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Product Diversification and Performance in Spaza Shops: The Role of Community Leadership

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Abstract:

This study examined the role of product diversification strategies on the performance of spaza shops in the informal retail sector. A quantitative cross-sectional survey was conducted among 359 owners and managers of both locally owned and migrant-owned shops in selected municipalities of the Eastern Cape Province. SEM was used to test hypothesised relationships. For locally owned spaza shops, product diversification did not significantly predict performance ($\beta = 0.108$; $p = 0.102$), and community leadership alone was not significant ($\beta = -0.032$; $p = 0.639$). However, the interaction between diversification and leadership was positive and significant ($\beta = 0.244$; $p = 0.008$), with the model explaining 12.2% of the variance in performance ($R^2 = 0.122$). In contrast, among migrant-owned shops, diversification ($\beta = 0.139$; $p = 0.351$), community leadership ($\beta = -0.074$; $p = 0.166$), and the interaction term ($\beta = 0.282$; $p = 0.074$) were not statistically significant, though the model accounted for 17.3% of variance in performance ($R^2 = 0.173$). The results suggest that locally owned shops benefit from diversification only when supported by strong community leadership, while migrant-owned shops rely more on structural advantages such as bulk purchasing, extended hours, and cooperative networks.

Keywords:

Product Diversification Strategies, Community Leadership, Business Operations Management, Informal Retail Sector, Need For Achievement Theory

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Introduction

Product diversification strategies are widely recognised as an important mechanism for enhancing business performance and ensuring resilience in competitive markets (Razal, 2022). Expanding product ranges enables enterprises to reduce risks associated with market fluctuations, meet diverse consumer needs, and strengthen their positioning against rival (Aaker & Moorman, 2023). In the informal economy of South Africa, spaza shops serve as vital retail outlets that provide daily essentials to millions of township and rural households (Willie, 2024). These enterprises, often owned by both local and migrant entrepreneurs, operate in highly dynamic and resource-constrained environments where competition is intense and survival depends on innovation and adaptability. In this context, community leadership plays a unique role in shaping business performance by influencing trust, legitimacy, and local support. Understanding how product diversification strategies, mediated by community leadership, affect the performance of locally and migrant-owned spaza shops provides valuable insights into both entrepreneurship and informal sector development.

Despite their importance, limited scholarly attention has been given to how product diversification strategies operate in the informal sector, particularly within the context of spaza shops. Most existing studies on diversification focus on formal enterprises, leaving a gap in understanding how such strategies function in resource-constrained, informal settings where managerial practices are less structured and access to capital is limited (Pitelis, 2022; Tashman, Spadafora & Wagner, 2023; Guan, Tian & Deng, 2024). Furthermore, while migrant-owned spaza shops are often perceived as outperforming locally owned ones due to collective purchasing and longer trading hours (Gumede & Moyo, 2023), little is known about the role of product diversification in sustaining this advantage. Equally underexplored is how community leadership moderates the effectiveness of diversification strategies, especially given its influence on customer loyalty, conflict resolution, and social legitimacy. The aim of this study is to compare the relationship between product diversification and business performance across different ownership types of spaza shops while examining the enabling role of community leadership in shaping these outcomes.

The significance of this study lies in its contribution to both theory and practice. Theoretically, it extends the literature on small business strategy and informal entrepreneurship by demonstrating how diversification strategies can enhance performance in non-traditional, resource-constrained environments. It also enriches debates on the role of social capital and leadership in moderating business outcomes, highlighting the interplay between operational strategies and community dynamics. Practically, the study provides evidence-based insights for local and migrant entrepreneurs, showing how diversification strategies, when supported by community leadership, can strengthen competitiveness and sustainability. For policymakers and development agencies, the study highlights

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the importance of designing support programmes promote entrepreneurial innovation and utilise community structures to build resilient township economies. This study offers a holistic framework for enhancing informal enterprise growth in South Africa by addressing both strategic and social dimensions of spaza shop performance,

Problem statement

Spaza shops remain an essential part of informal retail sector in South Africa that provides accessible goods, generating livelihoods, and sustaining township economies (Mapengu, 2023). However, their long-term survival and competitiveness are increasingly threatened by intense competition, shifting consumer preferences, and limited access to financial and managerial resources. Product diversification strategies are widely recognised as a means of enhancing business resilience by spreading risk, broadening market appeal, and improving performance. Yet, in the context of spaza shops, little is known about how diversification is applied and whether it directly translates into measurable performance outcomes (Ndimande, 2023). Furthermore, while migrant-owned spaza shops are often perceived to outperform locally owned ones due to collective purchasing power, extended operating hours, and tighter management practices, the extent to which product diversification contributes to this advantage has not been adequately examined (Tetani, 2023). Even less attention has been given to the moderating role of community leadership, which influences trust, legitimacy, and customer loyalty within township markets. Without examining these relationships, policymakers and entrepreneurs risk overlooking the factors that could improve competitiveness and sustainability among spaza shops. This study therefore addresses the problem of limited empirical evidence on how product diversification strategies influence performance across locally and migrant-owned spaza shops, and how community leadership shapes these dynamics in the informal retail sector.

Need for Achievement Theory

The Need for Achievement Theory (NAT) was developed by David McClelland in 1961 as part of his broader work on human motivation (Akaeze & Akaeze, 2023). The theory highlights the desire and drive within individuals to excel and accomplish challenging goals. It forms part of the psychological entrepreneurship theories, which explore the influence of individual psychology on entrepreneurial behaviour. Wilson et al. (2020) note that NAT centres on the inner desire to achieve, setting it apart from other psychological theories. For example, while the personality trait theory emphasises enduring inborn qualities, the locus of control theory focuses on individuals' perceptions of rewards and punishments (Sangwan, 2023). NAT was primarily developed to identify the role of psychological factors in stimulating entrepreneurial mindsets and behaviours, explaining why some individuals pursue business ventures with more determination and persistence than others (Sudarti, Ayuni, & Wasitowati, 2021).

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NAT suggests that individuals with a strong need for achievement are motivated by challenges, set ambitious goals, and seek feedback to measure their progress (Acquah et al., 2021). Within business contexts, this translates into entrepreneurs and employees striving to perform better, often pushing themselves beyond average expectations. The main advantage of the theory is that it encourages alignment between tasks and employees' motivational needs, which can strengthen morale and performance (Ospina et al., 2020). However, one drawback is that it may overlook basic needs, focusing narrowly on achievement while neglecting other motivational drivers. A further limitation is the difficulty manager's face in identifying and interpreting employees' psychological needs, as individuals may not always be consciously aware of them (Wilson et al., 2020). Nevertheless, Soomro and Shah (2022) affirm that NAT provides a valuable framework for linking personal motivation with entrepreneurial success.

The adoption of this theory in this study provided insights into the motivational drivers of both locally owned and migrant-owned spaza shops in the informal sector. The desire to achieve is central to the survival and growth of these businesses, as owners often operate in competitive and resource-constrained environments where resilience and determination are essential. NAT highlights that the prosperity of entrepreneurs are closely tied to their motivation to succeed, which in turn enhances operational efficiency and long-term sustainability. For locally owned spaza shops, cultivating a strong achievement orientation can help overcome structural limitations, while for migrant-owned shops, it may reinforce their competitive edge. This study demonstrates how the entrepreneurial drive to achieve contributes to better business outcomes, providing a theoretical foundation for understanding the link between product diversification, community leadership, and the performance of spaza shops in South Africa's informal retail sector by framing performance through the lens of NAT.

Literature review

This section presents the literature review and topics such as product diversification strategies in Informal Enterprises, Spaza shop dynamics: ownership, performance, and competitive realities and Community leadership and informal business sustainability are expounded upon.

Product diversification strategies in informal enterprises

Product diversification has long been recognised as a strategic approach for improving business performance by reducing risk, widening consumer choice, and strengthening market competitiveness (Rasak, 2022). Andreasson et al. (2024), diversification may be classified as related, where new products are aligned with existing offerings, or unrelated, where businesses expand into entirely new product lines. In both cases, the goal is to enhance resilience against market volatility and respond to evolving consumer demands. While extensive literature exists on diversification in formal enterprises

(Ferraz et al., 2021; Karlsson, Rickardsson & Wincent, 2021; Tashman, Spadafora & Wagner, 2023), much less attention has been directed toward its application in informal settings. Informal enterprises, such as spaza shops, often face limited access to financial capital, managerial skills, and formal supply chains, which constrains their ability to adopt diversification strategies effectively (Nkonde & Utete, 2024). Nevertheless, Mansur and Djaelani (2023) indicate that when informal businesses manage to expand their product offerings, they not only attract a broader customer base but also improve profitability and sustainability in highly competitive environments. For spaza shops, where survival often depends on adaptability, product diversification is not merely a growth strategy but a necessity for ensuring relevance in dynamic township economies.

Spaza shop dynamics: ownership, performance, and competitive realities

Spaza shops occupy a central role in informal retail sector in South Africa and serve as accessible sources of goods for millions of households in townships and rural areas (Yesufu, 2021). Their contribution extends beyond commerce to providing livelihoods, stimulating local economies, and shaping social interactions (Monyebodi, 2021). However, the performance of spaza shops is strongly influenced by ownership structures, with notable differences between locally owned and migrant-owned enterprises (Mapengu, 2023). Locally owned spaza shops often struggle with limited capital, fragmented supply chains, and restricted bargaining power, which negatively affect their performance and sustainability Mongwe, 2024). In contrast, migrant-owned spaza shops are widely recognised for their competitiveness, which is attributed to strategies such as collective purchasing, stronger business networks, and extended trading hours (Mongwe, 2024). These advantages enable migrant shops to offer lower prices, maintain wider product ranges, and secure larger market shares. While this has sparked debates on unfair competition, it also reflects differences in managerial discipline and entrepreneurial orientation across ownership types. What remains underexplored is how specific strategies like product diversification contribute to these observed performance disparities and whether diversification is employed differently by local and migrant shop owners.

Community leadership and informal business sustainability

Community leadership is increasingly acknowledged as a critical factor shaping the success and sustainability of informal enterprises (Cheruiyot & Venter, 2024). In contexts where institutional support and regulatory frameworks are weak, Enwereji and Uwizeyimana (2020) affirm that community leaders act as custodians of trust, mediators of disputes, and enablers of local legitimacy. Their influence can determine customer loyalty, reduce business risks such as theft or hostility, and facilitate collaboration between enterprises. For migrant-owned spaza shops, community leadership often operates through ethnic networks that strengthen information sharing, bulk purchasing, and resource pooling (Mongwe, 2024). Locally owned shops, however, frequently rely on broader community endorsement, which can

foster legitimacy but may lack the structured support systems evident in migrant networks (Wilson & Hodges, 2022). Studies on social capital and entrepreneurship highlights the importance of networks for small business performance, yet the explicit role of community leadership as a moderating factor in business strategies remains underexplored (Tiwasing, Kim & Sawang, 2023; Manafe, Rizani & Purnawati, 2024; Boudreaux, 2025). For product diversification in particular, leadership may enhance outcomes by building consumer trust in new products, legitimising entrepreneurial efforts, and encouraging community-wide patronage. Thus, examining the interplay between diversification strategies, ownership types, and community leadership provides a timely and relevant contribution to understanding the sustainability of informal businesses such as spaza shops.

Research methods

This study explored how business operations management and community leadership contribute to the performance of spaza shops in the informal retail sector in South Africa. It also considered how community leadership moderates the relationship between operational practices and performance, with attention given to differences between locally owned and migrant-owned enterprises. To achieve these objectives, a quantitative approach was employed, guided by a descriptive research design. This design was deemed suitable as it enabled the systematic collection of numerical data and allowed for statistical testing of proposed relationships. The use of a cross-sectional survey provided a snapshot of prevailing practices, perceptions, and operational realities among spaza shop owners and managers at a single point in time.

The target population consisted of owners and managers of spaza shops located across selected South African municipalities in the Eastern Cape Province. These areas were chosen to reflect diversity in socio-economic conditions, market size, and demographic composition, thereby strengthening the generalisability of the findings. Both locally owned and migrant-owned spaza shops were included, creating space for meaningful comparison between ownership categories. A simple random sampling strategy was adopted to ensure balanced representation of the two groups. In total, data were collected from 359 respondents through a structured questionnaire covering demographics, operational management practices, performance indicators, and perceptions of community leadership. Responses were measured on a five-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5). To ensure clarity and relevance, the questionnaire was pre-tested with a small group of spaza shop owners (20 people), and refinements were made based on their feedback. To accommodate linguistic diversity, the instrument was made available in English and IsiZulu, with trained research assistants on hand to offer support where needed.

The SPSS and AMOS were used to analyse data collected from the respondents. Descriptive statistics were used to summarise respondent profiles and key variables, while Cronbach’s alpha was applied to

assess the reliability of the measurement scales. Structural Equation Modelling (SEM) provided a framework for testing hypothesised relationships and examining the moderating effect of community leadership. Ethical considerations remained central throughout the study. Participation was voluntary, informed consent was obtained from all respondents, and confidentiality was safeguarded through the anonymisation of data and secure storage of records. The study was conducted in line with institutional ethical guidelines and national research standards.

Presentation of results

This section reports on the findings derived from questionnaires completed by owners and managers of locally owned as well as migrant-owned spaza shops. From the targeted sample of 384 respondents, data were successfully obtained from 359 participants, yielding a response rate of 93%. Meyer et al. (2022) and Wu et al. (2022) note that such a rate is considered both valid and sufficient to enable robust statistical analysis. The following section presents the biographical details of the respondents

Biographical data of respondents

Initial distributions were generated to reflect the demographic profile of the respondents, after which more detailed data analysis was conducted. A descriptive approach was applied to summarise and present the biographical characteristics of the study participants.

The analysis of respondent characteristics shows that the majority were male (83.8%), while 15.3% were female and less than one percent (0.8%) preferred not to indicate their gender. A closer look reveals that migrant-owned shops had a slightly higher proportion of male respondents (86.5%) compared to locally owned shops (81.8%). In contrast, female participation was more visible among local shop owners (17.2%) than among migrants (12.8%).

With regard to age distribution, the 35 to 44 years category accounted for half of the respondents (50.4%), followed by those aged 25 to 34 years (28.7%). Smaller proportions were found among the 45 to 54 years group (12.0%) and the 18 to 24 years group (8.9%). Migrant respondents were more concentrated in the 25 to 34 years bracket (35.9%), while locals were more dominant in the 35 to 44 years (51.2%) and 45 to 54 years (16.7%) ranges.

Ethnic composition was overwhelmingly Black (98.9%), with only 1.1% identifying as “Other.” All migrant respondents identified as Black (100%), while a small proportion of locals (2.0%) fell into the “Other” category.

Educational attainment varied across the sample. Around one-third of respondents had below matric qualifications (33.7%), while 36.2% had completed matric. A further 23.1% reported holding a certificate, with fewer respondents attaining a diploma or degree (5.3%) or a postgraduate qualification (1.7%).

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Locals were more represented at the below matric (37.4%) and postgraduate (3.0%) levels, whereas migrants were more concentrated at the matric (43.6%) and certificate (25.0%) levels. Only 2.6% of migrants reported having a diploma/degree, and none had postgraduate qualifications.

Geographical distribution showed that the largest share of respondents operated in Amathole (24.8%), followed by Alfred Nzo (19.8%), OR Tambo (17.3%), Chris Hani (16.2%), Joe Gqabi (13.9%), and Sarah Baartman (8.1%). Local spaza shop owners were most concentrated in Alfred Nzo (25.1%) and Chris Hani (17.7%), while migrant-owned shops were more prevalent in Amathole (27.6%) and Joe Gqabi (17.9%). The study included 203 locally owned spaza shops (56.5%) and 156 migrant-owned spaza shops (43.5%), ensuring a diverse and balanced representation for comparative analysis.

The effect of product diversification strategies on the performance of locally owned spaza shops

A structural equation model using AMOS was employed to assess whether product diversification strategies significantly predict the performance of locally owned spaza shops. The model explained 11.2% of the variance in performance ($R^2 = 0.112$) and demonstrated an acceptable overall fit (RMSEA = 0.107, SRMR = 0.067, CFI = 0.937, TLI = 0.941, CMIN/DF = 3.30). The direct path from product diversification to performance was positive and statistically significant ($\beta = 0.335$, $p < 0.001$), suggesting that greater diversification enhances business outcomes. These results provide sufficient evidence to reject the null hypothesis and conclude that product diversification strategies significantly predict the performance of locally owned spaza shops in South Africa's informal sector.

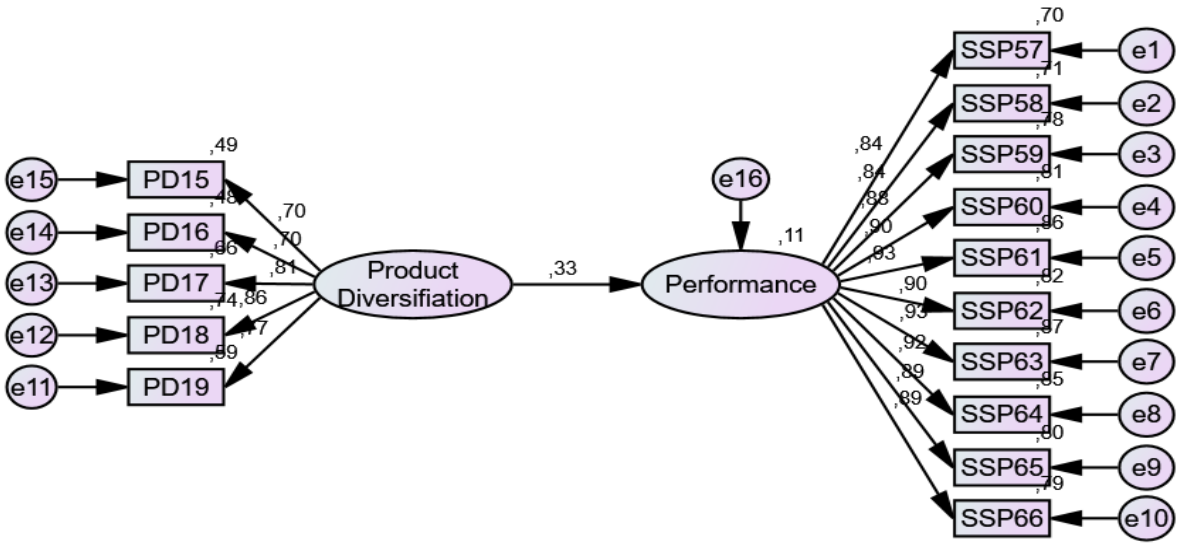


Figure 1: Structural model of the effect of product diversification strategies on the performance of locally owned spaza shops

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Fit Index	Index Value	Acceptable Range	Comment
RMSEA [90% CI]	0.107 [0.093–0.120]	≤ 0.10	Acceptable fit
SRMR	0.067	≤ 0.08	Acceptable fit
CMIN/DF	3.30	≤ 5	Acceptable fit
CFI	0.937	≥ 0.90	Acceptable fit
TLI	0.925	≥ 0.90	Acceptable fit

Table 1: Model Fit Indices for Locally Owned Spaza Shops Structural Model

Note: Model explains 11.2% of the variance in performance. All path coefficients significant at $p < 0.001$.

Moderating Role of Community Leadership (Locally Owned Spaza Shops)

A structural multiple regression model was estimated to determine whether community leadership strengthens the relationship between product diversification and business performance. The model showed adequate fit (RMSEA = 0.084, SRMR = 0.068, CFI = 0.941, TLI = 0.932, CMIN/DF = 2.43, R^2 = 0.122). The interaction term was positive and statistically significant (β = 0.244, p = 0.008), confirming that community leadership positively moderates the effect of product diversification on performance. In essence, locally owned spaza shops operating in communities with active leadership structures perform better when diversifying their product offerings.

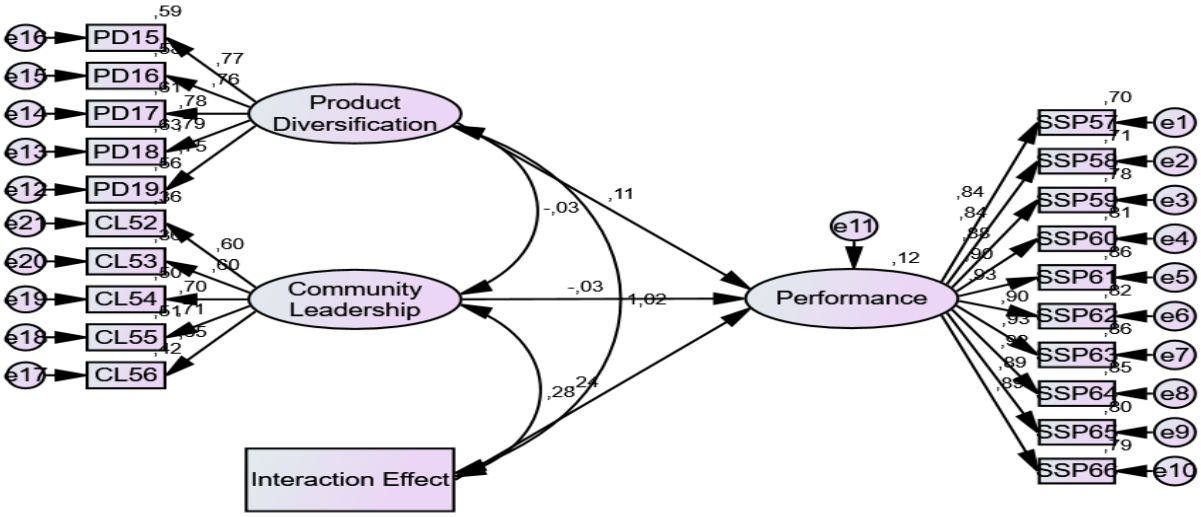


Figure 2: Interaction plot showing the moderating effect of community leadership on the relationship between product diversification and performance

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Path	Standardised Estimate (β)	p-value	Interpretation
Product Diversification → Performance	0.108	0.102	Not significant
Community Leadership → Performance	–0.032	0.639	Not significant
Interaction (PD × CL) → Performance	**0.244**	**0.008**	Significant moderating effect

Table 2: Regression Weights for Moderation Model (Locally Owned Spaza Shops)
Note: $R^2 = 0.122$, showing that predictors explain 12.2% of performance variance.

Effect of Product Diversification Strategies on the Performance of Migrant-Owned Spaza Shops

For migrant-owned spaza shops, the model explained 17.5% of the variance in performance ($R^2 = 0.175$) and showed good fit (RMSEA = 0.088, SRMR = 0.058, CFI = 0.966, TLI = 0.959, CMIN/DF = 2.20). The direct path was positive and significant (β = 0.418, p < 0.001), confirming that diversified product strategies enhance business performance. However, the moderating effect of community leadership was not statistically significant (β = 0.282, p = 0.074), implying that community influence plays a lesser role among migrant entrepreneurs.

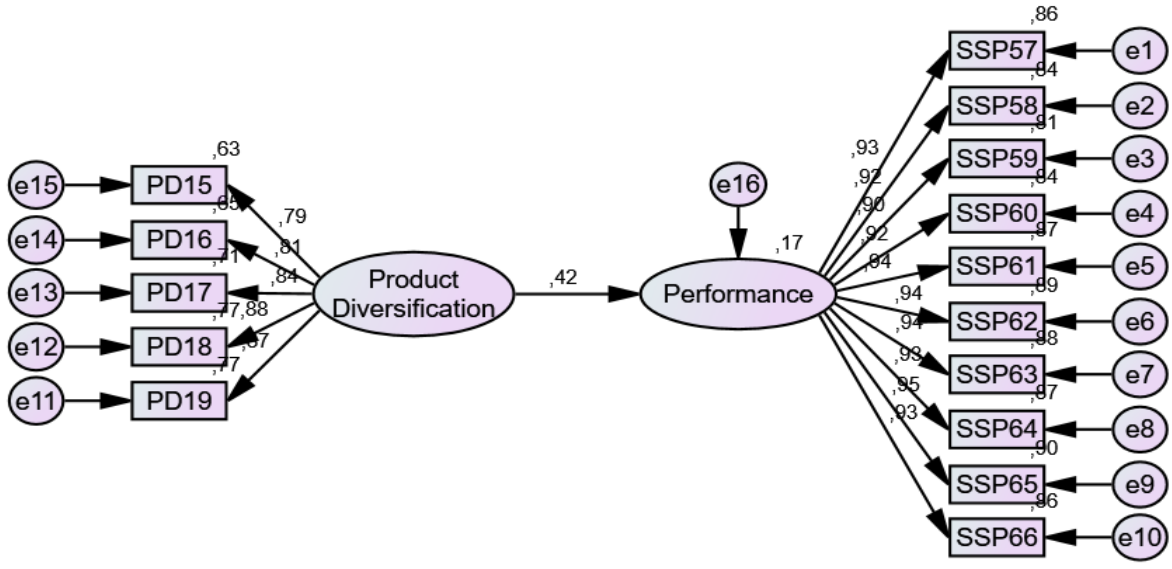


Figure 3: The path diagram for the effect of product diversification strategies of migrant-owned spaza shops on performance structural model

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Ownership Type	R^2	RMSEA	SRMR	CFI	TLI	Interpretation
Locally Owned	0.112	0.107	0.067	0.937	0.925	Acceptable fit
Migrant-Owned	0.175	0.088	0.058	0.966	0.959	Good fit

Table 3: Comparison of Model Fit Indices for Locally and Migrant-Owned Spaza Shops

Comparative analysis of regression coefficients

This section investigates compared the beta coefficient for product diversification strategies in the prediction of performance in locally and migrant-owned spaza shops

Some hypotheses were tested to know whether the simple linear regression beta coefficient for product diversification strategies of locally owned spaza shops is significantly different to that of migrant-owned spaza shops in predicting performance. The following models were considered:

Locally owned spaza shops model: Performance = $\beta_0 + \beta_1_PD_L * PD_L + \varepsilon$

Migrant-owned spaza shops model: Performance $= \beta_0 + \beta_1_PD_M * PD_M + \varepsilon$

Where β_0 are constants, $\beta_1_PD_L$ and $\beta_1_PD_M$ are the regression coefficients for PD_L (product diversification strategies for locally owned spaza shops) and PD_M (product diversification strategies for migrant-owned spaza shops) respectively and ε are the regression residuals. Thus, the following hypothesis was tested:

H_{01}: $\beta_PD_L = \beta_PD_M$ (i.e. the beta coefficient for product diversification strategies in the prediction of performance in locally and migrant-owned spaza shops is not significantly different).

H_2: $\beta_PD_L \neq \beta_PD_M$ (i.e. the beta coefficient for product diversification strategies in the prediction of performance in locally and migrant-owned spaza shops is significantly different).

The objective was to compare the regression coefficients of locally owned shops (β_PD_L) with migrant-owned shops (β_PD_M) to test the null hypothesis. Firstly, a dummy variable called SPAZA_ID coded 1 for locally owned shops and 0 for migrant-owned shops, and an interaction variable that is the product of SPAZA_ID and product diversification strategies was generated. SPAZA_ID, product diversification strategies and the interaction variable were then used as predictors in the multiple linear regression equation using the Hayes process macro for moderation analysis in SPSS. The model fit summary in Table 4 shows that the model is a statistically significant fit ($F = 32.318$; $p = <0.0001$). Table 5 shows the beta estimates for the regression weights which include the interaction term for testing the null hypothesis that $\beta_PD_L = \beta_PD_M$. The beta estimate for the interaction effect is 0.065 and is not significant ($p = 0.687$), indicating that the regression coefficient β_PD_L is not significantly different from β_PD_M. Since the interaction effect is not statistically significant, there is sufficient evidence at a 5% level of

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significance not to reject the null hypothesis and conclude that $\beta_PD_L = \beta_PD_M$ (i.e. the beta coefficient for product diversification strategies in the prediction of performance in locally and migrant-owned spaza shops is not significantly different).

Dependent Variable in the Model	**Model Significance**		**R-Square Value and Effect Size**	
	F-value	P	R^2	Cohen's f^2
Product diversification strategies	32.318	<0.0001*	0.463	0.862

Table 4: Model Significance and R-Square Value
(*)Significant fit at Alpha = 0.05.

Table 4 Multiple linear regression model fit summaries of the moderation analysis in assessing whether the beta coefficients for product diversification strategies on locally owned spaza shops are significantly different to that of migrant-owned spaza shops in predicting performance

Variable	**Unstandardised Estimate**			**Sig.**	**95% CI**	
	[a]Estima	**S.E.**	**T**	***p*-value**	**LLCL**	**ULCL**
Constant	1.242	0.223	5.564	<0.0001*	0.803	1.681
SPAZA_ID	0.411	0.327	1.254	0.211*	-0.233	1.055
PD	0.571	0.120	4.740	<0.0001*	0.334	0.807
Interaction Term	0.065	0.160	0.403	0.687	-0.250	0.379

Table 5: Model Parameters
(*) Statistically significant effects. (a) Represents the unstandardised estimates for the structural model. S.E. is the standard error.
PD denotes Product diversification strategies of spaza shops.

Table 5 Model parameter estimates for the regression weights for the moderation analysis in assessing whether the beta coefficients for product diversification strategies on locally owned spaza shops are significantly different to that of migrant-owned spaza shops in predicting performance

Discussion of research results

The study examined how product diversification strategies influence business performance among both locally owned and migrant-owned spaza shops operating in South Africa's informal sector. The results confirmed that diversification remains an important strategy for enhancing competitiveness and sustainability, although the strength and nature of its influence differ across ownership types.

For locally owned spaza shops, the analysis revealed a meaningful and positive association between product diversification and business performance. This implies that when local shop owners expand their product offerings such as adding new food items, household goods, or mobile services; they can

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attract a broader customer base and reduce dependency on a single product line. This adaptive approach enhances sales stability and supports overall business survival in the face of fluctuating township market conditions. These findings align with Yuan et al. (2022) and Arte and Larimo (2022), who assert that product diversification enables small businesses to manage risk and improve profitability by leveraging shared resources and market synergies. In township economies, where price competition and supply chain constraints are common, diversification serves as a strategic tool for differentiation and resilience.

However, the effectiveness of diversification among local spaza owners appeared to depend significantly on the support of community leadership. The results indicated that strong local leadership structures such as ward committees or business forums enhance the ability of shopkeepers to implement and sustain diversified business models. When community leaders legitimise local entrepreneurs through initiatives like local sourcing, fair competition policies, and safety collaborations, spaza owners gain confidence and resources to experiment with new product lines. This suggests that diversification alone is not sufficient; rather, its success is magnified when embedded in a supportive community ecosystem.

For migrant-owned spaza shops, product diversification was also found to be positively related to business performance, though community leadership did not play a moderating role. Migrant entrepreneurs often rely less on local governance structures and more on informal transnational networks, shared knowledge systems, and family-based cooperation. These networks allow them to source diverse products competitively, manage bulk purchasing, and respond swiftly to changing consumer preferences. Studies by Etim and Daramola (2020) and Ngcai (2018) similarly highlight how migrant spaza operators use diversification as a competitive advantage, supported by entrepreneurial discipline, extended operating hours, and efficient inventory management. The results of this study reinforce that these operational practices—not community endorsement—largely account for the superior performance observed among migrant-owned businesses.

In both ownership categories, diversification served as a strategic response to environmental uncertainty, resource scarcity, and competitive pressure. Yet, the mechanisms of success differed. Local spaza shops benefit from collective legitimacy and community trust, whereas migrant shops depend on network-based agility and self-reliance. This pattern reflects the dual nature of achievement motivation described in McClelland's (1961) Need for Achievement Theory, where entrepreneurial success stems from both internal drive and contextual enablers. Locally owned shopkeepers are often driven by the aspiration to prove competence and maintain social recognition within their communities, while migrant entrepreneurs exhibit a performance orientation rooted in independence, persistence, and adaptive capability.

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The findings demonstrate that product diversification enhances performance in both groups but through distinct pathways. For local shops, community support amplifies its benefits, while for migrant shops, diversification works as an internally driven survival strategy. The insights underscore the need for inclusive local economic development policies that encourage cooperative learning between the two groups. Strengthening cross-cultural business forums, facilitating shared supply chains, and providing training on product management could help both local and migrant entrepreneurs translate diversification into sustained growth. Table 6 presents the summary of model interpretation.

Ownership Type	**Relationship Between Diversification and Performance**	**Role of Community Leadership**	**Managerial Implication**
Locally Owned	Positive and significant – diversification improves performance when supported by strong community structures	Moderating effect present – leadership enhances business confidence and collaboration	Support local shop networks and leadership forums to sustain diversification efforts
Migrant-Owned	Positive and significant – diversification enhances performance independently	No moderating effect – community leadership plays a limited role	Focus on strengthening migrant business associations and peer learning for better market integration

Table 6: Summary of Model Interpretation

Table 6 depicts that product diversification strategies directly influence business performance for both locally and migrant-owned spaza shops, while community leadership moderates the relationship only in the case of locally owned enterprises.

Recommendations

The study recommends that spaza shop owners, particularly those operating locally owned businesses, should be supported in adopting product diversification strategies, while also strengthening the role of community leadership to maximise performance outcomes. Since diversification alone did not yield significant results, interventions should focus on building collaborative networks and empowering community leaders to foster trust, legitimacy, and collective support for new business initiatives. Training and capacity-building programmes that enhance managerial and entrepreneurial skills will equip local shopkeepers with the tools to pursue achievement-driven goals, consistent with the Need for Achievement Theory, while also addressing operational inefficiencies. For migrant-owned shops, whose

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competitiveness rests more on cooperative practices such as bulk purchasing and extended trading hours, support policies should encourage inclusive partnerships with local communities to reduce perceptions of unfair competition and foster shared development. Tailored strategies that combine operational improvement, leadership engagement, and achievement motivation are essential for ensuring the long-term sustainability of spaza shops in South Africa's informal retail sector.

Conclusions

This study examined the role of business operations management, with a focus on product diversification strategies, and the moderating influence of community leadership in shaping the performance of spaza shops in South Africa's informal retail sector. The findings reveal that for locally owned spaza shops, product diversification on its own did not significantly predict performance; however, when reinforced by strong community leadership, diversification had a positive and significant effect. This highlights the importance of community structures in enabling local shopkeepers to translate entrepreneurial efforts into tangible outcomes. For migrant-owned spaza shops, diversification was positively but insignificantly related to performance, and the moderating role of community leadership was also not significant. Instead, their competitiveness appears to be driven more by cooperative strategies such as bulk purchasing, resource pooling, and extended operating hours.

The findings from the study revealed the ownership-specific dynamics of spaza shop performance. Locally owned shops benefit from community-supported diversification, while migrant-owned shops rely on broader operational networks to sustain their market edge. Viewed through the lens of the Need for Achievement Theory, these findings suggest that while both groups are motivated by the desire to succeed, the pathways to achievement differ, reflecting variations in available resources, networks, and community legitimacy. The study contributes to a deeper understanding of how informal enterprises can optimise performance by aligning operational practices with social and community contexts. It also emphasises the need for policies and interventions that strengthen managerial capacity, foster inclusive community leadership, and create supportive ecosystems where achievement motivation can be harnessed to drive sustainable growth in the informal sector.

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