“The role of ethnicity and culture in developing entrepreneurs in South Africa”

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The role of ethnicity and culture in developing entrepreneurs in South Africa

Abstract

Entrepreneurship is a very important topic throughout the world. In both developing and developed countries, entrepreneurship is seen as a driving force of economic growth, job creation, social adjustment and innovation. There has been a lack of studies done in ethnic entrepreneurship in South Africa, and those that have been done have focused primarily on the psychological traits of entrepreneurs (Waldinger, 2006). There have been a number of studies comparing ethnic groups' levels of entrepreneurship, e.g. Koreans, Chinese, Indians and Blacks, in the USA, but there is dearth of studies on ethnic entrepreneurial groups in South Africa. In this research, the focus will be on Asians, Indians and African communities as these groups have become highly visible as shop owners and their retail and service enterprises have shown a steady increase.

The importance of this study consists in identifying the role the ethnicity and culture play in developing entrepreneurs in South Africa.

The research has established that there is a correlation between problems experienced by ethnic entrepreneurs and their marketing skills. Improving the marketing skills of ethnic entrepreneurs will solve unemployment problems and improve the South African economy. The research has also established that a positive relationship exists between ethnical and cultural background and successful small business in South Africa.

Keywords: ethnic entrepreneur, immigrant, ethnic enclave, ethnic economy, niche.
JEL Classification: M21.

Introduction

The study of entrepreneurship is not only concerned with survival strategies and success conditions, but also with the birth and death of firms and linkage patterns of firms with their local and regional environment as observed by Light and Bhachu (2008). Within the ethnic minority business, small business sector in South Africa is still under-researched. There have been a number of studies comparing ethnic groups' levels of entrepreneurship, e.g. Koreans, Chinese, Indians and Blacks, in the USA, but there is dearth of studies on ethnic entrepreneurial groups in South Africa.

Ethnic economy refers to ethnic self-employed and employers and their co-ethnic employees (Cook & Fallon, 2004). This occurs when an ethnic minority creates its own private economy sector. Nwanko (2004) refers to ethnic entrepreneurs as those who belong to an ethnic minority and have to rely on support from their ethnic community to do business, where this support can be informal or formal and use ethnic resources in their businesses. Light and Rosenstein (2008) define ethnic resources as socio-cultural features of the whole group, which co-ethnic entrepreneurs actively utilize in business or from which their business benefits. These include ethnic culture, ethnic networks, employees and management from the same ethnic group. Ethnic entrepreneurship also requires business to be done in a limited environment, whether territorial or by area of business.

This paper focuses on ethnic entrepreneurship in South Africa, which is a more nascent entrepreneurial phenomenon that has hitherto attracted very limited research interests. The research will try to examine the relationship between wealth building and ethnic enterprise of the Asians, Indians and Africans in the country.

1. Problem statement

In South Africa, self-employment and rates of business ownership have grown rapidly amongst immigrants particularly after the birth of democracy in 1994. Most of the immigrants suffer prolonged unemployment and experience difficulties in getting into the labor market as they engaged in small business. Majority of non-South African immigrants' firm owners have started their businesses with a view to avoid ethnic discrimination and unemployment. Many researchers postulate that this background characteristic of minorities and their labor market position pushed other groups to enter self-employment. Other entrepreneurs pull their relatives into business to improve their social and economic position in the host country. Immigrant business owners are more frequent today as compared to a decade before. The importance of this study is in identifying the role the ethnicity and culture play in developing entrepreneurship in South Africa. The study will find out if ever ethnicity and culture play a role in running a business. The objectives of the study will be discussed next to give direction.

2. The objectives of the study

The primary objective of the study is to investigate the role played by ethnicity and culture in entrepreneurship.

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Secondary objectives include:

- to investigate business performance of different cultural groups;
- problems experienced by ethnic entrepreneurs and their marketing skills;
- to establish whether ethnical and cultural background play a role in the success of small business in SA; and
- to discover obstacles and constraints entrepreneurs face in doing business.

To attain the objective of this study, the following hypotheses were drawn:

H1: There is a correlation between problems experienced by ethnic entrepreneurs and their marketing skills.

H2: There is a 60 percent chance that a positive relationship between ethnical and cultural background and successful small business in SA exists.

3. Literature overview of ethnicity and cultural background of entrepreneurs in South Africa

Post war economic growth and severe labor shortages induced Western European countries to relatively liberal immigration regimes (Zoetermeer, 2001). Foreigners, who do not originate from South Africa, are categorized as ethnic minorities. In several countries, ethnic minorities show similar trends regarding population growth, household composition, labor-market participation and income level. Rettab (2001) indicates that ethnic minorities consist of two types of migrants:

1. First generation group consists of traditional migrants who were directly recruited for employment reasons. According to Rettab (2001), this group is less educated with most education being achieved in country of origin. The group entered the labor market without mastering the language spoken in the host country. Most employers under evaluate their qualification and this lead them entering in low remuneration jobs.

2. Second generation group consists of young dependents born in host country and their entire education has been attained. They master the language of the host country. They found to be more ambitious and selective in choosing a job.

Ethnic minorities are found to have lower labor force participation rates, lower employment rates, be less qualified to accept less skilled jobs. Researchers such as Salaff (2002) postulate that these background characteristics of minorities and their labor market position pushed these groups to enter self-employment. The push and pull factors are of significance for ethnic minority entrepreneurs.

There are two theories, which have emerged that allow scholars to make predictions about the creation, maintenance and management of ethnic enterprises. The enclave theory concentrates on geographically self-contained ethnic communities within metropolitan areas. The immigrant group are less likely to have experience necessary to find work. Fluency in English may be limited as when they come with academic credentials, they may not be recognized by the host society and economic return to the credentials is limited as observed by Light and Rosenstein (2008). Instead of falling to the bottom of economic barrel, they decided to enter into business.

3.1. Ethnic entrepreneurship and formal networks. Empirical studies conducted by Aldrich and Rosen (2007) illustrate that entrepreneurs use informal network contacts, like family, friends and business people more than formal network contacts, like bankers, accountants and lawyers as information sources. Rutashobya (1999) discovered that although Indian and African entrepreneurs were victims of discriminatory legislation, the Indian entrepreneurs were able to utilize resources provided by family and community. Among African entrepreneurs very few networks were found, which ascribed to low status of small business in African community. Further explanation for this lack of networks was the perception that traditionally African entrepreneurs have very few entrepreneurial role models.

3.2. The modern cities as a melting pot of business life. In the past decades, most cities in the industrialized world have seen a huge influx of people with a different socio-cultural or ethnic origin (Light et al., 2008). As a result, many cities are facing severe disturbances on the housing and labor market, accompanied by social segregation, socio-economic disparities, sharp local conflicts and disruption of various local communities. Waldinger (2006) believes that South African cities such as Johannesburg and Tshwane area are seen as melting pot of business because they are industrial. These are the two areas in South Africa which experienced a huge influx of immigrants. Light (2008) indicated that it has become quite common to regard ethnic groups as problematic for modern city life, and in recent years a re-orientation of views on ethnic minorities in cities was observed. What was regarded as a source of their weakness might be turned into a window of business opportunities.

Waldinger (2006) argued that ethnic business owners aim to serve predominantly the needs of the socio-cultural or ethnic class they belong to, but gradually we see an expansion of their market area towards a much broader coverage of the urban demand. Socio-economic benefits of urban ethnic entrepreneurship

stem from several sources. The social bonds in cultural network create flexible ways to attract personnel and capital. Creative ethnic entrepreneurs are able to generate market niches for specific cultural foods to the extent that sometimes ethnic goods are even becoming normal goods, e.g. Italian pizza & Chinese food. The advantage of ethnic entrepreneurship may be the fact that it contributes to resolving the problematic employment situation of young people in ethnic segments of the urban economy.

3.3. Niches and networks in support of ethnic entrepreneurship. The concept "ethnic minority" refers to a multi-faceted phenomenon in which differences in culture, religion, language or socio-economic position are playing an interwoven role. It is, therefore, doubtful whether each ethnic group as a whole in the city forms a homogeneous socio-cultural network with intricate links. Therefore, the socio-cultural network plays an important role in shaping an incubation potential for ethnic business.

Dyer and Ross (2000) indicated that there is a special connection between ethnic minority business firms and their co-ethnic customers. They also found that intra-cluster ethnic loyalty and highly intensive communication behavior within ethnic community offered potential competitive advantages for ethnic firms. According to Ram (1999), social networks comprising the community and the family play a major role in operation of ethnic enterprises. The family is seen as a means of overcoming racial obstacles in the market, but internally it is a flexible source of labor and means of managerial discipline. According to Deakins (1999), the history of disadvantage groups and discrimination has led to the concentration of ethnic minority firms and entrepreneurs in marginal areas of urban economic activity.

Ethic entrepreneurship has become a popular strategy in developing self-reliance principles for ethnic groups. Deakins (2009) stressed that high level of unemployment pushes an increasing number of immigrants towards entrepreneurship. He even indicated that the concept of success or failure in the context of ethnic entrepreneurs is confusing and may need a re-orientation. The collective creative of value is a preferred measure of success.

Deakins (2009) suggested that the diversity of ethnic minority enterprise development should be reflected in the public policy. Barret (2006) emphasized that still much theorization needs to be done in positioning the different ethnic minority groups of small businesses in its full historical and structural context.

According to Basu (2008), the motives for business entry differ among groups. He found that Indian entrepreneurs seem to experience push factors of less importance in their decision to start a business, in comparison with Pakistani entrepreneurs. On the other hand, Waldinger (2006) found that some ethnic groups have cultural norms that create a set of understandings about appropriate economic behavior and expectations within a work setting. Deak (1999) studied the differences between Indian and black Caribbeans in Britain where he found that many Indians but only few black Caribbeans are self-employed. According to this author, this is caused by the fact that the black Caribbeans are ethnically disinclined to enter business. They also do not possess the attributes like educational qualification that are positively related to entering business.

3.4. The South African entrepreneur. An entrepreneur has good business ideas and can turn the ideas into reality. Turning an idea into reality by an entrepreneur calls upon two sorts of skills, which are general and people management. General management skills are required to organize the physical and financial resources needed to run the business and people management skills are needed to obtain the necessary support from others for the business to succeed. Management skills and business knowledge are an indication of how well an entrepreneur can perform important tasks and activities related to the functions of a business. As already mentioned, marketing skills are also very important. They are one of the most important key elements needed and should, therefore, be treated as a main area within the entrepreneurship field. Jonker, Saayman and De Klerk (2009, p. 389) identified six key attributes of entrepreneurs in South Africa, namely: resourcefulness, organizational skills, explorative, self-edification, acquired skills and drive. Results also show that resourcefulness was the most significant. According to Randall (in Southall, 2004), South Africa is witnessing the empowerment of African ethnic entrepreneurs who can exert a powerful influence in their business interests. He believes there are four main factors contributing to this, namely: the promotion of black business by a competent policy-making regime, the political insecurity of white capital, the mobilization of opinion against whites using black companies as fronts and the existence of a fairly refined economy, including an active equity market and a well organized financial sector.

3.5. The South African ethnic entrepreneur. Ethnic entrepreneurship can be defined as "a set of connections and regular patterns of interaction among people sharing common national background or migration experiences" (Waldinger, Aldrich & Ward in Assudani, 2009). Different ethnic groups in South Africa had in the past different levels of opportunities. These opportunities included market forces fa-

voring certain businesses, lack of mobility, access to ownership personal aspirations, education and the ability to mobilize resources from family and government sources (Allie, Human & Godsell in Mitchell, 2003). It would be a mistake to say that all ethnic groups act and perform in the same way. Some ethnic groups are more entrepreneurial than others. Waldinger et al. (in Mitchell, 2003) argue that this is because different ethnic groups have and believe in a different culture, they all have different structures as well as ethnic enclave and they all behave differently in certain situations. In this study the focus will be on ethnic Asians, Indians and African entrepreneurs.

3.6. Problems experienced by South African ethnic entrepreneurs. There is no doubt that ethnic entrepreneurs will come across problems that will affect their establishment as well as their growth in entrepreneurial activities. The following marketing issues are often cited as influencing entrepreneurs' success:

- poor locality;
- insufficient marketing;
- inability to identify target market;
- failure to conduct market research;
- poor product/service;
- no knowledge of customer preferences.

According to Mitchell (2003, p. 71), there are many constraints that ethnic entrepreneurs face when doing business. This includes problems: a) in the business environment (theft, gangsters, and violence); b) with finance (access to loans); c) in the market (competition, cost of equipment, cost of materials, cost of supplies); d) with regulation (company tax, VAT administration); and e) with skills and labor (accounting, calculating costs, cost of labor, reliable labor, skilled labor, technical skills). With regard to South African ethnic entrepreneurs, Mitchell (2003, p. 58) found that financing, labor relations, crime and theft were the most problematic factors. The Department Trade & Industry study (DTI, 2009) found many factors that affect women ethnic entrepreneurs in South Africa. These factors include discrimination, gender, geographic location, poverty, problems regarding assets (land), inadequate education and training to exploit opportunities, HIV/AIDS, family responsibility, inadequate access to capital, vulnerability to adverse effects of trade, poor mobilization and labor issues.

3.7. Measurements of successful ethnical entrepreneurs. Entrepreneurs develop SMEs which can be classified based on size, turnover and number of employees (Bowler, Dawood & Page, 2007). Organizational success or failure in SMEs is seriously affected by the managerial competencies of the entrepreneur because decisions are mainly based on the director's personal skills and intuition rather than on analysis of information. The entrepreneur usually adopts a highly personalized management style, tending to follow a "react and adapt" philosophy and fire-fighting strategies, focusing on short-term horizons and not engaging actual strategic planning (Hudson et al., 2001).

The success of entrepreneur can be evaluated by the following measures:

- Profitability of their business is probably the first thing people think about when measuring success.
- Growing customer base is a sure sign that their business is effectively reaching target markets.
- Customer satisfaction is an indication they understands the needs of their customers.
- Employee satisfaction is another key indicator of business success.
- Entrepreneur satisfaction.

4. Research methodology

The study deals with the assessment of motives; success performance and nature of ethnic entrepreneurship in Gauteng Province, South Africa are mainly addressed. In addition, it examines whether the different ethnic groups differ in financing their businesses and whether they face similar obstacles and constraints.

In this research, the focus is on Asians, Indians and African entrepreneurs because they have become highly visible as shop owners and their retail and service enterprises showed a steady increase.

Secondary and primary sources were used to gather information. The main secondary sources used were journals, articles, press reports, and books. The survey was based on the questionnaires and interviews to elicit information essential to attaining objectives of the research. The empirical data stems from time-consuming in-depth personal interviews among 300 ethnic entrepreneurs in the greater Tshwane and Johannesburg region. It was impractical to conduct research on the total population and only the sample of 300 entrepreneurs was researched from October 1st to November 31st, 2009.

5. Limitation of the research

The population of entrepreneurs around Tshwane and Johannesburg areas is about 10 000 (CCS, 2002, p. 31). It was impractical to conduct research on the total population and only the sample of 300 entrepreneurs was researched from October 1st to November 31st, 2009. The sample size of 300 entrepreneurs is small and this may influence the validity of the research. Only entrepreneurs in Tshwane and Johannesburg area were surveyed and, therefore, the

findings may not be truly representative of entrepreneurs around the country and no generalization can, therefore, be made.

In the research, there are issues that may hinder the achievement of the research objectives and are likely to occur at various stages of the research project. These are aspects that require careful attention at the outset of the research project such as:

- access to the organization based on the research;
- access to information from the entrepreneurs can be difficult due to educational background;
- background or lack of understanding the questionnaires;
- specific results are not guaranteed especially with qualitative method;
- responses from entrepreneurs can be very slow and difficult to receive, due to postage delays or absence of some respondents;
- difficulty in obtaining reliable data from entrepreneurs;
- information not enough to back up the finding as supporting agencies may consider some of their information as confidential;
- restructuring of policies by government due to pressure from politicians and business people to address the entrepreneurs' problems;
- the reluctance of respondents to answer the questions about their profits and salaries.

6. Research results

The demographic profile presents an overview of the sample elements (owners) in terms of gender and age. The research aimed to establish whether gender or age of the respondents influence the marketing skills and, thus, the success rate of small businesses. The sample units (small businesses) are also described in terms of type of business (to observe whether certain type of business is more susceptible to failure), and number of years in operation (to establish whether years in operation influence the success rate of a small business), industry type (to observe whether certain industry type of business is more susceptible to failure), and ownership by population group (to observe whether race influences the failure rate).

6.1. Demographic profile. Access to demographic information of the survey population assists strategists in their decision-making responsibilities related to future small business skills development strategies. Demographic factors indicate that the older the owners, the less likely they are to leave the business and consequently the more likely they are successful. Gender of respondents is also considered because in the overwhelming majority of countries, the rate of entrepreneurial activity among men is far higher than among women.

6.2. Gender of the respondents. The research aimed at establishing the gender of the respondents and whether gender influences the marketing skills of business owners and thus the success rate of small businesses. In Figure 1 the results are shown.

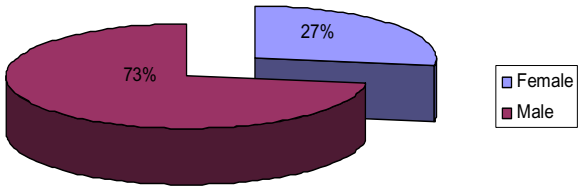


Fig. 1. Gender of respondents

As Figure 1 indicates, most of the respondents surveyed were male (73 percent) as compared to female respondents (27 percent). South Africa is not an exception, with men being twice as likely as women to be new enterprise entrepreneurs and one and half time more likely to be owner managers of established firms. The Global Entrepreneurship Monitor (2002, p. 34) presents a possible explanation for this male-biased trend. According to this publication, male owner/managers employ more workers in comparison with female owner/managers, who employ less.

6.3. Age of the respondents. Next information on the age of the sample elements was collected. The research attempts to determine whether age of the respondents influences the marketing skills and, thus, the development of small businesses. Figure 2 reflects the age of the survey population.

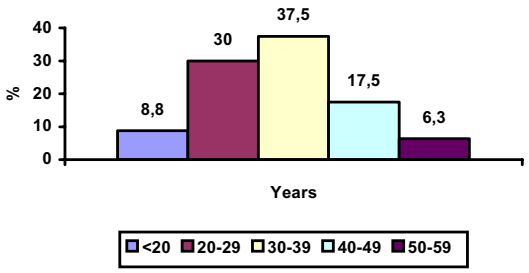


Fig. 2. Age of respondents

Figure 2 indicates that the largest percentage (37,5 percent) of the sample population (81 respondents participated in the survey) is aged between 30 and 39, followed by the age group from 20 to 29 (30 percent). The information reflected in Figure 2 is indicative of a relative mature workforce. In Figure 2, the age of respondents is categorized into five different age groups. As indicated in Figure 2, 37,5 percent of the respondents are between the ages from 30 to 39 years. This group forms the largest age group. The research indicates that most successful business owners fall in the age group of 30-39 years.

The research results shown in Figure 2 also indicate that most of the entrepreneurs are still relatively young. Only five respondents (6,3 percent) were older than 50 years. Figure 2 also shows that there were respondents (8,8 percent) under the age of 20 who were also active entrepreneurs. Respondents from 20 to 29 years formed the second largest group (30 percent) identified as entrepreneurs. Observing the results, the researcher came to the conclusion that the profession of entrepreneur is a strenuous one because only a few older persons are still in that profession.

6.4. Age of the business and number of years in operation. The research tries to establish whether years in operation influenced the success rate of a small business. The age of a business reflects its market experience and affects its ability to grow and move to the next size class. Furthermore, market experience and size of a business are important valuables that determine a business's access to financial sources. The outcome of the survey finding is presented in Figure 3.

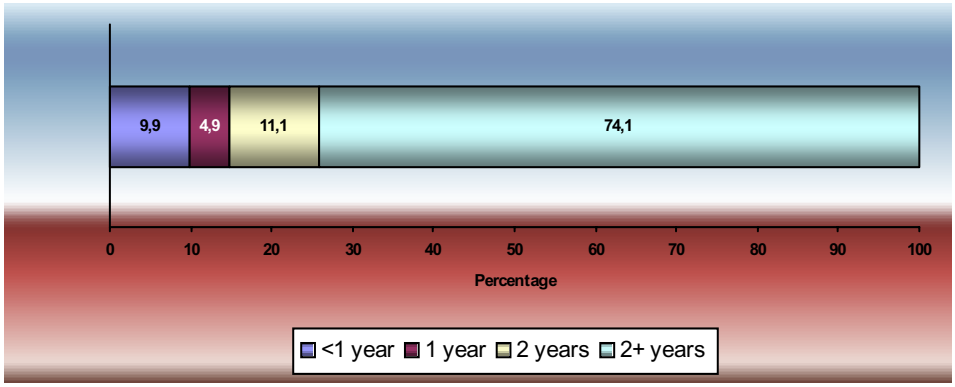


Fig. 3. Number of years in operation

Figure 3 shows the number of years small businesses have been in operation. It is evident from the data that the businesses are generally fairly mature. According to Figure 3, most businesses (74,1 percent) operate for more than two years. Only a few MSEs (25,9 percent) operate between one month and two years. These findings reflect a relatively high survival rate for the micro small business sector in the survey areas. This is an encouraging finding against the backdrop of the high unemployment rate in South Africa. However, Figure 3 also confirms the relatively high rate of establishment of new businesses. Almost one in every five (25,9 percent) small business as has been in operation for less than one year. International experience has shown that births and deaths among small businesses tend to be concentrated among younger and smaller firms (Picot & Pupuy, 1995).

6.5. Nature of industry. An additional variable investigated in the questionnaire is the nature of the industry in which participating small businesses operate. The aim was to observe whether certain industry type of businesses is more susceptible to failure. The outcome of the survey results is reflected in Figure 4.

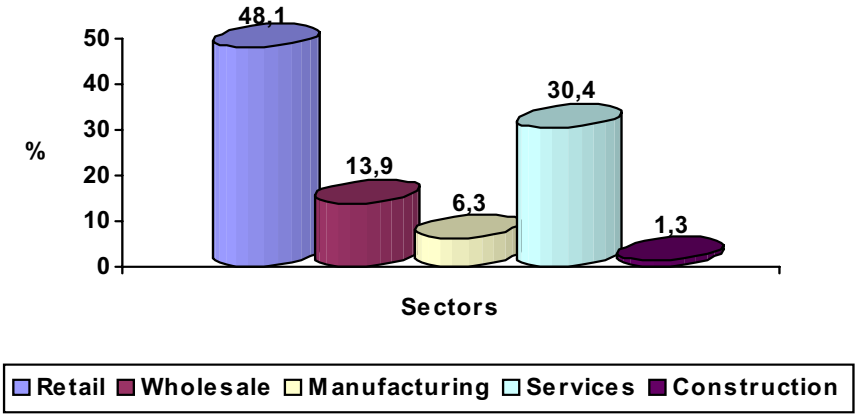


Fig. 4. Nature of industry

Figure 4 indicates that 48.1 percent of the respondents operate in the retail industry. Of the total sample, approximately a third (30.4 percent) conducts business in the services industry. Only 7.4 percent of the survey population participated in the construction and manufacturing industries. The study observed that retailers had the largest chance to fail due to easy access to this sector. Previous studies confirmed that small businesses in the retail sector have a higher failure rate as a result of the ease of

entering this sector and the consequent possibility of overtrading.

6.6. Marketing training needs and skills. Marketing skills, as indicated in the literature review, are the ability to see past firm's offerings and their features, to be able to see how they satisfy the customer's needs and why the customer finds them attractive, and this will indicate the success of the ethic entrepreneur (Cronje, 2007).

Figure 5 presents the outcome of the survey finding.

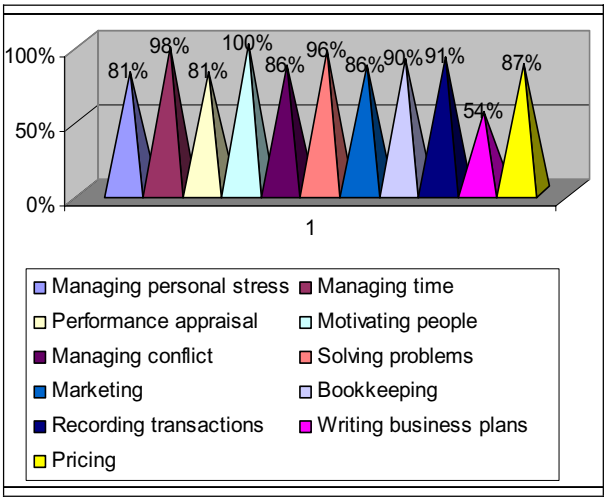


Fig. 5. Marketing skills

Figure 5 indicates that about 86 percent of the respondents are constantly involved in marketing activities. The rest of the respondents never or hardly ever market their business, or do not know what marketing is. These business owners should be assisted in acquiring knowledge about marketing.

6.7. Problems experienced by ethnic entrepreneurs. It seems that ethnic entrepreneurs are still ignorant about their business environment. The results of problems experienced by ethnic entrepreneurs are shown below:

- lack of marketing strategy, 25%;
- lack of clarity, 20%;
- unrealistic assumptions, 19%;
- lack of marketing skills, 67%;
- lack detail, 13%;
- overly optimistic, 9%;
- weak competitive analysis, 6%;
- using resources to create links with suppliers, 23%;
- differentiating products or services, 12%.

The most common mistake is "lack of marketing strategy". Ethnic entrepreneurs fail to identify who their customers would be and how they would communicate with them. They also underestimate the challenge of developing a new market. Lack of marketing skills seems to be a major problem as 67 percent of the respondents were of the opinion that they lack marketing skills. The article also states that marketing isn't just about defining the sales market. It's about defining the strategies, advertising programs and competitive analysis. Making these types of mistakes can be a significant problem and can lead to failure. Therefore, the survey concludes that entrepreneurs should not underestimate the importance of marketing.

The aim of the research, as discussed above, was to establish whether there is a correlation between problems experienced by ethnic entrepreneurs and their marketing skills. The hypothesis formulated for this research is:

H1: There is a correlation between problems experienced by ethnic entrepreneurs and their marketing skills.

To achieve the objectives of the study,

H01: $\mu 1 \neq \mu 2$,
Ha1: $\mu 1 = \mu 2$.

The response of the hypothesis is shown in Table 2.

Table 2. The Pearson correlation

		Problems experienced	Total: problems experienced; marketing skills
Problems experienced	Pearson correlation	1	.073
	Sig. (2-tailed)	.	.448
	N	157	156
Total: marketing skills	Pearson correlation	.073	1
	Sig. (2-tailed)	.448	.
	N	157	156

Table 2 shows that Pearson correlation indicates a perfect correlation of 1 at a significant level of 0.05 2-tailed. When conducting the z-test, H01 was rejected, thus accepting Ha1. Therefore, by accepting Ha1, one may conclude that there is a correlation between problems experienced by ethnic entrepreneurs and their marketing skills. It is evident from the study that ethnic entrepreneurs lack certain skills such as financial, marketing, and human ones to operate their businesses successfully. The research findings confirm that ethnic entrepreneurs are in need of support services such as training, counselling, and financial assistance. It is equally evident that ethnic entrepreneurs are constrained not only by financial factors but also specifically by non-financial factors such as lack of education, inadequate technical skills, poor access to markets, lack of information and unreliable infrastructure. The analysis also indicates that the skills that the respondents possess, and those that they preferably should have, do not correlate.

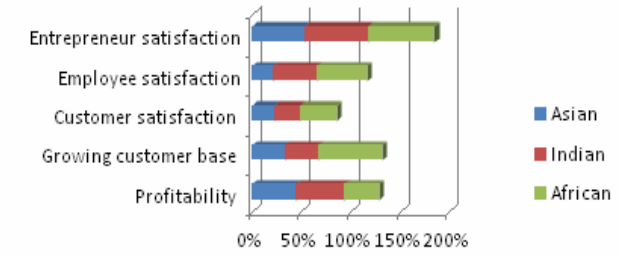
The study established that the respondents lack the following key skills: financial skills – record keeping, financial planning/budgeting, cash flow and credit man-

agement and marketing. The picture emerging from the research analysis depicts a continuum of small businesses ranging from fairly sophisticated businesses operations in the formal market to businesses lacking formality in terms of, for example, labor legislation, business premises and accounting procedures.

6.8. Measurements of successful ethnical entrepreneurs. As indicated in section 3.7 the success of entrepreneurs can be measured with the following measures, namely:

- profitability;
- growing customer base;
- customer satisfaction;
- employee satisfaction; and
- entrepreneur satisfaction.

The results of the research are indicated below in Figure 5.



	Asian	Indian	African
Profitability	45%	51%	34%
Growing customer base	33%	39%	56%
Customer satisfaction	23%	39%	36%
Employee satisfaction	21%	49%	50%
Entrepreneur satisfaction	53%	62%	60%

Notes: average 35%, 48%, 47%.

Fig. 6. Measurements of successful ethnical entrepreneurs

Figure 6 shows the different measurements of successful ethnical entrepreneurs. The researcher asked the respondents to evaluate themselves whether they are of the opinion that they are profitable using the five criteria, namely: profitability, growing customer base, customer satisfaction, employee satisfaction and entrepreneur satisfaction. From the respondents, 45 percent of Asian, 51 percent of Indian and 34 percent of African entrepreneurs claim that their business venture is profitable. The other criteria are as follows:

	Asian	Indian	African
Growing customer base	33%	39%	56%
Customer satisfaction	23%	39%	36%
Employee satisfaction	21%	49%	50%
Entrepreneur satisfaction	53%	62%	60%

Notes: average 35%, 48%, 47%.

When the average of the different entrepreneurs is used, it is possible to conclude that, according to the respondents, 35 percent of Asian, 48 percent of Indian and 47 percent of African entrepreneurs claim that their business venture is successful.

The second aim of the research was to establish whether a significant relationship between ethnical and cultural background and successful small business in SA exists. The hypothesis formulated for this research is:

H2: There is a 60 percent chance that there is a positive relationship between ethnical and cultural background and successful small business in SA.

The hypothesis will be tested as follows.

At a 95 percent level of confidence (or 0.05 significance level) z = 1.96. Consequently, the deviation from the sample proportion is 7.8 percent (1.96 x 0.04). This means that at least 62.5 percent of the respondents believe that a positive relationship between ethnical and cultural background and successful small business in South Africa exists. Therefore, H0 is rejected. The conclusion is that a positive relationship exists between ethnical and cultural background and successful small business in South Africa.

Recommendations

The research recommends that entrepreneurial training should focus on administration, financial management, and marketing skills. Training should be more of a practical nature; less formal and classroom-based, and should include follow-up practical courses. Ethnic entrepreneurs would then also be more equipped to make better-informed decisions, and to steer their business away from known pitfalls.

The research has established that there is a correlation between problems experienced by ethnic entrepreneurs and their marketing skills. Improving the marketing skills of ethnic entrepreneurs will solve unemployment problems and improve the South African economy. The research has also established that a positive relationship exists between ethnical and cultural background and successful small business in South Africa. It is true that South Africa has huge shortage of capable entrepreneurs. The study demonstrated reasons for ethnic entrepreneurship in the country and examined the role played by ethnicity and culture in success amongst different ethnic groups of entrepreneurs in South Africa.

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