence has been flaring up in South Africa over the last eleven years (Fubah and Moos,2022). Moseng (2024) explains xenophobia as negative attitudes and discriminatory actions directed at people who are perceived as foreigners or outsiders within a particular community or nation. The author continues that xenophobia is prevalent in townships, where immigrants are called "*kwerekwere*," which is a disparaging name for African immigrants. A study by Tawodzera and Crush (2023) revealed that, xenophobia in

South Africa presents significant obstacles for foreign migrants looking to establish their informal enterprises, as they encounter significantly greater levels of discrimination and verbal abuse in their operations, than South Africans.

Small businesses in low-income townships and neighbourhoods are particularly vulnerable to business robberies, which frequently target foreign dealers (Msosa, 2023), although the South African Police Services does not keep track of crimes involving foreign nationals in the country. According to Piper and Charman (2016), there has been an increase in public awareness of violent attacks against immigrants in South Africa over the last decade. This includes attacks on foreign traders in townships, who are represented as 'taking over' by outbidding South African traders on price (Piper and Charman, 2016). Tengeh and Makwarami(2017) claim that foreign businesses in South Africa face higher crime rates and police harassment than local enterprises.

Small businesses are frequently targeted because most of their consumers make cash purchases. Entrepreneurs of SMMEs avoid using online payment systems since the equipment are pricey (Tengeh and Makwarami, 2017). The costly process of replacing stolen or vandalised merchandise all contribute to spaza businesses' unsustainable existence (Tengeh *et al*, 2017).

2.7.6.3 Language barrier

Language, according to Musara and Nieuwenhuizen (2021), has become a unique challenge for foreign-owned SMMEs. Language constraint makes it difficult for foreign-owned SMMEs to communicate with potential local customers; this has a direct detrimental impact on business operations. Abd and Forouzan (2017) assert that foreign-owned SMEs, particularly new entrants, struggle to understand local language and business requirements, thus, an entrepreneur or someone on his or her team must have command of the language in the country in which business is being conducted. An entrepreneur or a member of his /her team must be proficient in the language of the country in which the business operates, for success.

Wei, Jiao and Growe (2019) investigated the significance of language proficiency for immigrant entrepreneurship and concluded that immigrants who speak the local dialect are more likely to start their own businesses, suggesting that a lack of this ability serves as a barrier. According to Halkias' (2015) study on foreign-owned

SMMEs in Greece, Pakistani entrepreneurs found language barriers to be a hindrance to beginning and sustaining a business. Language capacity, hence, is crucial to immigrants' survival and has a direct impact on company success, thus, immigrant economic integration is hampered by a lack of local language competency (Mampheu, 2019).

2.7.6.4 Sales fluctuations

Survivalists and micro businesses endure more extreme variations in sales and income than those involved in standard occupations (Asoba., 2021). Rashid, Hassan and Karamant (2021) investigated the relationships between exporting, sales growth volatility, and survival probability of Pakistani manufacturing companies, particularly SMEs; their findings showed that small businesses are more affected by the volatility-lowering impacts of exporting, indicating that they have more difficulties with the fluctuations in sales that exporting helps to reduce. Small businesses are more likely to begin exporting in order to lessen the volatility of domestic sales, suggesting that they employ exporting as a tactic to offset fluctuating domestic sales (Rashid,2021).

2.7.6.5 Superior products and services

Ezennia, Mutambara, and Indermun (2019) note that products traded in the informal market are generally of lower quality compared to those in the formal sector, as trade standards and regulations are often not followed. They continue that manufacturers sometimes supply products to small informal firms first, which results in lower prices for them than those in the formal markets. This situation is partly due to limited support from established businesses for the formal sector.

2.7.6.6 Access to finance

Foreign-owned enterprises face significant challenges in accessing finance, which hinders their potential to contribute to economic progress in a country (Ezennia et al. (2015:5). Studies have shown that access to capital is the most significant limitation for South African foreign-owned micro companies. Indermun (2020) concluded that informal traders have restricted access to resources, due to reasons like - little guarantee of repayment, limited business stability, and absence of legal property ownership and transactions. A study by Westhuizen and Sibiyi (2023), similarly, revealed that SMMEs experience persistent challenges in obtaining funding, although there are wide range of financial sources, such as, public and commercial sector

loans; however, these small businesses do not have sufficient credibility to utilize these facilities.

2.7.6.7 High rental

African immigrant business owners often rent commercial premises from locals (Ngota, Bernard, Eric, Mangunyi and Rajkaran, 2018). Thompson (2019), made a similar point, in noting that foreign nationals in South Africa struggle to secure business premises in government-controlled CBDs; as a result, these companies rely on privately-owned locations, which are typically more expensive; high leasing costs create difficulties for immigrants seeking to establish businesses (Akusoba (2024). This situation calls for the forming of connections between local and immigrant entrepreneurs as foreign-owned SMEs often struggle to find suitable business locations, due to high rental costs.

2.7.6.8 Immigration and licensing laws

Immigration and licensing laws have a significant impact on foreign-owned SME owners. In their study of the immigrant-run food retail industry in the United States, Khojasteh and Raja (2023) discovered that foreign-born entrepreneurs face huge hurdles when attempting to secure official permits and licenses to start a new firm. The authors add that even local Americans find it difficult to acquire and understand the stringent procedures for obtaining company licenses and permits; the situation is significantly even more complex for foreign-born entrepreneurs. Halkias (2015) however, observes that Greece and many other affluent countries make significant efforts to legislate special permits to attract foreign-born business owners.

2.8 Strategies employed by foreign SMMEs

2.8.1 Location strategy

Kakooza, Tusiime, Namiyingo, Nanwami, and Basemara (2023) state that SMMEs need to carefully make business location decisions since they can have a big impact on their businesses' success. These authors caution that owners of SMMEs should be aware that companies in prime locations have a higher chance of success than those in less-desirable locations. Carefully choosing a location can have a long and favourable impact on the business's growth and profitability, according to Kakooza et al. (2023).

Usually, immigrant entrepreneurs customize their offerings to specific cultural environments as their direct experience in several nations enables them to detect upcoming trends and business opportunities in different locations (Hall,2023).

2.8.2 Adaptability of customer cultural-base strategy

Immigrant entrepreneurs with cultural intelligence are better able to comprehend the demands and preferences of different client segments for this ability enables them to effectively interact and create relationships with clients from diverse cultural backgrounds (Xu, Drennan and Matthews, 2019). Immigrant entrepreneurs with cultural intelligence can identify cultural nuances and adjust their business strategies, accordingly, gaining a competitive edge in the marketplace (Hall, 2019). Cultural adaptation enables immigrant entrepreneurs to modify their products and services to match the unique needs of various cultural groups, hence enhancing consumer fulfilment and loyalty (Matthew and Javalgi, 2025), hence, migrant entrepreneurs who are culturally-flexible are more likely to attract a varied consumer base, expanding their market reach and revenue potential. Cultural adaptation allows immigrants to interact with varied consumer groups by rapidly adapting to shifting business situations (Cruz, Queiroz Falcoo and Manceb, 2020). These business people's openness to various cultures and ideas enables strategy flexibility, creativity, and addressing of customer needs (Hall, 2023).

2.8.3 Diverse network, collaborations, and partnership strategy

Immigrant entrepreneurs use their various networks to form productive collaborations (Drori, Honig and Wright, 2019). Their intercultural links allow for collaboration as well as access resources in both their home and host countries (Hall, 2023).

2.8.4 Ethnic Enclave Strategy

Ethnic enterprises according to Yani, Eliyana, Hamidah, and Buchdadi (2020) possess a comparative advantage in some industries due to their specialized skills, knowledge, and social capital. Immigrant entrepreneurs frequently begin by establishing firms inside their own ethnic communities; these "enclaves" offer a support network, common cultural understanding, and a client base and over time, they may grow beyond these enclaves (Yasin and Hafeez, 2023). These migrant entrepreneurs in ethnic enclaves reshape the local marketplaces and create opportunities. Yasin and

Hafeez (2023) maintain that immigrant entrepreneurs can use their various networks and resources in the following ways:

- Enjoy unique expertise and viewpoints from industry experts and professionals from other cultures.
- Cross-cultural collaboration leads to creative ideas and solutions for a worldwide audience.
- Access to funding and investment options in both home and host countries allows for international business growth.

Immigrant entrepreneurs can broaden their reach and get access to a worldwide market by leveraging these various networks and resources, laying the groundwork for their entrepreneurial success (Yasin and Hafeez,2023).

2.8.5 Cross-cultural experience strategy

Cross-cultural experience, according to Clark and Li (2024), helps individuals recognize opportunities, and immigrants, with their diverse backgrounds, are well-positioned to capitalize on this edge in their entrepreneurial endeavours; this has a tremendous impact on the entrepreneurial mindset. Immigrants' exposure to diverse cultures enables them to provide new insights and ideas (Hall, 2023); their distinctive backgrounds and cultural skills help to spark unique company concepts, hence, because of their cross-cultural experience, immigrants are better able to spot opportunities in the market. They encourage innovative problem-solving and develop distinctive solutions by blending various cultural influences (Hall, 2023). Immigrants are open to new experiences and ideas, therefore, their adaptability and ingenuity make them valuable assets in entrepreneurial ventures (Vandor and Franke, 2016). Their cross-cultural backgrounds enable them to quickly adapt to changing business settings, interact with varied consumer groups, and achieve entrepreneurial success through innovative business concepts (Vandor and Franke, 2016).

2.8.6 Competitive intelligence strategy

Competitive intelligence is a systematic process that generates and shares actionable information; it involves ethically and legally collecting, processing, and analysing data from both the internal and external business environment to support decision-making and provide the enterprise with a competitive advantage (Sjoblom,2015). Effective

strategic management relies on competitive information, and successful firms thrive in this area. Immigrant entrepreneurs see intelligence as a formal role in their businesses. Today's competitive intelligence research focuses on developing infrastructures for global organizations and utilizing social network analysis (Rosas and Herrera, 2021).

2.8.7 Identifying gap in the market

Foreign SMMEs should devote resources to in-depth market research and analysis in order to obtain a complete grasp of target market dynamics and potential demand, which are crucial for detecting market gaps (Chopra, Bhardwaj, Baber and Idris 2024).

Competing against established business entities in the present market is extremely challenging, hence small businesses must constantly seek out new niche markets; foreign entrepreneurs frequently prosper due to their ability to identify new niche opportunities (Stadler, 2017)

2.9 Theoretical framework

2.9.1 The Resource-Based View theory

This study is grounded in the resource-based view (RBV) framework, which examines the factors that influence small business success. In their study, Mashenene and Kumburu (2023) note that organizations gain a competitive edge through their internal resources and competencies. The Resource Based View gives a theoretical framework for studying the factors affecting SMME survival. Chumphon, Srimai and Potipiroon (2020) emphasized the need of providing SMEs with tools to select effective business strategies. Theoretical insights can boost productivity, operational efficiency, and create an internal plan for greater performance (Chumphon et al, 2020).

SMMEs face a complicated set of success criteria that affect their overall performance (Rodrigues, Franco, Silva and Olivia (2021). In this setting, material resources are critical for their growth, but intangible resources, such as, the qualities and skills of its human capital can determine and/or facilitate the success of this type of company.

The firm's survival depends on its resources, which are also essential for development (Chumphon et al, 2020). Capabilities are distinctive resources that an organization can use that are difficult to replicate and substitute. The Resource-Based View (RBV) posits that a firm's competitive advantage stems from resources that are valuable,

rare, difficult to imitate, and non-substitutable (Chumphon et al., 2020). Matekenya and Moyo (2022) note that RBV emphasizes a firm's internal capabilities and resources that distinguish it from competitors, challenging the notion of resource homogeneity. These resources encompass knowledge, machinery, workforce skills, and a range of tangible and intangible assets owned by the firm.

RBV provides a comprehensive framework that highlights the characteristics of firm resources necessary for achieving sustained competitive advantage, including intangible assets, entrepreneurial capabilities, specialized skills, and unique combinations of business resources (Matekenya and Moyo, 2022). In practice, SMMEs leverage strategies based on the resources they control to enhance efficiency and effectiveness. The RBV model has also been applied in the literature to explain firms' planning and innovation capabilities (Diaz Villavicencio et al., 2018).

2.9.2 Human capital theory

Bruderl et al. (1992) were the first to apply human capital theory to the entrepreneurial environment, saying that while human capital is generally applied to employees, there is no reason why it should not also apply to entrepreneurs. According to Mashenene and Kumburu (2023) human capital is the organization's lifeline since it plays a critical role in organizational development. Investing in education, health, and training can improve individuals' capacities, hence, human capital plays a crucial part in creating a competitive edge (Mashenene and Kumburu ,2023).

Mashenene (2023) posits that a firm's resources include all assets, capabilities, organizational attributes, information, and expertise that facilitate the formulation and execution of strategies efficiently and effectively. Human capital resources also refer to the experience, training, technical skills, relationships, and knowledge possessed by management and employees, whereas physical capital resources encompass technology, machinery, location, and access to productive inputs (Essel, Adams and Amankwah, 2019). Attributes such as employee dedication, integrity, and competence are also frequently regarded as valuable resources (Essel et al., 2019).

Businesses seek to acquire and manage resources in both the short and long term to secure a competitive advantage over their rivals (Radzi, Mohd, and Mohezar 2017). Baptista, Karaoza, and Mendoca (2024) highlighted the significance of human capital in achieving business success, noting that both general and specialized human capital

contribute to organizational performance. In addition, prior knowledge is crucial for the early survival of a business, as it aids in establishing the enterprise and identifying opportunities. Rocha, Praag, Folta, and Carneiro in (2016) analyzed 5,300 manufacturing-related startups established between 1992 and 2007, investigating how initial human capital decisions influenced post-entry survival rates. Their study concluded that early human capital choices play a pivotal role in determining a firm's success.

Amin (2018) conducted a study on business performance in Pakistan and the essential nature of human capital in this regard. Data for this study was acquired from Pakistan's Lahore Stock Exchange, and it revealed a positive association between human capital and organizational success. The businesses of Pakistan, hence, should endeavour to follow good entrepreneurial human-capital rules that will make small businesses to grow (Amin ,2018).

2.9.3 Social capital theory

Social capital is shaped by the relationships, networks, trust, and shared norms within a society, family, friends and colleagues, as well as education and professional experiences (Audretsch, 2017). Hidalgo, Monticelli and Bortolaso (2024) explains social capital as social networks and trust that facilitate entrepreneurial coordination and cooperation. Studies on the relation between social capital and entrepreneurship highlight the role of social capital to determine entrepreneurial performance. Klingler-Vidra and Liu (2020) claim, in their study, that without personal acquaintances and connections, without associations, it may be hard to break into the extant entrepreneurial circle - to be a business partner, collaborator, to setup or to enter joint-ventures.

Scholars have also examined the relationship between social capital and social mobility. Studies carried out by Nazareno *et al.* (2019) and Camara and Ferreira (2021), sought to find an explanation of why and how national or/and transnational mobility may lead to the initiation, extension and deepening of entrepreneurial activities. These studies focused on entrepreneurial social capital accumulation from living and attending universities at new locations both domestic and overseas. By studying and working in developed countries, returnees acquire entrepreneurial

capacity and are often seen as more competitive and innovative after returning home (Zhou *et al*, 2016)

In the context of developing countries, empirical evidence often highlights how geographical location enhances access to pre-existing entrepreneurial networks and concentrated human capital, thereby supporting business success. It is necessary to point to the places and localities that are associated with the largest circle of entrepreneurs as there is a positive relationship between an agglomeration's largeness (and its concentration of universities and R&D institutions network) and its scale of entrepreneurial activities (Zheng and Zhao, 2017). Such megacities and agglomerations with inherited resources (the density of the same, similar and supportive industries) and offered opportunities (a pre-existing network of technological and entrepreneurial talents) are attractive and conducive to highly skilled workers and ambitious entrepreneurs (Li *et al*, 2020).

2.10 Conceptual Framework

This study is grounded in three key theoretical perspectives: the Resource-Based View (RBV), Human Capital Theory, and Social Capital Theory. The Resource-Based View (RBV) posits that firms achieve competitive advantage through the effective utilisation of valuable, rare, and inimitable resources. In the context of this study, foreign-owned SMMEs may possess unique resources such as established networks, prior business experience, and access to informal financing, which enhance their competitiveness.

Foreign-owned SMMEs often possess unique resources that give them an advantage over local firms, they may have access to international networks, which allow them to connect with suppliers, customers, and business partners across borders. These networks can provide better access to goods, information, and opportunities that local SMMEs may not easily obtain.

In addition, foreign entrepreneurs often bring prior business experience and knowledge from their home countries or other markets. This experience can include advanced business practices, customer service strategies, and efficient management techniques. Because this knowledge is not always easily copied by local competitors, it becomes a valuable strategic resource.

Furthermore, foreign-owned SMMEs demonstrate strong entrepreneurial skills, such as risk-taking, adaptability, and innovation. These capabilities enable them to identify opportunities quickly and respond effectively to market challenges.

RBV suggests that when these resources (networks, experience, and skills) meet the VRIN criteria, they contribute to sustained competitive advantage, which explains why foreign-owned SMMEs often perform better or survive longer than some local-owned SMMEs.

Human Capital Theory emphasises the role of education, skills, and experience in improving individual and organisational performance. This theory helps explain differences in managerial capability and decision-making between local and foreign entrepreneurs, particularly in relation to business knowledge and experience. Human Capital Theory explains that the knowledge, education, skills, and experience of individuals are key resources that improve productivity and business performance. This theory helps explain differences in success between foreign-owned and local-owned businesses based on the quality of their human capital:

Foreign-owned SMME owners may possess higher levels of education, specialized training, or diverse work experience, often gained from different countries or competitive markets. This equips them with advanced skills such as financial management, strategic planning, and customer relations, which enhance business performance. In contrast, some local SMME owners may have limited access to formal education or business training, which can affect their ability to manage finances, adopt new technologies, or implement effective business strategies.

Social Capital Theory focuses on the value of relationships and networks in facilitating access to resources and opportunities. This is particularly relevant in explaining how foreign-owned SMMEs leverage kinship and transnational networks to support their business operations. Importantly, these theories are not independent but interrelated. Human capital enables entrepreneurs to effectively utilise resources (RBV), while social capital enhances access to those resources. Together, they provide a holistic framework for understanding the factors influencing SMME success. Foreign-owned SMMEs often rely heavily on strong social networks, including connections with family members, friends, and other entrepreneurs from the same country or community.

These networks provide important support such as access to startup capital, business information, suppliers, and customers.

Through these relationships, foreign business owners can also benefit from trust and cooperation, which makes it easier to share resources, reduce costs, and operate efficiently. Local-owned SMMEs may also have networks, but in some cases these may be less structured or less business-oriented, which can limit the level of support they receive. Social Capital Theory suggests that businesses with strong, well-connected networks are more likely to succeed because they can access opportunities, information, and resources more easily than those with weaker networks. Importantly, these theories are not independent but interrelated. Human capital enables entrepreneurs to effectively utilise resources (RBV), while social capital enhances access to those resources. Together, they provide a holistic framework for understanding the factors influencing SMME success.

This integrated theoretical perspective directly informs the research questions of the study, particularly in examining how differences in resources, skills, and networks contribute to variations in performance between local and foreign-owned SMME

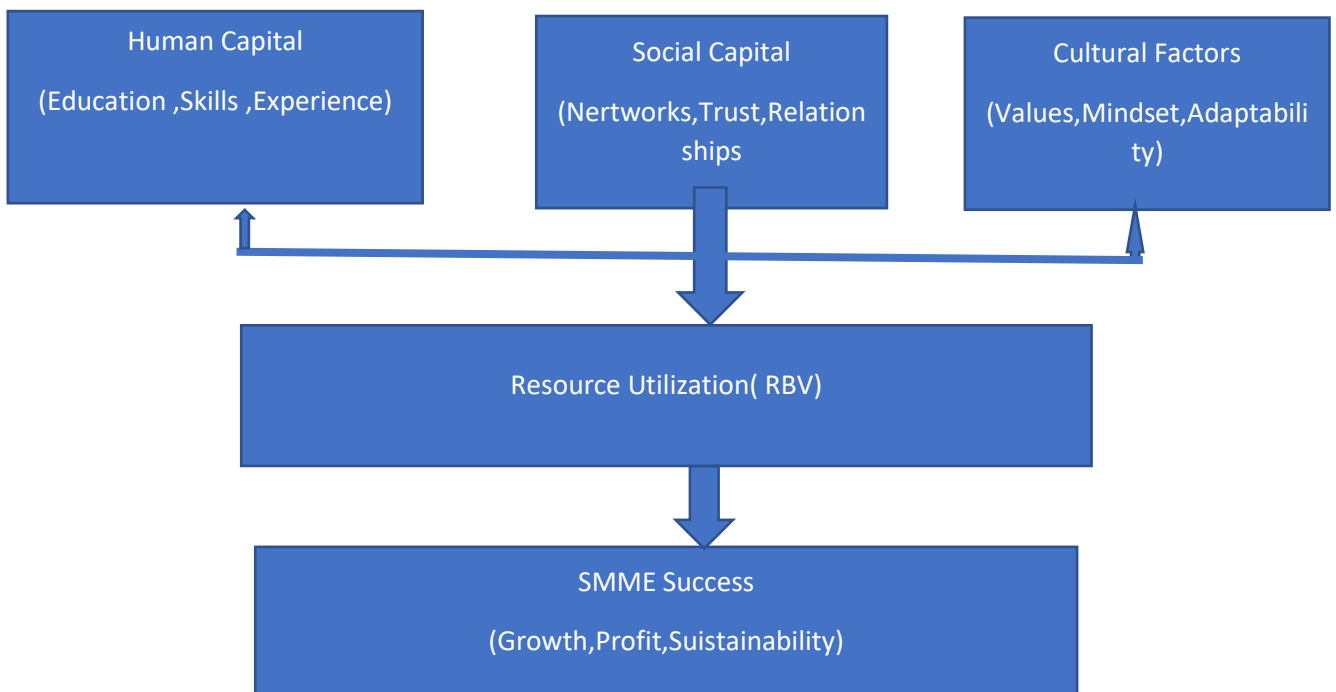


Figure: Conceptual Framework for SMMEs Success

Source : Researcher's own construct

2.11 Summery

This chapter reviewed relevant literature from previous scholars. It began with an overview of SMMEs in South Africa, including the informal sector and measures of SMME success. It then examined factors contributing to the success of both foreign- and locally- owned SMMEs, the operations of foreign-owned SMMEs in South Africa, strategies employed by these enterprises, and the theoretical framework guiding this study. The next chapter outlines the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the techniques and approaches used to answer the research questions. The study site, research philosophy, methodology, design, population, sample, data sources, data collection method, and techniques are all covered in this article as well as methods for the data analysis and the ethical principles adhered to. The following subsections provide these details about the study's methodology and research technique.

3.2 Area of the study

This study was carried out in the Thulamela Local municipality which is situated in the South African province of Limpopo and in the District of Vhembe. Thulamela Local Municipality was created in accordance with the Local Government Structures Act number 117 of 1998, making it a Category B municipality, according to Statistics South Africa (STATSSA,2022). Thulamela Local Municipality forms part of four local municipalities within Vhembe District; it is in the eastern part with its boundary formed by the Kruger National Park (STATSSA,2022). The Municipality has borders with Makhado Municipality in the southwest and Mutale Municipality in the northeast; it is the smallest of the three municipalities (STATASA,2022). The Municipality's primary economic sectors include retail, SMMEs, tourism, and agriculture.

The following map illustrates the geographical area of Thulamela Local Municipality.

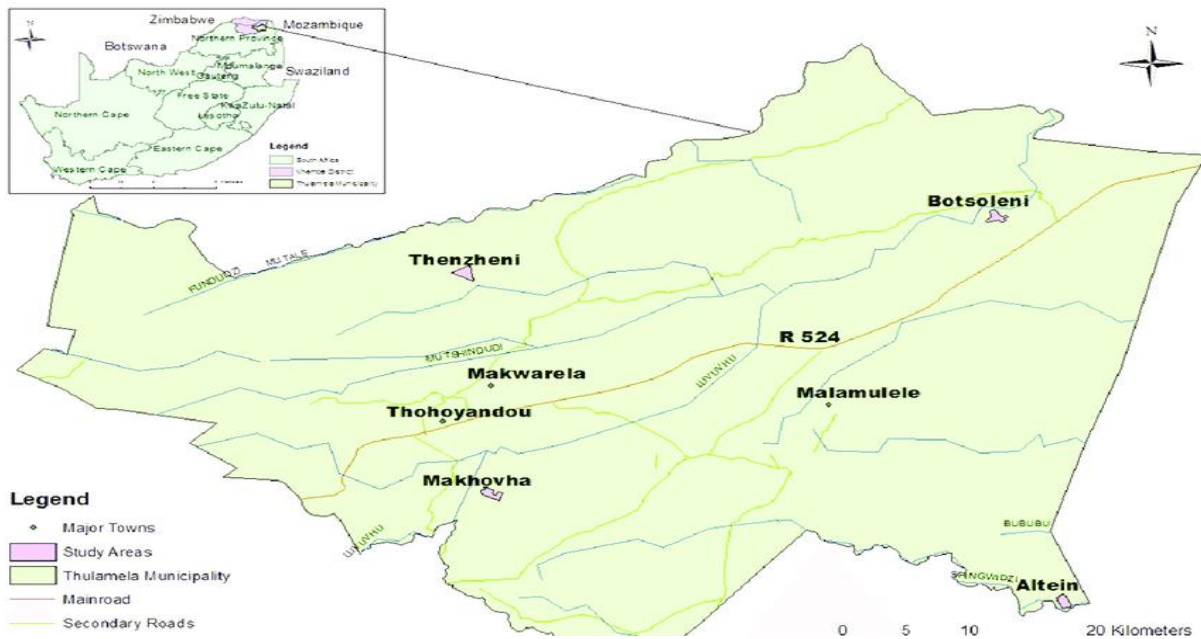


Figure 3.1

Thulamela Local municipality map(source:2019 AfriGIS PTY(LTD))

3.3 Research paradigm

According to Okesina (2020), a research paradigm is the researcher's world view or assumptions that guide their research; it can also be described as the researcher's philosophical viewpoint or orientation that affects the study's methodology, subject selection, and interpretation of its findings.

A research paradigm is an all-encompassing belief system, worldview, or collection of ideas that determine how research should be performed, what should be examined, and how findings should be conveyed or assessed; it is the structure that directs application of the study results. In other words, the paradigm selection determines the research goal, motivation, and expectations, hence, without first accepting a paradigm, there is no foundation for following decisions on methodology, design, and approach, from a study (Okesina,2020).

According to Igwu, Erech and Anoh(2021) there are four classifications of a paradigm, - positivism, post-positivism, constructivism and critical theory.

a) Post-positivism

Post-positivism is a scientific paradigm or viewpoint that arose in opposition to positivism (Tripathi, Giri and Tripath, 2024) . Post-positivism critiques positivism's view that reality can be fully comprehended by objective observation and quantitative measurement, while acknowledging the importance of empirical observation and the scientific process.

The post-positivist method acknowledges that knowledge is occasionally socially and culturally-created rather than always discovered objectively (Shahreza, 2020). Scott et al. (2017) explicate that post-positivism emphasizes knowledge through perception, belief, culture, thinking, and human acceptance.

b) Positivist

The positivist paradigm is an approach for studying and comprehending social phenomena that is founded on the same ideas as the scientific method often applied in the natural sciences, therefore, social reality may be quantified and unbiasedly described by the application of empirical scientific techniques (Shahreza, 2024).

In research, positivism seeks to identify causal relationships between variables (Shahreza, 2024);positivist paradigm focuses on finding solutions to cause-and-effect questions. Positivist researchers are interested in correlations between variables that can be measured and predicted. They aim to understand the quantifiable reasons behind social phenomena. The scientific method is highly valued within the positivist paradigm as it is seen as the most effective way to examine and understand social phenomena (Shahreza,2024).

c) Critical theory

The critical paradigm is a method in the social sciences that prioritizes critique of both authority and social systems (Shahreza, 2024). According to this paradigm, social reality cannot be comprehended in a neutral and objective manner; rather, it must be studied critically in order to recognize and assess issues like, social injustices, conflicts, and inequalities. The theory focuses on a philosophical perspective that prioritizes critiques of societal power systems, injustice, and social inequity. This paradigm supports social transformation toward justice and equality while attempting to comprehend and reveal the connection between conflict, power, and social structure (Shahreza, 2024).

d) Constructivism/Interpretivist

Constructivist is defined as a paradigm or approach in science and education that emphasizes that knowledge is not something that is discovered or absorbed completely from the outside world but is actively built by individuals through the process of interaction with information and experience (Shahreza, 2024). According to Nigussie and Beleke(2021) the constructivist paradigm emphasizes that research is inherently influenced by the values of its participants.

Interpretivist scholars believe that reality is based on individuals' subjective perceptions of the world, hence, they strive to understand their constructs by closely examining the phenomenon of interest in its natural setting. Interpretivists hold that there is no single correct way to acquire knowledge, and that objective knowledge cannot be separated from human thinking and reasoning (Kumatongo and Muzata, 2021).

For this study, a constructivist paradigm was deemed appropriate because it recognizes that success factors for local and foreign SMMEs are shaped by the interpretations, practices, and social contexts of the individuals involved. The study's goal is to understand the diverse perspectives of entrepreneurs, stakeholders, and managers, therefore, a constructivist approach allows for an in-depth exploration of their subjective experiences and interpretations.

This approach facilitates a nuanced understanding of how different actors perceive and define success, as well as the determining factors influencing these perceptions. Given that success factors may vary across cultural, economic, and institutional contexts, the constructivist paradigm enables a researcher to capture the complexity and richness of these viewpoints. Furthermore, this approach aligns with the aim of exploring the intricate, situated nature of success in both local and foreign SMMEs, acknowledging that knowledge is constructed through human interaction and contextual understanding.

3.4 Research design

The research design, as defined by Khanday and Khanam (2019) is a structured blueprint that enables researchers to address research questions, while the

methodology employed determines the analytical techniques required to obtain the desired results.

The extent to which research design is appropriate depends on whether you can obtain the answers to your research questions (Khanday and Khanam, 2019). For Agarwal, Chauhan and Ravikumar(2024) a research design can be described as an organized framework of methods and procedures adapted to address a research problem, in a coherent and effective manner. It gives information about "how" to conduct research with a specific technique. The research design guides data collection and analysis to ensure they align with the study's objectives and theoretical background (Sekaran and Bougie, 2016). Mbaka and Isiramen (2021) explain that to ease the comprehension of study designs, they are classified into three types: exploratory, causal, and descriptive.

Thakur (2021) argues that an exploratory research strategy is employed to formulate, explore, and elucidate the researcher's hypotheses and concepts. This type of research approach aims to fill in the gaps by elaborating on previously-unidentified aspects of a particular problem (Thakur, 2021). The goal, therefore, is to study the research issue at different levels of detail rather than to offer definitive answers to the research questions (Boru and Kuhil, 2018); as a result, its focus is to address unfamiliar problems that have received little to no prior attention. The purpose of exploratory research is to find general principles to explain data and observations. Given the nature of the current phenomenon under investigation, an exploratory approach was seen to be advantageous for the researcher to alter variables, to conduct the study in a regulated setting, and to identify all the influences on the entity.

Descriptive research utilises case studies, naturalistic observations, and surveys which are based on the idea that the researcher's primary goal is to explain the studied issue (Thakur, 2021); this approach can be applied to the data collection, analysis, and presentation. It enables the researcher to express the problem statement in a clear and concise manner, which aids readers in comprehending the necessity of this type of research (Thakur, 2021). Finding broad principles to explain data and observations is the goal of exploratory research.

An exploratory research design was adapted for this study to comparatively investigate the success factors affecting local and foreign-owned SMMEs. Given the complex and multifaceted nature of these factors and limited prior research in the Thulamela municipality, this approach allows for the collection of rich qualitative data and emerging patterns that can inform future study.

3.5 Research methodology

Sandra (2023) defines research methods as the systematic techniques and procedures used to collect, process and analyse information relevant to the study. Concurring, Saunders et al. (2023) explains that research methods create the plan or directive strategy of data gathering and interpreting to guarantee the accomplishment of the research aims. The present study employed qualitative research methods to undertake a comparative investigation of the success factors affecting local and foreign-owned SMMEs within the Thulamela Local Municipality. According to Smith and Lee (2023), a qualitative research method is an organized approach that collects qualitative data from sources, such as written materials, structured interviews, and direct observations in order to understand social phenomena from the perspectives of participants. By examining meanings, experiences, and interpretations, qualitative approaches seek to provide thorough insights into the research problem (Smith and Lee, 2023); hence, in order to capture the experiences of both local and foreign SMME owners, in their own words, a qualitative technique was selected for this study, which was appropriate for the research goal.

3.6 Target population

Shukla (2020) defines a population as the complete set of units to which research findings can be generalized. In other words, it includes all entities that exhibit the characteristics under investigation and could be the focus of further study. For the purposes of this research, the population comprises SMMEs operating within the Thulamela Local Municipality, encompassing both foreign-owned and locally-owned businesses.

3.7 Sampling

Makwana, Engineer, Dabhi, and Chudasama (2023) describe 'sampling' as a method of selecting a smaller group or individual from a larger population in order to achieve specific research objectives. Utilizing sampling techniques saves time and cost as

surveying the entire population can be costly (Makwana *et al*,2023); therefore, in situations when there is a large population, sampling is a crucially significant research tool. Tyrer and Heyman (2016) argue that, to enhance representativeness and reduce bias, sampling procedures should be conducted as rigorously as possible. They categorize sampling techniques into - probability and non-probability methods. Probability sampling, or random sampling, ensures that every unit in the population has an equal chance of selection (Etikan and Bala, 2017). In contrast, non-probability sampling does not allow for determining the likelihood of any element being included in the sample, but it is generally faster and more cost-effective (Etikan and Bala, 2017; Rahman, 2023).

This study employed a non-probability sampling technique because the exact number of local- and foreign-owned SMMEs in the Thulamela Local Municipality is unknown, as many are unregistered; consequently, there is no known probability of selection for each unit in this approach. Embaye (2018) highlights that non-probability sampling does not guarantee representation of all members of the target population, since not every member has a chance of being selected.

A purposive sampling technique was adapted in this study. Tongco (2017), notes that the purposive sampling technique is a kind of non-probability sampling that works well when a researcher wishes to research a specific cultural subject with informed experts. When using purposive sampling technique, participants in a study may provide a wealth of information regarding the research question, despite the sample's implausible representation of the entire population (Rahman,2023).

3.8 Sample size

Rahman (2023) describes sample size as a selected portion of a population that provides enough data to allow the research findings to be generalized. Determining an appropriate sample size requires consideration of factors, such as available budget, time constraints, the quantity of items, the number of variables, and the overall complexity of the study. A study's sample size is essential to meet ethical and scientific requirements (Sarfo, Debrah, Gbordzoe, Afful and Obeg 2021). Over-sampling and under-sampling are wasteful of study resources and participant time; however, because the participants may only represent a small section of the community of interest, which may not be representative of the general population, employing

insufficient samples presents ethical and methodological challenges (Sarfo et al., 2021). The sample for this study consisted of 16 participants – eight locally-owned SMMEs and eight foreign-owned SMMEs, specifically, owned by Somali and Ethiopian entrepreneurs, who have been operating their businesses in the Thulamela Local Municipality for at least five years.

The sample size was determined based on the principle of data saturation, which occurs when no new themes or insights emerge from the data. In this study, saturation was reached after approximately the 12th interview, where recurring patterns and themes became evident. Additional interviews (up to 16) were conducted to confirm consistency and ensure the robustness of the findings.

This approach was appropriate because the population of SMMEs in the municipality is relatively small; some are not fully registered, and diverse in terms of ownership and operational experience. By including participants with a minimum of five years of business experience, the study ensured that respondents had sufficient knowledge and practical insights to provide rich and detailed data on the challenges and strategies of running SMMEs. Utilizing data saturation as the guiding principle allowed the study to maintain the quality and depth of information while avoiding redundancy.

3.9 Data collection techniques

Mazhar, Anjum, Anwar and Khan (2021) explain that collection of data entails systematically obtaining and analysing reliable information using accepted research methodologies. The authors add that data collection is consistently the most crucial step in the process, and researchers can assess the hypothesis based on the data they have acquired irrespective of the research's subject. Data collection's main objective is to safeguard the information-rich data collected for statistical analysis and further support.

According to Mazhar et al. (2021), data can be collected through primary and secondary methods. Primary data comprises original, new knowledge that is gathered for the first time while secondary data comprises those that have already been gathered by another party and subjected to statistical analysis (Mazhar et al, 2021). This study made use of primary data collection to obtain authentic and current data from the participants. This study collected data using a face-to-face interview method. According to De Villiers, Farooq and Molinari(2022), face-to-face interviews

enable a researcher to establish a relationship with participants, observe non-verbal cues, and elucidate responses in real-time, thereby ensuring more detailed and more comprehensive information. In-depth interviews were conducted with both foreign and local business owners through one-on-one sessions, using a structured interview guide consisting of a set of open-ended questions intended to extract thorough insights while providing an opportunity for exploration of fresh subjects and to capture grounded data that are vital for the research objectives.

Data were collected through in-depth, semi-structured interviews, which allowed participants to freely express their experiences while ensuring that key research topics were consistently addressed. Each interview lasted approximately 30 to 60 minutes, providing sufficient time to explore participants' perspectives in detail. The interviews were conducted in English and, where necessary, in local languages to accommodate participants' preferences and ensure clarity of responses. With the consent of the participants, given permission by the participants some interviews were audio-recorded to ensure accurate capture of information and some were noted on a book note. The recorded interviews were then transcribed verbatim to preserve the original meaning and richness of the data. To ensure consistency across all interviews, an interview guide was used; however, flexibility was maintained to allow for probing and follow-up questions where necessary to gain deeper insights.

3.10 Data analysis method

According to Creswell and Creswell (2017), data analysis is the process of organizing and analysing data to enable researchers to identify patterns, themes, and linkages as well as develop interpretations, hypotheses, and explanations. Similarly, Ravele (2021) explains that data analysis verifies the accuracy of the data and eliminates variables that are not relevant to the investigation.

Data collected was thematically analysed using Archive of Technology, Life world and Language for text interpretation (Atlas.ti) software. Most of the in-depth interviews were recorded verbatim to ensure accuracy using voice-recorder and then transcribed using Microsoft Word.

Atlas.ti software was used to organize, code, and retrieve pertinent parts of the data needed for the research. The researcher read the transcript thoroughly to become fully immersed with the data. Relevant ideas and notions pertaining to the research

question were captured by initial codes that were generated inductively using open coding. To find possible themes, related codes were categorized into more general groups and to make sure these themes appropriately reflect the facts, they were examined and improved upon iteratively. The goal was to create relevant themes that represent the viewpoints and experiences of participants, in relation to the study topic.

Data was analyzed using thematic analysis, supported by ATLAS.ti software.

The analysis followed these steps:

a) Familiarisation

The researcher read and re-read transcripts to gain a deep understanding of the data.

b) Initial Coding

Key phrases and ideas were identified and assigned codes.

c) Categorization

Similar codes were grouped into broader categories

d) Theme Development

Categories were further refined into main themes such as human capital, social capital, and cultural factors.

e) Review and Refinement

Themes were reviewed to ensure they accurately reflected the data.

f) Interpretation

Themes were analyzed in relation to the research objectives and theoretical framework.

Raw data	Initial Code	Category	Themes
<i>"I worked under him for more than a year... I was even managing one of his spaza shops..." (P-2-F1)</i>	Apprenticeship	Prior business exposure	Human resource capital
<i>"I got to learn more about this industry skills through a workshop..." (P-15-RSA8)</i>	Skills from training	Skill development	Human resources capital
<i>"I leverage from the network group... which helped my business to find reliable supplier" (P-10-F6)</i>	Group collaboration	Supplier network	Social capital
<i>"I wake up very early in the morning by six o'clock. Business will be running unlike my competitors; my brothers taught me to work long hours. Now, they have been operating with other foreign nationals"(P-2-F1)</i>	Long operating hours	Extended trading strategy	Cultural factors
"My family helped me start the business"	Family support	Financial support	Social capital
"Experience helped me manage customers"	Business experience	Skills	Human capital

Table 3.1: Illustration of Thematic Analysis Process from Raw Data to Final Themes

Source : Researchers own construct

3.11 Trustworthiness

In this study, trustworthiness was ensured by employing the following four elements - (1) Credibility, (2) Conformability, (3) Transferability, and (4) Dependability. Each element is explained in detail, as well as how the elements were applied, in the following sections.

3.11.1 Credibility

Sagar, Mahmood, Sheng, Zhangan and Pabani(2024) note credibility as ensuring trustworthiness of the information collected and its interpretations. Rich, detailed descriptions, member checking, and extended participation are some strategies that researchers may employ to build credibility (Sagar et al,2024). According to Alcántara-Pilar, Rodríguez-López, Kalinić and Liébana-Cabanillas(2024), credibility measures how much message recipients believe the information source to be dependable, capable, and trustworthy. Unlike the communication content itself, it reflects the recipient's opinion of the veracity of the message source.

Suitable techniques were employed to ensure credibility, as well as best approaches for gathering and analyzing data was chosen. Credibility was ensured through prolonged engagement with participants and member checking, where participants were given the opportunity to verify the accuracy of their responses and interpretations.

3.11.2 Conformability

Confirmability is the act of obtaining feedback from peers or experts to assess interpretations and lessen personal biases, by presenting several points of view; this increases objectivity and certifies the accuracy of the findings (Ahmend, 2024).. Transcribing the material captured during the data collection phase without alteration allowed the researcher to establish confirmability. The researcher conducted a thorough literature review to compare and establish parallels and contrasts, confirming whether the research findings were supported by existing literature. The accuracy of the reported data reflecting the obtained data was verified using an audio and tape recorder. Confirmability in this study was ensured through the use of verbatim

transcripts and maintaining an audit trail, which documents all research decisions and processes to minimize researcher bias.

3.11.3 Dependability

In qualitative research, dependability refers to the extent to which the research process is systematic, transparent, and well-documented, allowing others to understand and follow the steps taken to reach conclusions (Simply Psychology, 2019). Unlike quantitative reliability, which focuses on replicating identical results, dependability emphasizes the consistency and traceability of the research process, recognizing that qualitative findings may vary due to contextual and human factors. To ensure dependability data was collected using the same interview guide to make sure that the data collected provided uniform valid results which are reliable and dependable. Dependability was also achieved by maintaining a clear and detailed research process, including documentation of data collection and analysis procedures.

3.11.4 Transferability

Ensuring transferability requires a situation in which the research context, participants, and techniques are thoroughly described (Ahmend, 2024). This allows readers to assess how the study and their own context are similar, which helps them determine whether the findings are applicable and relevant to their own settings or circumstances. The study's methodology, design, demographic, setting, sampling strategy, and process were thoroughly explained to ensure transferability to other contexts. Transferability was addressed by providing rich, detailed descriptions of the research context and participants, allowing other researchers to determine the applicability of the findings to similar settings.

3.12 Ethical Considerations

Ethics encompasses a set of moral rules that govern interpersonal interactions in a respectful manner, aimed at meeting the needs of all parties involved (Resnik, 2015). It is crucial to consider how potential research participants may perceive the implications and conclusions of any given study when applying ethical principles to professional social science research (Kostere and Kostere, 2021). This study aimed to investigate three main research questions - *RQ 1: What are the success factors of*

local and foreign-owned SMMEs in Thulamela Local Municipality? RQ 2: What are the challenges faced by foreign owned and local SMMEs in Thulamela local Municipality? And RQ 3: Which strategies employed by Foreign owned SMMEs in Thulamela local Municipality can be recommended to local SMMEs-owners to improve their performance?

These questions elicited sensitive information regarding business performance, challenges and potentially proprietary insights. Participants, particularly foreign business owners, may have concerns about the confidentiality and legal implications of their participation, especially if their documentation status is uncertain. To mitigate these risks the following ethical principles were considered:

3.12.1 Permission to Conduct Research

This study complied with ethical guidelines stipulated by the University of Venda's Research Committee. The researcher applied for ethical permission and clearance prior to conducting the study, before proceeding with data collection.

3.12.2 Informed Consent

Ethical standards were upheld by informing participants that their involvement was voluntary and they could withdraw from the study at any stage if they experienced discomfort. The researcher explained the study's objectives and what was required of them, allowing participants to ask questions related to the study. Participants were also informed about the use of audio recorders, and permission was sought before recording.

3.12.3 Confidentiality and Anonymity

All data was treated anonymously and confidentially; this was done to ensure participants' privacy. Only recorded and transcribed data were analysed, and the actual names of participants were not used. Collected data have been securely stored in a safe location, and participants were advised not to disclose information that could reveal their identities. Additionally, the researcher ensured that information provided by foreign business owners will not be linked back to them and affect their documentation; they were made aware that their legal status will not be questioned.

3.12.4 Voluntary participation

Participation in this study was entirely voluntary. Participants were informed about their rights to withdraw from the study if they feel they do not want to proceed. No participants were forced or manipulated to take parts; their freedom of choice was respected.

3.12.5 Honesty and integrity

Throughout the research process, the researcher was honest, transparent, and accurate. All acquired data was documented, transcribed, and quoted exactly as it was obtained, with no misrepresentation or falsification. This was done to guarantee that the research maintained academic accuracy and contributed credible knowledge to the body of literature

3.13 Conclusion

This chapter covered the theoretical underpinnings of study design and methods. The study area, research philosophy, population, sampling, data sources, collection technique, instruments and data analysis methodologies - were fully explained in this chapter. Additionally, this chapter described the steps used to reduce bias and maintain the study project's ethical integrity. A detailed explanation on how trustworthiness of the study was ensured formed part of the discussions. The following chapter will present the data findings.

CHAPTER FOUR DATA

ANALYSIS AND RESULTS

4.1 Introduction

The study design and processes are presented in Chapter 3 to address the research questions. In this chapter, the data gathered from individual in-person interviews, using structured questions is further interpreted and analysed. This chapter focuses on analysing and interpreting data collected from local and foreign SMMEs owners through face-to-face interviews. Data was analysed from 16 local and foreign SMMEs owners. The main objective of the research is to comparatively investigate the success factors affecting local and foreign-owned SMMEs in the Thulamela Local Municipality, using the following research questions:

RQ 1: What are the success factors of local- and foreign-owned SMMEs in Thulamela Local Municipality?

RQ 2: What are the challenges faced by foreign-owned and local SMMEs in Thulamela local Municipality?

RQ 3: Which strategies employed by foreigner-owned SMMEs in Thulamela Local Municipality can be recommended to local SMMEs-owners to improve their performance?

This chapter presents the results from data analysis; it starts with the basic information on the business owners - their demographics. Secondly, this is followed by a discussion on the success factors surrounding local- and foreign-owned SMMEs in Thulamela local Municipality; thirdly, focus is placed on the challenges the SMMEs face, and lastly discussions on the strategies employed by the foreign-owned SMMEs that can be replicated by the local SMMEs-owners. The researcher used the ATLAS TI programme to develop codes and themes for thematic analysis.

Key coding

P-Participants

RSA- South Africans

F- Foreigner

Table 4.1: Participants profile summary

Participants	Gender	Age	Race	Nationality	Qualifications	No of years in business	Business type
Participants 1 RSA-1	<i>Female</i>	32 years	African	South African	postgraduate	Six years	Clothing boutique
Participant 2 F-1	Male	52 years	African	Ethiopian	Primary education	Six years	Spaza shop
Participant 3 F-2	Male	48 years	African	Zimbabwean	Diploma	Twelve years	Landscape and cleaning business
Participants 4 RSA-2	Male	43 years	African	South African	Diploma	Fifteen years	Motor mechanic
Participants 5 F-3	Female	36 years	African	Zimbabwean	Primary education	Nine years	Hair salon
Participant 6 F-4	Male	53 years	Africa	Ethiopian	Diploma	Nine years	Home textile store
Participant 7 RSA-3	<i>Male</i>	28 years	African	South African	Diploma	Eight years	Fast food & carwash
Participant 8 RSA-4	Female	52 years	African	South African	Secondary education	Twelve years	Spaza shop

Participant 9 F-5	Female	56 years	African	Mozambique	Diploma	Twenty- two years	Fast food restaurant
Participant 10 F-6	Male	33 years	Asian	Indian	Degree	Five years	Phone accessories shop
Participant 11 RSA-5	Female	31 years	African	South African	Matric	Six years	Fast food restaurant
Participant 12 RSA-6	Male	35 years	African	South African	Secondary business	Nine years	Transport business
Participant 13 RSA-7	Male	36 years	African	South African	Secondary education	Seven years	Bootle store
Participant 14 F-7	Male	37 years	African	Zimbabwean	Secondary education	Twelve years	Carwash
Participant 15 RSA-8	Female	41 years	African	South African	Primary education	Twelve years	Poultry farm shop
Participant 16 F-8	Male	37 years	African	Zimbabwean	Degree	Six years	Metal workshop

Source: researcher's own construct

4.2 Factors contributing to local and foreign owned SMMEs success

With regard to SMMEs success factors three main themes emerge -human resource capital, social capital and cultural factors. These main themes are fully discussed with their subthemes as the factors contributing to local and foreign SMMEs' success.

4.2.1 Human resource capital

4.2.1.1 Business experience

The findings of this study reveals that business experience is a key differentiating component of human resource capital between foreign- and local-owned SMMEs. Overall, the data indicate that foreign-owned SMMEs generally enter business ownership with prior structured experience acquired through family enterprises or previous employment, whereas local-owned SMMEs predominantly rely on experiential learning after business entry.

Foreign participants consistently demonstrated that their business competence was developed through prior exposure to operational environments before independent ownership. For instance, Participants P-2-F1 explained:

“When I came here, I was introduced to my fellow Ethiopian brother who have been here for over a decade; he now owns multiple spaza shops in this area has been kind to me , I worked under him for more than a year at some point I was even managing one of his spaza shop which educated me about business and I have gained skills and experience ”(P-2-F1)

This illustrates that foreign entrepreneurs often undergo apprenticeship-like learning within established businesses, allowing them to develop managerial and operational competencies prior to ownership. Such structured exposure enhances their readiness for independent business operation.

Similarly, another participant highlighted the role of gradual skill accumulation through informal labour:

“Coming here I was doing all kinds of odd jobs to survive and most of them involved cleaning people’s homes and doing gardening. At the start I was not perfect, but when times goes by, I become an expert I was designing

people's gardens and provided exceptional cleaning services which really contributed to my desire to start this business”(P-3-F2)

This indicates that even informal employment experiences contribute to the development of practical business skills, which later inform entrepreneurial entry decisions. Furthermore, the intergenerational transmission of entrepreneurial knowledge was also evident:

“Mmmmh...again I am not educated but working at my brother's business has allowed me to gain some skills and expertise on this kind of business for which I think it's very important. When I started this business, I did not have any problem in managing it. I also hired local employees who I often train; now they are also bringing new ideas to the business.”(P-2-F1)

This highlights that foreign-owned SMMEs benefit from embedded family-based entrepreneurial learning, which facilitates early exposure to trade, risk-taking, and market participation. In addition, participants indicated that prior experience enhances their ability to manage and train employees effectively:

“I was born in a family where business runs in the blood. My father was an artist. He would make traditional pots and brooms and we'll sell them. I even cross the border to sell them here, so learnt too much of businesses from my family and before opening my business I worked under someone with the same business as mine, and I was able to gain more experience”(P-9-F7)

This suggests that prior experience not only strengthens operational confidence but also improves leadership and knowledge transfer within the business. In contrast, local-owned SMMEs largely reported a lack of prior business experience before entry into entrepreneurship. Instead, they described a process of learning through practice and gradual adaptation within the business environment.

Many rely mostly on experimentation to learn while running the firm. Local business owners replied that they had developed their expertise over time, instead of coming into the industry with a solid business experience, as evidenced in the responses of participants 1,8 and 11.

“Before starting this business, I did not have any experience for this kind of business I was learning as I go, to be where I am today” (P-1-RSA1)

“I did not have prior business experience running spaza shop all I knew was to be a housekeeper ”(P-8-RSA4)

”I have a cashier experience where I learnt about customer service but regarding running a restaurant, I did not have any when I started this business. I had to learn from baking vetkoek adding new recipes which is an ongoing thing for growing my business”(P-11-RSA5)

The findings of this study reveals that foreign-owned SMMEs benefit from pre-entry structured experience, which enhances managerial confidence, operational efficiency, and risk management. Local SMMEs, however, rely on post-entry experiential learning, which slows business development and limits early-stage performance. This creates a competitive advantage for foreign-owned businesses in operational readiness and strategic execution.

The findings of the study support the study by Murimbika and Mhangami (2024) that immigrant entrepreneurs who have previously worked for family firms in South Africa are more likely to succeed. The findings of this study are also consistent with the view that human capital provides immigrant entrepreneurs with specific knowledge, strategic skills, expertise and resilience to remain competitive, through business experience. Regarding local SMMEs, the study supports the view of Herrington & Kew (2018), that South African entrepreneurs frequently start their businesses out of need rather than having previously acquired skills, which results in shortcomings in long-term planning, marketing, and financial management.

4.2.1.2 Education and training

Education and training emerged as a significant component of human resource capital contributing to the success of both foreign- and local-owned SMMEs. However, the findings reveal notable differences in how each group acquires and applies educational knowledge within their businesses.

Foreign-owned SMME owners strongly emphasised that formal education, combined with practical training, enhances their managerial competence, strategic decision-

making, and operational efficiency. Participants indicated that education enables them to effectively manage finances, engage in strategic planning, and introduce innovation into their businesses. For example, one participant stated:

“I went to business college where I studied Business Administration and Office Administration back at home. My brother trained me, and I worked with him for three months as he was introducing me to this kind of business of selling duvets around this area of Thulamela” (P-6-F4).

This quotation illustrates the combination of formal education and apprenticeship-style training, which equips foreign entrepreneurs with both theoretical knowledge and practical business exposure prior to full business entry.

Similarly, another participant highlighted the role of education in enhancing managerial capacity and innovation:

“Having a qualification in Business Administration has helped my business a lot because I understand aspects of business management such as drawing financial plans, strategic planning and management of the business... It is through education that I always have my eyes to be innovative in some areas” (P-9-F6).

This response demonstrates that formal education is directly translated into strategic business practices, including financial planning and innovation, which strengthen competitiveness and sustainability. In addition to managerial skills, education also supports internal capacity building within businesses. As evident in participants P-14-F7.

“My staff are trained to provide clean and quality final services... I train them how to utilize chemicals, not waste them and their types and uses” (P-14-F7).

This indicates that foreign-owned SMMEs extend the benefits of their knowledge to employee training, thereby improving operational efficiency and service quality. Furthermore, continuous learning through mentorship and workshops was highlighted as an important driver of business expansion:

“I still have ongoing training... I even attend mentorship and workshops; this helps me in improving the level of services I provide... I used to focus only on landscaping, now I do cleaning services” (P-3-F2).

This reflects a dynamic learning orientation, where continuous education facilitates diversification and business growth. In contrast, local-owned SMMEs also utilise education and training; however, their application is predominantly focused on operational improvement and service delivery rather than strategic expansion. Participants emphasised the importance of training employees to enhance customer service and operational efficiency. As evident in participants P-13-RSA7 and P-12-RSA6.

“I keep on teaching my staff, especially when there are new products... to engage more with customers... ‘The customer is always right’ has been our motto since day one” (P-13-RSA7).

“Having trained employees helps a lot. You stop worrying whether the taxi will be damaged at the end of the day because they provide safe travel” (P-12-RSA6).

These responses suggest that local SMMEs primarily use training to maintain service quality, reduce operational risks, and ensure customer satisfaction, rather than for strategic innovation or business expansion.

The findings this study reveals a clear distinction in the utilisation of education and training between the two groups. Foreign-owned SMMEs tend to apply education strategically for financial management, innovation, and business diversification, while local-owned SMMEs focus on operational stability and service improvement. This demonstrates differences in how human capital is converted into business value.

These findings are consistent with Chinimona and Mago (2020), who found that training significantly improves the operational effectiveness of retail entrepreneurs. However, the present study extends this understanding by showing that the impact of education and training differs between foreign- and local-owned SMMEs in terms of strategic versus operational application.

4.2.1.4 Business Skill

Business skill is another success factor for both foreign and local SMMEs owners. Local SMME owners emphasised that their business skills are largely developed through practice, family involvement, and informal training. These skills are mainly applied to improve customer satisfaction and operational efficiency. As evident in participant *P-13-RSA7*.

“I have employees who are taught about the industry very well and those are family members, and they have special skills; they know how to mix and satisfy customer’s needs” (P-13-RSA7).

This indicates that local SMMEs often rely on internally developed, family-based skills to sustain service delivery. However, such skills are primarily operational in nature rather than managerial or strategic.

Participant *P-15-RSA8* highlighted the role of training and experiential learning:

“I got to learn more about this industry skills through a workshop... I can raise chicks to a full team through those training sessions. I even got some skills from failed businesses; I can now manage my business finances and deliver quality services” (P-15-RSA8).

This demonstrates that while local entrepreneurs do acquire skills through workshops and experience, these competencies are often developed after business entry, reflecting a reactive rather than pre-planned skills development process.

Similarly, participant *P-5-F3* explained the role of family-based learning:

“I worked at the salon where my mother was working. I grew my skills from there for three years. I mastered my talents from there” (P-5-F3).

This suggests that skills are transmitted informally through apprenticeship-like exposure, reinforcing the importance of family networks in shaping entrepreneurial capability. The findings of this study indicate that while local SMME owners do possess relevant business skills, these are often acquired gradually through experience and informal learning. As a result, they are primarily focused on customer satisfaction and

day-to-day operational survival, with limited emphasis on advanced managerial competencies.

In contrast, these findings suggest that foreign-owned SMMEs are more likely to utilise skills gained from prior structured experience, which enhances their financial management, operational efficiency, and strategic decision-making. This gives them a stronger foundation for business growth and sustainability.

The findings of this study revealed a clear differentiation in skill utilisation: foreign-owned SMMEs convert prior experience into strategic business capabilities, while local-owned SMMEs predominantly develop operational skills through practice and adaptation. This difference contributes to variations in business performance and competitiveness between the two groups. These findings are consistent with Fatoki (2021), who argues that many local SMMEs struggle due to limited financial and managerial skills. In contrast, Nazir et al. (2024) emphasise that immigrant entrepreneurs benefit from transferable skills acquired through prior business involvement, which strengthens their competitive advantage and overall business success.

4.2.2 Social capital

4.2.2.1 Kinship network

The kinship network emerged as a major business success factor for both local and foreign-owned SMMEs. Local SMME owners primarily rely on kinship networks for emotional support, labour, and cost reduction. Family members are often employed within the business, reducing labour costs and increasing trust. This is reflected in the following responses (RSA 8 and 5).

*“I don’t have employees from outside, so I employed my aunty to help with deliveries this was a way to help me reduce salary costs as she understands if business did not do well”***(P-15-RSA8)**

*“I work with my family members in my business, so I do not have external employees”***(P-11-RSA5)**

This indicate that kinship networks provide a survival mechanism for local SMMEs by lowering operational costs and ensuring business continuity, even during periods of low performance.

Foreign-owned SMMEs, kinship networks play a more strategic and economically driven role. These networks are used to mobilise financial capital, share resources, and create business linkages that enhance profitability. Participants highlighted the importance of collective support and cooperation:

“While in here my brothers collect money to help me start my business of selling duvets. My business has been operating for 9 years now and it's open from seven to five. I have two employees ”(P-6-F4)

“A brother of mine who own same business as mine has introduced me to his fellow business brothers who are involved in bulk buying of stock, this has made a very significant change to my business because we share transportation costs, and we share discounts, and this makes me a happy businessman because the level of my profits has gone up.”(P-2-F1)

“My uncle gave me space and money to buy materials so that I could open a carwash which I did”(P-14-7).

It is evident that foreign-owned SMMEs leverage kinship networks not merely as sources of social support, but as strategic economic resources that facilitate business expansion, cost-sharing, and enhanced profitability. This suggests a more systematic and commercially oriented utilisation of social capital.

The findings of this study indicate that kinship networks function as a growth enabler for foreign-owned SMMEs, whereas for local SMMEs they operate mainly as a survival mechanism. This difference highlights the unequal conversion of social capital into economic value between the two groups. Similarly, a study by Crush (2017) confirmed that foreign entrepreneurs rely strongly on family ties for resources and supply access, while local owners access resources from rich family's networks.

4.2.2.2 Social network

Social networks emerged as a significant component of social capital contributing to the success of both local- and foreign-owned SMMEs. However, a clear distinction is evident in how these networks are utilised by the two groups, with foreign-owned SMMEs demonstrating a more strategic and expansion-oriented application.

Both local and foreign participants emphasised the role of social media platforms in maintaining customer relationships, enhancing visibility, and increasing market reach. For instance, one participant highlighted how online engagement directly contributes to business growth:

“I showcase my talent on TikTok and Facebook and this has been so successful because I receive bookings from people online even those that are not from here which is good for business” (P-5-F3).

Similarly, a local participant indicated:

“I am very present in social media platforms, and I am known by many even outside my area and I receive orders from outside” (P-11-RSA5).

These findings suggest that both groups utilise social networks to strengthen customer relationships and expand their client base beyond their immediate geographic locations. Social media, therefore, serves as an important marketing and communication tool for SMMEs. However, beyond customer engagement, foreign-owned SMMEs appear to leverage social networks more strategically for business collaboration, information sharing, and market intelligence. This is illustrated in the following excerpts:

“I leverage so much on social media; me and my fellow business brothers post each other’s businesses on our social media pages... so all win” (P-10-F6).

“We have fortunately formed a group on WhatsApp... we use it to mostly share information about reliable suppliers... we collaborate, especially to cut costs... others share information about what’s new in the market” (P-6-F4).

Participants demonstrate that foreign SMME owners utilise social networks not only for marketing purposes but also as platforms for collective action, resource sharing, and strategic decision-making. Such practices enable them to reduce costs, access reliable suppliers, and remain responsive to changing market trends.

In contrast, while local SMMEs also benefit from social media visibility and customer engagement, their use of social networks appears to be more limited to marketing and customer interaction rather than broader strategic collaboration as evident in participant P-7-RSA3.

“This place is very popular... I worked with social influencers... now it’s very popular; everyone knows about it, and we engage very well with our customers using social media” (P-7-RSA3).

The findings of the study shows that while both local- and foreign-owned SMMEs utilise social networks to maintain customer relationships, foreign-owned SMMEs derive greater strategic value from these networks. They actively use them to foster collaboration, share critical business information, and enhance market access, thereby gaining a competitive advantage. This distinction highlights the comparative nature of the study and underscores differences in how social capital is mobilised across the two groups. These findings are consistent with Urban et al. (2024) and Fubah et al. (2022), who found that immigrant entrepreneurs often achieve competitive advantage through effective utilisation of social networks, particularly in reducing operational costs and improving access to markets.

4.2.3.3 Group network

Group networks emerged as a significant success factor predominantly utilised by foreign-owned SMMEs within the municipality. The findings reveal a clear distinction between foreign- and local-owned SMMEs in terms of participation in structured, collective networking systems.

A foreign participant highlighted the importance of such networks

“.....I leverage from the network group that was created by my fellow Indians business owners, which really helped my business to find reliable supplier.....”(P-10-F6)

Participant demonstrated that group networks serve as a strategic mechanism through which foreign-owned SMMEs access reliable suppliers, thereby reducing uncertainty and improving business operations. Importantly, these networks extend beyond simple information sharing and function as platforms for collective economic action. Through group-based collaboration, foreign SMMEs are able to engage in bulk purchasing, negotiate better prices, and share transportation costs. These practices significantly reduce operational expenses and enhance profitability.

In contrast, the findings indicate that local-owned SMMEs exhibit limited or no participation in such group network structures. The absence of coordinated group networking among local entrepreneurs suggests a more individualistic approach to business operations, which may restrict their ability to benefit from economies of scale, shared market information, and collective bargaining power.

This comparatively foreign-owned SMMEs strategically mobilise group networks to strengthen their competitive position and ensure business sustainability while local-owned SMMEs underutilise this form of social capital, which may constrain their growth and long-term success.

These findings are consistent with Urban et al. (2024), who found that group networks significantly enhance the performance of foreign-owned SMMEs through cooperative approaches and effective social capital utilisation. Furthermore, their study indicates that the limited engagement of local SMMEs in such networks restricts their expansion and access to critical business resources.

4.2.3.4 Information sharing

Information sharing emerged as a key dimension of social capital, particularly among foreign-owned SMMEs, who rely extensively on networks to exchange market-related knowledge and business intelligence. The findings reveal a clear distinction between foreign- and local-owned SMMEs in the extent and strategic use of information-sharing practices as evident by the foreign P-2-F1.

“It's very important to have connections with other people with businesses, especially immigrants' owners. Having such connections has a positive impact on business because we share information about new trends and products on market demand. We have a concept of bulk buying with my brothers which saves costs. Together we have built a very strong relationships with reliable suppliers because we buy more and we receive discounts.”(P-2-F1)

In contrast, there is limited evidence to suggest that local-owned SMMEs engage in similarly structured or consistent information-sharing practices. While local entrepreneurs may access information through informal means, the absence of organised networks limits their ability to benefit from shared market knowledge,

coordinated purchasing, and established supplier relationships. As a result, local SMMEs may face greater challenges in identifying market opportunities and securing competitive pricing.

4.3.3 Cultural factors

Cultural factors emerged as an important determinant of business success for both foreign- and local-owned SMMEs. However, the findings reveal notable differences in how cultural values are internalised and translated into business practices across the two groups.

Foreign-owned SMME owners demonstrated a strong reliance on cultural norms that emphasise hard work, financial discipline, and entrepreneurial commitment. These values appear to shape their work ethic and long-term business orientation. As evident in P-14-F7.

“ My culture does not allow women to work; their job is to take care of the house while I provide what drove me here. I make sure that I send money home to ensure that my family is surviving which is why I keep motivating myself and I am disciplined I do not waste money but rather I invest in my business that’s why I bought machines to make my work easier and quicker” (P-14-F7)

Participants highlighted how cultural expectations around family responsibility and financial provision motivate disciplined financial behaviour and reinvestment in the business. Such practices contribute to business sustainability and growth.

Similarly, the importance of long working hours as a culturally embedded practice was emphasised:

“I wake up very early in the morning by six o'clock. Business will be running unlike my competitors, my brothers taught me to work long hours. Now, they have been operating with other foreign nationals”(P-2-F1)

The findings of this study illustrates that foreign-owned SMMEs often adopt extended working hours as a competitive strategy, rooted in cultural teachings that associate hard work with business success. These practices enable them to maximise customer access and increase revenue generation. In contrast, local-owned SMMEs tend to draw on cultural factors in ways that strengthen customer

relationships and enhance market responsiveness. Cultural familiarity allows local entrepreneurs to better understand consumer behaviour and preferences.

“ I know my people, their tastes and preferences. I easily identify any changes through the relationship I have with them. I make sure that I respect them at least that’s what my culture taught me”(P-1-RSA1)

Participant 1 RSA1, demonstrates that local SMME owners leverage cultural proximity and social embeddedness to build trust and maintain strong relationships with customers, which is critical for customer retention and satisfaction.

Additionally, cultural values related to religion and moral principles were found to influence business practices among some foreign-owned SMMEs:

“I valued my culture very well because I believe it is the cornerstone behind this business success. I follow up all morals and principles to ensure my business success, that is why every day I close my shop for an hour to pray and ask for protection from the All-mighty One”(P-10-F6)

This suggests that cultural and religious beliefs not only shape personal values but also influence daily business routines and decision-making processes.

The study finds that foreign-owned SMMEs tend to utilise culture as a driver of discipline, hard work, and financial management, whereas local-owned SMMEs leverage culture primarily to strengthen customer relationships and respond effectively to market demands. These differences highlight the multifaceted role of culture in shaping entrepreneurial behaviour and business outcomes. These findings are consistent with Mampheu (2019), who emphasised the role of cultural values in influencing entrepreneurial practices. Similarly, Essa (2019) found that immigrant entrepreneurs, particularly Pakistani business owners, prioritise long working hours as part of a cultural work ethic that links effort to financial returns. This supports the argument that culturally embedded behaviours contribute significantly to the performance and sustainability of SMMEs.

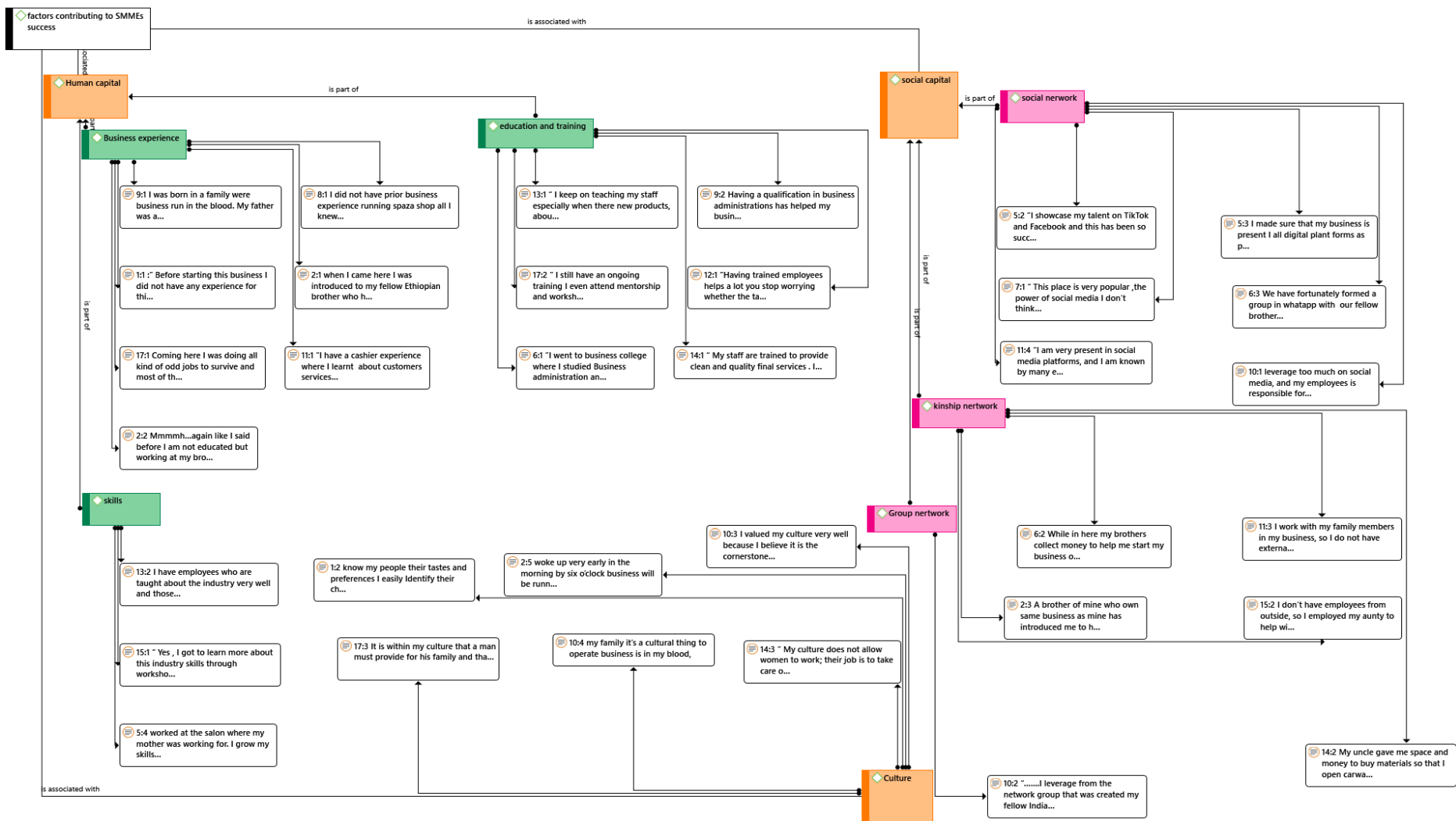


Figure 4.1 : Factors contributing to SMMEs success

Source : Factors contributing to SMMEs success network, using Atlas ti.

4.4 Challenges faced by local- and foreign-owned SMMEs in the Thulamela Local Municipality

4.4.1 Financial constraints

Lack of financial access emerged strongly as a challenge that is mostly affecting foreign-owned SMMEs. The availability of capital determines whether the business will be able to sustain and grow itself. Participants expressed irritations with limited funding opportunities available to assist them start and grow their business. The foreign SMMEs-owners are denied access to finance due to discrimination and the many documentation requirements which they are often unable to meet. This is evidenced by the responses of P-2-F1 and P-6-F4.

“Accessing financial loans is so difficult. I remember when I had to start my spaza shop, though I saved some money for my business, it was not enough. When reaching out for a loan too many documentations was required, and I ended up not getting a loan”(P-2-F1)

“Before my brothers decided to collect money for me and my business, we thought of going to access finance from one of the financial service providers here in South Africa and that’s where I felt discriminated against because upon hearing my nationality my request for financial assistance was denied. There is too much racism in this country which is also a problem.....”(P-6-F4)

The findings of this study reveal that SMMEs’ owners encounter challenges when acquiring external finance; however foreign owners of SMMEs find it extremely difficult to access finance due to complex administrative paperwork, regulations and exclusion due to discrimination.

This study's findings support the results of Peberdy (2020) and Fatoki (2022), who found that institutional discrimination and documentation obstacles consistently prevent foreign business owners from participating in government funding initiatives. The results of this study are also supported by Sibiya, Westhuizen and Sibiya (2023) whose findings mentioned that owners encounter persistent challenges in obtaining funding, although there are a wide range of available financial sources, which include

both public and commercial sector loans. These small businesses, unfortunately, do not have sufficient access to utilize their advantages.

4.4.2 Crime

Crime emerged as a major challenge that is affecting both local- and foreign-owned SMMEs operations. Participants expressed concerns regarding gangsterism, shoplifters, unfaithful employees and vandalism which have resulted in cost increases and stock decrease.

“Mumm, eish... the issue of crime is also a challenge because of gangsterism that targets small businesses like mine to I am forced to safeguard my shopc ”(P-1-RSA1)

“Crime is on another problem; my goods have been stolen few times; you will find while doing stock taking that the stock is not balancing because of shoplifters....”(P-2-F2)

“.....unfaithful employees steal my business money. I must constantly change employees hoping for the better one...”(P-12-RSA6)

“.....well, I also experienced a lot of vandalism in my business , pipes being stolen and I think it is because of these nyaope boys, I have replaced electrical cable on water boreholes several times, it is said they steal them from the community and sell copper for money.....”(P-14-F7)

Local SMMEs-owners are forced to hire protection companies to protect their assets; this has resulted in additional costs, and it constantly drains their business profits. Foreign SMMEs-owners build small rooms and install security alarms even if it means risking their lives as expressed by P1-RSA1 and P2-F1.

“I am forced to hire protection company, and this comes with additional costs which further drains my profit”(P-1-RSA1)

“ I had to build a small room behind my shop to stay there and install security alarms. In case someone tries to gain unauthorized entry I will stay alert and wake up even though its risky to my life.” (P-2-F1)

The results reveal that both local- and foreign-owned SMMEs are suffering from criminal activities such as burglaries, shoplifting and vandalism in the Municipality.

Both groups are subjected to high operating costs from spending on additional security, causing low profit margins, from the consequence of these crimes. The findings of this study are supported by Herrington and Kew (2017) who note that crime is the top challenge reported by the township entrepreneurs.

4.4.3 Cultural and social adaptation

Issues with cultural and social adaptation is another major challenge that is mostly affecting foreign-owned SMMEs in the Municipality. These owners mentioned difficulties in adapting to the local cultural aspects, stating that these contradict their way of doing things. They further have difficulties when building trust with potential customers as they take time to consider their services offering; this point is evidenced by the expressions of P2-F1 and P5-F3.

“I struggled to adjust with local culture it’s so different to my culture we do a lot of things differently...”(P-2-F1)

“...building trusts with the new customers takes time to make purchasing decisions for services I offer they fear they may lose some parts of their property...(P-10-

... it is difficult to build a brand as foreigner because of customers’ trust.....”(P-5-F3)

These responses indicate that foreign-owners of SMMEs have difficulties adjusting to local and social norms. These owners struggle to adjust to local cultural expectations and social norms, which makes it challenging to gain the trust and confidence of potential customers.

The results of this study are consistent with those of Khosa and Kalitanyi (2020), who discovered that foreign business owners encounter difficulties assimilating into South African communities due to cultural differences and low social acceptance. This point also backs up the findings of Masara and Nieuwenhuizen (2020), who found that SMMEs' foreign owners' cultures make it difficult for them to adapt to market dynamics

4.4.4 Cash flow management

Cash flow management emerged as a significant challenge affecting only local owners of SMMEs in the Municipality. Participants expressed that they find it difficult to

manage their finances due to non-payment by creditors. They mentioned that often customers take their products and services offered on credit but they, sometimes, do not pay on time; these harms their cash flow. This is supported by the views of P1-RSA 1, P8-RSA4, P15-RSA 8 and P16-RSA9.

“...I also experience cash flow management problems. I do give out my stock on credit especially when I have too much stock at hand because often customers take time to repay me...” (P-1-RSA1)

“ I also lost control of my cash flow because customers no longer want to buy cash;, they take my staff on credit, and they don’t usually pay back on time...”(P-8-RSA4)

“People take my stock on monthly basis, and they don’t all pay on time; it’s hard for me to see profit as it becomes difficult to manage finances “(P-15-RSA8)

“ Every time I render my services customers doesn’t always pay full amount , they paid in small amounts and sometimes they don’t pay on time”(P-16-RSA9)

The results of this study show that among the two groups, local SMMEs’-owners face difficulties with cash flow management. Local SMMEs’-owners attest that their cash flow is severely harmed by customer credit practices, which result in operational shortages of stock and irregular liquidity. The results corroborate the findings of Dzingirai and Ndava (2022), who revealed that many SMMEs have insufficient cash flow balances as a result of liquidity problems brought on by accrued interest on past-due payments and weak customer repayment of credits.

4.4.5 Government regulations and licensing

Government rules, regulation and licensing are affecting both local- and foreign-owned SMMEs in the Municipality. Both groups of SMMEs’ owners expressed concerns regarding the administrative processes, mentioning that they are time-consuming and often affect their business operations. Participants complained about long waiting periods for operational licences and short time-expiry licences. This is evidenced by the following quotations from the participants:

“ As a foreigner I had to comply with the laws that are drawn by the local municipality because of my nationality. It is time consuming, especially the amount of paperwork needed. It is exhausting and the amount we pay for permits

is higher compared to the local ones. The process alone slows down my business operations”(P-14-F7)

“.....Issue of getting licences , I think government needs to intervene with these people takes time to grant licences and that also create delays when starting business.....”(P-6-F4)

“ We must comply with government rules every time and ensure that our licenses are up to date and routine checks of our vehicles are costly and time-consuming”(P-12-RSA6)

This study reveals that government rules, regulations and licensing procedures impose major challenges on the operation of both local- and foreign-owned SMMEs, but despite the fact that both groups experience inefficiencies from administrative and compliance costs, foreign SMMEs owners experience major challenges regarding immigration verification procedures. This study's findings align with those of Sibiya and Kele (2019), Chimucheka (2020), and Sibiya *et al*, (2023), who found that government laws, norms, and licensing requirements frequently function as hindrances to the growth and sustainability for both domestic and international SMMEs

4.4.6 Lack of support and government services

The absence of government support and services has a great impact on both local- and foreign-owned SMMEs. A frustrated foreign SMME-owner complained about the lack of infrastructure maintenance which is greatly impacting their business operations negatively.

“The issue of infrastructure, we do not have proper structures to operate our businesses, and government or municipality are not doing enough to maintain the existing ones and also the area is not clean people are forced to eat in a dirty place here at Thohoyandou.”(P-9-F5)

Similarly, local SMMEs'-owners expressed frustrations with the government that does not deliver what it promises. They are worried because the government financial institutions have limited services and they take time to fulfil their promises .

“ We have an unreliable government who only makes empty promises. I applied for government support as they encouraged chicken farmers to apply so that they may give food to feed our chickens with the aim to encourage growth. it’s been five years now since”(P-15-RSA8)

The findings of this study reveal that both foreign- and local SMMEs’-owners are affected by lack of government support and services. Lack of infrastructure maintenance and complicated administrative paper-works from government institutions hinder their business growth. The findings of this study correlate with Wiid and Cant (2021) who mention that the lack of proper communication with SMMEs’ owners, regarding qualification criteria for government support programs have led to the rejection of applications for funding.

These study findings support the views of Huang and Liu (2019) that immigrant-owned SMEs are often at a disadvantage when it comes to accessing formal financing, including government and bank loans guaranteed by the government. Compared to domestic firms, these enterprises face lower probabilities of obtaining such funding, which can limit their capacity for growth and investment (Huang and Liu,2019). This disparity highlights the financial barriers that immigrant entrepreneurs frequently encounter within the host country’s economic system.

4.4.7 Market and competitive pressure

Market and competitive pressures were identified as major challenges affecting both local- and foreign-owned SMMEs. Local SMMEs’-owners showed concerns regarding rising competition from the foreign owners who are using a low-price strategy to attract customers in the area. This point is made by P1-RSA1 and P8-RSA4.

“When I started this business in this area, I was the only one selling clothing products. Things were going well in my business. Two years later two shops opened not far from here owned by Ethiopians selling exactly similar products as mine. I started to feel the impact financially because I am making lower profit than I used to before those competitors arrived.”(P-1-RSA1)

“I am experiencing a lot of competition. Back then I was the only one having spaza shop now are five in the same neighbourhood and one of them is the Somalians who sells products at a cheaper price....”(P-8-RSA4)

Both foreign- and local-owners report challenges from established businesses that sell digitally. Participants mentioned that they have lost customers and they find it difficult to navigate the pricing strategy. This is evidenced by quotations from P7-RSA3, P2-F1 and P6-F4:

“ I compete with large businesses such as new cafes and other fast-food restaurants and it's tough since my business is small.”(P-7-RSA3)

“.....another thing is the competition that we have with the big shops ...”(P-2-F1)

“Competition is tough, we no longer compete with locals. The radical online practices have changed the face of completion to be stiffer. We have lost a lot of customers due to businesses that sell online. We find it difficult to compete with the business that does not pay rent like we do and it's also difficult to navigate a pricing strategy that will benefit our business.”(P-6-F4)

Participants 3,12,14 complained about the growing competition in the area; they indicated that it was intense. Others blame lack of creativity and innovation, for when individuals choose to start business, they copy what existing businesses are doing; this has led to business owners sharing the same customers in the segment.

“ I have been experiencing low income compared to my starting time , remember when I came here there was only 6 taxies operating in this area now, we have over 50 taxies and were sharing same customers and to make things worse people now days have their own motors, it is tough”(P-12-RSA6)

“ Looking at the area and how small it is we already have three car washes , but starting I was the only one operating. I feel like people from here are lazy thinkers they only copy other people's idea instead of being creative and starting something new; this is a challenge to my business”(P-14-F7)

“I am forced to align my pricing strategy with those of local competitors even though the quality of my work does not match. People want nicer things at lower price.”(P-5-F3)

The findings of this study reveal that both local- and foreign-SMMes'-owners suffer from stiff competition in different ways. Local owners experience severe competition

from foreign owners through their low pricing strategy, while both groups commonly experience competition from established businesses which negatively impact their business profit returns. This study's results contradict those of Kalita and Chepurenska (2020), who discovered that SMEs that solely operate in local markets are less impacted by competition from big international corporations. This study, however, confirms the findings of Wu and Parkvithee (2017), which conclude that globalization makes SMEs more vulnerable to competition from both domestic businesses and multinational corporations, and that there is intense competition between locally owned businesses and foreign-owned Chinese SMEs, necessitating a greater awareness of the competitive environment.

4.4.8 Xenophobia, stereotyping and discrimination

Challenges of xenophobia, stereotyping and discrimination emerged from among foreign owners of SMMEs. They complained that they experience discrimination and racism when looking for financial access to start their businesses. This is expressed by P6-F4.

“Before my brothers decided to collect money for me and my business, we thought of going to access finance from one of the financial service providers here in South Africa and that’s where I felt discriminated against, because upon hearing my nationality my request for financial assistance was denied. There is too much racism in this country which is also a problem.”(P-6-F4)

Participants mentioned that their shops are being attacked particularly because of their nationality. Furthermore they are falsely accused, and their name have been tarnished, creating a barrier to building trust with potential customers of their businesses. Some foreign owners were forced to close their businesses which has greatly impacted their profits. This is evidenced by the quotations of P2-F1, P5-F3 and P14-F7.

“I do not know if I am being attacked because of nationality or not. Every time when thief comes, they mostly attack my shop. I have been replacing my equipments several time than I can remember, compared to my competitors”(P-5-F3)

“ People spread negativity about my business. I was accused of selling marijuana at this specific carwash I never know anything about and even though I have

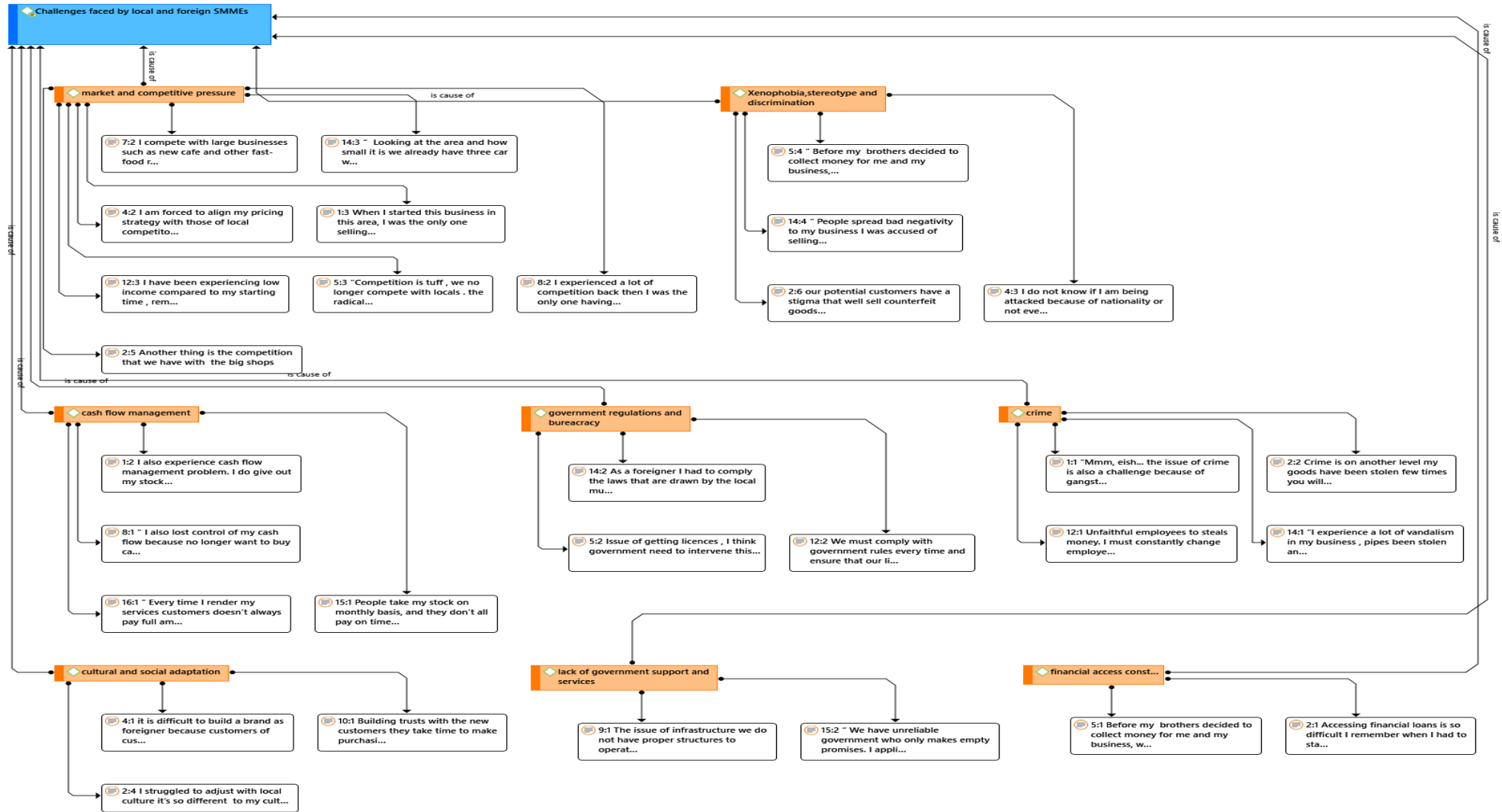
cleaned my name others are still living under the same perception. People don't want to be associated with bad people, so I lost some customers”(P-14-F7)

“..... our potential customers have a stigma that we sell counterfeit goods; for example recently, I had to shut down my spaza for few months due to outrage over a death that was allegedly caused by food poisoning which the blame was put on us foreign nationals' and no profits were made during the time...”(P-2-F1).

This finding reveals that Xenophobia, stereotyping and discrimination are affecting foreign SMMEs'-owners. The results of this study reveal that foreign SMMEs'-owners experience discrimination when seeking for fundings and getting licences and they are attacked because of their nationality.

The results of this study are consistent with those of Lelope (2019), who discovered that xenophobic attacks had a direct detrimental impact on foreign-owned enterprises by disrupting their business operations. Jealousy, anti-foreign sentiments, unemployment, a dearth of economic possibilities for black South Africans in the area, poverty, and criminality are some of the causes of these attacks (Lelope, 2019).

Figure 4.2 : Challenges faced by local and foreign SMMEs network using atlas t



4.5 Strategies employed by foreign-owned businesses

4.5.1 Bulk buying

Foreign SMMEs'-owners have continuously been involved in bulk buying of stock as their strategy to increase footprint in the business. This strategy enables these businesses to reduce cost and to ensure that there is constant stock on the shelves. This practice has allowed the foreign SMMEs'-owners to lower their costs and grow their profits margins through discounts. This is evidenced by the expressions of P-2-P-2-F1, and P-9-F5.

"I have recognized the importance of having stock on my shelves seeing customers coming and going without their products has made me realize that I must always have stock on my shelves. A brother of mine who owns the same business as mine has introduced me to his fellow business brothers who are involved in bulk buying of stock. This has made a very significant change to my business because we share transportation costs, and we share discounts, and this makes me a happy businessman because the level of my profits has grown up."(P-2-F1)

"I buy products in bulk so that I can get discounts, especially when there are sales in these big supermarkets. I save more and gain more"(P-9-F5)

This point shows that owners of foreign-owned SMMEs use bulk buying to raise their profit margins and lower their costs, by getting lower pricing and lower transportation costs. These dynamics greatly support the findings of Mofokeng and Chinomona (2019), who observed that one of the best indicators of enhanced SME success is supplier integration. Chidau et al. (2022), who also note that immigrant-run stores in Ekurhuleni use collective bulk purchasing and co-investment to boost their competitiveness by securing cheaper wholesale costs.

This strategy is effective because it lowers procurement costs and ensures product availability, allowing businesses to remain competitive through lower pricing. However, its applicability to local SMMEs is limited, as many lack sufficient capital and access to collective purchasing networks. Local SMMEs may need to form cooperatives to benefit from similar advantages.

4.5.2 Business operation

4.5.2 Business Operation

Foreign-owned SMMEs are widely characterised by extended business operating hours, which constitute a deliberate competitive strategy aimed at maximising customer reach and increasing daily revenue. The findings indicate that these businesses typically open early in the morning and close late in the evening, thereby capturing different customer segments throughout the day, including early commuters, workers, and late-evening clients. This operational model reflects a strategic focus on market coverage and revenue maximisation rather than adherence to standard trading hours.

A participant P-2-F1 explained this approach as follows:

“What can I say? I am not a lazy person, I'm here to make money. I wake up very early in the morning and by six o'clock business will be running unlike my competitor... by the time they open around 8 I have already made a lot of money...” (P-2-F1).

This study findings illustrates that early opening hours provide a competitive advantage by allowing foreign-owned SMMEs to capture high-demand morning markets, particularly commuters and school-going customers. The comparison with local competitors also reflects a perceived market differentiation based on time of operation.

Similarly, participant P-5-F3 emphasised customer-oriented flexibility beyond standard working hours:

“I work at a time that's convenient to my customers... I respond even though working hours have elapsed. I provide a reliable schedule for my clients” (P-5-F3).

The finding of this study demonstrates that extended operating hours are not only about availability but also about service responsiveness and customer convenience, which strengthens customer loyalty and repeat business. Furthermore, participants highlighted niche targeting strategies enabled by late trading hours:

“My business does not close early... I target taxi drivers... I wash for them and often times I clean 7 to 10 cars in the evening” (P-13-F7).

This indicates that extended operating hours allow foreign-owned SMMEs to serve specific market segments, particularly those whose demand occurs outside conventional business hours, thereby increasing utilisation of business capacity and daily turnover. The findings of this study demonstrate that foreign-owned SMMEs strategically utilise long and flexible operating hours as a mechanism for revenue maximisation, customer retention, and market segmentation. This operational approach enables continuous income generation and strengthens competitive positioning, particularly in highly informal and time-sensitive markets.

Furthermore, this strategy is potentially adoptable by local-owned SMMEs due to its low financial requirements. However, its implementation may be constrained by contextual factors such as personal safety concerns, labour availability, regulatory considerations, and work-life balance pressures. These constraints may limit the extent to which local entrepreneurs can fully replicate the operational intensity observed among foreign-owned SMMEs. Furthermore, this strategy is effective because it maximizes customer reach and increases daily revenue. Unlike other strategies, extended operating hours are highly transferable to local SMMEs. However, factors such as safety, labor, and personal constraints may limit full adoption.

These findings are consistent with Ndimande (2023) and Willie (2024), who found that longer operating hours significantly contribute to increased turnover and competitive differentiation in informal retail markets. However, they contrast with Malgas and Zondi, who argue that the success of foreign-owned SMMEs is primarily driven by pricing strategies, informality, and regulatory avoidance rather than extended trading hours. The present study, however, provides evidence that operating hours constitute a distinct and deliberate strategic advantage.

4.5.3 Cross promotion and partnership

Foreign SMMEs owners engage in cross promotions and partnership as a way of increasing customers footprint in their businesses, hence, through referrals. This strategy helps foreign SMMEs'-owners to reduce marketing costs and intensify their market positioning. Participants form partnerships and collaborations with the businesses that are outside their areas of speciality, as evidenced by the remarks of Participant 10-F6.

“I work very well with the mechanics around this area; we have a very strong relationship in which we cross-promote each other’s businesses. A mechanic will refer a customer to my shop for a special tool to fix their cars and I do the same for a customer who comes to my shop to buy tools without referral. I direct them to the mechanic who specializes on the specific car problems. I know different mechanics and their areas of their specialization in that way my business including theirs grows and this strategy works perfectly”(P-10-F6)

Through this strategy, foreign SMMEs’-owners engage with potential customers who engage in reciprocal marketing that allows flow of customers between these businesses without spending money on formal advertisements. This strategy allows more cooperation through leveraging on social capital between the businesses rather than competition.

“There are three Indian shops down the road, they all sell car parts so we have partnered with them by referring our customers who may need oil changes on their cars and those who may be needing certain parts. We both benefit by recommending customers to come to our business. Workers who work around this area are also given discounts so that they don’t go elsewhere while we are available to offer same service”(P-14-F7)

The findings of this study reveal that the foreign SMMEs’-owners use cross promotion strategy to form collaborations and partnership to extend marketing reach and reciprocal marketing to leverage on mutual referrals, thereby, increase customer base. This means foreign SMMEs’-owners outmaneuver local SMMEs’-owners using partnership and reciprocal marketing as competitive advantage to their businesses. The study’s conclusions are consistent with those of Chidau, Khosa, and Philips (2022) who revealed that immigrant business owners employ a variety of marketing strategies, such as word-of-mouth and advertising, to increase their profits.

This strategy is effective because it leverages social capital to increase market reach at minimal cost. It is transferable to local SMMEs, particularly if they build strong local business networks. However, it requires trust and collaboration, which may not always be present.

4.5.4 Direct marketing and negotiations

The themes, direct marketing and negotiations emerged as major strategies that foreign SMMEs'-owners used to influence sales in their businesses. The face-to-face engagement with customers allows these participants to influence consumer buying decisions without any interference, promote their products and also to form interpersonal relationships with the customers, as expressed by the views of P3-F2 and P14-F7.

“Me coming directly to my customers has really helped in terms of marketing and negotiations because it allows me to talk more about my products direct to the customers without any interference, I get enough chance to influence their purchasing decisions and most times they ended up buying or taking my products.”(P-3-F2)

“My employees are trained to listen to the demands of clients and also to engage more by asking specific questions, such as asking whether the car needs full service cleaning or not and the specific spot where the customer wants us to focus on. These enable us to understand the needs of our customers and meet their demand “(P-14-F7)

The findings of this study reveal that foreign SMMEs'-owners use direct marketing and negotiations to influence the purchasing decisions of their products. This entails that foreign SMMEs'-owners actively interact with clients through direct marketing rather than waiting for them to visit their businesses. Additionally, the study discovered that these foreign owners use negotiations to provide flexible prices. These points are in line with the findings of Khosa and Kalitanyi (2020), who discovered that immigrant business owners in Cape Town rely significantly on reasonable marketing and customized revenue generation.

This strategy is effective because it enhances customer satisfaction and increases sales through personalized interaction. It is highly transferable to local SMMEs, as it does not require significant financial investment but rather strong interpersonal skills.

4.5.5 Group buying

The foreign SMMEs owners engage in group or collective buying of their stock. Different businesses come together and collectively purchase stock. Participants demonstrated the effectiveness of this strategy as it also lowers their operational costs

as transportation cost is distributed among the group. Foreign owners generate more revenue income from the discounts offered and through this strategy, they purchase quality products and services that they could not afford, if buying as individual business.

“ I do not buy my stock alone, we purchase in groups with other Indians with the same business as mine. This has been effective since we buy a large amount of inventory so that we get offers like discounts or sometimes get more products than we ordered for free. We then share the products and responsibilities such as transportation costs”(P-10-F6)

This strategy is effective because it reduces costs and improves access to quality products. However, its applicability to local SMMEs may be limited due to weaker collaboration and trust among business owners. Encouraging cooperative buying groups could help overcome this challenge.

4.5.6 Multiple businesses

Many foreign SMMEs'-owners operate multiple businesses. Participants explained that this strategy allows them to have a simultaneous revenue stream which is suitable for long-term financial growth of their businesses. Through this strategy foreign SMMEs owners do not rely on a single business profit, therefore, the financial risks are reduced as they are spread among different businesses. Participant 9, for instance, explained that customers may not want to buy from one business, but they will buy from the next which is also hers, that way she does not lose income.

“ I have opened four more business near me, so customers don't know that by refusing to buy from me going to the next market they are also buying from me, that way I do not lose”(P-9-F5)

“Going forward I got a job as a cook assistant where I got familiar with popular South African food. It did not take long until I opened my own . I found my own spot at first through my savings and now It has given birth to five spots around the same area.”(P-9-F5)

This study found that foreign SMMEs'-owners are involved in diverse ownership of businesses, such as owning a restaurant and car wash at the same time, as a strategy

to maximize revenue stream and reduce profit loss. This study's results are consistent with Rogerson's (2021) assertion that immigrant entrepreneurs operate their companies concurrently to optimize profits. This demonstrates that foreign SMMEs'-owners intentionally employ dual business ownership as an entrepreneurial approach.

This strategy is effective because it creates multiple revenue streams and reduces dependence on a single business. However, it may be difficult for local SMMEs to implement due to limited capital and resources.

4.5.7.Pricing strategy

Foreign SMMEs'-owners utilize a low-price strategy to attract customers. Participant 3 explained that using a low-price strategy means that the shelves are always running out of stock. This strategy enables quick income generation because it attracts more customers who often buy their products in bulk.

“My work is not that expensive compared to some businesses, pricing is everything. I believe that if I get more customers charging less price in a small amount of time, than waiting for one customer in three month is better, I make more money than other competitors “(P-3-F2)

“ I have set my product at lower prices that helps me because I am able to get more customers and offer discounts to those buying in bulk.”(P-6-F4)

Participants use low price strategy to also drive competitors away from the market and attract customers, specially from local SMMEs'-owners.

“My pricing is different from those competitors, for instance my full plate of chicken with sides is R25 while my competitors are selling it for R40. This strategy helps a lot because although I make less profit per plate I receive more customers meaning I am selling more for less and I gain more profit than my competitors”(P-9-F5)

“My pricing is different from those of my competitor, otherwise I would have gone out of business a long time ago. The market segment here wants cheaper things.”(P-5-F3)

This study's results indicate that foreign SMMEs'-owners use low price strategy as a preponderant competitive advantage to attract more customers, increase profits returns, and drive away competition, especially local SMMEs'-owners. The findings of this study support those of Rogerson (2018); Peberdy (2022), and Chidau et al. (2022), who conclude that foreign SMMEs' owners benefit from the concepts of bulk buying, group buying, and longer working hours, which enable them to lower their prices to attract more customers.

This strategy is effective because it increases customer volume and market share. However, it depends heavily on cost-reduction strategies such as bulk buying. Local SMMEs may struggle to compete on price without similar cost advantages.

4.5.8 Technology adaptation

Technology emerged as another strategy employed by foreign SMMEs'-owners. As evidenced from the interviews foreign SMMEs'-owners have actively adapted new technology, through e-payments systems, online bookings and advanced machines, to advance their businesses. Participants narrated that the use of technology enables them to extract more cashless customers compared to local businesses that have not adapted the use of technology. Participants indicated that e-bookings make it easier for them to control flow of customers and be cash flow. This technology has allowed foreign owners to expand their businesses, reduce cash-flow risks, mass produce and build relationships with online customers.

“Thanks to technology I now have access to speed points payments even when customers do not have cash at hand, they can use their cards or make transfers. I leverage that because local spaza shop owners do not consider it.”(P-2-F1)

“I have introduced e-payments systems for those booking online. They pay a deposit which is not refundable, and they settle the rest after I am done with their work”(P-5-F3)

The use of these new technologically advanced machines enables foreign entrepreneurs to generate more sells, save time and cost, by using these super quick machines that allow mass productions of services; this is confirmed by participant 14, below:

“My business utilizes super advanced technological machines that are super-fast and they clean thoroughly. They are so super-fast to extend that I can get 5 cars cleaned within an hour which is good compared to manual work. It also saves time and cuts long queues. My business has been famous for providing super quick services”(P-14-F7)

The point concurs with the conclusions of Mascruhan (2024), that customer relations are strengthened and accelerated by technology adaptation. Online ordering increases small businesses' operational resilience, according to Mhlanga's (2020), thus, technology is critical to the expansion and prosperity of the foreign-owned SMMEs.

This strategy is effective because it enhances efficiency, reduces operational risks, and improves customer experience. It is transferable to local SMMEs; however, financial and technical barriers may limit adoption.

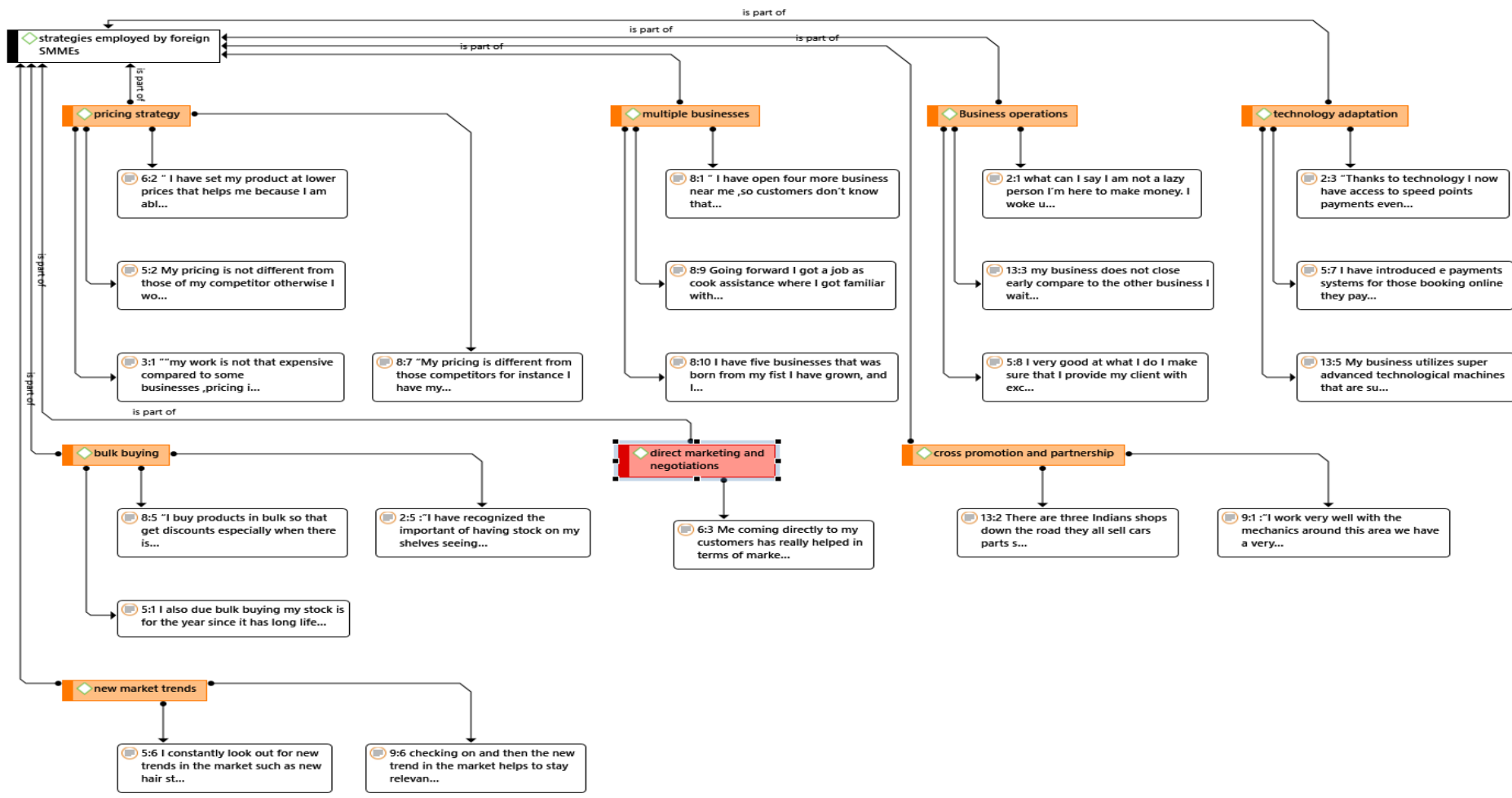


Figure 4.3 : Strategies employed by foreign SMMEs network

Source :Strategies employed by foreign SMMEs network using Atlas ti.

4.6 Conclusion

This chapter presented the findings and interpretations of the results. Data was extracted from the participants' response to the interview questions which were analysed using Atlas ti programme. The following Chapter Five presents conclusions and recommendations based on the findings and the research questions.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapters covered the introduction and background of the research, as well as a literature review, research methods, findings, and interpretations. This chapter commences with a summary of the findings from the thematic analysis and further provides conclusions by developing an understanding of the subject at hand in accordance with the research questions and objectives. Finally, this chapter describes the implications of the study for theory, practice and policy, recommendations and limitations of the study as well as direction for future research. The aim of this study is to comparatively investigate the success factors affecting local- and foreign-owned SMMEs in Thulamela Local Municipality. The specific objectives of the study were:

- a) To comparatively investigate the success factors of local and foreign-owned SMMEs in Thulamela Local Municipality.
- b) To identify challenges faced by local and foreign-owned SMMEs in Thulamela Local Municipality and
- c) To identify and evaluate strategies employed by foreign-owned SMMEs that may be transferable to improve the performance of local-owned SMMEs.

The research questions formulated to achieve these objectives were:

RQ 1: What are the success factors of local and foreign-owned SMMEs in Thulamela Local Municipality?

RQ 2: What are the challenges faced by foreign owned and local SMMEs in Thulamela local Municipality?

RQ 3: Which strategies employed by foreign SMMEs'-owners in Thulamela Local Municipality can be recommended to local SMMEs-owners to improve their performance?

5.2 Summary of the results

This study found that SMMEs in Thulamela local Municipality are succeeding because of business experience, education and training, business skills, kinship networks, social network, group network, information-sharing and cultural factors. These findings collaborate with previous studies that have found similar success factors in both local and foreign SMMEs'-owners (Urban, Murimbika and Mhangami ,2024; Herrington and Kew, 2018; Chinimona and Mago, 2020; Fatoki, 2021; Crush, 2017; Mampheu, 2019 and Essa, 2019)

Additionally, this study revealed the challenges that local and foreign SMMEs experience in the Municipality; these were - financial constraints, lack of government support and services, market and competitive pressure and crime. The study also discovered the distinct challenges facing only foreign-owned SMMEs which include - government regulation and licensing, xenophobia, discrimination and stereotyping, social and cultural maladaptation, although local SMMEs'-owners have distinct challenges with cash flow management issues. This study's findings collaborate with past results which have found challenges for both local- and foreign SMMEs'-owners (Peberdy, 2020; Fatoki, 2022; Herrington and Kew, 2017; Khosa and Kalitanyi , 2020; Masara and Nieuwenhuizen, 2020; Dzingirai and Ndava, 2022; Sibiya and Kele , 2019; Wu and Parkvithee, 2017; Wiid and Cant , 2021 and Lelope, 2019).

Furthermore, this study uncovered strategies that foreign SMMEs'-owners employ to remain competitive; these common strategies include - bulk buying, business operations, cross promotions and partnership, direct marketing and negotiations, group buying, multiple businesses, pricing strategies and technological adaptation. The findings of this study collaborate with other findings (Mofokeng and Chinomona ,2019; Chidau et al.,2022; Ndimande,2023;Willie ,2024; Khosa and Kalitanyi,2020; Rogerson's,2021; Mascruchan,2024; Asamoah, Nuertey, Agyeyi-Owusu, and Akyeh ,2021)

5.3 Conclusion on the research questions

This section reviews the findings of the study aligning with the research questions and objectives established in Chapter1.

RQ 1: What are the success factors of local and foreign-owned SMMEs in Thulamela Local Municipality?

RQ 2: What are the challenges faced by foreign owned and local SMMEs in Thulamela local Municipality?

RQ 3: Which strategies employed by foreign SMMEs'-owners in Thulamela local Municipality can be recommended to local SMMEs'-owners to improve their performance?

With regard to research question1:RQ1: *What are the success factors of local and foreign-owned SMMEs in Thulamela Local Municipality?* The study found that the success of local and foreign-owned SMMEs in the Thulamela Local Municipality depends mainly on human capital factors including (education and training, business skills and experience), social capital factors including (kinship network, social network, group network and information sharing) and cultural factors of long working hours and hard work. Although both groups benefit from these factors, foreign SMMEs'-owners use these resources effectively and strategically which makes them more competitive than local owners.

In the context of human capital on business experience, this study found that foreign SMMEs'-owners gained their prior business experience mainly from their family businesses and networks while local owners possess negative experience when operating their businesses as they often rely on experiments. Education and training were other success factors the study found; these have positive impact on both foreign and local SMMEs-owners success while foreign SMMEs-owners use education to enhance their business operations through innovations and strategic planning, the local SMMEs' owners, however, use it to enhance customer services. Business skill is another success factor identified; the results showed that foreign SMMEs-owners are more skilful due to prior business experience while local SMME owners use their skills to satisfy their customer's needs.

Additionally, within the context of social capital, kinship network was found to be SMMEs' success factor; this study found that foreign SMMEs' owners form a web of connections with their fellow businesspeople to practice the concept of bulk buying and to help each other's establish businesses while local owners only practise kinship network for family support.

Social networks are another factor for SMMEs' success. Foreign SMMEs' owners use social networks to expand their business through collaborations, sharing of information

and market knowledge while local SMMEs' owners use this form of network to maintain customer relations. Group network is another success factor for SMMEs' success; this study reveals that foreign SMMEs' owners form group networks to practise group or bulk buying, also to share insightful information regarding suppliers, while local SMMEs' owners showed no interest in forming group networks.

Cultural attributes are another success factor. The results show that culture has a more positive impact on foreign-owned SMMEs; through long working hours, prayers and hard work these owners ensure their business success, while local SMMEs' owners rely on the culture of building relations within the communities.

It can be concluded that although both local and foreign SMMEs' owners achieve success through human capital, social capital and cultural factors, the scope, usage and applications of these resources are greater among foreign SMMEs' owners. Foreign SMMEs' owners are more competitive due to their coordinated networks, more extensive business experience and work culture; these make them more successful than local SMMEs' owners. Local SMMEs' owners are comparatively less competitive as they do not use these resources strategically and cooperatively.

With regard to research question2: RQ 2: *What are the challenges faced by foreign owned and local SMMEs in Thulamela local Municipality?* The study focused on the challenges confronted by both local and foreign SMMEs' owners. Financial constraints were found to be a challenge affecting both groups but they have a greater negative impact on foreign SMMEs' owners due to too much administration work and discrimination. Crime is among the challenges affecting both groups of business people as they experience cost increases as a result of criminal activities. Lack of social and cultural adaptability was another challenge that has been affecting mostly foreign owners of SMMEs; these owners experience difficulties in coping with the local culture due to differences and social acceptance. Cash flow management is among the challenges that are mostly affecting local owners of SMMEs; the practice of issuing products and services on credit hinders them from having financial management control.

Government rules, regulations and licensing are among the challenges affecting both local and foreign SMMEs' owners. These businesses commonly suffer from high administrative and licensing costs, furthermore foreigners experience more challenges

relating to identification verifications. Lack of government support and services is among the challenges affecting both local and foreign SMMEs' owners. Both groups are affected by lack of infrastructural maintenance from the Municipality; this affects their business operations and it is a time-consuming process to get support from government institutions. Competition and market pressure are challenges affecting both foreign and local SMMEs' owners, both groups are commonly affected by the competition from established businesses; local SMMEs' owners are further challenged by foreign SMMEs practices, such as low pricing strategies. Xenophobia, stereotyping and discrimination are among challenges affecting the foreign SMMEs' owners, as they find it difficult to access fundings and getting licences mainly because of their nationalities.

In conclusion, while both groups share structural problems, the type and severity of these challenges differ. Local SMMEs' owners are greatly affected by skills-related, financial and operational challenges which hamper their competitive advantage for their business success. Foreign SMMEs' owners are more influenced by cultural, social and regulatory difficulties which risk their safety and legal status but do not damage their operations.

With regards to research question 3: RQ 3: *Which strategies employed by foreign SMMEs'-owners in Thulamela local Municipality can be recommended to local SMMEs'-owners to improve their performance?*

This study investigated the strategies employed by foreign SMMEs' owners to recommend which ones can improve local SMMEs performance. Bulk buying is among the strategies; foreign SMMEs' owners practise bulk buying to raise their profit margins and cut operational costs. Business operation is another strategy; foreign SMMEs' owners work longer hours which significantly raise their profit returns. Cross promotion is another strategy foreign-owned SMMEs are benefiting from reciprocal marketing, through this strategy these SMMEs increase their number of customers that enter their businesses through referrals. Multiple business is among the strategies employed by foreign owners of SMMEs to generate multiple sources of income for their business growth.

Direct marketing and negotiation are other strategies, foreign owners of SMMEs use to influence customers which have a positive impact on the profit margins. Group

buying is among the strategy; foreign SMMEs' owners form groups to make stock purchases and to share transports, hence, they benefit from discounts, reduced transportations cost and maximization of their revenue. Foreign SMMEs' owners practise low pricing as strategy to outsmart competitions; this strategy increases the level of customers volume and profit margins. Technology adaptation is another strategy employed by foreign SMMEs' owners; these businesses benefit from utilizations of advanced machines for mass production and the use of speed points for digital payments in their businesses, to increase business income.

This study concludes that foreign-owned SMMEs are successful due to the fact that they combine - innovative marketing methods, cost-cutting techniques, and adaptive business operations' strategies. These integrative strategies increase their competitive advantage and endurance, despite financial, regulatory and social limitations.

5.4 Conclusion to the research problem and contribution of the study to the body of knowledge in the area of the study

5.4.1 Conclusion to the research problem

The research problem that was investigated in this study was :

The failure rate and general closure of SMMEs remain key concerns in South Africa (Bushe, 2019). A greater percentage of SMMEs fail in their early stages; it has been estimated that the failure rate of SMMEs is between 70% and 80% (Mphewu, 2019). The lack of transformative improvements in the local SMMEs sector and the high failure rate of SMMEs (Akinyemi and Ojah, 2018; Neneh and Van Zyl, 2019) in South Africa necessitate business solutions to encourage sector growth. According to Khosa and Kalitanyi (2018), foreign- and locally-owned SMMEs face similar challenges. Additionally, foreign-owned businesses encounter distinctive challenges, such as xenophobia, racism, and language barriers. Foreign-owned SMMEs, despite these numerous challenges, continue to flourish and grow, often outperforming locally-owned SMMEs (Musara, 2019).

The existing literature on the development of SMMEs primarily focuses on local owners and makes little to no mention of SMMEs owned by foreigners. The evidence from this study shows that, both foreign and local owners benefits from human capital,

social capital and cultural factor but the extent of these benefits differs among the two groups. Foreign owners of SMMEs rely strongly on social capital, including social networks, kinship network, group network, prior business experience and value cultural beliefs of long working hours, prayers and hard work. These factors make foreign-owned SMMEs more competitive and adaptable to the ever-changing market dynamics. Local-owned SMMEs usually depend on their informal skills and limited social capital which makes them less competitive.

5.4.2 Contribution of the study to the body of knowledge in the area of study

5.4.2.1 Theoretical Contribution to the body of knowledge in the area of study

The study strengthens and extends the application of Human Capital Theory, Social Capital Theory, and Cultural Factors Framework in explaining SMME success. It demonstrates how human capital components such as business experience, education, skills, and training, together with social capital elements such as kinship networks, social networks, and group networks, influence business performance differently for local and foreign-owned SMMEs. Furthermore, the study integrates cultural factors into the theoretical discussion, showing how cultural values such as long working hours, discipline, and reinvestment of profits function as additional explanatory variables in understanding entrepreneurial success. This integrated approach provides a more holistic theoretical explanation of SMME performance.

5.4.2.2 Practical Contribution to the body of knowledge in the area of study

The study provides practical insights for local SMME owners by identifying successful strategies used by foreign-owned enterprises that can be adapted to improve competitiveness. These include bulk purchasing, pricing strategies, cross-promotional partnerships, and the use of technology such as digital payments and online booking systems. The findings suggest that adopting such strategies may enhance operational efficiency, reduce costs, and improve market access for local SMMEs. Additionally, the study highlights the importance of strengthening networking practices and business experience development among local entrepreneurs.

5.4.2.3 Policy Contribution to the body of knowledge in the area of study

From a policy perspective, the study provides valuable implications for SMME support programmes and government development initiatives. The findings suggest a need for targeted interventions that enhance access to business training, financial literacy programmes, and networking platforms for local SMMEs. Policy frameworks should also encourage knowledge-sharing between local and foreign-owned entrepreneurs to promote skills transfer and innovation. Furthermore, support programmes should consider strengthening access to markets and resources to reduce inequalities in business competitiveness within township and local municipality economies.

5.5 Implication to the theory

This study was guided by the philosopher, Gary. S. Becker (1993), who extended the theory of human capital, maintaining that businesses that invest in firm-specific human capital, including - business education, specialized skills, industry-related expertise, and managerial experience - tend to be more successful. His findings are corroborated with this study's findings, since business experience, business skills and training, were found to be drivers towards local- and foreign-owned SMMEs' success.

Furthermore, this research adhered to the theoretical framework of social capital theory. Bourdieu (1986); Coleman (1988) and Putnam (1993) stressed that social capital is acquired through networks, social cohesion, community networks, social connections, trust, and norms. This study results are consistent with the theory that kinship, social and group networks were found to be factors contributing mostly to foreign-owned SMMEs' success. This study also extends the theory of social capital by noting the use of social media as playing a significant role when businesses are building brands, advertising and establishing relationships, through digital platforms.

Finally, this study followed Wernefelt (1984) and Barney (1991) resource-based view (RBV) theory which explains the conditions under which a firm's resources can provide a competitive advantage. The RBV emphasizes the importance of four key attributes of resources: value, inimitability, rarity, and non-substitutability. Acquiring valuable, rare, inimitable, and non-replaceable resources enable businesses to achieve a sustainable competitive edge that can lead to superior performance over time (Makwarami, 2017). The findings of this study support the views of RBV theory, moreover it expands the views of this theory by illustrating how foreign owners of

SMMEs utilize resources, such as social networks, skills, work ethics and strategies to be more competitive in the market.

5.6 Implications for practice and recommendations for policy makers

5.6.1 Recommendation for policy makers

- a. Government and policy makers should lessen their administrative process when granting SMMEs licenses and registration.
- b. The government must provide workshops and programmes to spread knowledge of the available government support systems for all SMMEs' owners.
- c. Policy makers should collaborate with the South African police services and develop strategies to combat crime in the area. They can do this by developing a community support initiative that is based on business safety.
- d. Policy makers must implement policies that safeguard fair competition among SMMEs owners.

5.6.2 Recommendation for local and foreign SMMEs owners

- a. The success of foreign-owned SMMEs is strongly dominated by the power of social capital including social networks, group networks and kinship networks. The researcher, hence, recommends that local SMMEs follow the same practices by forming groups, networks and business associations to improve their business performance.
- b. Local owners of SMMEs can benefit by implementing a disciplined business culture, especially in credit control management, time management and stock control.
- c. Local owners of SMMEs can implement the proven strategies that are used by foreign owners of SMMEs, such as bulk buying, cross promotions, technological adaptation, direct marketing and pricing strategies, to improve their market positioning and competitiveness.
- d. Foreign owners of SMMEs must get involved in community projects to familiarize themselves with local culture.

5.7 Limitation of the study

The findings of this study are limited to SMMEs operating within the Thulamela Local Municipality. This geographical focus restricts the generalisability of the findings, as SMME dynamics may differ significantly across other municipalities in South Africa due to variations in economic development, infrastructure, market access, and local government support. As a result, the experiences of both local and foreign-owned SMMEs in this study may not fully represent those in more urbanised or economically diverse regions.

Furthermore, the study employed a qualitative research design with a relatively small sample size. While this approach allowed for in-depth exploration of participants' experiences, it limits the ability to generalise findings to a larger population. The small sample also means that certain perspectives or variations within the broader SMME sector may not have been fully captured.

5.8 Direction for future research

This study adopted a comparative research approach and did not specifically focus on gender dynamics. Consequently, future research could explore success factors from a gender perspective for both local and foreign SMMEs' owners, as this may reveal important different dynamics in entrepreneurial experiences, access to resources, decision-making processes, and business performance outcomes, between male- and female-owned enterprises. Such studies could contribute to a deeper understanding of gender-related challenges and opportunities within the SMME sector.

Furthermore, this study employed a qualitative research methodology, which provided rich and in-depth insights into the phenomenon under investigation but limited the ability to generalise the findings. Future researchers are, therefore, encouraged to adopt quantitative or mixed-methods approaches to enable statistical analysis, hypothesis testing, and broader generalisation across different contexts and populations. Quantitative studies could also help to identify the relative significance of various success factors and establish measurable relationships between variables.

In addition, this study recommends that future research should examine success factors within specific categories of SMMEs, such as restaurants, spaza shops, and other sector-specific enterprises. Focusing on particular industries may provide more

nuanced insights into contextual and operational factors that influence business success. Finally, further research could expand the geographical scope or incorporate longitudinal designs to assess how success factors evolve over time and across different economic environments.

5.9 Conclusion

The study aimed to comparatively examine the factors contributing to the success of both local and foreign-owned SMMEs in Thulamela Local Municipality. This chapter has presented conclusions based on the research questions and objectives. It has highlighted the study's contributions to the existing body of knowledge and discussed their implications for policy and theory. Additionally, recommendations for both local- and foreign-owned SMMEs are provided, along with the study's limitations and suggestions for future research. This chapter concludes the study.

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ANNEXTURE A: INTERVIEW GUIDE



INTERVIEW GUIDE

For the

Research Project Entitled:

A comparative investigation of the success factors affecting local and foreign owned SMMEs in the Thulamela local Municipality.

COMPILED BY: FARISO MAGODI

CONSENT INFORMATION LETTER

Dear participants,

I am Magodi Fariso, a master's student at the University of Venda. I am presently engaged in a research study entitled **A comparative investigation of the success factors affecting local- owned and foreign-owned SMMEs in the Thulamela Local Municipality**. I would like to kindly request your permission to interview you for this study. The interview may involve recording the conversation or taking notes.

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

- This study is anonymous and voluntary, and all information obtained will be confidential; You can withdraw from the study at any time without prejudice.
- All information gathered will be treated as group data and no individual will be reported on.
- This research is in accordance with the rules and regulations of the University of Venda research guidelines, and the researcher will not misuse her position as a researcher for personal power or gain.
- This research is not intended to harm the respondents or their businesses; Only respondents who are 18 years and above are allowed to participate in this study, and
- This research does not seek to establish the respondents' legal status in accordance with the Immigration Act 13 of 2002 and as amended in terms of the Immigration Act 19 of 2004.

Please take note that your name, identity details, name of your business, other business and personal details are not required, hence, anonymity and confidentiality are assured.

If you are willing to participate in this interview, please sign below:

Date.....

Thank you for being willing to take the time to participate.

Yours sincerely,

Magodi Fariso

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Research questionnaires

Prepared by: Magodi Fariso

Student number 17000146

1. What motivated you to start your small business?
2. Could you briefly describe your educational background and any relevant training you have received?
3. What prior business or work experience did you have before starting your small business?
4. In your opinion, what are the main challenges faced by small businesses?
5. How did you address or overcome these challenges to keep your business running?
6. What do you consider to be the most important factors for the success of your small business?
7. In your view, what are the common success factors shared by both foreign-owned and locally owned SMMEs?
8. What specific strategies or practices have helped your business succeed?
9. When you assess that your business is performing well, what key indicators or criteria do you consider?
10. Do human capital (such as skills and expertise) and social capital (such as networks and relationships) contribute to your business success? If so, how?
11. Do you have any additional comments or insights regarding the strategies or success factors that have helped sustain or grow your small business?

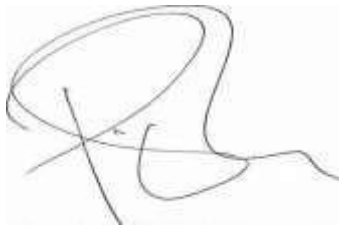
Thank you!

ANNEXTURE B : LETTER FROM EDITOR

PROOF OF EDITING

26 January ,2026

This is to certify that I, Dr P Kaburise, have proofread/edited the dissertation titled - **A COMPARATIVE INVESTIGATION OF THE SUCCESS FACTORS AFFECTING LOCAL- AND FOREIGN-OWNED SMMES IN THE THULAMELA LOCAL MUNICIPALITY** - by Fariso Magodi (student number: 17000146). I have indicated some amendments which the student has undertaken to effect before the final dissertation is submitted.



Dr P Kaburise (0794927451/ 0637348805; email: phyllis.kaburise@gmail.com)

Dr P Kaburise: BA (Hons) University of Ghana (Legon, Ghana); MEd University of East Anglia (Cambridge/East Anglia, United Kingdom); Cert. Teaching English as a Foreign Language (Cambridge University, United Kingdom); Cert. English Second Language Teaching, (Wellington, New Zealand); PhD University of Pretoria (South Africa).

ANNEXTURE C : ETHICAL CLEARANCE

ETHICS APPROVAL CERTIFICATE

RESEARCH AND INNOVATION
OFFICE OF THE DIRECTOR

NAME OF RESEARCHER/INVESTIGATOR:
Ms F Magodi

STUDENT NO:
17000146

PROJECT TITLE: A comparative investigation of the success factors affecting local and foreign-owned SMMEs in the Thulamela Local Municipality.

ETHICAL CLEARANCE NO: FMCL/25/BMA/17/0608

SUPERVISORS/ CO-RESEARCHERS/ CO-INVESTIGATORS

NAME	INSTITUTION & DEPARTMENT	ROLE
Prof N Chillya	UNIVEN, Business Management	Supervisor
Dr A Ndou	UNIVEN, Business Management	
Ms F Magodi	UNIVEN, Business Management	Investigator -Student

Type: Master's Research

Risk: *Minimal risk to humans, animals, or environment (Category 2)*

Approval Period: August 2025 – August 2026

The Research Ethics Social Science Committee (RESSC) hereby approves your project as indicated above.

General Conditions

While this ethics approval is subject to all declarations, undertakings and agreements incorporated and signed in the application form, please note the following.

- The project leader (principal investigator) must report in the prescribed format to the REC:
 - Annually (or as otherwise requested) on the progress of the project, and upon completion of the project.
 - Within 48hrs in case of any adverse event for any matter that interrupts sound ethical principles) during the course of the project.
 - Annually a number of projects may be randomly selected for an external audit.
- The approval applies strictly to the protocol as stipulated in the application form. Would any changes to the protocol be deemed necessary during the course of the project, the project leader must apply for approval of these changes at the REC. Would there be deviation from the project protocol without the necessary approval of such changes, the ethics approval is immediately and automatically forfeited.
- The date of approval indicates the first date that the project may be started. Would the project have to continue after the expiry date; a new application must be made to the REC and new approval received before or on the expiry date.
- In the interest of ethical responsibility, the REC retains the right to:
 - Request access to any information or data at any time during the course or after completion of the project,
 - To ask further questions; Seek additional information; Require further modification or monitor the conduct of your research or the informed consent process,
 - withdraw or postpone approval if:
 - Any unethical principles or practices of the project are revealed or suspected,
 - It becomes apparent that any relevant information was withheld from the REC or that information has been false or misrepresented,
 - The required annual report and reporting of adverse events was not done timely and accurately,
 - New institutional rules, national legislation or international conventions deem it necessary.

ISSUED BY:

UNIVERSITY OF VENDA, RESEARCH ETHICS COMMITTEE

Date Considered: August 2025

Name of the RESSC Chairperson of the Committee..... Prof M. Mwale-Manjoro

Signature..... 







ANNEXTURE D: TURNITIN REPORT

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