



*Enterprising Somali Refugees in Cape  
Town: Beyond Informality, Beyond the Spaza  
Shop*

By

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***Dedication***

To my parents: Aw Ali and Halima who raised me with the best values possible.

## *Abstract*

Since the dawn of democracy, South Africa has received high numbers of refugees from around the African continent in particular. One of the largest groups of refugees, Somalis, have established numerous enterprises in South African cities, concentrated in micro and small business sectors, particularly in the grocery and textile industries. The presence of Somali entrepreneurs and their role in the South African economy is contested, framed in relation to township informal economies and debates on xenophobia. Research to-date, however, focuses almost exclusively on Somali informal micro-enterprises in the spaza shop sector.

To address this gap in the research and debate, this thesis examines Somali entrepreneurs, their development of varied formal enterprises, and their business strategies. I demonstrate in that these small formal businesses operate beyond the micro township-based informal spaza sector, building networks between township and city formal economies, and linking multiple economic sectors. In doing so, they act as a medium between producers of goods and general city consumers. The research demonstrates that Somali immigrant entrepreneurs can be considered what Bonacich (1973) describes as “middleman minorities.” This argument builds on qualitative research in Cape Town with Somali refugees who own formal small businesses that employ between five and a hundred employees. I draw on their histories, examine the evolution of their businesses, to substantiate how as newcomers - refugees, with limited knowledge about South African business dynamics, and little access to resources of the country - they managed to find their feet in business in varied ways. I show how Bellville as Cape Town’s Little Mogadishu, acts as a business hub and melting pot, a place to meet, to work together and connect their businesses to the rest of the city. From these histories, experiences, and networks, I analyse the business strategies that Somali entrepreneurs draw on, which include partnerships, shareholding, the building of trust, and their own mobility. I also investigate what enabled them to get a foot in the door when they first arrived, find new business opportunities, and access new markets in the city, region, and in some cases beyond.

I argue that Somali immigrant entrepreneurs have created a diverse set of complex formal businesses, ranging from the sale of textiles, the processing of animal products, to consumer household goods. Through these businesses, these entrepreneurs have created jobs, new economic networks, new products, and extended markets, as well as physical retail and wholesale spaces. In making this argument, this research offers a better understanding of

entrepreneurial work and its logics in the Cape Town Somali immigrant community. Their own experiences as entrepreneurs, as well as their business strategies, exceed by far narratives of informality, the spaza shop sector, and experiences of violence and xenophobia.

This research broadens understandings of immigrant entrepreneurial activity in South African cities, and shift existing negative perceptions that depict refugees and immigrants as burdens on host communities and cities. I hope the research might also help inform the formulation of relevant policies for transitioning informal micro-enterprises in the country into small formal enterprises, one strategy that might address the critical issue of high unemployment in South African cities and society.

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### ***List of Abbreviations***

CBD: Central Business District

## *Chapter 1. Introduction*

### *1.1. Introduction*

Since the dawn of democracy, South Africa has received large numbers of refugees from all around the world, with most being from the African continent in particular. One of the largest groups of refugees are Somalis, who have established numerous enterprises in South African cities. Their businesses are mainly in the micro and small business sectors, particularly in the grocery and textile industries.

The presence of Somali entrepreneurs and their role in the South African economy is very often contested, with some public narratives framing it as a social and economic threat to the country, while a few narratives view it in a positive lens. There is also an inclination to view Somali businesses only in relation to the spaza sector or the phenomenon of xenophobia. National and city authorities very rarely see immigrant entrepreneurship with a positive lens. A recent Competition Commission report commissioned by the South African ministry of Trade and Economic Development (Competition Commission, 2019:280), for instance, alleges that immigrant entrepreneurs in the grocery retail sector are a burden to the local economy. It also alleges that they have a disproportionate advantage over South African entrepreneurs because they use collective bulk-buying as a strategy and have access to cheap labour.

The current Minister of Social Development of South Africa, Lindiwe Zulu, who was the minister of Small Business Development of the country in 2015, also commented on foreign owned spaza shops in the country. She claimed that black South Africans were never capacitated to fully participate in the South African economy, a gap which has allowed for the flourishing of foreign entrepreneurs and their taking up of township economic opportunities. In this light, she called on foreigners to share their ‘business secrets’ (Mbatha, [www.iol.co.za](http://www.iol.co.za), 2015:1) with locals. In February 2019 during the campaign for the much contested South African national and provincial elections, held in May 2019, Dan Plato, the new mayor of Cape Town, in a video-recorded private chat, argued that immigrants coming to the city of Cape Town and the Western Cape Province were an economic burden to the city (Francke, 2019:1).

The mayor alleged that the locals pay for 99% of the services provided to those immigrants (Robin Lee Francke, 2019:1). In most of these debates, Somali migrants and businesses have been especially referred to, and often associated with informality and the township economy, although some of their businesses are formally registered small business enterprises which operate across the city of Cape Town.

Research to-date is also reflective of this debate on immigrants and their role in township economies. For instance, Charman, Petersen and Piper (2012) in a study focusing almost exclusively on Somali informal micro-enterprises in the spaza shop sector, argue that Somali immigrant entrepreneurs are an impediment to the South African economy since they take over jobs that would otherwise be for the locals. On the contrary, other scholars show that immigrant entrepreneurs can have a positive role in contributing to the economy of the city of Cape Town and the broader region. This contribution can be in the form of job-creation, and supplying communities with necessary household goods, sourced from local manufacturers (Gastrow and Amit 2013, Crush and Ramachandran 2015, Tawodzera et al. 2015, Crush et al. 2017).

Migrant Somali entrepreneurs working in South Africa do not only confine their work to the small township-based informal spaza sector, but they also run formal small businesses across Cape Town, building networks between township and city formal economies, and linking multiple economic sectors. To address this gap in the research and debate, this thesis focuses on Somali entrepreneurs, the development of their varied formal business enterprises, and their business strategies. For this analysis, I build on the widely available global literature on immigrant entrepreneurship, which explores the ways in which immigrants are significant economic role players, and a medium between producers of goods and the general consumers of countries, what Edna Bonacich (1973) describes as a “theory of middleman minority”. Zhou (1998) and Zhou et al (2002), for instance, argue that immigrant entrepreneurs, with their concentration in a particular section of a city, which is what the literature terms enclaves, with their networks can play a role in building their hosting cities. Zhou (1998) demonstrates this argument through examination of Chinese- immigrant businesses, and their initiative in establishing China Town malls in Los Angeles, California.

I build on the available literature through a qualitative research project carried out in Cape Town among Somali refugee owned formal small businesses that employ between five and a hundred employees. I draw on the histories of six Somali refugee entrepreneurs, and the

evolution of their businesses, to substantiate how as newcomer refugees, with limited knowledge about the business dynamics, and little access to resources of the host country, often manage to find their feet in business in various ways. I show the ways in which Bellville as a business hub and melting pot, as well as the little Mogadishu for Somali entrepreneurs in Cape Town and its metropolitan areas, became a place to meet, work together and connect their businesses to the rest of the city. I examine how they developed networks in the city. From these histories and experiences, I analyse the business strategies that Somali entrepreneurs drew on, which included partnerships, shareholding, the building of trust, and their own mobility. I also look into what enabled them to get a foot in the door when they first arrived, to find new business opportunities, and to access new markets in the city, region, and in some cases beyond. I argue that Somali immigrant entrepreneurs have created a diverse set of complex formal businesses ranging from the sale of textiles and the processing of animal products, to consumer household goods. With their concentration in Bellville as an urban business hub, they have built and drawn on complex networks that connect to the city of Cape Town. In those businesses, they have created jobs, new economic networks, goods and extended markets, as well as physical retail and wholesale spaces. Their own experiences as entrepreneurs, their businesses as enterprises, and their business strategies exceed by far narratives of informality, spaza shops, violence and xenophobia.

In making this argument, this research offers a better understanding of entrepreneurial work and its logic in immigrant communities. I hope this work might help broaden general understanding of immigrant entrepreneurial activity in South African cities, and shift existing negative perceptions that depict refugees and immigrants as burdens on hosting communities and cities. I also envisage that this research might help inform the formulation of relevant policies for transitioning informal micro-enterprises in the country into small formal enterprises, one strategy that might address the devastatingly high unemployment rates which is a critical issue in South African cities and society.

## *1.2. Structure of the Thesis*

Chapter one introduces the aim and the structure of the study while chapter two presents the literature review which contains two sections. Section one of the literature review discusses Somali entrepreneurs in South Africa in the context of informal trading and violence- including xenophobic occurrences that Somali immigrants and their businesses often face. The second section gives an overview of middleman minority theories and global literature on immigrant entrepreneurship and its economic role in host cities. The chapter also presents the methodology used in the research project. I have used interviews, observation and note taking as main methods of information gathering. The study employed a qualitative case study design, with Somali entrepreneurs as participants.

Chapters three, four and five discuss the empirical observations of the thesis, which lead to the analyses and the research findings. Chapter three describes Bellville as an enclave - a business hub for Somalis, while chapter four narrates the life histories of six Somali entrepreneurs, the respondents of the study. It focuses on how they started their businesses and expanded them from Bellville throughout the city of Cape Town. Chapter five also narrates the evolution and development of the formal businesses owned by the participants, their diverse networks of suppliers on one side and the customers -micro-enterprises - on the other, who then service the communities based in the parts of the city where they operate. Chapter six explains the strategies they use to build their businesses such as partnerships, trusting each other and moving between places and cities for business purposes. Finally, chapter seven discusses the data collected in light of the available literature on the topic. This section locates Somali entrepreneurs as middleman minorities who play a role in connecting between the manufacturers and the consumers in general.

Chapter eight concludes the thesis by way of summarising the overall work of the study.

## ***Chapter 2: Literature Review and Research Methodology***

### ***2.1. Introduction***

This chapter reviews the literature and also explains the methodology used in the study. The literature section engages with two streams of literature. The first one relates to Somali entrepreneurs in South Africa, who have been extensively but almost exclusively written about in the context of informality and xenophobia. It sheds light on animosity towards immigrant traders, and their economic role in Cape Town's informal spaza shop sector. The second is derived from a global literature on immigrant entrepreneurship around the world and their role in the economies of their host cities, in particular, theories relating the "middleman minorities". The theory of the middleman minority, which was originally developed by Hubert Blalock (see Bonacich, 1973:583), was then explained, analysed and popularised in the field of sociological studies by Edna Bonacich (1973). In relation to research methodology, ten qualitative interviews were conducted with ten well-established Somali small business entrepreneurs about their life histories, and how, despite challenges, they navigated the city. In the process, observation and note taking, voice recording and photography were also used.

### ***2.2. Somali entrepreneurs in South African Cities Through Lens of Xenophobia and Informality***

#### ***2.2.1. Animosity towards immigrant traders***

Immigrant traders have often encountered animosity. Frantz Fanon (1963:156) identifies the phenomenon of indigeneity coupled with unfulfilled high expectations - promises made during the struggle for independence, and lack of rational leadership as key elements. To illustrate his point, he draws on the Ivory Coast after independence and the experience of the Dahoman and Voltaic communities who were at the receiving end of contagious hostility and discriminatory

acts from Ivorian locals. The Ivorian politicians at the time used those exclusionary acts for political gain rather than combatting them. Fanon argues that “from nationalism we have passed to ultra- nationalism, to chauvinism, and finally to racism. These foreigners are called on to leave; their shops are burned, their street stalls are wrecked, and in fact the government of the Ivory Coast commands them to go, thus giving their nationals satisfaction” (1963:156).

Somali entrepreneurs in South Africa have also experienced violence and prejudice towards them. Somali informal traders operating in the townships of Cape Town encounter crime and xenophobic violence. Gastrow and Amit (2012:33) document diverse crime occurrences such as robbery, killings, xenophobic attacks and lootings. The 2008 xenophobic attacks which closed down most foreign owned shops in Cape Town, in township areas in particular, can be taken as an example. In addition to xenophobia, Somali refugees in the spaza shop sector also experience harassment by state apparatuses. Again, Gastrow and Amit (2012:39) mention cases in which some members of the South African Police Service (SAPS) were involved in robberies of Somali spaza shops. “Three Somali respondents from Khayelitsha reported that the police had robbed their shops while conducting searches” (Gastrow and Amit, 2012:42). Gastrow and Amit (2012:40) argue that xenophobic attacks and the looting of foreign-owned spaza shops often happen when communities have problems with the state, which they wish to protest about. In other words, violent protests and looting can sometimes be seen as a way of seeking attention from the state. These acts and events have highly detrimental impacts on the lives and businesses of Somali entrepreneurs.

### ***2.2.2. Literature on the Economic Role of Somali Entrepreneurs in Cape Town***

Researchers have produced diverse and somewhat contesting literature on the topic. Certain academics have described foreign owned spaza shops as big capitalists with money and power, which took over the informal economy from local South Africans. Charman, Petersen and Piper (2011:1), and Charman et al (2012:71) suggest that foreigners, Somalis in particular are taking over township economies at the expense of local interests. They, therefore, call for the introduction of policies that restrict the numbers of foreign-owned spaza shops. In contrast, a study by Crush, Tawodzera, McCordic, Ramachandran and Tengeh (2017:783), which involved interviews with one thousand refugee informal traders, including Somalis, in large

and small South African cities, argues that refugees, while facing xenophobia and exclusion, play a significant role in the economic interest of host communities. Godfrey Tawodsera, Abel Chikwanda, Jonathon Crush and Robertson Tengeh (2015:70) also maintain that immigrant entrepreneurs contribute to the economy of Cape Town in diverse ways such as buying from local producers, retailers and wholesalers and employing people in their businesses. In their research in which they interviewed 518 immigrant traders, they found out that those immigrant entrepreneurs created 644 job opportunities in the city.

Gastrow and Amit (2013:29) also demonstrate that Somali owned spaza shops in the Western Cape leave positive impacts on the local economy and the lives of local households. They (2013:33) emphasise that Somalis often buy local products from wholesale shops such as Makro, Giant Sweets and Jumbo Cosmos Cash and Carry which employ hundreds, if not thousands, of South Africans. Fresh daily foods such as bread, milk and fruit and vegetables are also often supplied to Somali owned spaza shops by small-scale local suppliers. For a local community, the spaza shop supplies daily necessities such as, for instance, bread, milk, and sugar. They also rent spaces from the local landlords and employ locals. Gastrow and Amit (2013:29) track Somali shopkeeper's strategies, for instance, working long hours, trading from 5am to 11pm, and on weekends, which makes their goods convenient and accessible for local communities. Crush and Ramachandran (2015:25) reiterate that the role of immigrants in informal economies in South Africa should be acknowledged. Yet, despite the establishment of these enterprises through independent networks and without external support, their economic contribution is too often overlooked. Robertson K Tengeh (2015:191) also argues that immigrant run businesses including those belonging to Somalis, often employ South Africans.

### ***2.3. Minority Migrants: Building Urban Economies and Cities***

While South African literature has been preoccupied with the foreign-owned businesses' experiences of violent crime, the broader role of immigrants in host city economies has also been considerably written about. The U.N. Habitat (2016:2), for instance, underlines that urban immigrants and refugees often revitalize local economies and urban business centers in host cities. They boost labor markets, increase demand for commodities and services, which then

increase levels of production. Urban refugees also create transnational trading linkages between possible clients in their country of origin and local manufacturers of host cities.

Urban refugees might also be part of transformation of cities by investing in local businesses. Lindley (in Pavanello, Elhawary and Pantuliano, 2010:23), for instance, states that in the 1990s, Somali refugees who fled anarchy in Somalia and settled in Nairobi, against many odds converted Eastleigh, then a residential suburb of Nairobi, into a bustling business zone. Somalis established various business enterprises including export and import networks, erected malls, lodges, and restaurants. Pavanello et al. (2010:27) stress that although some Kenyans in other parts of Nairobi assumed that such change did not necessarily touch their lives, the majority of the local residents of Eastleigh believed that Somali immigrant businesses boosted the local economy and created jobs.

Drawing on research with Johannesburg inner city residents, both African immigrants and black South Africans, Abdoumalig Simone (2004:4018) describes some services that immigrants bring to cities such as “the buying, selling, and repairing of cars or domestic or international consigning of goods by individual traders using informal credit systems and flexible collateral”, as well as informal eateries and bars, which are often run by women immigrants. Jock Collins’s research (2017:1) on Hazara refugees in Adelaide, Australia, demonstrates, their entrepreneurial activities such as kebab and grocery businesses, travel agencies and driving schools which similarly contributed to the economic well-being of that city.

Similarly, Nicholas Larchart’s study (2016:1) shares observational ethnographic research on Mohamed, a Mauritanian immigrant, and a corner storeowner in New Orleans in the United States. He narrates how Mohamed, a Muslim, a stranger in a low-income Christian majority black community, became integrated into the neighborhood, how he sustained his business and positively touched the lives of some members of the community, his customers, neighbourhood, and more importantly his employees. The writer attributes such positive change to what he calls Mohamed’s “social miracle”. A part of that miracle is perhaps shown in the flexibility of Mohamed adopts in relation to the mistakes and unpunctuality of his two employees, Ashley and Neshia. Neshia, due to her drinking problem, did not come to work a number of times but he was understanding with her. Ashley also used to go to court because of a case with her ex-partner. For Ashley, there were even times she spent a day or two in custody

because she was accused of violently attacking her ex-partner. Neshia calls Mohamed, Mike, a name the community gave him because they consider him a brother. She said he helped her financially when she could not pay rent and her landlord wanted her to move out. For his new community, Mohamed was not only a job creator but also a community builder.

Migrant entrepreneurs also help to build cities in small, yet significant ways. Conceptualising the role of people in city transformation through production of space, Henri Lefebvre (1991:77) emphasises that nature alone and or the “forces of production” a combination of capital and labourers are not necessarily the only producers of urban spaces and transformers of cities. “Social space contains a great diversity of objects, both natural and social, including the networks and pathways which facilitate the exchange of material things and information. Such 'objects' are thus not only things but also relations” (Lefebvre, 1991:77). Lefebvre suggests that social networks, human activities at both group and individual levels, also produce and transform urban spaces. Social networks, for instance, transport ideas and information which make urban spaces meaningful socially and usable economically. Lefebvre’s argument can clearly be helpful in seeing the transformative role of Somali immigrants in the creation of businesses in Cape Town, Bellville in particular. These businesses entail an important infrastructure that link the consumer and the producer thus connect the community and the city. It is therefore, safe to understand businesses including the foreign owned ones as an economic infrastructure, and a remedy to economic challenges in the country and a way to sustainable broad based urban economic development.

Simone (2004:4019) also unpacks how the activities and networks of immigrants create space for things to happen and how these patterns and dynamics represent mechanisms, an infrastructure that partially drives city, Johannesburg in his particular case. Although, in his research, immigrants, Nigerians, and South Africans often show hatred towards each other, they keep doing things together. They share residential spaces, build relations and do business together (Simone, 2004:4019).

Bearse (1987:1) indicates that in the United States, despite, the belief of some Americans that immigrants take jobs from the American public, “the odds of someone being self-employed increase significantly if the individual has immigrant characteristics” (Bearse,1987:1). Bearse (1987:1) builds his argument on research on Korean and Cuban immigrants who revived part of dilapidated economies in Los Angeles. The fact is that immigrants are not necessarily job

takers but rather urban economic incentives and city builders. Based on Lefebvre, Simone, and Bearnse's, respected urban scholarship, one can arguably consider the entrepreneurial activities of immigrants and refugees through their social networks and perhaps, social capital, as an innovation, an appropriation of urban spaces, and as a means to advance and develop urban economies and the improvement of cities.

Discussing the multiple bureaucratic challenges that immigrant entrepreneurs often face, Robert Kloosterman and Jan Rath (2001:190) recognize extra restrictions on immigrant entrepreneurs in the form of rules and regulations by both public and semi-private institutions of host states. Kloosterman and Rath (2001:194) emphasise the importance of the attitudes of host cities towards the immigrant entrepreneurs. The authors state that in the last few decades a number of cities showed how urban authorities can influence and maximise the expertise and the economic potential of immigrant entrepreneurs. Karl Froschauer (in Kloosterman and Rath, 2001:196) narrates how the British Columbia embraced Taiwanese immigrants and maximised their economic contribution by facilitating conducive supportive environments for their small manufacturing enterprises. The small-scale manufacturing enterprises were new to British Columbia but flourished in Taiwan. The writers suggest friendly enabling urban economy policy formulation towards immigrant entrepreneurs as a way for city authorities to maximise the urban economic contribution of immigrant entrepreneurs.

#### ***2.4. Minority Middlemen: Understanding Entrepreneurial Minorities in Cities Around the World***

Literature on minority entrepreneurs in cities around the globe will be helpful in locating Somali refugee entrepreneurs in Cape Town as a middleman minority group. Although not necessarily confined to refugees, this body of work explores enterprising ethnic minorities and immigrants as middlemen that date back to the 20<sup>th</sup> century and probably earlier. In a groundbreaking paper titled "A Theory of Middleman Minority", Bonacich (1973) discusses the role of immigrants in trade, production of goods and economic flows. Bonacich (1973:589) maintains that minority group immigrants often play the role of a middleman, a link between the manufacturer and the host society as consumers in general. She states that "Among these

are the Jews in Europe (perhaps the epitome of the form), the Chinese in Southeast Asia, Asians in East Africa, Armenians in Turkey, Syrians in West Africa, Parsis in India, Japanese and Greeks in the United States, and so on” (Bonacich, 1973:584).

Bonacich (1973:584) also describes ethnic networks as a feature of middleman minorities. Immigrant enterprise networks often operated through vertical connections between companies that supplied goods to other ethnic owned enterprises. The Jewish owned textile firms in New York, for instance, supplied other Jewish owned textile distribution stores. Similarly, the Indians in Great Britain played both the role of suppliers and clients in the grocery businesses they operated. Bonacich (1973:589) emphasises that such roles often lead to a conflict between the ethnic minority and host communities. Sometimes such conflicts are based on propaganda and scapegoats often orchestrated by politicians. This analysis might well echo South African current debates around migration, xenophobia and job-creation, and the role of foreign entrepreneurs in the economy.

With regards to what motivates minority entrepreneurs, scholars hold diverse views. Weber (in Leo-Paul Dana, 1997:53) recognises culture as a main factor. However, Light (in Dana, 1997:58) argues that Japanese-American eagerness for entrepreneurial start-ups was not necessarily culturally driven. It was rather a result of lack of access to other opportunities. Hegen (in Dana, 1997:53) also suggests social exclusion as a main force. Hegen (in Dana, 1997:57) emphasises that “great traders are often aliens”, drawing on the experiences of Jews in different parts of the world and the Protestants in France as examples. Similarly, Rutter (in O’Rielly, 2012:101) describes how Somalis in the UK pulled resources together and bought land for a school of their own. This was a result of a social exclusion from housing and property schemes in the country. Anderson (in Yu Zhou, 1998:229) believes that the existence of racial discrimination was central in the formation of China Town in Vancouver, Canada. Zhou (1998:229) also recognises two significant factors: the exclusionary and discriminatory attitudes in both social and economic respects towards immigrants, and the accessible, available social capital, labour and financial capital to the immigrant entrepreneurs as contributors. She argues that these factors are critical for the emergence of such enterprises. But, Dana (1997:53) indicates that although self-employment is often a dominant option among immigrants, some communities seem to be more business orientated than others. However, she does not

empirically substantiate this claim by pointing which immigrant communities are more entrepreneurially oriented than others.

Levine and Montero and Wong (in Ivan Light, 1973:33) also recognise three qualities: “hard work, independence, and thrift” that lead immigrants to thrive in self-employment and small business ventures. Their argument is that immigrants often work hard, spend extra time at work places, enjoy the freedom of being your own boss, and are skillfully economical in expenditure. Furthermore, Light, Petersen and Bonacich (in Light, 1973:33) unanimously add group solidarity as an important factor for the concentration and successes of immigrants in small business enterprises and self-employment. In the 20<sup>th</sup> century, with a communal cooperation and maximisation of social networks, Japanese and the Chinese communities in the United States established successful business enterprises.

Discussing the evolution of immigrant business communities and the methods they use for start-up ventures, Alejandro Portes and Robert D Manning (2008:53) narrate the background and history of German-Jewish business communities in Manhattan in New York. The first significant Jewish-German migration, about 50000 individuals to the U.S., happened between the years 1840-1870. Within three decades, their level of income was above the average income of the majority of the American public. What began as street trading evolved into ownership of large business enterprises. Portes and Manning (2008:56) mention that Jews, Koreans as well as the Japanese in the U.S. used their social and economic networks for business start-ups. They established associations and cooperatives where they accumulated money on a monthly basis and then offered a lump sum to a member. In Los Angeles alone, there were an estimated 500 such associations. For instance, almost every Korean was involved in at least one such venture. The writers also point out that Cubans in Miami greatly improved their business competencies through parallel community networks including low cost labour by employing their fellow new comers.

Zhou’s (1998:234) research focuses on the Chinese community, tracking it historically. In the 1960s, in Los Angeles, the Chinese community numbered around one thousand members but significantly increased within two decades in both population size and business capability. The economy of the Chinese community became so sophisticated that the community created its own business centre - China Town in LA. Two main groups emerged from this economic growth: a well-educated elite, and a wealthy business class who successfully established

flourishing business enterprises in the U.S. In the 1980s, the area became more congested, populated with lower-income groups. In response to that and a scarcity of parking, the Chinese community created a new alternative CBD, Monterey Park, as then dubbed as “Little Taipei”. The nickname was given to it, because one can find Chinese cultural and social services and goods including groceries and learning facilities such as diving courses catered in Mandarin, the Chinese language. The Chinese American Bank played a central role in the expansion of both the Chinese urban population and businesses, in China Town in LA in particular. The opening of investments by the Chinese Banks and the offer of financial loans transformed the Chinese enterprises from small insignificant entities to tangible financial role players (Zhou, Li, Dynyski, Chee, and Aldana, 2002:781).

Some research on migrant middlemen analyses the economic sectors, the enclaves, in which migrants predominate in different contexts around the world. Kerr and Mandorff (2016:1), for instance, describe these patterns in the United States: Koreans populate laundering, the Indian Gujaratis lodges, while the Vietnamese are often found in salon industries and the Yemenis in grocery shops. Moreover, concentration in particular business sectors is prevalent among immigrant communities in South Africa, with Somalis involved in grocery and textile sectors in particular. Understanding the importance and the role of immigrant enclaves might be helpful in making-sense the concentration of Somali businesses in Cape Town, Bellville in particular.

Portes (in Zhou, 1998:229) defines the term “ethnic enclave” as “immigrant groups which concentrate in a distinct spatial location and organise a variety of enterprises serving their own ethnic market and/or the general population. Their basic characteristic is that a significant proportion of the immigrant labour forces works in enterprises owned by other immigrants”. Zhou (1998:229) argues that ethnic enclaves are vital factors for the formation of ethnic economies. In other words, a connection between an ethnic enclave and immigrant enterprises is very obvious. Lee (in Zhou, 1998:230) also mentions that Koreans in Los Angeles show characteristics of an ethnic enclave. Korean businesses depend on Korean enclaves, for instance, Koreantown, which is situated in a Korean concentrated section of the city. The enclave gives them a culturally and socially relevant space and accessible capital and a labour. Similarly, Hiebert (in Zhou, 1998:229) emphasises that his research on Jewish communities and their entrepreneurial practices in different parts of the world, found that their concentration

in a certain areas played a significant role in their economic growth. Zhou (1998:236) also points out that Chinese accounting firms often preferred to have their offices in the Chinese immigrants concentrated areas. The strategy behind their preference for locating in Chinese enclaves relates to the opportunity they see to build networks between Chinese immigrants and other non-Chinese enterprises, such as financial institutions and legal service industries. Similarly, because of their dependence on the financial capital of the Chinese immigrants, Chinese banks locate their firms in the Chinese enclaves (Zhou,1998:241).

### ***2.5. Research Design and Methodology***

The research focused on Somali refugee entrepreneurs who operated formal small businesses that employed between five and a hundred people as a case study. The participants were selected from a range of industries, including poultry suppliers, wholesale airtime shops, textile businesses, cash and carries, mini markets, and kiosks in Cape Town CBD and in Bellville CBD, a suburb of Cape Town in which Somali nationals are concentrated. In the beginning of the process, as a member of Somali community in Cape Town, I identified three Somali small business entrepreneurs who then connected me to other suitable participants. Using the snowball method, I accessed the rest of the participants through the first ones whom I knew.

I managed to conduct ten detailed life histories, involving 10 qualitative interviews with well-established integrated Somali small business entrepreneurs who, despite challenges, built their businesses and navigated the city. The interviews, which took place between November 2018-January 2019, mainly focused on their business history in South Africa. In terms of research design, the field work was based on a qualitative case study methodology. Terre Blanche and Durrheim (1999:34) write that research design is a necessary link between a research question and the finalization of a research process. Burnham et al (2008:40) also believe that a qualitative method remains the best option when a researcher aims to produce deep complex data from limited number of cases. Observation was also one of the methods used for information gathering. I visited Somali business hubs, and kept notes of activities and conversations on

businesses. While doing this, I focused on tracking business histories, discussing business choices, mapping the city, describing business premises, and identifying relationship links to other sectors such as supplier business chains.

One of the challenges that ethnographic researchers face often is a language barrier. However, in this case, I, the researcher, spoke Somali, the common language of Somalis, as well as English. Therefore, language was not an obstacle. Some of the interviewees were not comfortable with English, therefore the interview took place in Somali and I then translated it into English. Interviews were conducted with the voluntary, informed consent of participants. Participants chose whether they would like their names and the names of their businesses, to be kept anonymous and whether interviews may be recorded. It is important to note that all of them indicated that their true names could be published, I however, due to the ongoing-anti-foreign sentiments towards immigrant entrepreneurs, I have given my respondents pseudonyms.

The interviews included time-line questions and discussed the entrepreneur's business networks in and outside of the city. Photography and mapping that track entrepreneur's frequented spaces were also taken. Photographs of participants and their business premises and activities were taken with their voluntary, informed consent. In order to supplement the information gathered through the interview, with their permission, I spent a day with four of the participants and observed their everyday activities. Some of them, for example two in textile industry, said that they were outside of Cape Town so could not be followed. The others formally said to me that they could not assist. Of the four that I observed, two of them gave me full access to their business activities and I spent a full day with each of them, while the other two gave me a half day access because they said that they had family matters to attend to on the particular day. Another participant said he did not have enough time and space on his premises for me to spend the day, but permitted me to visit his different businesses where he informed his employees about my visit to the shops. This access enabled me to make deep observations of their businesses and everyday life in Cape Town.

### ***2.5.1. Considerations-Researcher's Positionality***

Given that I, as the researcher, am from the same community as the research participants, some people would consider me as an 'insider', thus subjectivity can affect the outcome of the project. However, Lincoln and Guba (in Marriam Attaia and Julian Edge, 2017:38) indicate that a researcher's solid relation with the participants can be a factor for solid outcomes. Marcer (in Attaia and Edge,2017:38) also emphasise that trust is very central for such effective tangible outcome. Geertz (in Attaia and Edge,2017:38) also believes that in the case of thick description, trust produces solid research results. The point is that being an insider can be helpful in research in the form of having a well-founded relationship with the targeted informants. My relationship with the community was a useful tool in accessing the information needed for the success of the project, while, objectivity and research ethics were maintained.

### ***2.5.2. Limitations of the Research***

One of the main challenges I faced in the process of this research was finding a female Somali refugee entrepreneur to include the research participants. Firstly, Somali women are a minority in the category of formal small business owners. Most of them are involved in a smaller scale of trading, such as hawking and operating stalls in municipally marked spaces on the streets of the city. There was only one woman who ran a grocery mini market in Cape Town CBD whom I managed to contact through a friend. However, when I and the friend visited her business and she learnt that she would need to participate in a recorded interview, she declined to participate the research. Similarly, a number of male Somali entrepreneurs, because they were not ready for their voice to be recorded, also declined to be part of the study. Most of them were in the hospitality sector, operating restaurants and lodges, two areas, I thought, could contribute to the project. Another challenge was to get a full day's access to the participants' business activities such as going with them to where they go for stocking, finding out what meetings they attend and what roles they play in general in the day to day running of their businesses. Although I managed to interview ten Somali refugee entrepreneurs, in regards to spending a day in their businesses, only four accepted my second request.

## ***2.6. Conclusion***

Chapter two has reviewed the available literature on the research topic - immigrant entrepreneurship - at both local and global levels. It has divided the literature into two sections, the first focused on immigrant entrepreneurs in South Africa, and the second examining immigrant entrepreneurs from a global perspective. Part of the literature on global immigrant entrepreneurship is “a theory of middleman minorities” by Bonacich (1973). The middleman minority theory describes minority groups and their economic role in their host countries as middlemen between producers and consumers. The chapter has also presented the research methodology used for the study. The study is based on interviews with ten Somali refugee entrepreneurs with formal small businesses that employ between five and a hundred people as a case study. This section also indicated some limitations in the process such as that the researcher could not find a female Somali entrepreneur willing to be part of the study. Another challenge was also a lack of access to Somali entrepreneurs who are owners of restaurants and lodges, an area which could have really enriched the study.

### ***Chapter 3. Cape Town's Little Mogadishu: The geographical centre for Somali Entrepreneurs***

#### ***3.1. Introduction***

Bellville, one of the main urban centres of Cape Town, became a small business hub for Somalis and other immigrants including Ethiopians in the late 1990s. It came to be known as the little enclave, a central blueprint for Somalis in the city, the little Mogadishu, the Somaville among the locals. There are various immigrant-run businesses in Bellville including lodges, restaurants and cash and carries. There is also a vibrant community life in the area. For example, there are a wide range of immigrant run educational community facilities including primary schools, which are combined with the basic madrassah (basics of Islamic studies). These facilities accommodate pupils from Muslim Somali families who want to get basic Islamic education for their kids.

The first Somalis who came to Bellville were traders who created businesses and then settled and built their lives in the area. Despite having their feet in diverse business outlets in different parts of the city, they kept their business roots and networks in the Bellville central business district (CBD). Most of the wholesale Somali run businesses, especially cash and carry stores in Cape Town are concentrated in this part of the city, mainly in Durban Road (see figure 1) in the CBD. This section explains Bellville as a melting pot for Somalis: as a space for business, meeting, and worshipping. The section also considers the urban node as a business hub built on a transport interchange.

#### ***3.2. Bellville CBD, the Melting Pot, the Little Mogadishu***

It is Friday, 24<sup>th</sup> of August 2018, at 7:30pm. I am here at Durban Road, Bellville, Cape Town to observe the place not as a resident in the area, and not as an entrepreneur but rather as a researcher. On both sides of the road, there are different shops most of which are run by Somali immigrants. Although it is the evening when shops are expected to be closed and people have already knocked off from work, businesses are still wide open and are busy providing services.

The area is so busy that cars in the street are double parked and it is even difficult to drive through the road. I can see a number of people, seemingly all young men, except for one woman who seems to be in her 30s. She is busy loading and unloading items from trucks of various sizes including pick-up trucks, or bakkies as they are called in South Africa. A wild guess at their nationalities is that they are a mixture of Somalis and Malawians, not all Somalis, because some are speaking in English. If they were all Somalis; they would most probably communicate in Somali. There are a number of Malawian nationals who work for Somali owned shops in Bellville. The items being loaded and unloaded include: crates of Coca-Cola, crates of Double 0 (Coca-Cola and Double 0 are two main beverage brands in South Africa), boxes of chips, bags of potatoes and boxes of fruits and vegetables.

The scenario raises a question on why the cars are double parked; and why the shops are this busy at this time of an evening. The reason can perhaps be that the area has a lot of wholesale businesses, including cash and carry stores that attract a lot of buyers and suppliers who drive to the place for stocking goods. In order to meet the demands of customers, everyone seems to be rushing to grab some stock from a shop here for their shops somewhere in the city. Since it is Friday evening, a day in which a majority of labourers are paid, in South Africa; and the beginning of the weekend, when everyone might be at home, the spaza shop traders are stocking for the weekend ahead. In townships, the demand for household groceries is often high on Saturdays and Sundays. People buy a lot of household necessities such as: bread, milk, and chicken. Thus, Friday evenings can be considered as the busiest moments in Durban Road, leading to many people in businesses and need for extra parking space.

Opposite the cash and carry shop, there is also a coffee shop or a mini restaurant. In it there are a dozen young men sitting, sipping coffee and tea and watching a live soccer match. Their eyes are fixed on a big TV screen. Once the players of their favorite team gets closer to scoring a goal, some are getting excited and jumping from their seats. They seem to be hardcore enthusiasts of soccer. Judging by their looks, they must be from the Horn of Africa: a mix of Somali and Ethiopian nationals. In another restaurant opposite the coffee shop, there is also a number of men eating Canbuulo, a typical Somali dish made of a mixture of beans and dried corn kernels. For Somali urban households, Canbuulo is often eaten in the evening, while soor, maize meal, or mealie-meal, spaghetti, meat and rice are often consumed during the day.

Durban Road is very busy, particularly the area right in front of Western Plaza which is one of the main buildings in the street. There is a group of Somalis standing there, close to each other, almost completely blocking the pavement. One of the men's arms lies over a shoulder of the other. They seem to be deeply engaged in what looks like an intimate conversation. They might be close friends who have known each other for a long time, perhaps even being born and growing up together in one village, or extended family members. The Somali family structure is often an extended one. The children of the cousin of your parents can still be seen as cousins, brothers and sisters. They are probably chatting about challenges they, as immigrants, face in South Africa or are exchanging updates about family back home and the current events in their country of origin (Somalia).

In no 3 Durban Road, on the second floor of the newly built building, Bellville Station Shopping Centre, is Masjidul-Sunnah, one of three mosques in the Bellville CBD. Somalis are Muslims by faith therefore, Islamic practices and principles usually occupy the centre of their everyday lives. Among the daily duties of a Muslim are the five daily prayers. At about 7:50pm, for the evening prayer (Salat Eshaa), one of the five daily obligatory prayers upon adult Muslims, a prayer call is aired from the mosque which is not far from where I stand. The call goes: *Allahu akbar, Allahu akbar, Allahu akbar, ashhadu an laa illaaha illallaah, wa ashhaddu anna Muhammada Rasuulullaah*, translated as "God is the greatest, God is the Greatest, there is no God but only one God and Muhammad is the messenger of Allah." Every Muslim is expected to stop all activities and come to the mosque. Underpinning this call is the understanding that prayer is a better reward than the worldly matters including businesses that one might be passionate about. Upon hearing this call, some shops were quickly closed and most of the people including myself answered the call and therefore proceeded to the mosque.

In the Salat prayer, there is the congregation gets organized in lines depending on how big the congregation is. The first line is always only the imam and the rest go behind him. The lines should not look messy and should be trimmed with people standing feet to feet, shoulder to shoulder-one's feet should touch the feet of the other. Before he proceeds, the Imam reminds the congregation "close the gaps, close the gaps". In a mosque, one space with a greater importance is the mihrab (where the Imam stands and leads from). Mihrab is a space that indicates the direction of Qiblah. Qiblah is the direction Makah is to wherever in the map one

might be at. In other words, in the Islamic five daily prayers, one should always turn his face to the particular direction of Makah.

For Somalis, Bellville is for multiple use. In 2008 when the so-called xenophobic attacks against foreigners occurred all over the country including Cape Town, Bellville was a completely safe place. Those who fled from the townships came to Bellville for safety, conditions in the townships were normalized, when they returned to their livelihoods. A Somali entrepreneurs' life can take place in Little Mogadishu for it is a place of business and worship, a center of the Somali community, a place to meet, to network, and a safe haven in Cape Town.

The thousands of Somalis in South Africa, and Cape Town in particular came from different regions of Somalia, including Hargeesa, Kismaayo, Baydhabo, and Mogadishu, and nearly every rural and urban area of the country. Among such places are Ogadenia which is now considered as the Somali State in Ethiopia and the North Eastern part of Kenya which is also a Somali region. Despite Somalis being a homogenous society with one language, culture and religion, many of them did not know each other before South Africa. For, the years spent together in Cape Town, Bellville in particular has created a space in which relations of social capital have been formed and cemented. Being a small diasporic community in a massive city in foreign country has led the Somali immigrants to trust each other, organize across regional backgrounds, partner in venture and ultimately build a community that one can say is quite connected to each other. For a small community like Somalis, togetherness and partnerships in business might seem more of a necessity than it is for big groups.

### ***3.3. A Business Hub Built on a Transport Interchange***

One might firstly ask why Somali refugee entrepreneurs chose this part of Cape Town. It is not easy to find a practical answer to this question. However, one visible reason might be the fact that Bellville boasts relatively viable infrastructures such as the railway station which is considered as the second most important station in the city with diverse train routes across the Cape Town Metropolitan area, especially the northern suburbs. It also has taxi and bus stations with a range of networks across the city.

The railway route to Bellville stretches from the Cape Town Train Station, all the way through Salt River station, Old Mutual, Maitland, Goodwood, Vasco, Elsie's River, Parow, and Tygerberg until it reaches to Bellville Station. The trains then take different directions such as to Stellenbosch, Strand, Wellington of which in between sit expansive suburbs made up of diverse communities. In fact, it connects the whole northern suburbs of the city with the Cape Town CBD. The participants whose businesses are based in Bellville and Cape Town CBD emphasized the importance of the Cape Town Railway Station to their businesses. They did not only bring clients to Bellville businesses but also revenues. Part of the vendors who hawk inside trains-selling chips and sweets to the commuters are part of the customers to wholesale businesses and shops in Bellville.

The Bellville taxi and bus station is also one of the main stations in the city. The taxi industry is one of the main transport industries that complement the formal public transport system in Cape Town. Taxis often operate between the city and townships in the cape flats where many customers of Somali businesses live. The station also had a special significance for early Somalis, who started their trade as hawkers in the Bellville taxi rank. It comprised a market space where the businesses all began. A number of today's formal business owners such as Haaji of Sana Cash and Carry, one of the participants in the research, started off by selling chips and sweets in the taxi rank and in summer would sell ice cream in the rank.

In relation to the contribution of immigrant run businesses at the taxi and bus station, I recall a 2007 conversation that I had with Owen Magadla, a South African former taxi driver who was active in 1990s (before the arrival of Somalis to Bellville), about businesses in Bellville. He operated in the route between Bellville and Kraaifontein, and said that finding where one could buy items - even insignificant things like cigarettes and cold drinks – used to be a challenge. He said that they used to go far for small goods like that but when the Somalis came, they would bring them to the taxi itself. One could then buy things while at work. Thus the immigrant run businesses in Bellville and the taxi industry mutually served the business interests of each other. However, in the last ten years, a couple of things have changed.

The hawking business activities such as selling chips and hats, belts and socks in the taxi rank were banned by the municipal authorities. Although people still wanted to buy those products from the hawkers, it became too risky for the hawkers to work in a condition where law enforcement officials could come at any time and confiscate their stock for which they had to

pay a fine to get them back, sometimes more than the cost of the stock itself. Moreover, Somalis, including those who were hawkers at the station, found a new market in the informal economy, in the form of grocery businesses, also known as 'spaza shops'. These were located mainly in township communities such as Delft, Khayelitsha, Nyanga and many others. Many of them also entered the formal economy as cash and carry and textile wholesalers.

In terms of transport intersections, Bellville also boasts some vital arterials which connect it to rest of the city, such as Voortrekker Road, M16 and Robert Sobukwe Road (also known as M10). These roads constitute important linkages between the Somali entrepreneurs themselves, and suppliers and consumers - the general public who frequent between Bellville and proximate areas. Somali traders such as those in spaza shop ventures, street vendors and hawkers often come to wholesale shops in Bellville to stock their shops. They come from different parts of the city including townships such as Khayelitsha, Nyanga, Gugulethu, West Bank, Delft, Wallacedene in Kraaifontien, as well as towns outside of the city, such as Worcester, Malmesbury, and Atlantis in the West Coast and the Western Cape Province in general.

With regards to access to suppliers, Somali entrepreneurs in Bellville, especially, cash and carry wholesale shops, which are sizable formal grocery businesses, often buy stock from South African wholesale superstores such as the Giant Sweets, and Jumbo Cash and Carry in Epping. From Bellville, Voortrekker Road is a route of access to Epping. The road stretches from Bellville all the way to Goodwood until it meets with Jakes Gerwel Road, where on the left-hand side, some meters away is Epping where Giant Sweets, one of the main suppliers to Somali cash and carry stores and spaza shops is located.

Another road is the M16, a main route that connects the north, south and west of Cape Town. From the Bellville side, it goes past Tygerberg Hospital to the Epping centre, where Giant Sweets and Jumbo Cosmos wholesalers (see figures 6 and 7) are located. Makro which has multiple wholesale stores in the city is also accessible to Bellville Somali entrepreneurs. The closest Makro store to Bellville is located along the N1 highway, in Okavango Kraaifontein, just a few kilometers away from Bellville. There are other Makro stores located in Ottery and Milnerton too. Bellville businesses are built on transport linkages and trading networks in which the two make the city as the second major metropolitan of Cape Town.

### ***3.4. Conclusion***

This chapter has described Bellville as a geographical centre for Somali entrepreneurs. Since the late 1990s, when the first Somali cohort arrived in Cape Town, Somalis established many shops in diverse sectors including clothing, groceries, restaurants and lodges in Bellville CBD. They also established community centres including mosques and community primary schools. The city has given them a space to meet and build social networks and social capital amongst countrymen who came from different parts of Somalia and therefore, did not know each other. More importantly, Bellville became a centre where the Somali entrepreneurs expanded their businesses to the rest of the economy of the city.

## ***Chapter 4. From Little Mogadishu into the city economy: Entrepreneurs, their journeys and business networks***

### ***4.1. Introduction***

This section narrates the entrepreneurial histories of six of the ten participants, their arrival in South Africa, and how they began their businesses. It clarifies how, using Bellville as a geographical space, Somali entrepreneurs, navigate their everyday life, network, and expand their businesses, while they also navigate the city. It is based on the interviews, observations and visits I gave to their respective business places. The reason I chose the six and not all the ten is that my thesis is a mini-thesis. Therefore, it does not allow me the space to cover all the ten. Based on their unique differences, I gave a particular description of each one of them: Mu, a street vendor turned textile wholesaler, Haaji, the Cash and Carry Pioneer, Abdi, the Cape Town Navigator, Taha, the Boland-Bellville man, Edan, the Self-Competing Wholesaler, and Farah, the Railway Entrepreneur.

### ***4.2. Mu, From Hawking to a Clothing Wholesaler***

As a 15 years old teenager who lost both of his parents in Somalia, Mu came to South Africa in 1997. He joined his elder brother who had a restaurant business and a lodge in Johannesburg. But after some months, his brother had to sell the business. Mu with two other young Somali men embarked on a trading trip with some goods such as watches, belts and clothes to a small town in Mpumalanga called Piet Retief. The town was not kind to them. Their business did not make any profit and they also did not know people there, so accommodation became an issue. They had to sleep in public spaces including a mosque in the town. After spending about one and a half months there, they left to Umtata in the Eastern Cape, where they also spent about a month in December 1997. They continued their hawking activities in the town. In January 1998, he again moved to East London where his brother and family also joined him. They settled and established hawking-street trading businesses there, where he also got married in 2000. In 2002, when his newly married wife, who was then a young mother to their baby son, got sick, he

brought her to Cape Town for a better medical attention from a specialist doctor who operated in the city. She, unfortunately, passed away in Cape Town.

Instead of returning to East London, Mu sensed a business opportunity in Cape Town and decided to remain. He opened a small clothing shop in Eerste River in which he worked until his lease agreement lapsed and his business was thrown out of the premise. In 2006 he also worked as a trader in Wellington and in Nomzamo, a township in Somerset West, where he was robbed in a number of times. In 2007, he came across a partnership opportunity in an already formally well-established clothing shop in Bellville CBD. For him, a partnership was a good strategy which reduced the possible risks that come with new ventures. The fact that the four partners in the business knew his business experience and work ethic in his own businesses and dealings with others, meant that they unanimously accepted him as a partner. The partnership worked and has lasted since then to date. He and his partners currently have five wholesale shops in Bellville, which sell diverse items including socks, caps, small clothes, under-wears, and sunglasses. Each of the five shops employ 5 people making 25 employees from different areas of the city including Bellville, Philippi, Kraaifontein and Khayelitsha.

In relation to buying stock, unlike the grocery businesses, they often go to Johannesburg and buy from textile wholesalers in Gauteng. There is always someone there for buying stock and sending stock to the shops. They co-rented a house in Johannesburg in order to minimize the high cost of accommodation. Anyone from the business who finds himself in Johannesburg can therefore stay in the house. When it comes to customers, they target informal traders who come from different regions of the Western Cape such as Vredenburg, Malmesbury, Wellington and Paarl, Cape Town and the surrounding areas in particular. The customers belong to diverse nationalities mainly South Africans, Somalis and even Chinese. Mu remarried and he and his wife have more children with whom they live in Bellville.

#### ***4.3. Haaji, A Wandering Salesman to a Cash and Carry Pioneer: Building a Wholesale Network in the City.***

Haaji was born in Mogadishu, the capital city of Somalia in around 1970. He arrived in South Africa, Cape Town in the year 1998. In the first years of his life in Cape Town, he worked as

an informal trader, a hawker. He sold chips and sweets in Bellville taxi rank. He also partnered in street stalls that sold cigarettes, chips and sweets in different parts of the city.

Street stalls are businesses where a vendor is permitted to trade in a public space by the local government. Many of these stalls were established in many streets around the city. They work on marked spots of the pavements of the streets including Strand Street, Adderley Street and other main routes in the Cape Town CBD. Most of these stalls are still in use. Although, the local government permitted the usage of the space to the vendor, such businesses are not necessarily registered as an entity, and therefore remain as part of the informal sector.

The vendors sell goods such as cigarettes, sweets, bubblegum and spearmints, halls as well as soft drinks such as Coca-Cola beverages to the public. Some of them have been in this sector for more than a decade. Understandably, the stalls can probably be a relatively better choice for many immigrants whose possible alternative could have been working in the townships, where security is an issue and lives might be endangered.

In his early business ventures, Haaji's knowledge of Cape Town's business dynamics was very limited. But he was guided and inspired by another Somali, Risaq (who is now late). Risaq advised and encouraged him to see the demand for a shop, as there were increasing Somalis who then used to hawk things like chips (Lays, Simba and Niknaks), and sweets, such as Smoothies and Chappies bubblegum in Bellville taxi and bus station. Those vendors would then come to Haaji's shop and support his business. Haaji took it seriously and opened his first shop, 'Sana 1' on 3 Durban Road, Bellville in the year 2000. He worked hard, built networks and expanded his business reach.

Risaq further supported him with getting stock and also guided him in terms of building relationships with suppliers. Haaji was introduced to a South African Indian, the owner of a wholesale business in Woodstock Cape Town, who allowed him to purchase stock on credit. Haaji was given a fixed period to sell the products and then deposit the money. Once he had cleared that, the next order was released for him. It is not clear how Risaq came to know the South African businessman, however, some of Risaq's friends whom I asked about his life in Cape Town, told me that unlike most Somalis, when he came to South Africa, Risaq was already an educated individual. He started school in Somalia and finished a degree in India. He was also from a well-educated family in Mogadishu. That perhaps helped him understand the

city and to network with the locals. In 2002, Risaq also partnered in a cash and carry store with another South African whose name was Brian Classen in Cape Town CBD, they told me. He was also married to a Capetonian Muslim woman, a factor that might have helped in his networks.

After some years, Haaji opened his second and third businesses: Sana 2 Cash and Carry in Wilshamer street in Bellville CBD, (see figure 5) and Sana 3 Cash and Carry in Strand Street in Cape Town CBD. After the establishment of the businesses, Haaji brought his family to the county to live with him in Bellville where he bought a house. He works in his shop: Sana 3 Cash and Carry in Cape Town, and commutes every day from Bellville to Cape Town CBD. He works long hours in the shop from 8:00am- 9:00pm. He also uses the shop as a headquarters from which he oversees his two other shops in Bellville.

#### ***4.4. Abdi, The Cape Town Navigator: Seeing Opportunities, Building Big Businesses, Employing Many***

Abdi was born in Elbuur District of Galgaduud region in Somalia. He arrived in South Africa in 1995 as a young man with no money, family and work experience. He first based himself in Johannesburg which immigrants often use as a gateway to the rest of the country. A few months later, in 1996, he left for Durban, the capital city of KwaZulu Natal where he later enrolled at the Natal University for a five-year business administration program.

After graduation in 2000, he got a job at a Pick n Pay store in Johannesburg as mini manager. He worked there for two years. In 2002, he entered into a business deal with a relative, who offered him a capital of R40,000.00 for a joint venture in Cape Town, so he relocated to Cape Town and opened a fish and chips take away shop in Bellville train station. In 2004, after seeing another opportunity, a cash and carry business, he sold the takeaway business. Abdi's business partnership with the helpful relative had to end with the selling of the business. He therefore, had to pay the share of the capital he owed the relative, which he did. With three other partners, he started two cash and carry shops: Akram Quality Trading and Smart Choice Cash and Carry (which will be detailed in the following sections) in Khayelitsha.

In later years, he also expanded his ventures to property investments and a poultry business. The greatest challenges that he faced were xenophobic attacks, robberies and a devastating fire to one of his shops. In the 2008 xenophobic attacks, his whole business was completely looted and he had to restart it from zero. His businesses were also robbed more than seven times and one of his shops was also once burnt down. Abdi's businesses sustained and evolved into three companies which permanently employ 80 Cape Town residents.

#### ***4.5. Taha, The Boland-Bellville man: Businesses in Multiple Centres***

Taha was also born in Mogadishu in early 1970s. He arrived in South Africa, Cape Town in 2001. Similar to the other participants, Taha did not come to the country with any money with him. He moved in with an acquaintance in Cape Town. With the assistance of three friends who gave him R270, he started work as a hawker in Cape Town in Nyanga informal settlement where he sold at Nyanga Junction, and in Durbanville CBD, where he sold items in front of shops.

After some months, he and two of his friends learnt that reaching other parts of the Western Cape Province could actually improve their returns. But there was a need for a car to enable their mobility between places. He and the two friends then jointly bought a car, a Toyota Corolla, for R6000. The fact that, among the three, he was the only one who could drive and read English road signs meant that he became the only driver of the car by default. They loaded the car with various goods including clothing, jerseys, pants, facecloths and blankets in winter times and sold them in small towns around the province. They focused on small towns like Tulbagh, De-Doorns and Ceres in the Boland region and its surrounding areas where business competition was minimal. On certain days of the month, paydays, they used to go to offices or premises in which social grants like pensions were paid. They firstly had to find out the dates of the paydays in different areas from the recipients of the social grants with whom they built a relationship. Once the date was established, they then took their goods to the venue early in the mornings. They used to set up their stalls at a good visible space across from the entrance of the gate and trade the whole day.

In 2002, while moving between Western Cape towns, he established a street vending stall in Ceres. In the same year, he opened a shop in Saron, a small mission town 35km away from Ceres. The shop succeeded and led to Taha, in partnership with another Somali, starting Elmi Cash and Carry, (see figure 2) one of the major cash and carry stores in Bellville, in 2013. In relation to main challenges faced in those years of development, Taha recognises language barrier as a major obstacle. Although he could speak English when he arrived in South Africa, his English vocabulary was very limited. Lack of knowledge of regulations and business procedures in the country was also a major challenge. He reiterates how one who does not know the proper procedures, compliance of taxation; might easily succumb into a consequential mistake. Over the years, unlike others, who moved from one place to another, Taha always kept his business linkage between Boland-Ceres-Saron and Bellville where he first worked when he arrived. Thus, the description of the Boland-Bellville Man might suit him.

#### ***4.6. Farah, the Railway Entrepreneur***

Farah was born in Middle Shabeele region in Somalia in 1978. He also came to South Africa in 2001 as a young man. He had one family member in the country, his uncle in Cape Town, Bellville whom he joined. Unlike others, Farah already had a good experience in trading. He worked as a street vendor in Somalia for 13 years. When he arrived in Cape Town, his uncle sold him packets of chips that he began selling in the taxi rank of Bellville. He also hawked bags, watches and belts in areas such as Paarl and the surrounding areas. In 2003, some friends whom he had met when he was on the way to South Africa, contacted him about a business opportunity, a partnership in a new shop in Port Elizabeth (PE). He left Cape Town and joined them, investing R15000 that he had made from the hawking businesses in Bellville and the surrounding areas.

After some months, he left for East London and worked there until 2004, when his uncle called him again about a better business opportunity in Cape Town. He returned to Cape Town, this time with R40000 which meant that he had raised R25000 from the business and his work in East London. In the same year, he and his uncle jointly opened a grocery shop in Claremont in Cape Town. Each of them put R20000 into the venture which costed R40000. They thereafter quickly expanded their business into diverse areas of the city. In 2006, they opened a shop in

Wynberg, and another one with three more partners in Imzamo Yethu informal settlement in Houtbay.

In terms of challenges, during the hawking and wandering trading activities, he was once robbed in Bellville station and his then new 5110 cell phone was stolen. The language barrier was also one of his main challenges. When he was entering rental contracts, for instance, negotiating for better prices of stocks, someone had to assist him because he was not adequately proficient in English. He often revealed his business models and intentions to interpreters which sometimes put him in a vulnerable position and gave rise to possible business risks. However, his English proficiency greatly improved over the years. He can now speak English so well that he does not need any interpreter for his business networking. Farah's businesses have since expanded across the city, mainly in the railway stations, (see figure 3 and 4) the Southern suburbs of the city: Retreat, Wynberg, Claremont, Cape Town City Centre, and the Northern suburbs of the city in Bellville, and employ 60 people in total.

#### ***4.7. From Spaza Shop trader to a self-competing Wholesaler***

Eden was born in Mogadishu, the capital of Somalia. He did not tell me his exact age but he seems to be about in his late forties. He arrived in South Africa in 2007. Immigration stories indicate two main exoduses of Somalis to South Africa. One is in the early 1990s when Somalia's protracted civil wars began and South Africa embraced democracy. The second was between 2006-2007 when the war between the Islamic Courts Union and the Ethiopian Army in Mogadishu forced Mogadishu residents to leave the city. Eden was part of this second exodus. Similarly, he came to the country with neither money nor business experience. The only job he did in Somalia was truck driving. When he came to South Africa, he moved in with a cousin in Cape Town and got a job in a grocery shop in Eerste River where he worked for some months. In 2008, with the help of a cousin, he partnered in, a spaza shop in Blue Downs, which he operated for two years. He then moved to another venture, a mini market in Bellville South also a partnership with three other Somalis, where he worked for three years.

In both the two ventures, the profit was insignificant, and was still to be shared among partners. Thus, he had to aim for a business venture with a better margin. In his search, he found a cash

and carry shop for rent in Delft. However, embarking on the venture was not an easy task. He did not have enough financial capital, business networks, and accessibility to credit. He therefore sought people who could partner with him and invest in the idea. There were two men who agreed to join the venture, whom he initially accepted as partners. But at the end, Eden realised that they did not have enough capital. The money needed was R400000 of which he had only R200000 of his own, a 50% portion of the total needed. The partners were required to bring the remaining R200000 and take the 50% of the business. They however, managed to raise only R40000 between the two of them. One even took R20000 of his portion from another person.

Eden, in the meantime, started the shop in an incremental fashion. He firstly rented the premise and secondly bought some stock which, however, could not cover the existing demands. In the process, he finally, realised that the contribution of the partners was very insignificant and not worthy of a share. Accordingly, he decided to remove them from the partnership. In order to solve the matter peacefully and amicably, he paid them a total of R60000 back which meant R20000 profit for the time they spent and the minor role that their R40000 contribution played in the formation of the business. This made him the sole owner of A Mudey Cash and Carry. After he acquainted himself with business networks and built trust among suppliers, he got more stock on credit and finally made the business work.

Like any other business, A Mudey Cash and Carry has both suppliers and customers. A majority of his customers are Somali and Ethiopian shop owners from the Cape Flats, Delft and Belhar areas in particular. His main suppliers are Coca-Cola in Parow, British American Tobacco in Stellenbosch, Makro in Ottery and Jive, and also a beverage company in Epping. After the establishment of the first cash and carry store: A Mudey Cash and Carry 1, he opened another cash and carry store in the same street with the same name: A Mudey Cash and Carry 2, which also sells the same goods as A Mudey Cash and Carry 1. Both of them are well stocked and very busy serving customers, most of whom seem to be a mix of Somalis and Ethiopians. When I asked him why he chose two similar shops in the same street, his response was that he did it for strategic reasons. The second shop, which was then owned by another person, was for sale and if other people would buy it, it would mean serious competition, which could affect his first shop. Unlike other participants who have partners in their businesses, after removing the two partners who started the business with him, he currently, is the sole owner of the two

businesses. His businesses employ 32 workers from different nationalities such as Malawians, South Africans, Zimbabweans and Somalis. The majority of the employees live in Bellville South and Delft. Major challenges to Eden are xenophobia, robbery, theft and discrimination in certain public spaces.

#### ***4.8. Conclusion***

The section has narrated the histories and business ways of six Somali entrepreneurs who are based in Bellville but work and network across the city economy. It covers the life and business history of Mu, the clothing wholesaler, who after working many years in different parts of the country, settled in Bellville and built clothing wholesale businesses and networks that extend across the Western Cape region. It discusses Abdi who started his first business, a fish and chips take away shop in Bellville in 2004, and evolved to establish relatively big businesses in diverse sectors: poultry, grocery cash and carries, and property investments which employ many people. Haaji, the hawker became a well-known wholesaler, a pioneer of cash and carry stores in Cape Town. The section also narrated the story of Taha who also built his first shop in Saron and Ceres in the Boland region in 2002, which led to him setting up a major cash and carry in Bellville, Cape Town. It describes the entrepreneurial journey of Farah, who, after working in different regions in the Eastern Cape and Western Cape, co-founded many shops along the main railway stations across the city. And Lastly, it tells the story of Eden who began as a shopkeeper in 2007 in Eersteriver, and evolved to a spaza shop owner in Blue Downs and Bellville South in Cape Town. By using informality in the form of spaza shops as a stepping stone, he managed to be the sole owner of two cash and carries located in one street in Delft township in Cape Town.

All the respondents came to South Africa with no tangible currency in their pockets. They also lacked skills that could enable them to enter the South African employment market. The majority did not even have secondary school certificate let alone tertiary qualifications. They started work as informal traders, street vendors and spaza shop workers and owners. In terms of challenges faced, all of them indicated crime including robbery and xenophobic occurrences as major challenges. The language barrier also remained a major challenge. Most of them could not understand the languages used in the country, including English. Another commonality of

the participants came in the form of the strategies that they employed. They were all involved in business patterns of co-ownership with others. Trust also played a major role in making things happen. The respondents attributed the establishment of their business to the fact they trusted others and that they were also trusted. Strategies reflected in the research data will be unpacked in the following chapters.



Figure 1: Busy Durban Road Bellville, the two outstanding premises in the right angle of this photo are Eastern Plaza on the far corner and Wonderful Plaza shopping mall. These premises which were recently built are predominantly occupied by immigrant entrepreneurs.



Figure 2: Elmi Cash and Carry, one of the main Somali Cash and Carries in Bellville CBD



Figure 3: Station Shop is a kind of kiosk in the Cape Town Railway Station. It is one of the shops belonging to Farah, one of the respondents in the study.



Figure 4: Express Shop in Strand Street, Cape Town CBD is also one of the businesses belonging to Farah.



Figure 5: Sana 2 Cash and Carry, one of the earliest of Somali Cash and Carries in the City, the second shop of Haaji in Bellville CBD



Figure 6: A Somali entrepreneur at Jumbo Cash and Carry Wholesale in Epping for stocking.



Figure 7: Some of the Somali entrepreneurs in Cape Town and other traders queuing for payments for goods at Jumbo Cash and Carry in Epping, Cape Town.



Figure 8: Mega Chicken is the trading name of Amiir Poultry, one of the businesses established by Abdi in Cape Town.

## ***Chapter 5. Stories of Formal Businesses and Their Evolution Across The city***

### ***5.1. Introduction***

The Somali entrepreneurs have created many formal business enterprises in South African cities, especially in Cape Town and its surrounding regions. This section will trace their imperative to growth and entrance into the formal economy. Because of the space limitation of my project which is a mini thesis, and general commonalities between businesses, the section does not discuss the operation of all ten participants' businesses. Instead it relies on narrating the history and the development of Haaji's businesses: Sana Cash and Carries, Abdi's businesses: Smart Choice Cash and Carry, Akram Quality Trading Pty and Amiir Poultry (see figure 8), and Taha's cash and carry: Elmi Cash and Carry in Bellville. It draws on follow up visits to the owners and days spent at their business spaces immersed with their everyday business activities. The entrepreneurial strategies of the entrepreneurs in both in the informal sector that they worked in the past and their current formal businesses will also be unpacked.

### ***5.2. Sana Cash and Carries: Starting Little, Sticking, Growing Centres in the City***

The Sana Cash and Carry business comprises three main shops, Sana 1 and 2 located in Bellville CBD, and Sana 3 in Cape Town CBD. Sana Cash and Carry 1 was the first Somali cash and carry and opened in the year 2000. It is located in a small corner of the current Bellville Station Shopping Centre on No 1 Durban Road in the Bellville CBD, an old building built in 1903. After a consolidated establishment of the first shop, Haaji with a new sense of business confidence expanded the venture. He opened two further stores: Sana 2 Cash and Carry, in 2007 and Sana 3 in 2011. Sana shops trade diverse goods. Among the fast going commodities are confectioneries such as Barone chocolates, the famous Cadbury products in general, chips of different kinds including Lays and Simba products, cigarettes, varied sweets and more importantly soft drinks such as Jive and Coca-Cola products. In its early developmental stages, there was one main factor that uniquely helped the Sana shop. It was the hawking of chips and sweets in the taxi rank of Bellville.

As detailed above, before starting the shop, the founder's (Haaji) main source of income was selling chips and sweets in the Taxi Rank. This earned him exposure to trading patterns in Cape Town, and also raised part of the first capital for the business startup. More importantly, the early main customers that the shop depended on were those of his fellow hawkers who were still selling chips and sweets in the taxi rank. They used to purchase stock from Sana shop 1 and sell it at the station. This continued until the hawking activities at the taxi rank and bus station were banned by local authorities. The business then had to seek an alternative market. The spaza shops in townships and stalls in the city stood as an important market to target. The two shops in Bellville receive most of their customers from spaza shopkeepers working in Cape Town townships such as Delft, West Bank, Blue Downs, Kuils River, Kraaifontein, Bellville itself, and as far as Paarl in the Boland region.

Street vendors, whose stalls sell goods like soft drinks, sweets and cigarettes in Cape Town CBD are also main clients to Sana 3 Cash and Carry. Haaji had to visit and ask the traders to support his business with an offer of a competitive price and a credit. Some of the customers have been loyal to Sana shops since its establishment. This happened through a mutual interest where Sana shops provide goods on credit to the vendors for competitive prices while the traders religiously maintain the trust by paying the money on time. By doing so, the cycle of working together was maintained. When I visited Sana 3 in Strand Street, Cape Town, Haaji received money from two stall traders who sell cigarettes, sweets and chips in one of the streets in Cape Town CBD, as repayment of credit for a stock they took the day before. After the payment, they also took more stock on credit.

For Coca-Cola, Sana Shop 3 is even contracted as a main distributor on the basis of commission. In addition to the commission, there is also an annual target sale for which they are rewarded with a return of extra money. There is a separate section with its own entrance to the shop where only the Coca-Cola stock is sold. This makes Sana 3, a cash and carry plus a kind of distribution warehouse for other cash and carry stores in Cape Town CBD and the surrounding areas. Score and Jive - two South African beverage brands - also supply to Sana shops. But, unlike Coca-Cola, their relationship with the shop is limited to that of a supplier and a buyer. During my visit to the business, I witnessed big trucks of the companies of Coca-Cola and Jive unloading crates of drinks to the shop.

There are also many other big and medium sized South African companies who supply to Sana Cash and Carries. Among them are Giant Sweets, a wholesale distributor in Epping which has supplied them since they were established. In terms of working business days, Sana shops remain open every day including weekends till late in the evening. The late evening trade is often done for the stall traders who might come in the evening to order stock for the next day while they also pay for the goods they sold during the day. In order to make sure the day's work is well managed, Haaji spends more than 14 hours daily at work. When he opened the two new shops and the work activities increased, he recruited three more partners into the business. The good thing about partnership is that it diversifies the roles of running businesses.

As Sana shops are located in different parts of the city, Haaji, alone, could not effectively direct and supervise the shops. The partners, therefore, have taken responsibility of running some of the shops. Two partners run the two shops in Bellville while the second partner works with Haaji at the third shop in Strand Street, Cape Town CBD. However, as a founder and initiator of the business, Haaji always remains the main driver of the work. To him, this meant a certain power and privilege over his partners. The majority percentage of the shares of the businesses also go to him. In relation to the number of employees, the three Sana shops directly employ 30 Cape Town residents, who come from different parts of the city including Khayelitsha, Dunoon, Manenberg, Maitland and Bellville, in total.

### ***5.3. Smart Choice Cash and Carry, Akram Quality Trading: From Expanding Across the City to Going Global.***

Smart Cash and Carry and Akram Quality Trading, two main businesses in the township of Khayelitsha were established in 2004 by Abdi. Smart Choice Cash and Carry, a very busy wholesale shop is located in Latelezana Road, Elitha Park in Khayelitsha, one of the informal settlements in Cape Town. The shop sells food groceries including, rice, meat, poultry, maize and generally daily household consumption goods to small grocery shops in the area. The surrounding area of the business is a relatively well maintained part of Khayelitsha. On the main road, there are some sizable buildings on one side, while the other side is an empty plot. Unlike the rest of Khayelitsha, with shacks and informal housing structures, the buildings in

this area are made of bricks and concrete. It is a wealthier area where families of black public officials, local business people and professionals reside. The area serves as a tourist attraction of greater Khayelitsha and there is a community hall in which main events are held. The place can be seen as the face of Khayelitsha, and kind of mini-CBD.

Khayelitsha, as one of the major informal settlements in SA, if not the world contains many informal dwellings which are not that far from the shop. It is in this part of the township where the shop gets the majority of its customers. In these areas there are numerous spaza shops which are mainly run by immigrants from Somalia and Ethiopia and as well as locals. These shops often come to Smart Choice Cash and Carry for stocking. About 5 minutes' drive from Smart Choice Cash and Carry is another cash and carry: Akram Quality Trading in Thambani Centre, Capital Road, the first wholesale shop that Abdi, after selling his fish and chips take away in Bellville, started. Because they target the same type of consumers: spaza shops selling to Khayelitsha residents, the methods of operation of the two shops seem to be similar. They sell similar goods, therefore, the suppliers are also more or less the same. Both shops are well established entities that have lasted for 15 years.

With years of a continuous growth, the business extended to new sectors. The owner started a new chicken factory under the entity Amiir Poultry, trading as Mega Chicken in Bellville. Unlike other immigrant run businesses, the company began with a unique business model where it supplies across the small, medium, informal and formal business divide. It networks with businesses of different capacities including big wholesalers such as 1UP, Jumbo Cosmos and Makro, the main suppliers to the cash and carries in Cape Town and surrounding areas. The relationship between these companies and Somalis was always one-way traffic. The companies were always suppliers to Somalis as clients.

Amiir Poultry changed the relationship to a two-way traffic. Although he buys from them, they also buy from him. Among his targeted clients is also Spar, one of the popular chain food stores in South Africa. In relation to suppliers, the company has relations with farmers and slaughtering houses. It is part of Shield Buying and Distribution PTY Limited, an influential Southern African buying group which allows small and emerging businesses to compete with major business competitors. It is an enabling system where entrepreneurs collectively buy goods in bulk with a negotiated price, a competitive price in the market. After many years of an uninterrupted continuity and growth of the two shops, a new ambition of expansion also

arose. Amiir poultry now maintains a number of branches in main business centres around the city and Western Cape province in general. It has outlets in Khayelitsha, Kraaifontien, Worcester and towns as far as George in the Southern Cape.

### *5.3.1. Diversifying, A Pursuit of Property*

Abdi chose to diversify his business interests through buying property. This was because firstly, the expansion of Smart Choice and Akram Trading cash and carry, coupled with risks, such as robbery and the fire that once set alight one of his shops, necessitated the need for business diversification. Secondly, the insurmountable rental costs of the premises in which the businesses operated, meant that owning business premises would be a way of reducing costs. In responding to these needs, the business invested in properties including residential and guest houses in Bellville, and business premises in Khayelitsha for the cash and carry store, and in Bellville for the poultry business.

Investing in property for diversification and financial security is not limited to Abdi. A number of Somali entrepreneurs also formed a cooperative system, where they either purchase properties in which their businesses operate, or rent such property out to other businesses and earn a profit to moderate the cost of the premises they hire. In one business meeting between participants with representatives from Absa Bank, Abdi said to them, that his company prefers to invest in some key areas of Cape Town including Wynberg, Cape Town CBD and Bellville itself. One thing that these three places have in common is that they are immigrant concentrated business centres of the city. Buying them will help them save money that would otherwise go for high costing rentals. With the traditional 10% annual escalation of property rentals in South African cities, the tenants, small businesses in particular always struggle with the cost.

Despite, the past difficulties in purchasing property, through banks and financiers in particular, major banks like Absa and Standard Bank have started accommodating some immigrant run formal businesses, with Abdi's property businesses being a good example. The formalization of their businesses has enabled Somali entrepreneurs to access zones that were traditionally not open to them. The current endeavors in purchasing commercial properties and partnering with the banks and major local businesses can give them relevance and lead them to a new business

territory. Access to bonds is an enabling mechanism that banks offer to formal businesses that have proof of a constant financial flow and a potential for sustainability.

Sharing ideas on commercial property investments and how Somali entrepreneurs and the bank can cooperate, a commercial property expert from Standard Bank indicated that when the tenants of a property are in seasonal businesses such as the building industry which operates more in summer times and less in the winter, the banks might be reluctant to finance such property. There is a possibility that such tenants might not maintain rental payments in all seasons of the year which then might negatively impact the repayment of loans to the bank. Thus, the bank targets businesses that operate across all seasons such as the food sector. This makes the Somali cash and carry stores and groceries with the ability of steady cash flow increasingly important partners with the bank.

### *5.3.2. Expanding by Going Global*

The business networks of Somali entrepreneurs are not limited to South African companies only, they extend internationally. In order to complement the chicken meat shortage existing in the country, Amiir Poultry (Pty) Limited imports chicken meat from Europe and sometimes from Latin America, Brazil and Argentina. Another example of international business networking of Somalis in Cape Town is that in 2018, about 30 Somali businesses from South Africa, including Amiir Poultry (Pty) Limited, were for the first time invited to an international business trade expo hosted in Istanbul by Independent Industrialists' and Businessmen's Association (Musiad), a mega Turkish business union.

The conference was attended by seven thousand delegates and exhibitors, diplomats and researchers, from around the world. Turkey invited Somali entrepreneurs in South Africa as middlemen embedded in the South African economy, and therefore, a channel through which they can reach consumers. Some of the businesses which attended the conference already started importing Turkish goods to South Africa. When those goods are adopted in South Africa, Turkish direct investments in the South African economy might also be attained. It is not difficult to convince an investor, a manufacturer, whose goods are already in the South African market, to set up a factory that employs many people in the country. A journey that

began in 2003 as a fish and chips take-away evolved into formal businesses in diverse sectors: cash and carry stores, poultry and property which formally employs more than 80 people

#### ***5.4. Elmi Cash and Carry: Occupying the Middle, Connecting Producers to Buyers***

Elmi Cash and Carry, in Vrede Street, Oakdale, Bellville is also one of the major cash and carries in Bellville. In 2013, when Taha and his friend Mohamed opened the shop, both were experienced traders in grocery business, particularly in the informal sector. In the first year, the process of establishing the business was not an easy task. Due to the size of the shop and the extensive market it served, they needed bulk stock for which they did not have enough capital to purchase. They had to find producers who could partner with them by giving them stock on credit. On the other side of the market, Diplomats, an international marketing company which promotes the products of many South African producers, was also looking for ways to reach the South African township grocery market.

After conducting lengthy research on the matter, Diplomats considered Somali spaza shops as a good medium. However, they had to find a partner who could act as an intermediary between them and Somali spaza traders. The needs of the two companies corresponded with each other, and therefore, they formed a collaborative contract. Using their influence, Diplomats sourced goods with discounted competitive prices from the producers and channeled them to Elmi Cash and Carry. Using its big store as a distribution centre and its networks, Elmi Cash and Carry then sold the products to the traders across the Western Cape province, especially in Cape Town. Customers often come to the shop and buy from them. For those in the Cape Town area who opt for delivery, there is a truck that supplies the goods to their doors.

In relation to payment and transactions, things are partially moved through credit mechanisms. Diplomat might give three-week credit-based goods to Elmi Cash and Carry, then Elmi Cash and Carry channels the goods to trusted customers on credit. They sell the goods and pay the money within the three weeks. In terms of managing the network, Diplomat set up an office in Elmi Cash and Carry in which two of its representatives oversee matters related to the sale of their goods and payments. If Elmi Cash and Carry would have been an informal entity, such networking and arrangement would have been impossible. One of the attributes of

formalization (the registration of the business entity at Companies and Intellectual Property Commission (CIPC) and with South African Revenue Service (SARS)) for small businesses is business credibility. For a formally organized business with a good financial record, South African suppliers might deliver goods to their stores, and cash and carry outlets on credit. This collaboration between Elmi Cash and Carry and Diplomat can be taken as a good example of networking and partnerships.

Banks and cash management services also play a major role in facilitating financial business transactions between the two companies. For instance, Elmi Cash and Carry lets its customers deposit their money and place their order. This then helps them to transfer the money online to Diplomat and other suppliers. For safety and security, a bank account is also very central. It keeps the cash away from the business premises which reduces the possibility of robbery and financial loss. Elmi Cash and Carry operates through a secure cash management system. The bank has its own secured fixed machines in the shop. Therefore, any cash received in the shop, directly goes to the machine.

Fidelity, a security and cash delivery company collects the cash from the machine on a daily basis. This can be an indication that maturity and formalization of businesses might eventually minimize some potential risks. Many traders in the urban peripheries, the township communities of Cape Town often face violent attacks, robberies and even killings. The location of the business also plays a role in its security. Businesses like Elmi Cash and Carry operating in a business rezoned area like Bellville, can often access security and financial services and insurance policies to which informal businesses in townships often cannot access.

In the past, Somali refugees used to experience difficulties in accessing banking services - even the basic services such as opening a savings account. Multiple factors often negated the processes. For instance, when a refugee permit holder came to the bank, the documents would be sent to home affairs for verification which would take months to return. Another factor was that when a refugee's status expired which happened in every second year, the banks automatically suspended his account until the holder brought a renewed document to the bank. Moreover, shopkeepers who worked and lived in townships were excluded on the basis the lack of a proof of address document. When they presented a proof of address in an informal settlement for a new bank account, the bank often rejected them on the basis of untraceable physical address. The helpful aspect of a registered business entity, in such situation, is firstly

that it is managed by the Companies Intellectual Property Commission (CIPC) which handles the registration and the management of intellectual properties in South Africa, and not the department of home affairs. As long as one fulfills the South African Company and Business Acts, the returns are properly and timely submitted, the entity will not necessarily expire and therefore the bank account suspension can be avoided. Because formal businesses often operate from business zoned areas such as Bellville CBD, the issue of proof of one's physical address is also resolved.

With regards to supplies and business networking, Elmi Cash and Carry is not limited to Diplomats. They also interact with other major South African suppliers such as Jive, CocaCola and Tiger Brands, Unilever, Makro in Ottery and Cape Gate, Giant Sweets, Jumbo Cosmos in Lansdowne, and Cadbury. Based on areas of price competence, they diversify their relationship with these suppliers. For instance, Jumbo Cosmos might offer better prices in relation to products of cosmetics, while Makro might be more competitive in food related commodities. In relation to clientele, they target spaza shops and mini market grocery shops belonging to South Africans, Bangladeshis, Pakistanis, Ethiopians and Somalis across the Western Cape province. The majority of their customers come from Cape Town, and Worcester, Ceres, Saron in the Boland region. However, their services also extend to regions as far as George, Clanwilliam, Springbok, Swellendam.

The number of paid employees in the business are 25 people from different parts of the city including Delft, Kraaifontein, and Bellville. One of the strategies used by Elmi Cash and Carry is that they also work long hours every day including weekends. Sunday, which is often not a business day in South Africa, is for them a full work day, and one of the busiest days. On one of the Sundays, during my follow-up visits, the shop was very busy helping customers that Taha, the owner even could not have time to speak to me. The parking outside was so full that I struggled to find a parking space for my car.

### ***5.5. Conclusion***

This section of the empirical body has shared the stories, the history and the development of the formal businesses of Somali entrepreneurs in Cape Town. The section has given particular attention to their growth and expansion to different parts of the city. Sana Cash and Carry 1 was first opened in 2001 in Bellville CBD and after some years of gaining solid business networks among the businesses and customers, it then expanded to two new shops: Sana 2 which was also opened in Bellville, and Sana 3 in the centre of Cape Town.

This part has also described the history and development of Smart Choice and Akram Quality Trading cash and carries which are owned by one businessman: Abdi, whom the researcher described as the 'Cape Town navigator' because of his wide involvement in diverse business sectors and networks. His two cash and carry store were established in 2004 and within a few years he expanded to a poultry business by opening Amiir Poultry (Pty) Ltd. trading as Mega Chickens. They also led the entrepreneur to venture into commercial and residential property investments.

The section has also detailed the business and methods of work of Elmi Cash and Carry, one of the major businesses in Bellville CBD. The shop plays an important intermediary role between the producers, suppliers and small scale traders, mainly the immigrant traders who operate spaza shops in Cape Town and the wider Western Cape in general. The expansion to formal businesses gave the Somali entrepreneurs new roles to play in the economy of the city. They employed many and boosted the production base of many producers. It also gave them access to financial institutions with banking services and potential business partnerships.

## ***Chapter 6 Entrepreneurial Strategies: Somali Entrepreneurs at work across Cape Town***

### ***6.1. Introduction***

Strategizing and taking calculative measures are an important part in the establishment of business ventures, regardless of business size. This section reflects on the strategies that Somali entrepreneurs employ to develop and maintain their businesses. Somali entrepreneurs interviewed for this study employed key strategies that include: networking, building partnerships, profit sharing, trust, learning and copying from each other and mobility as part of entrepreneurial strategies.

### ***6.2. Strategies used by Somali retailers in the formal sector***

When Somalis arrived in South Africa, most of them were reportedly young people with no relevant skills in the job market of the country, so they had to find a way to survive. It is not easy to identify all the strategies they used in one short space like this, however, the following stand out as important: informality as informal traders, partnerships, networking and trusting each other, and mobility in the form of changing spaces and locations of work.

#### **6.2.1 Informality as a Stepping Stone**

All the participants interviewed had been involved in informal business ventures before setting up formal business enterprises. Most had worked as hawkers. Based on their experience, hawkers use diverse trading patterns. In hawking, a person can often trade in multiple products, such as handkerchiefs, belts, underwear, umbrellas on a rainy day, and ice cream on a summer day. They trade at taxi, bus or railway stations, or wander around a residential area and

sometimes vend in front of a busy business place. Hawkers based in Cape Town used to visit small towns in the Western Cape. Ceres in the Boland district, for instance, was a popular and favorable hawker destination. When he came to Cape Town, Taha started hawking in destinations ranging from Bellville to Ceres in the Boland region, until he opened his first stall in Ceres CBD and then a shop in Saron, a small missionary town of 30km away from Ceres.

Another form of informal business amongst participants was the spaza shop. For clarity, one should perhaps touch on what the term spaza shop might entail. A narrow definition of spaza shop, at least in this study, is an informal livelihood convenience store that sells household necessities, often groceries such as bread, milk, sugar, coffee, tea, rice, maize, and detergents such as washing powder and soap. Spaza shops, often operate in informal settlements in South Africa and concentrate in areas of the city where black communities live. Unlike hawking where one's business is mobile and always on the go, spaza shops are fixed spaces, a physical structure where stock can be accumulated. Helpful methods such as co-ownership and partnerships - working together and sharing responsibilities - became possible in the spaza businesses. For instance, in the case of two co-owners, one might be responsible for supplying and buying stock, while the second one has to be a shopkeeper. Informal businesses served as an important stepping stone to Taha's current well-established formal cash and carry businesses.

Although the informal economy offered initial business opportunities to immigrants, it was often coupled with tragedy with many entrepreneurs losing lives and property, as the literature and popular media have highlighted. Despite this, the spaza shop undoubtedly comprised a stepping stone to the formal economy. It exposed the Somali entrepreneurs to the ways in which suppliers and producers operate and to business networks in the city. It also cemented their businesses and enlarged their business horizons. It proved a critical place to start, but not the end of the development of their business enterprises.

### 6.2.2 Partnerships and Profit-sharing

Finding partners and sharing costs and profits has been a key strategy which has facilitated the growth of businesses. Multiple shareholding is an evident strategy that Somali entrepreneurs in South Africa utilize. Multiple-sharing offers an entrepreneur the option to simultaneously venture into diverse partnerships. Nine of the ten participants interviewed indicated that there were other partners in their businesses. One might see a person like Farah working in one shop, but the shop is also shared with others who are working in other shops of which he similarly might be a part of. Abdi, for instance, never owned a business alone. Three partners joined with him when he began his business. Taha also has two partners. The participants credit multiple shareholding as a way of diversifying of risk, cost, network and more importantly profits. If one business does not work, the shareholder can still rely on profits from other businesses to get by. In doing so, the generation of income can be sustained. In terms of risks, a possible loss might also be dispersed among the shareholders as investors, and therefore minimised.

A sub-category of shareholding, is an approach where businesses are co-owned by multiple people, is what one can call a profit-sharing arrangement. Unlike other businesses, some of the employees in the shop do not work only on the basis of salary. In addition to salary, they also receive a percentage of the profits generated by the business depending on one's performance. The employees often take the responsibility of the day to day running and overseeing of the businesses. Having a vested interest in the shop, incentivises them to strive and preserve the interests of the business. Thus, the owner does not necessarily need to be present in the shop at all times. This is a key strategy on which many Somali entrepreneurs draw.

The majority of the participants indicated that when they first started working in South Africa, they operated as profit sharing employees. Once they themselves began expanding their businesses, they nurtured others into the businesses, by giving them a share. In the most extreme case, Osman gave a whole shop to those who worked with him for a long time. For Somali entrepreneurs, this model had a significant role in their business evolution. This approach boosts employees' income, and also provides them with a ladder to new possibilities. The model also enables the investing entrepreneurs to enjoy some time and flexibility to think, embark on new business ventures, and improve the existing ones.

### *6.2.3 Trust*

All the Somali entrepreneurs interviewed in Cape Town reported that trust played a major role in the establishment of partnerships and the building of their business networks. Whether it is finding a loan for one's start-up, credit-based stock for a newly opened business, an investor-partner in new ventures, or even recruiting new employees who can be left to run the businesses, sometimes without the supervision of the owners, trust remains a vital factor. Even the operational methods of the relatively sophisticated formalised businesses covered by the research were not all mechanised to a level where they could protect themselves from wrongdoings of possible dishonest employees. Major activities of the businesses were still manually handled by the employees. Therefore, those who play central roles in the business especially, cashiers and managers must always be trustworthy.

Trust facilitates a business interaction that would otherwise not happen. Sana Cash and Carry' businesses are driven largely through trusting relationships with his customers. On that basis, the business gives customers stock on credit and once they are sold, they come, pay the balance and purchase more. Even among the participants, their cash and carry businesses demonstrated a high level of trust and business networking. For instance, during one of my visits to Elmi Cash and Carry, Eden, the owner of A Mudey Cash and Carry was there buying stock. When I asked what his relationship with Elmi Cash and Carry was like, he showed me a receipt of the stock that he had purchased in his hand, and said "look at this slip, all these products, I still did not pay them, we Somalis trust each other".

One important question might be what happens if one breaks the trust bestowed upon him. Who regulates it? Two regulatory mechanisms are key. The first is self-regulatory: a person who broke the trust will lose business credibility among business networks, a matter that will negatively affect his entrepreneurial career. For a trustworthy individual, there will always either be a business to work for or partner with, which provides economic security. The second builds on the strength of the Somali community, elders in particular. In cases when partners encounter business conflicts, such as disputes over the distribution of monthly income amongst partners, or unsettled investment shares to the business, community elders often play a role in resolving such conflicts. These layers of regulation provide a context where trusting

relationships can be solidly built. They also provide a context where entrepreneurs can learn and copy from each other.

#### ***6.2.4 Modelling***

Modelling – or learning from others - is an important method that Somali entrepreneurs employ. One can find that Somali immigrants often concentrate in particular business sectors, particularly the grocery and clothing sector. When newcomers arrive in the country, they join those whom they knew in Somalia, or those to whom they were directed to by mutual friends or relatives. The newcomers end up undertaking what those before them were already doing. If they had a grocery shop, the newcomers might work in the shop and after a while, once they understand how things work (the pricing of products, the suppliers, the business networks and a bit of geographical knowledge of the city) they might then open similar businesses, or partner with others, including the same people they started out with.

A newcomer might often be given a position in the same business as the person hosting him. Farah believed that modelling is embedded in Somali immigrant entrepreneurship, especially, in the early establishment of their businesses. He stated that “the Somalis look at each other and one follows the footsteps of the other, he does what the others do.” Modelling - copying and learning from others - is a survival and entrepreneurial strategy that is common amongst Somali immigrant entrepreneurs. It is a product of partnerships, sharing and trust. The person modelling another business starts out as an insider of that business. This enables him or her to gain both experience, business networks and capital for the start up.

#### **6.2.5 Overcoming language barriers**

An ability to communicate in at least one of the South African local languages, was a very necessary element, often missing amongst the majority of Somali entrepreneurs. Only after many years in the country did one’s command of a local language, especially English improve. Through this they then attained a sense of business confidence in possibilities available in the formal economy of the country.

### **6.2.6. Mobility as a strategy**

One evidently embedded strategy amongst Somali entrepreneurs' business methods is mobility. Mobility played a role in the early establishment of Somali businesses. Somali entrepreneurs covered diverse distances, including movements in a same city like Cape Town, or far distances between provinces such as, Gauteng, Limpopo, KwaZulu Natal and back to Western Cape. In their business life histories in South Africa, all participants moved from one place to another for business purposes.

The participants combined geographical mobility with networks and partnerships for spatial business diversification or geographical business spread across the city and sometimes the country in general. Moving in and around the city, opening shops in one area and then another, changing spaces of trading in the city - Khayelitsha, Athlone, Delft in Cape Town, as examples - enabled entrepreneurs to start and grow their businesses from insignificant informality to formal businesses with diverse well-established networks. The entrepreneurs also use mobility juxtaposed with other strategies such as networking, partnerships and learning from others, as a method of learning about which spaces of the city are more suitable for certain business such as spaza shops, cash and carry and textile shops.

### **6.2.7. Networking Across Businesses**

“I do not text my wife as much as I text you”.

Owen, one of two men from Ibp Africa company, emphasising to Taha and his assistant about his eagerness to work with them, said “I do not text my wife as much as I text you” (Interview No 7, 1 January , 2019).

Ibp Africa is a company that works as a mediator for the products of many big South African companies such as Pioneer Foods and Lucky Star, and immigrant run businesses, mainly Somali wholesalers. The meeting was related to how they could find a common ground for a new initiative that Ibp Africa wanted with Elmi Cash and Carry, Taha's business. Ibp Africa offers infrastructure, large stores and trucks. It also negotiates competitive prices with companies, while Elmi Cash and Carry markets the products amongst the immigrant run businesses including spaza shops in Cape Town townships. Taha's assistant talked about trust and how they can work together in the future. The meeting, which covered a wide range of issues on cooperation such as pricing, loans, and trust, started at 9:18am and ended at 10:40am.

At 10:58, in another office at the back of the shop, Taha and his assistant went to a meeting with Diplomats, an international company which has been operating in South Africa for the last few years. This company has already been a main supplier to Elmi Cash and Carry for many years. They bring the products such as a loan to them, and Elmi Cash and Carry pays the money on an agreed period of time. The company even cooperates with Elmi Cash and Carry from this particular office in which the meeting has happened. Using it as a base in Cape Town, they market their products and strategise their work in the city. The meeting was about the reconciliation of invoices and the payments of balances to be made. The evaluation of last week's target sale was also discussed. Negotiations for specials of certain products for Elmi Cash and Carry and the implementation of new pricing were also part of the agenda.

Then Shahied, a marketer from Golden Pride, a company that sells sugar and rice came in for a meeting. The main issue discussed was the prices of his goods. Taha told Shahied that his business finds the same products with a better price in the market. Shahied then unbelievably responded to him. "How can that happen"? Taha said wait. "I will show you now". He called a man and spoke to him in Somali, asked him about current prices of sugar in Makro wholesale store. He also called a lady, a wholesale store manager and asked her about the current prices of sugar in her store. When both the man and the lady informed Taha, he finally realised that Shahied's prices were not that bad - the difference was minimal.

Another example of networks and partnerships is Abdi's business: Amiir Poultry and Palmo Foods, a local company that produces cold meat products in Cape Town. Abdi started his first business activity of the day by meeting with Khaled, the executive director of Palmo Foods, at 8:15 am - 9:15 am, at Kauai Restaurant, Kenilworth Centre. Palmo Foods is a company that

produces cold meat such as polony. The meeting was about the granting of an exclusive dealership to Abdi's business: Amiir Poultry with Palmo Foods, awarding it the right to be the only representative of Palmo Foods in the northern suburbs of Cape Town including Bellville and the townships of Cape Town metropolitan. Abdi also introduced me to Khaled who shared a bit of the history of his company. He recalled that his business is a historical entity in Cape Town. His family started it in 1947 as the first family business of Muslim people of colour in Cape Town. The meeting demonstrated his vast network of businesses, a mix of immigrant entrepreneurs and well established local businesses, which help him grow his business across the city.

It is imperative to see entrepreneurs' ways of navigating the city, particularly how their day's activity was punctuated with business networks, partnerships, and suppliers - relations that go across the city. These strategies play important roles in the establishment and growth of immigrant run business enterprises.

### ***6.3. Conclusion***

Chapter 6 has unpacked the entrepreneurial strategies used by Somali entrepreneurs in Cape Town. It has revealed that at the beginning when they came to the country with no tangible capital to establish formal businesses, they started out engaging in informal trading activities including hawking, working for other businesses and owning spaza shops in townships in Cape Town and its metropolitans. They did so because in South African cities, the entry into informal markets is much easier than the entrance to formal business sectors. Somali entrepreneurs also use partnerships where multiple members co-own shops, and a profit-sharing approach where the workers in the business earn a salary plus commission rather than salaries only. Trust between those involved in the businesses such as between the different owners, between the owners and workers and between the owners and suppliers is a central factor in the establishment of businesses amongst Somali entrepreneurs in Cape Town.

Modelling each other also played a role in the evolution of Somali-owned businesses in Cape Town. When the newcomers arrived in the country they worked in the businesses established by those before them. This exposed them to networks and methods of work, and provided them

with an entrance into business possibilities and opportunities. Overcoming the language barrier was also part of the strategies used by Somali entrepreneurs. They have to learn the basics of the language and be able to communicate and build relationships with suppliers and consumers. Geographical mobility for business purposes by changing spaces of trade in the city and sometimes around the country, and trying new business ventures in new areas played a major role in the establishment of their businesses in the city of Cape Town and its surrounding areas. More importantly, networking and building relationships with producers and suppliers of goods remained a major strategy used by Somali entrepreneurs in Cape Town.

## ***Chapter 7. Theorising Enterprising Somali Refugees as a 'Middleman Minority'***

### ***7.1. Introduction***

In this study, I demonstrate that Somali refugees run business enterprises beyond the scope of the informal sector. I share the ways in which Somali entrepreneurs have created a diverse set of complex businesses that stretch from food and animal products to consumer household goods within and beyond Cape Town. Drawing on this research, I argue that Somali entrepreneurs in formal businesses can be understood as a middleman minority. In this position, these entrepreneurs act as a connection between the producers of goods and general consumers through their networks and distribution centres, which are medium size wholesalers in the city. In doing so, these entrepreneurs and businesses contribute to the economy of Cape Town. This argument extends understandings of Somali entrepreneurs beyond the context of the informal economy. Researchers have written about Somali entrepreneurs in South Africa, almost exclusively in the context of informality and xenophobic violence. Yet, Somali immigrants are not confined to businesses in the informal sector. There are formal businesses established by Somali refugees in South Africa. This study has explored such formal businesses and their business strategies.

## ***7.2. Enterprising Somali Refugees Running Formal Businesses***

This research has particularly focused on the establishment of formal businesses and their business strategies in the city. Firstly, it has begun with how and when the respondents came to South Africa. They entered the country in different times- between 1995-2007, as young people with no relevant employable skills in South African mainstream sectors such as the public and corporate sectors. None of the respondents had any money when they arrived in the country. They started work as informal traders and used informality - hawking and spaza shops - as stepping stones to the formal businesses they came to own.

Secondly, the study has given a particular attention to how what begun as informality evolved into sophisticated formal business enterprises that link diverse businesses including formal and informal sectors. Thus, the entrepreneurial strategies that Somali entrepreneurs draw on were also explained. The study has recognised co-ownership and shareholding, networking between Somalis and locals, and more importantly trust as major strategies used by Somali entrepreneurs. Mobility - moving, for business opportunities in the country and in the city - was also one of those strategies they used.

One city area where Somalis in Cape Town concentrate in is Bellville in the northern suburbs of Cape Town. Somalis established numerous businesses including medium size wholesale stores selling groceries, textile shops and restaurants, and set up community centres such as mosques and schools in Bellville CBD. Therefore, the study has also described Bellville as a place to meet, to live, work and a business hub from which they expand their businesses to diverse sections of Cape Town.

The research considers that, refugees often have no access to significant resources such as loans and bank financing, most of which require citizenship documents as a prerequisite. Yet Somali formal business owners, occupy a central position in the economy of the city. Through their diverse networks of business enterprises in Cape Town and its surrounding geographies, their businesses, mainly the cash and carry stores and textile wholesales, entail a medium between the producers, manufacturers and the general consumers of the South African society.

The study also highlights that the role of Somali immigrant entrepreneurships in Cape Town is often underestimated and misunderstood. As a middleman minority, immigrants are often prone for political scapegoating. Failures of governance and political impotence such as an

economic urban decay and unemployment might easily be attributed to them. In the October 2014, the researcher was present in a workshop held by Greater Tygerberg Partnerships (GTP) a local developmental non-profit company at Bellville Civic Centre. At the meeting, a Democratic Alliance councilor, and Bellville city subcommittee chair at the time, stated that hosting foreign entrepreneurs had made Bellville a run-down and devastated CBD. Contrary to such local political stereotypes about migrants, Somali entrepreneurs made Bellville more diverse and economically vibrant. For a practical example, decades back when they first arrived, because of their desperate need for business spaces in the city, they rented old crumbling business premises such as those which were then in Durban road in the CBD. This boosted confidence in commercial property markets, especially small scale shopping spaces in the city. The landlords then demolished most of those old expired buildings in the CBD and developed them into new premises with renewed lifespans. Some of the respondents with businesses in Bellville said they paid R406 per square meter for business premises they occupied, a price which, according to the respondents, was relatively high. Moreover, some of the Somali entrepreneurs also invested in commercial property in the area, after the growth of their businesses.

### ***7.3. The Strategies and Economic Roles of Somali Entrepreneurship***

The economic role of Somali entrepreneurs in Cape Town and the strategies they use are a contested terrain amongst researchers in the field. In particular, the literature can be grouped into two main arguments: the first which is the view that Somali entrepreneurs have taken jobs away from South Africans and therefore harm the local economy; and the second which is the belief that immigrant run businesses positively contribute to the local economy.

In relation to those who argue that foreign-owned shops are harmful to the local economy, Charman, Piper and Petersen (2012:47) who write about spaza shops in Cape Town, argue that immigrant entrepreneurs out-compete local retailers through relying on unfair advantage and strategies. While maintaining that the consumer benefited from the innovative approaches that Somalis used, they argue that the Somali businesses contribute to job losses by out-competing South African shop owners.

On the strategies that Somalis used, Charman, Piper and Petersen (2012:50) assert that the relative success of Somali owned businesses is attributed to collective “bulk-buying”. However, the research data indicates to the contrary, and finds that group bulk-buying is a rare business practice among Somalis. None of the business owners interviewed bought in groups as a strategy, despite their geographical proximity, such as Sana shops and Elmi cash and carry in Bellville. Although participants entered into joint-ventures when establishing businesses, they did not join up with other enterprises and jointly negotiate for better prices of goods via bulk-buying power. The study shows that the establishment of Somali owned business enterprises can rather be attributed to the usage of diverse of strategies such as working in partnerships, profit sharing and trusting each other. They also formed linkages and networks with other businesses - as minority middle men that link across between the producers of goods and the general consumers of the public. Gastrow and Amit (2013:23) also argue that collective bulk-buying was not a common factor.

Charman, Piper and Petersen (2012:50) also consider Somalis as serious capitalists who came to the country with large amounts of funding to exploit the country, and compare foreign spaza shops to the American conglomerate, Walmart. This argument is contradicted by the study. None of the participants in the research came to South Africa with significant cash or money with them. The majority were young people, many of whom did not even have any well-grounded business experience. All the respondents in the study were refugees and did not come to South Africa simply for economic reasons but because of the untenable circumstances, and life-threatening protracted wars that existed in Somalia. Thus, picturing, immigrant traders as serious capitalists with major capital, who are in South Africa to exploit the economy and the poor (as suggested by Charman et al. 2012), and not people whose conditions in their country forced them out to be refugees and immigrants to fend for themselves is not fitting. Underpinning Charman et al’s (2012) argument is that starting competitive small businesses is impossible unless one has access to significant capital. Such reasoning leads to an unhelpful understanding that might undermine the aspiring local entrepreneurs whose dreams would otherwise be achieved. This research challenges such narrow depictions of immigrant entrepreneurship as a burden to South African economy.

In contrast, this study concurs with conclusions made by researchers in the field such as Gastrow and Amit (2013), Tawodsera, Chikwanda, Crush and Tengeh, (2015, 2017), Hikam (2011), Kalitanyi and Visser (2010) and Khosa and Kalitanyi (2016) who demonstrated positive aspects of refugee entrepreneurship in relation to the economy of Cape Town.

Tawodsera, Chikwanda, Crush and Tengeh (2015:70), for instance, maintain that immigrant entrepreneurs contribute to the economy of Cape Town in diverse forms such as buying from the local producers of both retailers and wholesalers and employing people in their businesses. In relation to employment, their research based on interviews with 518 immigrant traders, found out that those immigrant entrepreneurs created 644 job opportunities in the city. Gastrow and Amit (2013:29) also identified an important positive impact of Somali entrepreneurship. They emphasise that they create economic opportunities through acting as clients to locally-owned small scale emerging manufacturers and suppliers who cannot compete with major well-established wholesalers. Like Godfrey Tawodsera, Abel Chikwanda, Jonathon Crush and Robertson Tengeh (2015), also argue that Somali shop owners in Cape Town employ local members of the communities they serve. They also emphasise that these shops comply and pay financial duties to the relevant state institutions. Similarly, the data of this study also shows identical results: refugee entrepreneurs act as clients to local businesses, tax payers to the state and employers to local communities.

Similarly, Abdu Hikam's (2011:7) research on Somali spaza traders in the Eastern Cape, suggested that Somali traders in Motherwell township in Nelson Mandela Bay contributed to the local economy in three ways. They rented spaces from the local landlords, paid taxes in the form of VAT and possible income tax, and also extended goods and services to remote communities. Hikam (2011:100) states that the Somali traders in Eastern Cape paid 14% value added (VAT) for every product they bought from wholesalers to South African Revenue Service (SARS). In terms of the current study, the fact that all the participants in the research are formal business owners, meant that they all indicated that they pay tax to SARS. Registration with SARS, is a prerequisite for the formalisation of businesses. This also must be seen as an important contribution to the state revenue systems.

In relation to their contribution to local suppliers, a South African cash and carry wholesaler in Port Elizabeth whom Hikam (2011:100) interviewed, told him that most of his clients were Somalis. About 200 Somalis came to his business on a daily basis and bought in cash rather

than on credit. Like Hikam, the study re-emphasises that Somali entrepreneurs boost the economy through purchasing from South African businesses, paying tax and as well as renting properties from local landlords. All the participants of the study who operated grocery businesses indicated that they bought locally produced goods from local wholesalers such as Makro, Jumbo Cosmos and Giant Sweets. In relation to properties, the data further contributes to the discussion that some of the Somali entrepreneurs in Cape Town also invested in their business premises - a factor that can be seen as part of improvement and building the city.

Vivence Kalitanyi and Kobus Visser (2010:387) in a paper titled “Africans Immigrants in South Africa Job-Takers or Job Creators?” interviewed 120 African immigrant entrepreneurs in Cape Town including Somalis. They found that 82% of the participants employed South African workers. Zolin and Cholster, and Zhou (in Rismiti Maurice Khosa and Vivence Kalitanyi, 2016:47) also found that immigrant entrepreneurs often positively respond to local job demands, especially unemployed workers with low levels of skills. Tawodsera, Chikwanda, Crush and Tengeh’s (2017:783) study based on one thousand refugee entrepreneurs similarly indicated that these entrepreneurs played a positive economic role. A Somali trader, one of the participants whom Tengeh (2015:191) interviewed said the following: “When I just started, my stock was so small and employing someone was not an option. But as my stock grow, I employed a South African, a distant relative and my wife assisting the business” (Tengeh, 2015:191).

In contrast with the above authors such as Gastrow and Amit (2013), Tawodsera, Chikwanda, Crush and Tengeh, (2015, 2017), Hikam (2011), Kalitanyi and Visser (2010) and Khosa and Kalitanyi (2016), this study focusses on formal businesses established by Somali immigrants rather than informal enterprises such as the spaza shops. These formal businesses and their linkages are different from informal businesses in peripheral urban settings, which preoccupied these writers. First these businesses’ networks reach diverse segments of the city by connecting major wholesalers and producers on one hand, and small-scale businesses such as spaza shops in township communities on the other hand. Like the case of Haaji, Sana Cash and Carry owner, who has shops in Bellville and in Cape Town CBD, Somali formal businesses often have multiple centres, in different sections of the city. Being small and formalised rather than micro and informal also means that they most likely pay higher levels of tax to the state and employ greater numbers of people. Some businesses are also able to purchase the premises where they

worked and thereby contribute to the building of central business districts. The research therefore extends the current work on refugee entrepreneurship.

For emphasis, my research supports the understanding that immigrant-run enterprises play a relatively significant role in curbing high unemployment in the country. My study further emphasises that in relation to job creation, one difference between small formal businesses and informal micro enterprises is that formal businesses have the capacity to take on more employees than informal businesses. The businesses owned by the ten participants in the research directly employ a total of 282 employees. Because the geographical locations of these businesses are dispersed in different corners of the city, the employees also come from diverse areas of the city and therefore the impact is spread out. One might possibly ask whose nationality are the workers in these shops. The data indicates that the nationalities of the workers are mixed. In most of shops, employees are both from South Africa and Somalia. Some of the businesses also employed Zimbabweans and Malawians. All of the businesses that formed part of the study had South Africans as the core of their employees.

Furthermore, in relation to indirect roles in job creation, immigrant owned businesses as buyers boost levels of employment through their link with local suppliers such as Jumbo Cosmos and Makro, and down the supply chain to farmers who produced fresh products such as fruits and vegetables, or animal products such as poultry. Clearly, Somali refugee entrepreneurs who operate small formal businesses also contribute towards economic circulation in the city of Cape Town. Their businesses link different role players such as suppliers and consumers and disrupt the ways business is done in the city. Thus, their impact on the development of the city is therefore more far reaching than when they were only in the informal sector.

#### ***7.4. Somalis in Cape Town as Middleman Minority***

Somali entrepreneurs in formal businesses in Cape Town can be considered a middleman minority. They are micro to medium size business owners. They work in a variety of sectors – from groceries, property investments, to poultries – and possess business networks with producers of goods, grocery stores, and food systems along transport interchanges in diverse

parts of the city. They link producers and suppliers to consumers through their small microenterprises networks.

Understanding Somali formal business owners as a middleman minority group helps to further understand the ways in which their businesses contribute to building urban economies. It highlights the role they play in building and advancing urban economic linkages and networks. An example of such linking is that of Diplomat and Elmi Cash and Carry. The cooperation between the two companies - trusting each other with goods of high value - began in 2013 and lasted to date. Sana Cash and Carry is similarly a good example of this. Since its establishment in 2001, they always cooperated with formal wholesale businesses including Giant Sweets, a major wholesale store in Cape Town. Somali formal businesses also attract varied customers which include other small businesses (Somalis and otherwise). They offer services to businesses (often immigrant-run) in the informal economy such as spaza shops who then service local communities. South African small businesses including those in the informal economy also buy from Somali cash and carry stores. Somali entrepreneurs connect informal economies to formal economies and draw on yields from both sectors. Through this mix, they extend the presence of Somali business people to diverse parts of the city and regional spaces – into the southern suburbs and Cape Town’s city centre, and into the broader region of the Western Cape.

Drawing on these complex networks, Somali businesses connect to big commercial businesses such as agricultural entities that produce fresh goods such as vegetables and fruits, and manufacturers that produce items such as canned foods. Some even have the capacity to supply both major wholesalers and small businesses. Amiir Poultry Pty Ltd which is owned by Abdi, (the same owner of Smart Choice Cash and Carry and Akram Quality Trading), supplies chicken meat to micro-enterprises such as spaza shops, as well as mega wholesales such as Makro, 1UP Cash and Carry and some other South African food stores including Spar, one of the major retailers in the South African food industry. By transcending the small, medium and large business divide, they have created new economic networks and extended markets, while also disrupting and changing how the city economy operates in Cape Town. They strategically occupied a middle space between producers and small traders such as the spaza shops and subsequently the consumers. Their cash and carry stores sold goods produced by major manufacturers to spaza shops in township communities and the retail grocery shops in general.

In the textile sector, they also connect clothing factories and wholesalers who are mainly in Johannesburg to medium and small scale traders in Cape Town and the Western Cape in general. Thus, the Somali refugee entrepreneurs contributed to economic development by linking up different economic actors.

This analysis builds on Edna Bonacich's (1973) work on middleman minorities who are entrepreneurs from minority groups, including immigrant entrepreneurs. Bonacich (1973:583) writes that "they occupy an intermediate rather than low-status position. They tend to concentrate in certain occupations, notably trade and commerce, but also in other "middleman" lines such as agent, labour contractor, rent collector, money lender, and broker. They play the role of middleman between producer and consumer, employer and employee, owner and renter, elite and masses". Bonacich's explanation of immigrant entrepreneurs (seeing immigrant entrepreneurs through the lens of middleman minority) is extremely helpful in understanding Somali entrepreneurs, the nature of their businesses, motivations and their contribution to the urban economies of Cape Town - by linking businesses - producers and people as consumers in general.

In relation to the motivations of immigrant entrepreneurs who are concentrated in small businesses, Bonacich, Light and Wong (in Light, 1979:40) unanimously suggest that social resources such as "information, skills, rules and attitudes, motivations, institutions, and contact networks" remain the main factors contributing to the expansion of immigrant entrepreneurship. Light (1979:41) argues that the status of being a disadvantaged minority alone cannot be enough as a push factor. When two factors intermingle - ethnic-social resources and a minority disadvantaged status - then the chance of self-employment increases. Bonacich (1973:589) recognises the issue of hostility, which she also considers as a main push factor in immigrant entrepreneurships. She states that middleman minorities are known to be shown hostility by locals, who often see them as aliens and economic exploiters. Bonacich (1973:588) also argues that the mere fact of being a foreigner might push minorities to entrepreneurship. She illustrates that in her era, the 1970s, almost all immigrants who were involved in entrepreneurial activities came from the near East and East Asia. Bonacich (1973) unpacks the factors that motivate such entrepreneurship. She recognises local "sojourning" as a key factor. Sojourning relates to the situation of new immigrants who are yet to decide whether or where to fully settle in the country. They often work hard for a living and at the same time save more

money in order for them to be able to go back home and build a life there. Sojourners however do not necessarily go back home and the longer they remain in the host country, the more likely they will become a permanent middleman minority.

This research demonstrates a similar dynamic. In relation to the motivations of Somali entrepreneurs' concentration in entrepreneurship, the research shows obstacles such as lack of access to jobs in mainstream sectors including the corporate and the public spheres as main push factors. Such job opportunities are often exclusive to locals and sometime, unless foreigners possess highly needed exceptional skills, a category in which most of Somali refugees in South Africa - as unskilled young people - do not fall in. In support of this analysis, all ten respondents in the study stated that they turned to business because they could not find an alternative job.

Immigrant entrepreneurs, as middleman minorities, also play a further role in building the cities in which they live and work. Discussing the economic role of immigrant entrepreneurs in their hosting cities, Zhou (1998:234) explains how a Chinese community in Los Angeles built business centres that their businesses operate in, spaces known as China towns in the city. One such place is Monterey Park which was named "Little Tapei". Little Tapei gave communal services including language schools that teach Mandarin for instance. This interestingly resembles Somalis in Bellville, the "Little Mogadishu" of Cape Town. Like Chinese in LA and their Mandarin schools, Somalis built community schools and places of worships namely mosques. and also importantly, textile and grocery wholesalers including cash and carries in Bellville. Zhou et al (2002:781) show that the Chinese's concentration in Monterey Park helped them build businesses that linked Chinese entrepreneurs with other business professions in the city. The networking method of Somali-owned cash and carry stores in Bellville with the producers of goods echoes that of Chinese banks, accountancy, and law firms in Los Angeles as suggested by Zhou (1998) and Zhou et al (2002). By anchoring businesses and community facilities in these neighborhoods, they contribute to urban upliftment.

Most formal Somali businesses were located in CBD areas rather than in townships. With the establishment of businesses in Bellville, Somali entrepreneurs had a positive impact on Bellville CBD in terms of improving urban spaces and and business premises. In 2004, Durban

Road in Bellville (a section of the CBD) had some very old crumbling premises such as No. 1 Durban Road, which later became the newly rebuilt Bellville Station Shopping Centre. Engraved on one side of its gigantic old-looking structure was the date that it was originally built: 1903. Similarly, the current Western Plaza and Eastern Plaza premises were then unused empty plots. It therefore becomes clear that the concentration of immigrant entrepreneurs, mainly the Somalis, increased the demand for business premises and brought capital to Bellville, a factor that led the erection of new premises and rebuilding of the old ones in a short while.

Roy Williams of Open Streets, Cape Town (2015:1), describes Bellville as a diverse neighborhood and mentions how a business gap in the city was filled by Somali entrepreneurs. The data also indicates that the evolution of the respondents' businesses also went hand in hand with the evolution of Bellville CBD. The expansion of Somali entrepreneurs from Bellville to the rest of the city stretched the economic network of Bellville and transformed it into a business hub. Many clients of the Somali owned cash and carry stores and textile shops in Bellville, come from different parts of the city and the Western Cape at large, and spend their money in Bellville CBD.

Lastly, it is important to note that Somali formal entrepreneurs are showing an upward economic mobility. The formal businesses owners interviewed were continually engaged in developing and expanding their businesses. Sana Cash and Carry which started as a small shop in Bellville in 2001, evolved into three medium sized cash and carry stores and Akram Quality Trading and Smart Choice Cash and Carries established in 2004 by Abdi in Khayelitsha, which expanded to new sectors such as poultry and property investments, can be taken as good examples of such upward movement. Thus, Somali entrepreneurs are a middleman minority of another type - one which is not static, but in a process of evolving. Because, they are first generation immigrants, most of them are still transitioning. Many are inhibited by challenges such as obtaining refugee status documentation, which limits their accessibility to resources such as financing and long-term loans. They are therefore still to accede to a full middleman minority category. The longer they remain in the country, the more likely they will become integrated and evolve into a fully-fledged middleman minority type similar to that of the Jewish communities in New York and Parsis in India. In this sense, they also contribute to economic development by creating new economic opportunities in the near future. As 'middlemen

minorities' Somali entrepreneurs contribute positively to the formal economy and to city building.

### *7.5. Conclusion*

This chapter has analysed the data collected through the study to assess enterprising Somali refugees. It explains the ways in which Somali immigrant entrepreneurs are a middleman minority with an impact on the urban economy of Cape Town by forming economic networks that reach across the city, beyond the divide of the core and informal geographies of the city. They often have their centres in CBDs and also service other small businesses in the informal sector often operating in townships of the city. They occupy a central space between the producers of goods and consumers, including micro-enterprises such as informal township businesses. They do these links via their cash and carry stores and textile shops in CBDs such as Bellville. The chapter assesses the economic impact of Somali small formal businesses and believes that, despite the fact that some consider immigrant businesses as a burden to the South African economy, the situation is the opposite. Immigrant run businesses play a role in the economic wellbeing of the city. They create jobs, pay taxes, and also play a role in urban regeneration and building in the areas where they operate in such as Bellville Central Business District. The chapter came to the conclusion that Somali formal business owners in Cape Town are a unique type of a middleman minority - a new refugee community with an impact in the economy while at the same time evolving into a fully-fledged middleman minority.

### ***Chapter 8. Conclusion***

This study has explored Somali refugees in formal businesses in Cape Town. The empirical findings suggest that Somali entrepreneurs are a middleman minority group of a particular type with an economic role of linking the producers of goods and the consumers through their business centres. The study has also discussed the impact of these businesses on the economy of Cape Town. This research shows that Somali immigrant entrepreneurs as middleman minorities are not economic burdens. Seven areas of urban economic contributions are visible from the participants' business activities. The first is the creation of jobs for both South Africans and foreign nationals. The second is the buying from local producers and suppliers. The third is about proximity and deliverance of services and goods to local communities. The fourth is that they boost the economy by renting spaces from the local landlords. The fifth is that these entrepreneurs contribute to the economy through paying tax to the state. The sixth is that Somali formal business entrepreneurs – as middleman minorities - develop new economic networks and linkages in the city. Lastly, they also contribute to the development and upliftment of the CDB areas where their businesses and communities are based.

At times when emotions and attacks against foreign shop owners are prevalent, like the latest recurrences of shop lootings in Soweto on 15<sup>th</sup> of August 2019, many suggested that foreigners sold counterfeit goods. But most businesses covered by the study mainly sold locally manufactured goods. All the respondents indicated that they were customers to Makro Cash

and Carry, Jumbo Cosmos and Giant Sweets. By doing that, they indirectly increase the prospect of South Africans employed in these businesses. More importantly, they are a link between suppliers and consumers through their wide business networks-spaza shops which are mostly run by immigrants though not exclusively so.

These debates are critical because they contribute to shaping public and political discussions and decision making. A recent Competition Commission report (2019:280) claims that immigrant entrepreneurs in the grocery retail sector have a disproportionate advantage over South Africans. It alleges that Somalis use a strategy they call “vertical integration” where the wholesalers and cash and carry stores, as formal enterprises, are involved in informal trading in the form of owning spaza shops in townships (2019:138). The data from my research underlines that, although the respondents were once informal traders and owners of spaza shops, and were involved in hawking activities, none of them stated or indicated that they still own informal business enterprises. For them, the spaza shop was a stepping stone to formal businesses and the only current link between their businesses and the spaza shops is that spaza shops form part of their main clients.

Lindiwe Zulu, the former minister of Small Business Development of South Africa (in Amogelang Mbatha, [www.iol.co.za](http://www.iol.co.za), 2015:1) believed that foreign owned spaza shops possessed ‘business secrets’ which enabled them to outcompete South African shopkeepers. She argued that foreigners must share these secrets if they wish to feel safe in the country. Bashir Sheikh Ibrahim (2016:94) whose master’s thesis studied how Somali refugees managed business enterprises in an unconducive environment, argued that there is no such thing of a secret to show. He rather emphasised that Somali businesses relied on social factors, social capital, networking, trust and a determination to work. The study agrees with Ibrahim that the establishment of businesses are rather a result of the factors he offered, namely networking and trust. There are no secrets or a hidden special formula behind the success and resilience of immigrant run businesses. Factors that one can add to Ibrahim’s list are that of mobility and copying from each other, as discussed in chapter six. Somali entrepreneurs moved from town to town, and from one section of the city to another for business purposes until they find one they thought to be worthy of settling into.

In February 2019, Dan Plato, the new mayor of Cape Town, stated in a video-recorded private discussion with an unknown man that immigrants to the Western Cape province were an

economic burden and that the locals paid 99% of their public services, which he claimed, had a negative effect on the city's budget (Robin Lee Francke, 2019:1). Contrary to the antics of popular political leaders such as mayor Plato, the study presents the positive contribution of immigrant entrepreneurs as linkages of diverse industries - boosting the city economy of Cape Town - as discussed in chapter five and chapter seven.

Through this research, this thesis seeks to make a public and an academic contribution to the debates around migration and related issues including employment and job-creation in South African cities. I hope that the analysis and conclusions of this study will stimulate the formulation of relevant policies for transitioning micro-enterprises in the country into small formal enterprises. I also hope that understanding Somali entrepreneurial methods and logics inspire possible entrepreneurs to take up new ventures, which will possibly reduce the high level of unemployment and poverty rates existing in Cape Town and the country in general. Central to the project is shifting the too often negative and corrosive perceptions about urban refugees and immigrant entrepreneurs in South African cities.

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