

Comparative Entrepreneurial Practices in the Spaza Shop Industry? Evidence-Based Practices from a Study of Local and Foreign Spaza Shop Entrepreneurs in Cape Town

¹Fawzy Basardien, ²Prof Hamieda Parker, ³Prof Mohamed Saheed Bayat, ⁴Stuart Hendry, ⁵Aslam Mukaddam

¹Senior Researcher, University of Cape Town, Graduate School of Business

²Associate Professor, University of Cape Town, Graduate School of Business

³Adjunct Professor, University of Lusaka and University of Fort -Hare

⁴Convener of the Genesis Entrepreneurship Program, Commerce Faculty University of Cape Town, Upper Campus

⁵Specialist Academic- Rosebank College

***Corresponding Author:** Fawzy Basardien, Senior Researcher, University of Cape Town, Graduate School of Business

ABSTRACT

Studies have found that immigrants have acquired more than half of the spaza shop market in township areas over the past five years. Some studies have attributed this to entrepreneurial orientation (EO), financial management administration, bulk buying and pricing strategies. This study draws on action strategy theory where (EO) is comprised of competitive aggressiveness, learning orientation and innovation. This study provides empirical evidence that culture influences the EO and financial performance of local and foreign spaza shop entrepreneurs. The study involves a quantitative approach (N=120) with a cross sectional design. This paper contributes to the development of action strategy theory in entrepreneurship. This study also has implications for future growth and sustainability of local spaza shop entrepreneurs and successful implementation of local economic development policy.

Keywords: entrepreneurial orientation, spaza shops, action strategy, innovation

INTRODUCTION

In the current global environment entrepreneurship is considered to be critical for job creation and economic development. Spaza shop entrepreneurs are known to be motivated by necessity and survival rather than opportunity. South Africa's main social challenges remain its extremely high income inequality and unemployment situation. Slow economic growth rates limited employment creation potential that has led to high levels of unemployment often resulting in the increase of necessity entrepreneurship (Herrington & Pew, 2015). It has never been more important or urgent for South Africa's policy-makers to make a strong commitment to growing the economy. In response the government has initiated numerous programs through local economic development initiatives to bring about support to entrepreneurs.

Contrary to the above mentioned slow economic growth rates all major retail and consumer

products companies have started to either expand more aggressively, some more aggressively than others in the townships. Big brand retailers as well as foreign spaza shop entrepreneurs have developed very successful strategies in gaining market share in turbulent environments within the townships. This strategy has culminated in the mushrooming of shopping malls and expansive retailing in the townships (Fouche, Wilkinson & Peer, 2012).

LITERATURE REVIEW

The literature was reviewed under the following headings: the theoretical background; the spaza shop industry in South Africa; and the challenges faced by spaza shop entrepreneurs.

Theoretical Background

In entrepreneurship research there is a common understanding that an entrepreneur is one who displays behaviour associated with creativity, proactiveness, perseverance, risk taking and handling adversity. From this perspective, it is

evident that entrepreneurship is about creating value in exchange for economic benefit and personal satisfaction (Wiklund & Shepherd 2005; McMullen & Shepherd 2006; Lumpkin & Dess 1996; Timmons & Spinelli 2004).

The increase in spaza shops generally has resulted in significant job creation and entrepreneurship in the townships. However, the high rate of business failure of these enterprises has received greater focus, particularly among local spaza shop entrepreneurs. Although emerging research is quite extensive in the sector the use of psychological constructs such as entrepreneurial orientation (EO) as predictors of entrepreneurial performance are limited. Current reviews suggest that EO more studies should adopt longitudinal research designs to understand how EO is manifested and how this facilitates knowledge accumulation (Wales, 2016). Individual EO draws on action strategy theory relating to entrepreneurial tasks and actions. Individual EO enables one to measure variables that relate to entrepreneurial behaviour. Current studies indicate that EO has been a consistent parameter as a predictor of entrepreneurial performance (Callaghan, 2011; Bischoff, Gielnik & Frese, 2014; Frese & Gielnik, 2014). Based on the psychological school of thought the work of the Austrian economists' interpretation of an entrepreneur (see Kirzner, 1997; Schumpeter, 1934) and on Lumpkin and Dess' (1996) interpretation EO consists of competitive aggressiveness, risk-taking orientation, autonomy orientation, innovative orientation and proactiveness (Covin & Slevin, 1991; Miller, 1983).

Immigrant entrepreneurship is a concept assigned to individuals who establish a business in a host country and are not residents of that particular country (Dalhammar, 2004). Studies involving culture and EO present an emerging theme in entrepreneurship research. In a recent study the relationship between immigrant entrepreneurs and EO was measured. In this study immigrant entrepreneurs consisted of Nigerians, Ghanaians and Senegalese that operated businesses in the retail sector for more than five years. The study found significance between innovation and business performance. In particular, the study measured innovation through the introduction of new product lines and also making changes to their product lines. This study suggests that immigrant entrepreneurs are more innovative, proactive and have higher risk taking abilities (Fatoki &

Oni, 2014). Some theories originating out of these studies involve the interactive theory suggesting that social and human networks are key drivers of successful entrepreneurship.

Entrepreneurship is about behaviour and action which have emerged as core elements in psychological theories. The focus of Callaghan's (2011) study builds onto the psychological approach focusing on analysis of entrepreneurial actions of individuals (see Lumpkin & Dess, 1996; Covin & Slevin, 1991) and the research context involves EO of informal businesses in Johannesburg (N=308). EO was used as a construct to understand entrepreneurial performance of informal traders in a South African context. The study confirmed that high levels of proactive behaviour and competitive aggressiveness were positively correlated to business performance. Notwithstanding the fact that EO has been shown to be a stable predictor of performance, not many studies focus on predictors on financial performance.

Other studies have associated financial management administration to financial performance (Orford, Wood, Fischer, Herrington & Segal, 2003; Fatoki & Odeyemi, 2010; Mazorol, 2015). Findings in the aforementioned suggest that SMEs can improve financial performance with the implementation of basic financial management administration. Most notably, this implies improved working capital management which in turn affects profitability. These findings have been derived from the cash flow centred model of financial performance, a theoretical strand in entrepreneurship research which is least explored.

This study is a start in the direction of distinguishing between low and high performing entrepreneurs in a spaza shop context by associating EO and financial performance. Theoretically EO is underpinned by current findings that higher levels of EO are more associated with higher entrepreneurial performance. Contemporary entrepreneurship and management research have recently confirmed EO as a consistent indicator of financial performance (Urban, 2008). Other empirical studies have associated EO with technology innovation as a means of improving competitiveness and in turn, financial performance (Rwigema & Venter, 2004).

The Spaza Shop Industry

Over the past decade the extent of competitiveness between local and foreign spaza shop entrepreneurs have been intense. Emerging entrepreneurship research has uncovered superior performance of foreign spaza shop entrepreneurs. Why the interest of big brand retailers to expand into the retail market in township areas? The spaza shop industry make up 16% of spaza shop operators (Wills, 2009). It has been estimated that spaza shops make up 2.7% of retail trade equating to R8 billion (Charman, Petersen & Piper, 2012).

Against the expansive retail strategies of the big brand retailers a noticeable decline of local spaza shops has occurred and superior business performances of foreign spaza shop entrepreneurs were observed (see Basardien, Friedrich & Parker, 2014; Bear, Bradnum, Tladli & Pedro, 2005). As pointed out by Leideman et al's (2013) study it is important to understand success factors in relation to predictor variables. Liedeman (2013) presented empirical findings linking success factors of foreign spaza shop entrepreneurs to entrepreneurial performance.

Liederman's (2013) study has significant practical implications for survival and business sustainability of local spaza shop entrepreneurs. The study sampled 30 businesses of which the majority was made up by local spaza shop entrepreneurs. In a five year period the total number of spaza shops has declined with the majority of spaza shops operated and owned by foreign spaza shop entrepreneurs. The study also found that a significant number of local spaza shops closed down completely after trading for more than ten years. Whilst a few studies have been conducted to establish the reasons for this phenomenon the nature of business failure remains poorly understood (Callaghan, 2011; Charman & Piper, 2012; Liederman, Charman, Piper & Petersen, 2013). Of particular interest involving the use of EO is the understanding of motivational factors of entrepreneurs. Motivational factors have also been highlighted in discerning necessity and opportunity-based entrepreneurs (Simrie, Herrington, Kew & Turton, 2011). The literature suggests that business practices relate to shop layout, pricing strategies and bulk buying are significantly different between local and foreign spaza shop entrepreneurs. Similar findings as pointed out by Leideman et al's 2013 study demonstrate

distinguishing entrepreneurial strategies implemented by foreign shaza shop entrepreneurs. Foreign spaza shop entrepreneurs have adapted their strategies in relation to a turbulent and hostile environment. Current findings suggest that foreign spaza shop entrepreneurs use pricing strategy and inventory management skills (Leideman et al, 2013).

Challenges Faced by Spaza Shop Entrepreneurs

In order to understand the basis of the challenges that spaza shop entrepreneurs face one needs to consider the apartheid policies of the past. The spaza shop industry can be better understood by acknowledging the political context and its influence on the socio-political environment. Apartheid resulted in forced removals with people struggling to survive (Moloi, 2014). It is also pointed out that the various discriminative laws of the past marginalised black people resulting in economic exclusion (Bobby-Evans, 2014). A point of note was the introduction of the Group Areas Act of 1950 and the Influx Control Act of 1923, which divided South Africa into urban and rural areas resulting in freedom of movement (Bobby-Evans 2014). These laws were purposely designed to create a platform for sustained poverty of black people.

Often understated in the literature is the economic benefit and wealth creation that materialised with white minority groups, particularly within the urban areas. This perspective is enhanced through the establishment of the 1913 Native Land Act that favoured the white minority resulting in them owning almost 90% of the land (Mazibuko, 2012). On this basis a second economy was created limiting entrepreneurship activities in townships.

Twenty years after democracy why have many local spaza shop entrepreneurs closed its doors? The major challenge for the local spaza shop entrepreneur is to improve its level of competitiveness with big brand retailers as well as foreign spaza shop entrepreneurs. It is pointed out that the level of competitive aggressiveness and innovation need to be elevated so that these businesses can be in a position to continually implement effective strategies (Lebusa, 2013).

Traditionally it is accepted that access to finance represents a major barrier. Rolfe, Woodward,

Comparative Entrepreneurial Practices in the Spaza Shop Industry? Evidence-Based Practices from a Study of Local and Foreign Spaza Shop Entrepreneurs in Cape Town

Ligthelm & Guimaraes (2010) and Chan (2008) also support this view by arguing that lack of access to finance is a major barrier for spaza shop entrepreneurs. The perspectives highlighted earlier (Mazibuko, 2012; Bobby-Evans, 2014) allude to the fact that historically black people were marginalised and as a consequence denied access to property, a core requirement in accessing finance in a modern day banking system. The lack of ownership to property is a major stumbling block in accessing bank finance resulting in spaza shop entrepreneurs relying on personal savings or funding from family and friends (Moloi, 2014).

As a consequence of the apartheid policies crime became accepted as one of the common social ills of townships. Moloi's (2014) study points out that spaza shops are often vulnerable to robberies resulting in the reluctance of suppliers to do deliveries to the stores. There are numerous cases of armed robbery and murder in townships across the country which highlights a crime infested industry (Van Scheers, 2010).

"It is generally accepted that the following, among others, are regarded as the necessary skills, which deal with: business finance; marketing, selling, pricing, interpersonal skills and inventory control" (Perks, 2010). Irrespective of the size of the business a wide range of business skills are essential for the development of the business (Moloi, 2014). The development of emerging theories relating to entrepreneurial strategy making has been highlighted as consistent predictors of success. The introduction of more contemporary skills is essential in entrepreneurial training curricula. As an increasing number of researchers are working in the field, new contributions have included personality and trait approaches; and more recently action-based approaches (Foo, Uy & Baron, 2009). Contrary to popular belief that the skills mentioned above are vital for success, new approaches such as EO have been found to be good predictors for success (Gielniek & Frese, 2013; Basardien et al, 2014). To date there are no consistent empirical studies suggesting that content strategies such as business plans, marketing plans and financial plans are strong predictors of success, particularly for start-up entrepreneurs.

PROBLEM

The intensification of new operators in the industry has resulted in a significant decline of indigenous spaza shops. Many local economic

development initiatives have subsequently failed due to a lack of understanding of specific needs of these businesses (Hadebe, 2010). This has subsequently resulted in the direct failure of skills development programs.

Concurrent with spaza shop growth in the townships the retail industry has grown exponentially during the past decade. The retail industry shows annual growth rates of 3 percent during the past decade. The country has seen an increase in brand retailers in the townships offering price discounts and wider variety of products (Madlala, 2015). This has resulted in spaza shop entrepreneurs not being able to be competitive through bulk buying, pricing and branding. In turn several consumers have opted for the big brand retailers and foreign spaza shops resulting in a decline in the client base.

Financial management administration is a key area to monitor sales, costs and ultimately profitability of the business. The inclusion of financial management practices within local spaza shop business is very limited and has resulted in poor working capital management. Given the current context the local spaza shop entrepreneur finds the environment more challenging and subsequently is less profitable than their counterparts (Lebusa, 2013).

RESEARCH OBJECTIVES

1. To evaluate comparative EO of foreign and local spaza shop entrepreneurs.
2. To determine the influence of culture on the financial performance.
3. To determine the comparative levels of competitive aggressiveness, innovation and learning orientation.

RESEARCH METHODOLOGY

In this research study a quantitative research design was used. The research perspective was based on an objective ontology. The philosophical stance informing the methodological approach in this study was rooted in a positivistic paradigm. As such the epistemological stance of this study was firmly grounded in the ontological belief that the discerning feature of spaza shop entrepreneurs is evident of EO. Given this philosophical assumption, the study employed a cross sectional design with a random sample of local and foreign spaza shop entrepreneurs. In order to effectively measure the influence of EO on the performance of spaza shop entrepreneurs the study is guided by primary research questions.

Interview Procedures

Semi-structured interviews were used with the purpose of using a structured script during the interviews and with a structured analysis approach to facilitate coding. The instrument was adapted to questionnaires used by in previous studies (Krauss, Frese, Friedrich & Unger 2005; Solomon, 2004; Krauss, 2003 & Basardien, 2012). The instrument was initially designed and used in measuring success factors in Entrepreneurship in Southern Africa (Krauss, 2003). The overall reliability coefficient, Cronbach Alpha of the instrument was $\alpha = 0.92$ for Southern African conditions.

Sampling

Khayelisha has a high density of spaza shop entrepreneurs in the township of Khayelitsha. A sample is a subgroup of the population and is acknowledged to be an acceptable unit of analysis (Krauss, 2003). "A sample size larger than 30 and less than 500 is appropriate for most research studies" (Choto, Tengeh & Iwu, 2014). A final sample of 120 respondents was obtained comprising of local and foreign spaza shop entrepreneurs. The sample was chosen from 6 areas within the local township of Khayelitsha in Cape Town.

Measures

Competitive aggressiveness

Successful entrepreneurs are inclined to pursue feedback, have clear goals, wants to distinguish themselves, enjoy competitive environments and endeavour to attain success (Schumpeter, 1934; Kirzner, 1997). The concept of competitive aggressiveness relates to dimensions of "undo-the-competitors" or having a "live and let live" orientation (Covin & Covin, 1990; Krauss, 2003, Callaghan, 2011). Entrepreneurs with high levels of competitive aggressive behaviour are constantly aware of the competitive environment and try to maintain superior advantage over rival companies. These entrepreneurs pursue a higher market share and focus on becoming more successful. Literature relating to EO supports the view that competitive aggressiveness is a success factor in entrepreneurial activity (Covin & Slevin, 1991; Lumpkin & Dess, 1996; Venkatraman, 1989; Callaghan, 2011). Competitive aggressiveness is an important variable to measure success in competitive environments.

Innovation

Entrepreneurs influence the environment directly through 'creative destruction' with services and products facilitating new market entrants (Schumpeter, 1934). Innovation provides a measure of determining levels of creative abilities of the individual (Amabile, 1988). In the context of the spaza shop industry innovation refers to a mind-set geared toward the formulation and implementation new products, services or technological processes. In the context of examining individuals' orientation toward innovation the formulation of new ideas does not necessarily relate to absolute novelties but can also entail marginal improvements (West & Farr, 1990). This measure is of particular relevance in determining improvements in aspects such as shop layout, pricing and buying strategies.

Learning Orientation

The concept of learning orientation relates to actions where the entrepreneur finds new ways of solving problems or implementing processes (Kirzner, 1997; Schumpeter, 1934). The process of learning includes positive and negative experiences in relation to successful entrepreneurial behaviour (Minniti & Bygrave, 2001). Learning is also linked to mental models and critical for implementing successful decisions. Current studies suggest that entrepreneurs who implement a culture of learning from mistakes in the business are more successful in the long term (Frese & Gielnik, 2014). Considering that spaza shop entrepreneurs tend to be limited regarding formal education, learning orientation is important to understand work functions, tasks, bookkeeping, marketing etc.

Environment

The entrepreneurship literature suggests that the identification of opportunities depends on individual factors, particularly cognitive capacities as well as changes in the environment (Venkataraman, 1989). Every business is located within a unique environmental setting. The construct of the environment in this study draws on the work of Krauss (2003) where the environment consists of dynamism and munificence. Dynamism describes the variability and the unpredictability of the environment. Munificence describes environment in terms of the ease of obtaining customers and finance.

Financial Performance

Gielnik’s (2010) study used financial performance and this related to periodic revenues and profits generated by the business. The entrepreneurs were interviewed to determine revenue and profit measures over a two-year period. The scale of business profitability relied on the subjective statements of the entrepreneurs’ estimates rather than accountancy-based measures. The reason provided for this is that, in South Africa, entrepreneurs do not maintain financial records and are reluctant to disclose any financial

information. Financial performance represented the dependent variable and a measure of success.

Data Collection and Analysis

The primary data was obtained through interviews and independent samples testing procedure was used to analyse the data.

RESULTS

Independent Samples Testing procedure was used to determine differences between groups regarding competitive aggressiveness, innovation and learning orientation.

Table 1. Independent Samples Test - (Competitive Aggressiveness, Innovation and Learning Orientation)

	Levene's Test for Equality of Variances								
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Competitive aggressiveness	10,32	,00	2,08	112	,04*	,41	,19	,02	,80
Innovation	18,35	,00	4,3	28	,00**	1,44	,33	,76	2,12
Learning orientation	,582	,447	8,72	111	,00**	1,31	,15	1,60	1,01

Standardised coefficients are reported. **p < .01, *p < .05, † p < .10

Competitive Aggressiveness

We found significance for competitive aggressiveness (p < 05; t = 2,08) between the two groups. Foreign spaza shop entrepreneurs display higher levels of competitive aggressiveness compared to local spaza shop entrepreneurs. In order to understand the entrepreneur’s attitude behind performance it is imperative to understand how their degree of assertion, attitude toward competition and the energy to achieve success (Schumpeter, 1934; Kirzner, 1997). In the spaza shop environment driven by high levels of competition it is important to distinguish between "undo-the-competitors" or having a "live-and-let live" orientation (Covin & Covin, 1990). Highly competitive aggressive entrepreneurs will attempt to limit competitors from operating in the same market and try to outdo rivals.

Contemporary literature has documented this point extensively where superior business strategies displayed by foreign entrepreneurs have resulted in significant loss of market share of local entrepreneurs (Charman & Piper, 2011). It is well documented that pursuing market share through high levels competitive aggressiveness

lead to success (Covin & Slevin, 1991; Lumpkin & Dess, 1996; Venkatraman, 1989).

Innovation

It has been pointed out by contemporary studies (see Basardien et al, 2014; Leideman et al, 2013) that innovation plays a critical role as an entrepreneurial skill with regards to shop layout, pricing strategies and bulk buying. We found significance for innovation between the groups (innovation p < , 01; t = 4,30) between the two groups. Foreign spaza shop entrepreneurs display higher levels of innovation compared to local spaza shop entrepreneurs. The levels of innovation associated with this include shop layout, pricing strategies and purchasing strategies. With innovation being highlighted as such critical entrepreneurial skills, entrepreneurial training initiatives must include the former in such curricula (Nieman & Nieuwehuizen, 2009).

Learning Orientation

We found significance for learning orientation (p < ,01; t = 8,72) between the two groups with foreign spaza shop owners displaying higher levels of learning orientation compared to local spaza shop entrepreneurs. In relation to the

Comparative Entrepreneurial Practices in the Spaza Shop Industry? Evidence-Based Practices from a Study of Local and Foreign Spaza Shop Entrepreneurs in Cape Town

literature, it is evident that learning orientation is a vital area where the entrepreneur develops the ability to find new ways of solving problems (see Kirzner, 1997; Schumpeter, 1934). In the

spaza shop environment learning from positive and negative experiences are essential for the entrepreneur to develop new ways of doing things.

Table 2. Independent Samples Test (Customer growth, Sales growth and Profit growth)

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
customers growth 2015/16	Equal variances assumed	4,69	,03	3,42	112	,00**	-,65	,190	-1,030	-,275
	Equal variances not assumed			3,39	99,54	,00**	-,65	,192	-1,034	-,271
sales growth 2015/16	Equal variances assumed	4,92	,02	2,24	112	,03*	,41	,185	,048	,782
	Equal variances not assumed			2,19	94,09	,03*	,41	,189	,039	,790
profit growth 2015/16	Equal variances assumed	3,38	,06	3,63	112	,00**	-,93	,258	-1,451	-,427
	Equal variances not assumed			3,65	105,71	,00**	-,93	,257	-1,448	-,430

Standardised coefficients are reported. ** $p < .01$, * $p < .05$, † $p < .10$

We found significance for financial performance measured through customer growth ($p < ,01$; $t = 3,43$), sales growth ($p < ,05$; $2,24$) and profit growth ($p < ,01$; $t = 3,63$). Financial performance has been shown to be a good measure of entrepreneurial success in the spaza shop industry. Customer growth was an important measure of determining the increase or decrease in client base considering the level of intensified competition in the industry. The growth of the client base is essential for the intrinsic growth of the business. Sales and profit growth are important measures of performance of the business. However, sales growth and profit growth are commonly associated with ability of the business to stay afloat. However, not the focus of the study is cash flow and working capital management which are integral components of the ability of business to pay for supplies, wages and general operating expenses.

PRACTICAL MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The purpose of this research was two-fold, firstly, to investigate the differences of EO levels of spaza shop entrepreneurs, particularly considering the growth of foreign spaza shops and big brand retailers and secondly, the level of

financial performance. The results in this study indicate that EO can be used as a predictor of financial performance. EO relates to actions and decisions taken daily by entrepreneurs. These include the approach and motivation behind competing with other retailers. As indicated in Callaghan's (2011) study EO has been used to understand innovation as a predictor of business growth and creativity. From the study the evidence of significant differences between EO levels imply a difference in approach. This can relate to the layout of a shop. In the case of foreign spaza shops the layout can be similar to a supermarket design allowing for freedom of movement of customers to peruse the products on offer. In contrast the local spaza shops may include a more restrictive environment with a small serving hatch. In other words the customer will have to point out the type of product that is desired. Competitive aggressiveness also implies a manner of advertising the business more vigorously. It could also imply more aggressive pricing strategies to lure more customers. Innovation is an important aspect in differentiating the business through products, services and attitude. Innovation and creativity have been associated inextricably. In other words future studies need to investigate

reciprocal relationships and influences between the two concepts in relation to EO. Practically this would imply the introduction of training initiatives that integrate innovation and competitive aggressiveness in entrepreneurship training curricula. Training curricula should also be more practical. This is demonstrated in Callaghan's (2011) study entrepreneurial experience is accumulated through the years and for this reason has led to higher levels of innovation.

The study also builds onto developing financial management in entrepreneurship as an emerging theoretical construct and a practical phenomenon with new lines of enquiry. With the new lines of inquiry much emphasis has been placed on the use of psychological variables such as EO as stable predictors of such performance. Over the past decade theoretical contributions have been made primarily through personality and trait approaches (Bischoff et al., 2014; Gielnik & Frese, 2013; Foo et al., 2009). The focus on psychological approaches has shifted from trait-based approaches to action-based approaches offering more consistent predictors of entrepreneurial action and success. Contemporary inquiries involving psychological frameworks may offer new insights, particularly relating to business growth as predictors of entrepreneurship in early stage entrepreneurship (start-up). The use of entrepreneurial action has also been studied in pre start-up, start-up and post start-up phases. In particular, the focus has been in theoretical contributions in how entrepreneurs adapt to changing environmental conditions through learning experiences (Baron and Katz, 2007). Changing environmental conditions have often been pointed out as key factors in stagnation, low performance and business closure (Gielnik, 2010). In other studies the tolerance of uncertainty relating to the environment has been associated with culture (Brinckmann, Gielnik & Kapsa, 2010). Therefore, central in this study is the influence of EO factors competitive aggressiveness and innovation on the environment-profitability relationship. The findings support similar findings (see Callaghan, 2011; Gielnik et al, 2015) emphasising the usefulness of entrepreneurial action theory as predictors of success, particularly in the context of growth.

This study highlighted superior EO levels and subsequently, financial performance by foreign spaza shop entrepreneurs. It is widely acknowledged that the spaza shop industry offer

lucrative opportunities, however, barriers to entry are low which has resulted in an intensified level of competition. With increasing numbers of operators coming into the industry over time local spaza shop entrepreneurs will experience even lower profitability. Practically the higher success achieved by foreign spaza shop entrepreneurs is demonstrated through market positioning within the industry and attracting the market more aggressively than local spaza shop entrepreneurs. The current business practices are also implemented through more competitive pricing.

Future interventions should EO as a starting point to bring about an improvement in current entrepreneurship education and training. The findings in this study suggest that financial management administration can be considered to complement EO as new content for entrepreneurship training. Most entrepreneurship training programs tend to focus on business management related aspects as a "one size fits all" strategy. There is a need therefore to develop specific entrepreneurial skills in order to improve aspects such as shop layout, pricing strategy and bulk buying. Private sector and government programs aim at enhancing capacity and entrepreneurial up skilling. The findings reported here provide a useful input for existing and future government-funded entrepreneurship programs, and may help South Africa to achieve better outcomes in the form of an increase in start-up enterprises and sustainable business growth.

Future interventions should focus on incentivising the industry in order to get spaza shop traders to become formalised. Training models can also include the involvement of SETAs and lead organisations aimed at skills transfer and capacity building. This can include the use of learnership programs, skills programs and related qualifications. The current tax base needs to be expanded so that more resources can be invested back into the industry. The South African government may not be in a position to tackle this sector independently; a multi-pronged strategy would be required which must include private sector and tertiary institutions.

Policy formation must take into account specific requirements of spaza shops, particularly local economic development policy. Both local and national governments should develop specific guidelines that take into considerations the

Comparative Entrepreneurial Practices in the Spaza Shop Industry? Evidence-Based Practices from a Study of Local and Foreign Spaza Shop Entrepreneurs in Cape Town

needs, the nature, location and challenges faced by spaza owners.

CONCLUSION

Many previous studies downplay or underestimate the economic contribution of survivalist entrepreneurs in favor of high impact and well established businesses. Furthermore, there is growing concern over the support directed at survivalist entrepreneurs. In view of the foregoing, this paper investigated the survival and/or growth aspirations of survivalist entrepreneurs and the perceived challenges that they encounter.

REFERENCES

- [1] Amabile, T. M. (1988). A model of creativity and innovation in organizations. *Research in Organizational Behaviour*, 10: 123-167.
- [2] Baron, R.A., and Katz, J.A. (2007). Entrepreneurship: a process perspective, in *The Psychology of Entrepreneurship*, Erlbaum, Mahwah, NJ, pp. 19–39.
- [3] Basardien, F. (2012). The role of action strategies on the implementation of financial management practices of emerging entrepreneurs. Unpublished PhD thesis. University of Cape Town.
- [4] Basardien, F., Friedrich, C., & Parker, H. (2014). The relationship between planning strategies and entrepreneurial success for start-up entrepreneurs in the Western Cape - A psychological approach to entrepreneurship. *Journal of Entrepreneurship and Innovation*, 14:4.
- [5] Bear M., Bradnum, P., Tladi, S., & Pedro, D. (2005). Making retail markets work for the poor why and how Triple Trust Organisation decided to intervene in the spaza market in South Africa. Washington, D.C.: The SEEP Network.
- [6] Bobby-Evans, A. (2014). Group Areas Act No 41 of 1950. Available: <http://africanhistory.about.com/od/apartheidlaws/g/No41of1950.htm> [Accessed: 29 June].
- [7] Bischoff, K. M., Gielnik, M. M., Frese, M. (2014). Entrepreneurship training in developing countries. In Reichman, W. (Ed.), *Industrial and organizational psychology help the vulnerable: Serving the underserved* (pp. 92–119). Houndmills, England: Palgrave Macmillan
- [8] Brinckmann, J., Grichnik, D., & Kapsa, D. (2010). Should entrepreneurs plan or just storm the castle? A meta-analysis on contextual factors impacting the business planning–performance relationship in small firms. *Journal of Small Business Venturing*, 25: 24–40.
- [9] Callaghan, C. & Venter, R. (2011). An investigation of the entrepreneurial orientation, context and entrepreneurial performance of inner-city Johannesburg street traders. *Southern African Business Review*, 15(1).
- [10] Chan, M. (2008). Indigenous entrepreneurship, culture and micro-enterprise in the Pacific Islands: case studies from Samoa. *Entrepreneurship & Regional Development*, 20(1): 1-18.
- [11] Charman A.J.E. & Piper L.E. (2012). Xenophobia, Criminality and Violent Entrepreneurship: Violence against Somali Shopkeepers in Delft South, Cape Town, South Africa. *Review of Sociology*, 43: 81–105.
- [12] Charman, A., Petersen, L., & Piper, L. (2012). From local survivalism to foreign entrepreneurship: the transformation of the spaza sector in Delft, Cape Town. *Transformation: Critical Perspectives on Southern Africa*, 78.
- [13] Choto, P., Tengeh, R.K., & Iwu, C.G. (2014). Daring to survive or to grow? The growth aspirations and challenges of survivalist entrepreneurs in South Africa. *Environmental Economics*, 5(4).
- [14] Covin, J. G., & Covin, T. J. (1990). Competitive aggressiveness, environmental context, and small firm performance. *Entrepreneurship Theory and Practice* (Summer), 35-50.
- [15] Covin, J.G., & Slevin, D.P. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory & Practice*, (Fall), 7– 25.
- [16] Dalhammar Tobias (2004). Voices of Entrepreneurship and Small Business-Immigrant enterprises in Kista. Available: <http://www.diva-portal.org/smash/get/diva2:7559/FULLTEXT01.pdf> [Accessed: 15 March].
- [17] Fatoki, O., & Oni, O. (2014). The Entrepreneurial Orientation of Immigrant Entrepreneurs in South Africa. *Mediterranean Journal of Social Sciences*, 5: 20.
- [18] Foo, M.D., Uy, M.A., and Baron, M.A. (2009). ‘How do feelings influence effort? An empirical study of entrepreneurs’ affect and venture effort’. *Journal of Applied Psychology*, 94(4): 1086–1094.
- [19] Fouche, D., Wilkinson, J., & Peer, S. (2012). South African retail and consumer products outlook 2012-2016. Available: <https://www.pwc.co.za/en/assets/pdf/retail-and-consumer-products-outlook-2012-2016.pdf>. [Accessed: 20 February].
- [20] Frese, M. (2000). Psychological approaches to micro-enterprises in Africa. Greenwood.
- [21] Frese, M. (2007). The psychology actions and entrepreneurial success: An action theory

Comparative Entrepreneurial Practices in the Spaza Shop Industry? Evidence-Based Practices from a Study of Local and Foreign Spaza Shop Entrepreneurs in Cape Town

- approach. *The Psychology of Entrepreneurship*. Lawrence Erlbaum: SIOP Frontier Press.
- [22] Frese, M., & Gielnik, M. (2014). The psychology of entrepreneurship. *Annual review of organisational psychology and organisational behaviour*, 1(1): 413-438.
- [23] Gielnik, M.M. (2010). Opportunity identification and exploitation: psychological factors for start-up and success in entrepreneurship. Unpublished PhD thesis.
- [24] Gielnik, M.M., & Frese, M. (2013). Entrepreneurship and poverty reduction: Applying I-O Psychology to microbusinesses and entrepreneurship in developing countries. In J. Olson-Buchanan, L. Koppes Bryan & L. Foster Thompson (Eds.). *Using I-O Psychology for the greater good: Helping those who help others* (pp.394-438). New York: Routledge, Taylor and Francis.
- [25] Gielnik, M.M., Frese, M., Kahara-Kawuki, A., Katono, I.W., Kyejjusa, S., Ngoma, M., Munene, J., Namatovu-Dawa, R., Nansubuga, F., Orobia, L., Sejjaaka, S., Sserwanga, A., Walter, T., Bischoff, K.M., & Dlugosch, T.J. Gielnik, M.M., Frese, M., Kahara-Kawuki, A., Wasswa Katono, I., Kyejjusa, S., Munene, J., Muhammed, N., Namatovu-Dawa, R., Nansubuga, F., Orobia, L., Oyugi, J., Sejjaaka, S., Sserwanga, A., Walter, T. (2015). Action and Action-Regulation in Entrepreneurship: Evaluating a Student Training for Promoting Entrepreneurship. *Academy of Management Learning & Education*, 14(1): 69–94.
- [26] Hadebe, T. (2010). Township home based enterprises: The Case of Pimville. Unpublished Masters Degree Research Report. University of the Witwatersrand, Johannesburg, South Africa.
- [27] Herrington, M., Kew, J. & Kew, P. (2015). GEM South Africa 2014 Report, Global Entrepreneurship Monitor, Cape Town. Available: <http://www.gemconsortium.org/docs/3778/gem-south-africa-2014-report>. [Accessed: 22 February].
- [28] Iwu, C.G., Gwija, S., Tengeh, R., Cupido, C., & Mason, R.B. (2015). The unique role of the survivalist retail entrepreneur: Job creation, poverty reduction and educational and training needs. Available: www.wrlc.org.za. [Accessed: 3 December].
- [29] Kirzner, I. M. (1997). Entrepreneurial discovery and the competitive market process: An Austrian approach. *Journal of Economic Literature*, 35(3): 60 - 85.
- [30] Krauss, S.I. (2003). Psychological success factors of small and micro business owners in Southern Africa: A Longitudinal Study. Unpublished PhD Thesis.
- [31] Krauss, S.I., Frese, M., Friedrich, C. & Unger, J. (2005). Entrepreneurial Orientation: A Psychological Model of Success Among Southern African Small Business Owners. *European Journal of Work and Organisational Psychology*, 14(3): 315-344.
- [32] Lebusa, M.J. (2013). The prospects of making small retail outlets in the townships aggressively competitive. *The Southern African Journal of Entrepreneurship and Small Business Management*, 6 (139).
- [33] Liedeman, R., Charman, A. Piper, L. & Petersen, L. (2013). Why are foreign-run spaza shops more successful? The rapidly changing spaza sector in South Africa. Available: www.econ3x3.org/article/why-are-foreign-run-spaza-shops-more-successful-rapidly-changing-spaza-sector-south-africa. [Accessed: 2 May].
- [34] Lumpkin, G. and Dess, G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *The Academy of Management Review*, 21(1):135–172.
- [35] Madlala, T.T. (2015). Do large retailers displace small informal retailers? The case of a Pick n Pay store in KwaMashu, Durban, South Africa. Paper presented to the ERLN Conference on Economic Development at the Sub-National Level, Pretoria, 15-16 October.
- [36] Mazibuko, S. (2012). Understanding under development through the Sustainable Livelihoods approach. *Journal of Community Development*, 2012:115.
- [37] Mazzarol, T. (2015). Research review: A review of the latest research in the field of small business and entrepreneurship. *Small Enterprise Research*, 21(1): 2-13.
- [38] McMullen, J., & Shepherd, D.E. (2006). Entrepreneurial Action and the Role of Uncertainty in the Theory of the Entrepreneur. *Academy of Management Review*, 31(1): 132 - 152.
- [39] Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, 29(7): 770 - 791.
- [40] Minniti, M., & Bygrave, W. (2001). A dynamic model of entrepreneurial learning. *Entrepreneurship Theory and Practice*, 25(3): 5–16.
- [41] Moloi, R. (2014). Exploring the Barriers to the Sustainability of Spaza Shops in Atteridgeville, Tshwane. Unpublished Masters Thesis. University of South Africa.
- [42] Nieman, G., & Nieuwenhuizen, C. (2009). *Entrepreneurship: A South African Perspective*. 2nd edition. Pretoria: Van Schaik.
- [43] Perks, S. (2010). Exploring the management abilities of spaza shop owners in the Nelson Mandela Metropolitan Municipality. *SA Journal of Economic and Management Sciences*, 13(4).

Comparative Entrepreneurial Practices in the Spaza Shop Industry? Evidence-Based Practices from a Study of Local and Foreign Spaza Shop Entrepreneurs in Cape Town

- [44] Rolfe, R., Woodward, D., Ligthelm, A. & Guimarães, P. (2010). The viability of informal micro-enterprise in South Africa. *Journal of Development Studies*, 16(1): 65-86.
- [45] Rwigema, H. & Venter, R. (2004). *Advanced Entrepreneurship*. Cape Town: Oxford University Press.
- [46] Schumpeter, J. A. (1934). *Theory of Economic Development*, (4thed), Berlin, Germany: Duncker & Humblot.
- [47] Shane, S. (2003). *A General Theory of Entrepreneurship. The Individual-Opportunity Nexus*,
- [48] Simrie, M., Herrington, D., Kew, J., and Turton, N. (2011). *Global Entrepreneurship Monitor 2011: South African Report*. Available: <http://www.gemconsortium.org/docs/2313/gemsouth-africa-2011-report> [Accessed 2 September].
- [49] Solomon, G. (2004). *Entrepreneurship and the impact of entrepreneurial orientation training on SMME's in the South African context: A longitudinal approach*. Unpublished Masters thesis. University of the Western Cape.
- [50] Timmons, J.A., & Spinelli, S. (2004). *New Venture Creation: Entrepreneurship for the 21st century*. McGraw-Hill, 2004.
- [51] Urban, B. (2008). Entrepreneurship in the rainbow nation: Effect of cultural values and ESE on intentions. *Journal of Developmental Entrepreneurship*, 11(3): 171-186.
- [52] Urban, B. (2010). Entrepreneurship orientation in a developing country context: juxtapositions with South Africa's Innovation Index. *Journal of Developmental Entrepreneurship*, 13(4): 425-443.
- [53] Van Scheers, L. 2010. Challenges of small family groceries shops in South Africa. *World Journal of Entrepreneurship, Management and Sustainable Development*, 6(3): 221-231.
- [54] Venkatraman, N. (1989). Strategic orientation of business enterprises: The construct, dimensionality, and measurement. *Journal of Management Science*, 35(8): 942-962.
- [55] Wales, W.J. (2016). Entrepreneurial orientation: A review and synthesis of promising research directions. *International Small Business Journal*, 34(1).
- [56] West, M. A., & Farr, J. L. (1990). *Innovation and Creativity at Work: Psychological and Organizational Strategies*. Chichester: John Wiley & Sons.
- [57] Wiklund, J. & Shepherd, D. (2005). Entrepreneurial Orientation and Small Business Performance: A Configurational Approach, *Journal of Business Venturing*, 20: 71-91.
- [58] Wills G. (2009). *South Africa's Informal Economy: A Statistical Profile*. Urban Policies Research Report.

Citation: Fawzy Basardien et.al. "Comparative Entrepreneurial Practices in the Spaza Shop Industry? Evidence-Based Practices from a Study of Local and Foreign Spaza Shop Entrepreneurs in Cape Town" *International Journal of Research in Business Studies and Management*, vol 5, no.11, 2018, pp. 38-48.

Copyright: © 2018 Fawzy Basardien et.al. This is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.