The Entrepreneurial Alertness of Immigrant Entrepreneurs in South Africa

Olawale Fatoki

Department of Business Management, Turfloop campus,
University of Limpopo, Limpopo Province, South Africa
Email: Olawale.fatoki@ul.ac.za

Doi:10.5901/mjss.2014.v5n23p722

Abstract

Immigrant entrepreneurship contributes to employment creation, poverty alleviation and economic growth in their host countries. The survival rate of immigrant businesses is low. Opportunity identification is one of critical success factors of small firms. The study investigated the entrepreneurial alertness of immigrant entrepreneurs in South Africa. Entrepreneurial alertness is one of the factors driving the opportunity identification process. The empirical approach consisted of data collection through the use of self-administered questionnaire in a survey. The Cronbach's alpha was used as a measure of reliability. Descriptive statistics was used for data analysis. The study focused on three dimensions of entrepreneurial alertness. These are scanning and search, association and connection and evaluation and judgment. The results indicated that immigrant entrepreneurs scan and search for information, are involved in association and connections and also evaluate and judge opportunities. On the average, the results suggested a good level of entrepreneurial alertness by immigrant entrepreneurs.

Keywords: entrepreneurial alertness, immigrant, entrepreneurs, South Africa

1. Introduction

The Organisation for Economic Co-operation and Development (2013) points out that immigrant entrepreneurs contribute to economic growth in their host countries, bring new skills and competencies and help to reduce labour shortages. Immigrant entrepreneurs create businesses in many sectors including innovative ones and contribute to employment creation. Immigrant entrepreneurs also play an important role in maintaining economic activities in certain areas that are at the risk of economic and demographic stagnation. In addition, immigrant entrepreneurs contribute to the economy of their host countries through international trade using transnational linkages. According to Turkina and Thai (2013), immigrant entrepreneurship is an important driver for socio-economic development of the host countries and/or home countries. Immigrants have striking entrepreneurial propensity and their businesses contribute significantly to job creation and innovation. The unemployment rate of South Africa is currently 25.5% (Statistics South Africa, 2014). By creating employment, immigrant entrepreneurship can be one of the ways to reduce poverty, inequality and stimulate economic growth in South Africa (Kalitanyi and Visser (2010); (Tengeh et al. 2012). According to the Organisation for Economic Co-operation and Development (2013), immigrant entrepreneurs are more likely than natives to create new businesses, however the failure rate of their businesses is higher than for natives. Immigrant entrepreneurs are negatively impacted by many factors including credit constraints, language ability and length of residence in the host country.

Chittithaworn et al. (2011) find that opportunity identification is one of critical success factors for small firms. According to Gaglio and Katz (2000), opportunity identification represents one of the most distinctive and fundamental entrepreneurial behaviour. Entrepreneurial alertness is the cognitive engine driving the opportunity identification process. Foss and Klein (2010) point out that the concept of entrepreneurship as alertness to profit opportunities is one of the most important current interpretations of the entrepreneurial function. Tang (2008) remarks that one of the factors that influence the way opportunities are recognised and exploited by entrepreneurs is alertness. The concept of alertness has the potential to add substantially to the understanding of how new ideas get initiated and pursued. Therefore, it is of significance to understand the entrepreneurial alertness of immigrant entrepreneurs. The Organisation for Economic Co-operation and Development (2013) notes that a detailed knowledge of immigrant entrepreneurship can assist in putting appropriate policies in place that will enhance immigrant entrepreneurship.

2. The Objective of the Study

Immigrant entrepreneurship contributes to employment creation, poverty alleviation and economic growth in their host

countries. The survival rate of immigrant businesses is low. Opportunity identification is one of critical success factors of firms. Entrepreneurial alertness is one of the factors driving the opportunity identification process. The objective of the study is to investigate the entrepreneurial alertness of immigrant entrepreneurs in South Africa.

3. Literature Review

Shane and Venkataranam (2000) point out that one of the biggest obstacles in creating a conceptual framework for the field of entrepreneurship is its definition. Most researchers have tended to define entrepreneurship solely in the context of who is an entrepreneur and what does an entrepreneur do. However, entrepreneurship involves two phenomena. (1) The presence of lucrative opportunities; and (2) the presence of enterprising individuals. Thus the field of entrepreneurship involves "the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them". According to Kirzner (2008), the "entrepreneur is not seen as disturbing any existing or prospective states of equilibrium. Rather he is seen as driving the process of equilibrium". Foss and Klein (2010) remark that entrepreneurship is about grasping and responding to profit opportunities that exist in an imperfect world. Dalhammar (2004) describes immigrant entrepreneurship as the process by which an immigrant establishes a business in a host country (or country of settlement) which is not the immigrant's country of origin). According to Aaltonen and Akola (2014), an immigrant entrepreneur is a person who has immigrated to a new country and started a business there. The term immigrant small business owner is often used as a synonym for an immigrant entrepreneur.

Kirzner (1979) laid the foundation for the research work on entrepreneurial alertness. According to Kirzner (1979, 1985, 1997), entrepreneurial alertness refers to the discovery of business opportunities and the utilisation of resources to make use of these opportunities to create value. Alertness is the ability of an individual to identify opportunities which are unnoticed by others. Kirzner (1979) defines entrepreneurial alertness as 'the ability to notice without search opportunities that have hitherto been overlooked'. Alertness is also 'a motivated propensity of man to formulate an image of the future' (Kirzner, 1985). In addition, Kirzner (1997) describes entrepreneurial alertness as 'an attitude of receptiveness to available, but hitherto overlooked, opportunities' while Kirzner (2008) refers to alertness as 'a sense of paying attention to what might be 'around the corner'. Alertness emphasises the aspect of spontaneity in discovery and accounts for the market forces responsible for the allocative efficiency. Harper (2003) points out that the theory of entrepreneurial discovery is one of the most widely accepted ideas of entrepreneurship. According to Kirzner (1979), there are certain characteristics of entrepreneurial alertness that differentiate it from conventional economic resources. (1) Entrepreneurial alertness does not imply the mere possession of superior knowledge of market opportunities; (2) Entrepreneurial alertness is non-deployable and tacit (3) There is no market for hiring entrepreneurial services, and entrepreneurship cannot be seen in terms of demand and supply and (4) Entrepreneurship is costless. The difference between a non-alert entrepreneur and an alert entrepreneur is that non-alert entrepreneurs do not identify opportunities because they do not judge the market environment well. Non-alert entrepreneurs do not detect information about the current ways of doing business. Kirner (2008) points out that "the entrepreneur as the agent driving the competitive-equilibrative forces of the market, focuses attention on the role of the entrepreneur not as a creator, but as being merely alert. His equilibrative role stemmed, not from his autonomously introducing change into existing market relationships, but from his ability to notice, earlier than others, the changes that have already occurred, rendering existing relationships inconsistent with the conditions for equilibrium". Zaheer and Zaheer (1997) describe alertness as the "proactive attentiveness to information especially of a private nature about the environment". "having one's antennae out". Alertness can yield information on opportunities in the environment. Aviram, (2010) define alertness as: "a concept defining a situation which can be described as a continuous state of being "on call". According to Saarikko et al. (2014), entrepreneurial alertness is important for a firm's innovation activities and competitive actions.

Storr and John (2011) remark that one of Kirzner's significant contribution to entrepreneurship is understanding that the role of the entrepreneur is to correct errors in the market. Alert entrepreneurs discover profit opportunities which can be described as opportunities to buy at a low price and sell at a high price. This helps to drive the market process toward equilibrium. Tang et al. (2012) point out that alertness has three complementary dimensions: (1) Scanning and looking for new information. This includes frequently scanning the environment and changes in the environment. (2) Connecting previously-disparate information. This involves how entrepreneurs cognitively respond to and process new information clues and (3) Evaluating whether the new information obtained signifies an opportunity. This refers to making evaluations about the new changes and whether they represent a business opportunity that is potentially profitable.

Sambamurthy et al. (2003) add that agility which can also be related to alertness refers the ability to detect and seize market opportunities with speed. Agile firms are competitive, consistently look for opportunities and marshal the

necessary resources to seize the opportunities. Tang (2008) points out that entrepreneurs may not be conscious of their alertness and opportunity identification behaviour may not be the result of deliberate search. In order to increase the chance of opportunity discovery, entrepreneurs need to be exposed to a friendly and benign environment that will activate their alertness. A munificent environment boosts entrepreneurial alertness through a positive attitude of society toward entrepreneurship and a good public support for entrepreneurial activities. A favourable entrepreneurship environment can be created through the presence of experienced entrepreneurs and successful entrepreneurial role models. This will convey a message to potential entrepreneurs that business is an attractive career option. Financial assistance from commercial banks can assist in improving feasibility and desirability and prepare entrepreneurs to be alert to opportunities. The study finds a strong relationship between environmental munificence and alertness especially in the situation when entrepreneurs have high levels of self-efficacy in performing the roles and tasks of new venture creation.

McMullen and Shepherd (2006) note that entrepreneurial alertness has to be backed up with action. An entrepreneur has to identify opportunities and seek to profitably tap them. Entrepreneurship requires action. Puhakka (2011) agree that a creative-cognitive perspective is needed to explore alertness to business opportunities. Karabey (2012) investigate entrepreneurial cognition through thinking style, entrepreneurial alertness and risk preference on a sample composed of entrepreneurs, accountants and managers. The results show a significant difference in the risk preference of entrepreneurs, managers and accountants. Entrepreneurs have a higher risk than accountants and this suggests a higher level of alertness. Saarikko et al. (2014) remark that a small firm needs to make immediate returns sufficient to maintain the viability of the firm in the short-term. In addition, a small firm needs long-term reorientation in order to maintain the relevance of their offering when faced with a changing business environment. The study constructs an entrepreneurial alertness matrix that is made up of four types of activities. These are anticipation, adaptation, invention, and distillation. The results suggest that to balance increasing and immediate returns requires, a variety of entrepreneurial activities. These include activities that encompass strategic foresight and systemic insight and explorative and exploitative actions. Cotterill (2012) points out that one of the ways to response to the failure of a firm is the identification of new opportunities. It is necessary for the owner of the failed firm to identify if the root of the failure does not go back to the entrepreneurial alertness process.

4. Research Methodology

The survey was conducted in the Johannesburg Central Business District in Gauteng province, South Africa. The area was used for the survey because it contains a large number of immigrant entrepreneurs. The empirical approach consists of data collection through the use of self-administered questionnaire in a survey. Because of the difficulty of obtaining the population of immigrant-owned businesses in the study area, convenience sampling and the snowball sampling methods were used. The questionnaires were given to the owners of the business to complete. A pilot study was conducted on the survey instrument used in this research with fifteen immigrant entrepreneurs in order to ensure face and content validity. Owners were assured of confidentiality with regard to the data collected. The questionnaire for the study was adapted from studies on entrepreneurial alertness by Tang (2008) and Tang et al. (2012). Building on the works of Kirzner (1973, 1999) and McMullen and Shepherd's (2006), Tang et al. (2012) offered a model of entrepreneurial alertness that involved three distinct elements. (1) Scanning and search (2) Association and connection and (3) Evaluation and judgment. This led to the development of a 13-item alertness scale that takes into consideration the three dimensions. All items are on 7-point Likert scales ranging from "1, strongly disagree" to "7 strongly agree". The instrument that was developed provides researchers with a tool to measure entrepreneurial alertness. The results of the study by Tang et al. (2012) showed strong reliability and appropriate dimensionality. In addition, the results revealed content, convergent, discriminant, and nomological validity. The Cronbach's alpha was used to measure reliability. Nunally (1978) recommended 0.70 as the acceptable coefficient. Descriptive statistics was used for data analysis.

5. Results and Discussions

100 questionnaires were distributed and 42 returned. The response rate was 42%. Most of the respondents are males, with post-matric qualifications, in the 31-40 age bracket and in the retail sector.

5.1 The entrepreneurial alertness of immigrant entrepreneurs

Table 1: The entrepreneurial alertness of immigrant entrepreneurs

Item	Mean	Standard deviation
Scanning and search		
1. I have frequent interactions with others to acquire new information.	6.02	0.92
2. I always keep an eye out for new business ideas when looking for information	5.85	0.87
3. I read news, magazines, or trade publications regularly to acquire new information.	5.45	0.99
4. I browse the Internet every day.	4.72	1.02
5. I am an avid information seeker.	5.70	0.97
6. I am always actively looking for new information.	5.72	1.04
Scale mean	5.57	0.95
Cronbach's alpha	0.77	
Association and connection		
7. I see links between seemingly unrelated pieces of information.	5.20	0.87
8. I am good at "connecting dots."	5.18	0.92
9. I often see connections between previously unconnected domains of information.	5.02	0.98
Scale mean	5.13	0.95
Cronbach's alpha	0.72	
Evaluation and judgment		
10. I have a gut feeling for potential opportunities.	5.55	1.01
11. I can distinguish between profitable opportunities and not-so-profitable opportunities.	5.47	1.03
12. I have a knack for telling high-value opportunities apart from low-value opportunities.	5.42	0.97
13. When facing multiple opportunities, I am able to select the good ones.	5.50	0.94
Scale mean	5.49	1.01
Cronbach's alpha	0.75	

The results as depicted by table 1 indicate that immigrant entrepreneurs scan and search for information with a scale mean of 5.57. Immigrant entrepreneurs have frequent interactions with others to acquire new information and keep an eye out for new business ideas when looking for information. Tang et al. (2012) that scanning and search as one of the dimensions of entrepreneurial alertness allow entrepreneurs to be persistent in their attempts to obtain new ideas This dimension of alertness can help entrepreneurs in building a vast array of domain-relevant information. The results also indicate that immigrant entrepreneurs are involved in association and connections with a scale mean of 5.13. Immigrant entrepreneurs see connections between previously unconnected domains of information. Furthermore, immigrant entrepreneurs evaluate and judge opportunities with a scale mean of 5.49. The average for the three dimensions of entrepreneurial alertness is 5.40. This indicates a good level of entrepreneurial alertness by immigrant entrepreneurs. Tang et al. (2012) note that association and connection refer to how to receive new information, creativity, and making extensions in logic. Association allows an entrepreneur to consider multiple options and possibilities and to make unique connections. Evaluation and judgment focus on judging if a business opportunity has profit potentials. Newby et al. (2003) point out that the goal of the owner of a small firm can be measured quantitatively (financial) and qualitatively (non-financial). Financial return includes earning as much profit as possible. According to Gaglio and Katz (2000), opportunity identification represents one of the most distinctive and fundamental entrepreneurial behaviour. Sambamurthy et al. (2003) point that alertness refers the ability to detect and seize market opportunities with speed. Alert firms are competitive, consistently look for opportunities and marshal the necessary resources to seize the opportunities. Shane and Venkataranam (2000) point out that entrepreneurship involves two phenomena: The presence of lucrative opportunities and the presence of enterprising individuals. Therefore, alertness is necessary to exploit opportunities in the marketplace.

6. Conclusions

Immigrant entrepreneurship is an important driver for socio-economic development of the host countries and/or home countries. Immigrant entrepreneurship contributes to employment creation, poverty alleviation and economic growth in their host countries. The survival rate of immigrant businesses is low. Immigrant entrepreneurs are negatively impacted by many factors including credit constraints, language ability and length of residence in the host country. Opportunity identification is one of critical success factors of firms. Entrepreneurial alertness is one of the factors driving the opportunity identification process. The objective of the study is to investigate the entrepreneurial alertness of immigrant entrepreneurs in South Africa. The study focused on three dimensions of entrepreneurial alertness. These are scanning

and search, association and connection and evaluation and judgment. The results indicate that immigrant entrepreneurs scan and search for information. The results also indicate that immigrant entrepreneurs are involved in association and connections and also evaluate and judge opportunities. On the average, the results suggest a good level of entrepreneurial alertness by immigrant entrepreneurs. Further research can examine the entrepreneurial alertness of the owners of small native-owned firms in South Africa. In addition, additional studies can investigate the impact of firm and entrepreneur's characteristics on entrepreneurial alertness.

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