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to entrepreneurial and innovation activity; the case of the South  
African green economy industry  
Dlamini, Sindile**

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<https://doi.org/10.34737/w366w>

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**THE ROLE OF THE INSTITUTIONAL ENVIRONMENT  
AS BARRIER OR AN ENABLER TO  
ENTREPRENEURIAL AND INNOVATION ACTIVITY:  
THE CASE OF THE SOUTH AFRICAN GREEN  
ECONOMY INDUSTRY**

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PhD

2023

**THE ROLE OF THE INSTITUTIONAL ENVIRONMENT AS A BARRIER  
OR AN ENABLER TO ENTREPRENEURIAL AND INNOVATION  
ACTIVITY: THE CASE OF THE SOUTH AFRICAN GREEN ECONOMY  
INDUSTRY**

**SINDILE DLAMINI**

A thesis submitted in fulfilment of the requirements of the University of Westminster for the  
degree of Doctor of Philosophy

**May 2023**

Thesis submitted for examination: 30 September 2022

Viva date: 12 January 2023

Award date: 27 May 2023

## **Abstract**

This thesis examines the relationship between the institutional environment and entrepreneurial and innovation activity within SMEs operating in South Africa's green economy, with a focus on the energy, agriculture, water and sanitation, and waste and recycling sectors. The aim is to investigate how entrepreneurs navigate the institutional environment by utilising entrepreneurial orientation and managerial discretion to achieve entrepreneurial output. By examining the implications of South Africa's post-apartheid legacy on present-day entrepreneurship in these sectors, the study yields valuable insights from the entrepreneurs' perspectives. The methodology adopted in this study is phenomenological, which utilises qualitative research methods, cross-validated with some quantitative evidence in the form of statistical analysis and case studies. The study includes 55 participants, comprising 47 entrepreneurs and 8 stakeholders from government departments, government agencies, NGOs, and incubators. The study highlights the regulatory mechanisms in place to promote small business participation in South Africa's economy and transition to a more environmentally conscious one. However, the outcomes suggest that these measures may not be achieving their intended objectives, and the institutional environment and cultural views may pose significant obstacles to entrepreneurship and the adoption of greener practices. The research emphasises the importance of addressing these issues to promote sustainable economic growth in South Africa. The study recommends a more coordinated effort by all stakeholders to target pertinent socio-economic challenges specific to South Africa's context.

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## Glossary and Definitions

ADEP	The Aquaculture Development and Enhancement Programme
AMD	Acid Mine Drainage
ANC	African National Congress
AVMP	Animal and Veld Management Programme
BBBEE	Broad-based Black Economic Empowerment
BEE	Black Economic Empowerment
BIS	Black Industrialists Scheme
CDE	Centre for Development and Enterprise
CIF	Climate Investment Funds
CSIR	Council for Scientific and Industrial Research
DA	Democratic Alliance
DAFF	Department of Agriculture, Forestry and Fisheries
DBSA	Development Bank of Southern Africa
DEA	Department of Environmental Affairs
DoE	Department of Energy
DSBD	Department of Small Business Development
DTI	Department of Industry and Trade
DTIC	Department of Trade, Industry, and Competition
EIA	Environmental Impact Assessment
EMIA	Export Marketing and Investment Assistance Scheme
EO	Entrepreneurial Orientation
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GESI	Gender Equality and Social Inclusion
GHG	Greenhouse Gas
IDC	Industrial Development Cooperation
IPP	Independent Power Producer
IRP	Integrated Resource Plan
IWMSA	Institute of Waste Management of South Africa
JET	Just Energy Transition
MD	Managerial Discretion
NDC	Nationally Determined Contributions
NDP	National Development Plan
NEF	The National Empowerment Fund
NERSA	National Energy Regulator of South Africa
NFSD	National Framework for Sustainable Development
NGO	Non-governmental organisation
NRF	National Recycling Forum
NSSD	National Strategy for Sustainable Development
NWMS	National Waste Management Strategy
NWRIA	National Water Resource Infrastructure Agency
NYDA	National Youth Development Agency
PPA	Purchase Power Agreement
PRASA	Paper Recycling Association of South Africa
R&D	Research & Development
REIPPP	Renewable Independent Power Producer Programme
SA	South Africa

SAB	South African Breweries
SABS	South African Bureau of Standards
SAIPPA	South African Independent Power Producers Association
SARS	South African Revenue Service
SASS	The Sector Specific Assistance Scheme
SDG	Sustainable Development Goal
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SMEs	Small and Medium-sized Enterprises
SPII	Support Programme for Industrial Innovation
TIA	Technology Innovation Agency
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
ZAR	South African Rand

## **Dedication**

*I would like to thank my Heavenly Father, for granting me this opportunity and bringing me this far. Thank you for opening doors, making a way for me and carrying me every step of the way.*

*I dedicate this thesis to Mr Harry Joshua Mgwaleni Mabuza (Mkhulu) and Mrs Joyce Jean Mabuza (Gogo) who taught me the value of education and instilled a sense of responsibility, tenacity and diligence in me. I am eternally grateful for the role that my grandparents played in my life and hope that I am a good reflection of their legacy.*

*I would like to thank my mother, Dr Phumzile Zanele Edith Dlamini for giving me something to strive for, being my support and nurturing me up till this point. Her belief in me and prayers have covered me and for this, I am so grateful.*

*I would like to thank my father Mr Henry Mthunzi Dlamini for teaching me the value of hard work and consistency. His example taught me discipline and survival skills that have proven invaluable during this study.*

*I would like to thank my uncle, Mbongeni Mabuza and my aunts, Nozipho Mpama, Lindiwe Mabuza, Cebile Makenete and Busisiwe Maduna who have believed in and supported me always.*

*I would like to thank aunt Khantse, Mum Nelie, Sis Asati, aunt Smally and aunt Thandi for their love and support.*

*I would also like to thank Tokologo, Sinabo, Laveka, Bhekiwe, Karabo, Cyntricia, Bavukile, Banele, Temnotfo, Zethu, Rethabile, Nomvuselelo, Nhlanhla and Bekiwe and all my friends and family for the encouragement and support along this journey.*

## **Acknowledgements**

*I would like to thank my supervisory team, Dr Luca Cacciolatti and Dr Ioannis Christodoulou who have been incredible guidance for me. Their coaching, mentorship and insights have made a lasting impact for that I will always be grateful for.*

*I would like to thank the National Research Foundation for sponsoring my studies and investing in my development. I would not have been able to do this without their help and I hope that many more young Africans like myself are given such an opportunity.*

## **Author's Declaration:**

*I, Sindile Dlamini, declare that all the material contained in this thesis is my own work.*

## **1. Introduction**

Literature on small business strategy has been observed to have limited coverage on how government support and inter-firm relationships influence performance, with rare studies on developing economies. Consequently, questions remain unanswered regarding the effects of government support and inter-firm collaboration and how other factors act as barriers or enablers on performance (in terms of innovation and entrepreneurial output), as well as the mechanisms through which these effects occur. This study aims to address this gap in scholarly work on the performance outcomes of institutional support and inter-firm relationships by incorporating insights from institutional theory. Specifically, the study explores how institutional support can either hinder or improve SME performance at different levels. Additionally, the study investigates how firm resources mediate the relationships between government support, inter-firm collaboration, institutional ties, managerial discretion, and firm performance. The institutional environment can be viewed as a double-edged sword, in the sense that it can promote or inhibit entrepreneurial action and innovation. Over the years, a growing interest in literature that investigates the institutional environment's role as mutually a barrier and an opportunity for entrepreneurship (e.g. Bruton et al., 2010; Stenholm et al., 2013; Sambharya & Musteen, 2014). This study draws from these calls and explores South Africa, an emerging economy that finds itself in a state of deep uncertainty (IMF, 2021) as it attempts to transform the economy into a greener economy. Globally, we observe that there is consensus regarding the necessity of encouraging more sustainable development and of balancing economic, social and environmental issues (Alonso- Almeida et al., 2021).

South Africa, like many other countries, faces the challenge of how to fulfil its global climate change commitments while still maintaining the stability and sustainability of the economy. However, unlike any other country, the historical context the country stems from, has had acute effects on today's economy, and thus, the country faces the challenge of retaining international competitiveness (going green being a fundamental ingredient to this) and redressing the imbalances of its apartheid past, while creating jobs for its people and growing the economy. To achieve this multi-layered goal, the country has focused on increasing entrepreneurship to help solve the many socio-economic challenges that the country faces. The push for entrepreneurship is focused on the green economy, and sectors

such as energy, agriculture, water and sanitation, and waste and recycling have been identified as being key sectors that hold potential for the advancement of entrepreneurship in the country. Despite national efforts to help stimulate entrepreneurship, it has still been observed that entrepreneurship is at a sub-optimal level and literature implies that in developing country contexts such as South Africa, the culprit that is instinctively blamed is the institutional environment (see Bruton et al., 2010). This may very well be the case, as it cannot be ignored that the apartheid system had an immense social, economic and psychological effect on the nation, and its impact can be seen even today. What remains to be understood is, firstly, how this impact has affected the institutional environment, and secondly, how the institutional environment plays a role in acting as a barrier or an enabler to entrepreneurial activity and innovation activity in the green economy. Thirdly, how entrepreneurs are navigating their SMEs through this complexity. In an attempt to investigate this, the strategic orientation of entrepreneurial orientation that has been revealed to lead to entrepreneurial success and firm survival (Lumpkin & Dess, 1996) will be applied as well as managerial discretion (Hambrick & Finkelstien, 1994).

The efforts of small and medium-sized (SME) enterprises have been noted to have an integral part to play in leading this change (SEED, 2020). In emerging economies, we observe that SME efforts can be weakened by the institutional environment or in some cases, they can be strengthened. This study examines how this dynamic transpires in one such case through an investigation of the South African context. Small and medium-sized businesses in South Africa represent more than 98 percent of businesses, employ between 50 and 60 percent of the country's workforce across all sectors, and are responsible for a quarter of job growth in the private sector (Mckinsey, 2020). However, they fall short in terms of GDP contributions compared to the EU, for example. Nevertheless, this sector is a vital cog in the machine of South Africa's economy (Ayandibu & Houghton, 2017). SMEs drive growth, create employment (especially among youth), and lead innovation (Roper, 2015). The South African government desires to increase the participation of SMEs and the country's green economy (South Africa's National Development Plan 2030, 2020) because retaining competitiveness in the global economy depends on it but also to help combat the global climate challenge. Investigating how South African entrepreneurs in the green economy are coping in the backdrop of the institutional environment is the focal point of this study. Specifically, looking at how the SMEs perform entrepreneurial and innovation activities within this environment as the challenges they face require these firms to make significant adjustments, in light of the

global race to achieve net-zero greenhouse- gas (GHG) emissions as soon as possible (Kalibata et al., 2021). The green economy of South Africa is relatively new and small compared to European and Asian economies (Sizibi, 2022). The upliftment of South Africa's local communities places a strong reliance on SMEs to aid in addressing social issues such as poverty, unemployment, crime and so on (SEED, 2020). This inherently calls for individual entrepreneurs to rise above the obstacles and create the enabling conditions that they require by drawing from their social position and the existing conditions that they find themselves embedded in, where they can wield influence (Battliana et al., 2009).

The institutional environment of South Africa has been described as challenging, with multiple layers of complexity stemming from barriers created by its apartheid history (Ayandibu & Houghton, 2017). It has been observed that, to run a business which survives turbulent economic conditions, vital infrastructure is required (Ferreira, 2007). Many of South Africa's SMEs are underfunded and are dealing with collapsing infrastructure which must be provided by the government. Government intervention has not successfully solved problems such as access to funds and electricity shortages (Ayandibu & Houghton, 2017). On the other hand, in today's challenging business environment, certain firms have demonstrated adaptability and achieved success. However, the factors that differentiate these successful entrepreneurs and companies from others are not entirely clear. Additionally, the national government had set out to foster entrepreneurship and generate job opportunities by 2020, but the economy has shrunk and contracted instead. While the Covid-19 pandemic has played a role, entrepreneurs face significant difficulties in starting and operating businesses in the country. It is also the intention of the government to create a cleaner and greener economy as South Africa (Economist, 2018) is within the world's top twenty biggest emitters of greenhouse gases with an economy that is overly reliant on coal (GIZ, 2022). Numerous programmes have been created to tackle unemployment and small enterprise creation in the country, yet little success has been observed thus far. Thirty years into democracy, the expectations of where the country should be were much higher, but expectations have been met with disappointment for many.

Moreover, South Africa's economy needs to transform to fulfil the country's global emissions reduction targets. Presently, the country is still almost entirely dependent on carbon-intensive industries to keep the economy going (GIZ, 2022). The South African energy supply is dominated by coal, with 69% of the primary energy supply in 2016,



followed by crude oil with 14% and renewables with 11% and nuclear and natural gas contributed 3% each, respectively (The South African Energy Report, 2016). According to South Africa's National Development Plan 2030 (NDP, 2020), South Africa must produce 40,000 MW to meet the country's energy needs. The national government recognises the need for change and is looking to involve more SMEs in contributing to this transition and a greener economy. Moreover, it is recognised that SMEs have the potential to create jobs for South Africa's people and grow the economy. However, the institutional environment still acts as a barrier to the advancement of SMEs in numerous ways. Furthermore, although the enablers are present from a regulative, normative and cultural-cognitive perspective, they harbour less significant of an impact than the barriers.

The Climate Finance Accelerator (CFA) South Africa (2022) report several financial, economic, and social barriers and enablers to the green economy which are outlined below. The Climate Finance Accelerator (CFA) is a four-year technical assistance programme funded by the UK Department for Business, Energy & Industrial Strategy (BEIS).

***Some Barriers Include:***

- Commercial banks and private equity companies are typically unwilling to assume risk associated with start-ups.
- There is a limited availability of financing for early-stage projects, and for moving projects from early development stages to commercialisation.
- The venture capital industry in South Africa is small and emerging. This results in limited funds being available to invest in early-stage projects/ companies.
- A lack of understanding of options and an enabling environment limits investment in green economy sectors.
- Capacity building – capacity and knowledge constraints in public and private finance (i.e., understanding the financial needs in environmental sectors)
- There is a lack of political will to listen to the inputs from civil society organisations.
- There is a disconnect between policy and the requirements of gender equality and social inclusion (GESI)

- Investor certainty- there is still limited clarity and decisiveness from government on key decisions (example the Integrated Resource Plan that creates a lack of confidence for investors  
(CFA Report, 2021)

***Some Enablers Include:***

- Strong green economy policy – the National Climate Change Response White Paper, the NDP and the Industrial Policy Action Plans put emphasis on the need of the development and growth of the green economy to realise a fair transition to a low carbon economy.
- Paris Agreement Nationally Determined Contribution (NDC)- there is a great demand for low carbon projects for South Africa to achieve its NDC.
- South Africa’s updated NDC submitted to the UNFCCC in September 2021 which prioritises the decarbonisation of the electricity sector during the 2020s, with deeper levels of decarbonisation anticipated for 2030 and beyond.
- High distribution rate of climate finance- according to the South African Climate Finance Landscape 2020 report published in January 2021, South Africa has a 97% rate of distributing committed climate finance (as compared to the global average of 60%).

Noting the transition agenda, we explore the role of SMEs and entrepreneurs in the national government’s agenda for transformation. It has been observed that entrepreneurs perceive reality differently, by shaping their responses to challenges within the institutional environment (Cacciolatti & Lee, 2016). According to their perceptions, achieving success in the South African business context is strongly linked to starting out with wealth. They find it challenging to obtain financial assistance from financiers or support from the government. Additionally, they believe that access to networks that could offer opportunities is influenced by factors such as race, ethnicity, age, gender, and educational background. This suggests that South Africa's business environment does not provide a level playing field. The country's institutional environment has complex impacts on innovation and entrepreneurial activity, with some areas facilitating such activities and others hindering them, often within the same industries. This study proposes that the barriers are significant, and the enablers lack sufficient support to foster a thriving business and entrepreneurial environment. The study also found that entrepreneurial orientation and

managerial discretion play a role in how entrepreneurs from SMEs in green economy sectors approach entrepreneurial and innovative activity in an environment with institutional voids.

This study has observed that South Africa's institutional environment acts as a double-edged sword and acts as both an enabler and a barrier to innovation and entrepreneurial activity at the same time. While, it helps facilitate certain innovation and entrepreneurial activity, it also blocks and hinders others from occurring. Interestingly enough, it was discovered in this study that this can occur in the same sectors and industries. It has been observed that the barriers are significant, and the enablers lack sufficient support to create a flourishing business and entrepreneurial environment. It has also been observed that entrepreneurial orientation and managerial discretion shape how entrepreneurs from SMEs approach entrepreneurial and innovation activity in the context of an environment like South Africa with numerous institutional voids.

### ***Defining the Green Economy***

South Africa's Department of Environmental Affairs (DEA) defines the green economy as "a system of economic activities related to the production, distribution, and consumption of goods and services that result in improved human well-being over the long term, while not exposing future generations to significant environmental risks or ecological scarcities." It implies the separation of resource use and environmental impacts from economic growth. It is characterised by substantially increased investment in green sectors, supported by enabling policy reforms. The green economy refers to two inter-linked developmental outcomes for the South African economy:

- Growing economic activity (which leads to investment, jobs, and competitiveness) in the green industry sector
- A shift in the economy as a whole, towards cleaner industries and sectors (DEA, 2020)

On the other hand, the United Nations Environmental Programme (UNEP) defines the green economy as "a system of economic distribution and consumption of goods and services that result in improved human well-being over the long term, while not exposing future generations to significant environmental risks and ecological scarcities." Moving

towards a green economy, including a low-carbon economy and transitioning towards a more sustainable means of economic growth and development path in the long-term. This suggests implications for choices about the future economy. The green economy agenda arises simultaneously with South Africa's energy shortages and aims to leverage the promotion of deeper industrialisation, energy efficiency, and employment (NDP, 2020).

Many of the entrepreneurs that participated in this study who run SMEs within South Africa's green economy identify themselves as "social entrepreneurs" rather than profit-driven entrepreneurs. This bears an implication in the manner in which they are inclined to approach business. The term "entrepreneurship" is said to be "a mixed blessing" (Martin & Osberg, 2007) because it implies a distinctive ability to sense and act on opportunity that combines out-of-the-box thinking with a "unique brand of determination to create something new to the world" (Martin & Osberg, 2007). On the other hand, entrepreneurship is an ex-post term, because entrepreneurial activities require a passage of time before their true impact is evident (Martin & Osberg, 2007). Social entrepreneurs are driven by a different set of motives which forms the basis of all of the subsequent decisions that they will make to produce innovations and conduct entrepreneurial activities. Thus, their approach toward the institutional environment will see them adapt in a different way from profit driven entrepreneurs and the "rules of the game" (North, 1990) may take a different form for them. The proceeding sections will discuss the rationale for this study, the research problem to be investigated, research aims and objectives as well as the original contribution to knowledge.

### ***1.1 Research Problem and Study Rationale***

According to Sambharya and Musteen (2014), there is a growing stream of literature that observes the institutional environment's role as both a barrier and an opportunity for entrepreneurship (for example, Bruton et al., 2010; Stenholm et al., 2013; Sambharya & Musteen, 2014). Thus, this study aims to add to this body of research by providing a unique institutional context and exploring how it affects entrepreneurship in South Africa's green economy. The transformation of South Africa's economy is considered necessary to meet the country's global emissions reduction targets. Currently, carbon-intensive industries continue to play a significant role in the economy. The national government acknowledges the need for change and seeks to involve more SMEs in

transitioning to a greener economy. SMEs are recognized for their potential to create jobs and stimulate economic growth. However, the institutional environment presents challenges for SMEs to advance. Additionally, certain factors within the institutional environment that may impede progress in other contexts may actually facilitate progress in South Africa's unique environment. Could there be any factors unique to South Africa's context enabling or hindering the advancement of entrepreneurship within the green economy?

This is a relevant line of inquiry in which to investigate as the theme of sustainability is one that is at the forefront of the global community today. According to the United Nations Development Programme (UNDP) (2021), the Sustainable Development Goals (SDGs) were created in 2012 to produce a set of universal goals that meet the urgent environmental, political, and economic challenges facing the world. Coupled with this, the Paris Agreement, which is a legally binding international treaty on climate change adopted by 196 Parties to "limit global warming" and was considered a "landmark in the multilateral climate change process because, for the first time, a binding agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects (UNFCCC, 2021). So, there is consensus between national governments, businesses, and academia that the matter of climate change is one that all parties must participate in combating. This study examines one country in a developing country context in their execution to work towards creating a sustainable economy.

Notwithstanding that apartheid was officially abolished in 1991, leading to multiracial elections in 1994, its heritage is present currently in South Africa. In this regard, the entrepreneurial ecosystem of South Africa is riddled with multiple layers of complexity such as systemic corruption, racial discrimination, gender discrimination, and political affiliations that lead to decisions based on cronyism, influence peddling, and lobbying (Scott et al., 2012), thus posing barriers to entry for those entrepreneurs who are not embedded in the "right" circles.

## ***1.2 Research Aims, Objectives, and Research Questions***

The overall aim of this study is to contribute to theoretical knowledge on entrepreneurship in developmental country contexts. Moreover, this study aims to investigate the premise that the institutional environment in South Africa can either facilitate or hinder entrepreneurship in the green economy, affecting the innovation and entrepreneurial activity of SMEs. The objective of this research is to diagnose the impact of the apartheid legacy on entrepreneurship in the green economy by conducting a systematic investigation. The following research aims and objectives feed into the overall original contribution to knowledge.

***The research aims of this study are to:***

1. Understand how the institutional environment of South Africa acts as a barrier or an enabler to entrepreneurial and innovation activities within SMEs. This will be instrumental in understanding the institutional constraints that hinder entrepreneurship or propel SMEs forward. It is crucial to understand not just what is not working but what is working so that recommendations can be formulated at the end of the study. The examination of South Africa's institutional environment and its impact on entrepreneurial and innovative activities within SMEs is critical in identifying both the obstacles and opportunities that exist. By understanding the institutional constraints that may hinder or facilitate entrepreneurship, recommendations can be developed to enhance the effectiveness of the current system. The focus of the study is not only to identify challenges but also to recognize successful approaches that can inform future policies and practices.
2. Understand how SMEs in South Africa's green economy are supported from a regulatory perspective for entrepreneurial and innovation activities. This is in gauging how the national goals set by the government are being implemented on the ground to track if progress is being made on the country's climate change agenda. Examining the regulatory support provided to SMEs in South Africa's green economy for entrepreneurial and innovative activities is essential to assess the implementation of government-set national goals on the ground. Understanding the level of regulatory support offered to SMEs is crucial in determining whether progress is being made towards achieving the country's climate change agenda.
3. Understand the antecedents of managerial discretion for firms' entrepreneurial and innovation activity. Understanding the presiding factors for managerial discretion

will help formulate an awareness of how entrepreneurs approach challenges presented by the institutional environment. Examining the antecedents of managerial discretion in firms' entrepreneurial and innovative activities can provide insight into how entrepreneurs address challenges posed by the institutional environment. Identifying the factors that influence managerial discretion can enhance understanding of the decision-making processes within organizations and the ways in which entrepreneurs navigate institutional obstacles.

4. Compare institutional support mechanisms among various SME types within the green economy sector of South Africa and compile case studies that can be used to enhance understanding of where national priorities lie and if there is an alignment between the national strategy for advancing the green economy and the actual implementation. If there is not, determine where the shortfall is. Comparing institutional support mechanisms across different types of SMEs in South Africa's green economy sector and developing case studies can provide insights into the alignment between the national strategy and its implementation. By analysing these support mechanisms, it is possible to identify where national priorities lie and whether they are in line with the goals for advancing the green economy. If discrepancies exist, it is important to determine where the shortfall lies to address the challenges and enhance the effectiveness of support mechanisms.

***The research objectives of this study are to:***

1. Discover the effect of institutional factors on entrepreneurial orientation and how this affects managerial discretion within SMEs. This is functional to the proposed aims by understanding how entrepreneurial orientation and managerial discretion are shaped within a complex institutional environment and possible responses to challenges. Examining the impact of institutional factors on entrepreneurial orientation and managerial discretion within SMEs is essential to achieve the proposed aims. By understanding how the institutional environment shapes entrepreneurial orientation and managerial discretion, it is possible to identify potential responses to challenges. This analysis provides insights into the complex relationships between institutional factors and entrepreneurship within SMEs.

2. Investigate how entrepreneurial orientation assists entrepreneurs in navigating institutional processes such as tender bids to understand whether certain variations of entrepreneurial orientation are necessary for pursuing such processes and how entrepreneurs in South Africa's context are approaching this. Examining the role of entrepreneurial orientation in navigating institutional processes, can provide insights into whether specific variations of entrepreneurial orientation are necessary to succeed in certain processes. Investigating how entrepreneurs in South Africa approach these processes can enhance understanding of the contextual factors that influence entrepreneurship. This analysis can help identify the characteristics and skills that are crucial for entrepreneurs to navigate institutional processes effectively.
3. Discover how entrepreneurs navigate institutional voids for firm survival or success to determine whether the role of entrepreneurial agency impacts how entrepreneurs make up for these voids and what the outcomes are. Examining how entrepreneurs navigate institutional voids for firm survival or success is crucial to determine the impact of entrepreneurial agency on the outcomes of these efforts. Investigating the strategies that entrepreneurs use to compensate for institutional voids provides insights into the factors that contribute to entrepreneurial success. This analysis can help identify the characteristics and skills that are crucial for entrepreneurs to navigate institutional voids effectively.
4. Compile some case studies of entrepreneur experiences within the institutional context of South Africa to build an evidence base of entrepreneurial interactions with the institutional environment that can be used for recommendations and bare policy implications. Developing case studies of entrepreneurial experiences within the institutional context of South Africa can provide insights into the challenges and opportunities that entrepreneurs face in the institutional environment. The evidence generated by these case studies can inform policymakers and stakeholders about the factors that impact entrepreneurship and the institutional environment's effectiveness. This analysis can help identify strategies for enhancing the institutional environment to support entrepreneurial growth and success.



The research questions for this study are:

**RQ1.** In what ways does the institutional environment of South Africa act as a barrier or an enabler to entrepreneurial and innovation activities within SMEs?

**RQ2.** How are SMEs and entrepreneurs in South Africa's green economy supported for entrepreneurial and innovation activities?

**RQ3.** How does entrepreneurial orientation enable entrepreneurs in South Africa's context to navigate the institutional environment?

**RQ4.** How does entrepreneurial orientation affect managerial discretion for entrepreneurial activity and innovation activity within firms?

**RQ5.** Are there differences in institutional support mechanisms among various SMEs within the green economy sector of South Africa?

These research questions have been especially formulated for the creation of theoretical contributions to knowledge, which will be further discussed in the chapter to follow. This section has served as the introduction to the study, laying the foundation for the study with the research aims, objectives and research questions to be investigated. Now that the groundwork has been laid, the precise original contribution to knowledge will now be discussed.

### ***1.3 Original Contribution to Knowledge***

The method undertaken to perform this study consists of various approaches and each approach brought a unique perspective and rich insights to contribute to knowledge in the fields of organisational studies and marketing. Firstly, the topic under investigation originated from the researcher's previous work experience in South Africa's not-for-profit sector. Specifically, while working with an organisation that assisted large businesses in achieving their sustainability objectives, the researcher noted that many SMEs shared similar objectives. Despite this, these smaller enterprises were often overlooked due to their size. This observation motivated the researcher to explore the topic further. The study's initial stages involved conducting a comprehensive review of relevant literature, policy documents, reports, and articles. Following this, a stakeholder analysis of South

Africa's green economy was performed to identify the relevant participants for the study and determine the best approach to engage with them. Next came acquiring ethics approval for the study, creating an interview guide, obtaining participant consent, and conducting in-depth interviews with 55 participants. The researcher also attended key events that produced additional insights related to this study and then selected three entrepreneurs representing 3 SMEs of the sectors in the green economy and, together with some master's students, performed a consulting type exercise where we examined the business models of these 3 SMEs to see how we could assist in optimizing their current business models. The result of this exercise was interesting in that in as much as these 3 SMEs were green and had a strong social focus element, they lacked the business knowledge needed to communicate a value proposition to potential funders, or the business model itself simply was not viable. This result then raised the question of what perceptions South African green economy entrepreneurs have about their economic positions, access to opportunities, or lack thereof. This question is quite broad, so a case study methodology was selected to bring about these answers that could then be translated into a contribution to knowledge within the field of marketing.

Swartz et al. (2019) have stated that, indeed, the case of South Africa is not exclusive as it is known that other African countries have also undergone social, political, and economic transitions and transformations; however, South Africa brings a unique perspective of having gone through two substantial transitional periods, the first being colonialism to minority rule in 1948 and the second to majority rule in 1994- the first foreshadowed a democratic state, but within the restrictions of apartheid and the second within an inclusive constitutional democracy and in the same spirit as studies such as that of the contextual embeddedness as a framework by Swartz et al. (2019), this study offers a contribution to studies related to institutional and structural barriers to entrepreneurial development within and informed by this specific context. Gupta and Batra (2016) states that there is almost no systematic research that has been conducted in strategically important countries such as Brazil, India and Russia (Wales & Mousa, 2012; Gupta & Batra, 2016), South Africa being the newest member of BRICS from 2010 (South African Government, 2022) could also yield insights of strategic relevance.

This study will contribute to theoretical knowledge of the development of the green economy and sustainable development in a developing country context. A comprehensive understanding of various contexts is necessary to advance the global sustainable

development agenda. Developing countries face the challenge of achieving a balance between improving the quality of life through increased consumption while transitioning to a low-carbon economy. In recent years, South Africa has encountered a growing number of socioeconomic challenges and social problems. A report by Statistics South Africa entitled 'Inequality Trends in South Africa: A Multidimensional Diagnostic of Inequality' highlights the national government's focus on addressing poverty, inequality, and unemployment through key policies aimed at improving the lives of citizens. (The National Business Initiative, 2022). In the upcoming years, South Africa's economy is expected to undergo significant restructuring. If done fairly, this could potentially address social issues through increased investment and skill development, especially in long-term infrastructure projects with lasting impacts. The need for a just transition aligned with wider social impacts has been a priority in South Africa's sustainable development efforts for several years. However, creating deep partnerships and collaborations to build societal resilience through inclusivity is crucial. Building trust, partnerships, and a common future vision are important elements in designing and building South Africa's climate change transition pathway (The National Business Initiative, 2022).

The phenomenon of entrepreneurial orientation in South Africa's post-apartheid context has yet to be investigated through the lens of how the institutional environment moderates entrepreneurial orientation, impacting managerial discretion at the firm level for the latitude of action exercised in the decision-making of entrepreneurial activity and innovation activity. This study has linked the role of entrepreneurial cognitive perception to the institutional environment and subsequent entrepreneurial action that stems from this perception. In other words, the social reality of the entrepreneur determines how they interpret their stance in the institutional environment and directs how they utilise managerial discretion and subsequent entrepreneurial orientation to create entrepreneurial output. This study contributes to knowledge on the South African institutional environment by adding to understanding of the phenomenon of eco-inclusive entrepreneurship in South Africa. It provides insights on the dynamic interplay between eco-inclusive entrepreneurship and the institutional environment in South Africa with implications for wider entrepreneurship scholarship. Through an exploration of the relationship between entrepreneurial cognitive perception, institutional environment, and entrepreneurial action in South Africa. The findings suggest that the social context of entrepreneurs influences their interpretation of their position in the institutional environment, which in turn shapes

their use of managerial discretion, entrepreneurial orientation, and ultimately, their entrepreneurial output. This research contributes to the understanding of eco-inclusive entrepreneurship in South Africa and sheds light on the complex relationship between entrepreneurship and the institutional environment. The insights gained from this study may have broader implications for marketing scholarship.

Moreover, this study extends current views of the institutional- entrepreneurship relationship by explaining how the pillars of the institutional environment (regulatory, normative and cultural- cognitive) predict the dimensions of entrepreneurial orientation (Urban, 2019), in an emerging country context. Likewise, the role of resource acquisition has become an area of increased focus in social entrepreneurship literature. Social entrepreneurship scholars have started to examine various enablers and constraints that social entrepreneurs face in gathering resources. This emerging literature has typically taken the social entrepreneurs' perspective and examined how they can successfully persuade external stakeholders to provide them with essential resources for survival and prosperity (Zhao et al., 2016). The role of resource acquisition has been increasingly emphasized in social entrepreneurship literature. Scholars in this field have been exploring different factors that enable or hinder social entrepreneurs in their efforts to gather resources. This growing body of literature usually adopts the perspective of social entrepreneurs and analyses their strategies to effectively convince external stakeholders to provide them with necessary resources for their success and growth. This study aims to investigate whether the institutional environment in South Africa facilitates or hinders entrepreneurship in the green economy, affecting the innovation and entrepreneurial activity of SMEs. The purpose of this research is to conduct a systematic investigation to diagnose the impact of the apartheid legacy on entrepreneurship in the green economy. As per Stebbins (2011), this type of research can be considered a limited exploration since the researcher already knows what to look for. The focus is on identifying the traces of the apartheid legacy embedded in contemporary society and how they shape the entrepreneurship ecosystem of the country, particularly eco-inclusive entrepreneurs. The researcher is using an exploratory approach and qualitative methods to collect empirical data from multiple sources and apply induction and deduction to uncover new phenomena. To effectively explore the impact of the South African institutional environment's three pillars (normative, regulative, and cultural-cognitive) on entrepreneurship, the research must follow special orientations as suggested by Stebbins (2011). It is crucial for the

researcher to remain open-minded while acquiring information and translating it into new knowledge.

As such, this study will make eight fundamental contributions to the fields of organisational studies, entrepreneurship, and innovation through the perspective of organisational studies and marketing by:

**1. Presenting an emerging economy perspective of how institutional constraints and voids shape entrepreneurship and innovation. This will be an essential contribution to knowledge.** This study aims to discover which institutional factors facilitate entrepreneurial activity and innovation activity in an emerging economy setting. According to Bruton et al. (2013), despite the importance of emerging economies to the overall global economy, scholars too often fail to recognize that emerging economies challenge theories developed to explain phenomena in mature economies, which are relatively stable and efficient (Bruton, Ahlstrom, & Obloj, 2008; Bruton, Filatotchev, Si, & Wright, 2013). As a result, scholarship on emerging economies remains surprisingly limited. Emerging economies remain outside the typical focus of entrepreneurship scholars, who are said to concentrate disproportionately on mature economies of North America and Europe. However, it is known from existing literature that entrepreneurial activities in emerging economy firms have unique differences (Ahlstrom & Bruton, 2006). While entrepreneurship scholars tend to focus mainly on mature economies in North America and Europe, emerging economies have received comparatively less attention in the field. Nonetheless, existing literature suggests that entrepreneurial activities in emerging economy firms exhibit distinct characteristics and diverge from those observed in mature economies. Thus, scholars need to study entrepreneurship in varied contexts, as insights from developed economies may be inappropriate for emerging economies (Zahra & Wright, 2011).

**2. This study makes a theoretical contribution to entrepreneurship literature that applies institutional theory. The application of institutional theory has been found to be beneficial for entrepreneurial research.** Its use in entrepreneurship has been highly advantageous, to the extent that there is a perceived necessity to establish a more precise comprehension of its broad implications for research in this field. Institutional theory has proven to be a popular theoretical foundation for exploring various topics in different domains ranging from institutional economics and political science to

organisational theory (DiMaggio & Powell, 1991). Applying institutional theory has proven to be especially helpful to entrepreneurial research. Institutional theory has proven highly useful in entrepreneurship. Its use has reached a point that suggests a need to establish a clearer understanding of its wide-ranging implications for entrepreneurship research (Bruton, Ahlstrom, & Li, 2010). Institutional theory is traditionally concerned with how various groups and organisations better secure their positions and legitimacy by confronting the rules and norms of the institutional environment (Meyer & Scott, 1991; Scott, 2007). Institutional theory is concerned with regulatory, social, and cultural influences that promote the survival and legitimacy of an organisation rather than focusing solely on efficiency-seeking behaviour. These institutional forces are identified in multiple fields of literature. Moreover, they have been collected and summarised by Scott (2007) in his well-known formulation of the three categories of institutional forces (Bruton et al., 2010). Past scholars have defined an emerging economy in many ways. The World Bank Economist Antoine van Agtmael first used the term 'emerging economies' as a replacement term to describe a less developed country in the 1980s. From these early efforts to observe emerging economies, scholars recognize that emerging economies are characterised by underdeveloped market-supporting institutions, including weak laws and poor enforcement capacity of formal legal institutions referred to as institutional voids (Khanna & Palepu, 1997). Yet, others say that to separate emerging economies from economies of those nations that are just poor; there is a need to incorporate the rapid pace of economic development and government policies favouring economic liberalisation through the adoption of a free market system into the definition (Arnold & Quelch, 1998).

Assimilating these different definitions, Hoskisson et al. (2000) defined an emerging economy as a low-income, rapid-growth country using economic liberalisation as its primary engine of growth. These scholars took it a step further and recognised that 13 former centrally planned economies moving to a market economy are a unique subset of emerging economies, which are usually called transitional economies. Scholars have now further constructed on the work by Hoskisson et al. (2000) to try to provide greater contextualisation to the definitions of emerging economies. Exploring South Africa's transitional context and its journey of economic transformation to a greener economy will add to this stream. One of the definitional streams argues that factor endowments, such as natural resources found in classical economies, are an important element in defining emerging economies. An example of this is provided by Kim et al., (2010), who argue that

endowed factors used to produce goods or services (i.e., used in transformational activities) are important in defining emerging economies since such endowments impact the ability of firms to capture any value created. The emerging economy definitions developed to date have the common feature that recognises that the environmental setting of a nation is vital to determine whether a nation is emerging or not. Historically, scholars have seen this as fixed, but in fact, the dominant concept in the definition of an emerging economy is evolution and change (Bruton et al., 2013). As such, presenting the case of South Africa as an emerging economy and its execution of transitioning to a green economy through its SMEs will provide novel knowledge as the green economy itself is relatively new.

3. **This study contributes to studies that explore different contexts to determine the suitability of the Miller/Covin and Slevin (1989) scale.** Despite the acknowledged importance of the Miller/Covin and Slevin (1989) scale in measuring entrepreneurial orientation (EO), researchers may not have adequately explored alternative measures in this regard. This study aims to evaluate the suitability of using the Miller/Covin and Slevin (1989) scale as a reflective measurement model to investigate small and medium-sized enterprise (SME) entrepreneurship in the context of South Africa's green economy. The study raises the question of whether measuring EO is applicable and whether the use of such a scale can provide value in settings where entrepreneurs operate within complex institutional environments and require high levels of EO in order to function effectively. Research has called for a more enriched use of the measurement of EO, and in an effort to recognise this call, this study examines whether this popular measurement of EO, the Miller/Covin and Slevin scale (1989), is appropriate for a context like South Africa and in so doing, challenges some of the propositions and assumptions about the measurement of EO altogether, asking the question of whether measuring EO is appropriate in all cases. EO researchers often acknowledge variations in how the dormant construct should be conceptualised (Covin, Green, & Slevin, 2006): Lumpkin & Dess, 1996), factors that have direct measurement-related implications. Unfortunately, as discussed by George (2006), EO researchers have often explicitly or implicitly mischaracterized the type of measurement model employed in their studies, referring, for example, to an EO scale as a formative measure when it is not (Mousa & Wales, 2012).

Moreover, evidence suggests that the most commonly employed EO measure, the Miller/Covin and Slevin (1989) scale has been put under a great deal of scrutiny in several investigations (e.g., Knight, 1997; Kreiser, Marino, & Weaver, 2002), little progress has been made in the development of new approaches to EO's assessment since Lyon, Lumpkin, and Dess (2000) issued this challenge to researchers a decade ago. In general, measurement concerns have not yet broadly captured the interest of EO researchers, perhaps because studies that have used the Miller/Covin and Slevin (1989) scale and its variants have repeatedly yielded findings that are arguably theoretically interesting. A consequence of the scale's recognised value may be minimally felt among researchers to explore alternative EO measures. This study tests whether the use of the Miller/Covin and Slevin (1989) scale as a reflective measurement model to study SME entrepreneurship is appropriate in developing country settings by presenting South Africa's green economy context. Arguably, entrepreneurs that operate in complex institutional environments would require high levels of most if not all dimensions of EO in order to operate, thus can such a scale add any value and is measuring EO applicable in such settings?

**4. This study contributes to the understanding of how entrepreneurs navigate challenging institutional environments through the application of entrepreneurial cognition. Through this investigation of the institutional context in South Africa, this study provides direct contributions to the field of marketing and enhances our understanding of how entrepreneurs navigate challenging institutional environments.** Entrepreneurial action is typically regarded as being planned, intentional, and strategic, and this research examines these actions in the context of a specific institutional environment. This approach may be considered a distinctive methodological approach, which contrasts with confirmation and a researcher's personal orientation. The emergent generalisations from this study encompass a range of aspects, such as descriptive facts, cultural artifacts, structural arrangements, social processes, beliefs, and belief systems commonly observed in such settings (Vogt,1995). Investigating the role of institutions from a qualitative perspective that better enhances knowledge about how entrepreneurial strategies and decision-making fares in complex and challenging institutions, responding to calls made by a number of researchers who have stated that research on a variety of institutions is needed to understand entrepreneurship (McMullen et al., 2008; Estrin et al., 2020) and a need for more fine-grained analysis of institutional contexts (see Estrin et al., 2013; Audresch et al., 2021). Therefore, in investigating the



South African institutional context, this study makes direct contributions to the field of marketing and aids in the understanding of entrepreneurial navigation of challenging institutional environments. Entrepreneurial action is said to be normally characterised as planned, intentional and strategic (Weik, 2011). Thus, this research involves an exploration of these actions in relation to a specific institutional environment.

**5. Another fundamental contribution that this study will provide is insights into barriers and enablers for SME development with the focus on eco-inclusive enterprises, especially from an angle of public support and impact.** The importance of education, entrepreneurship, innovation, human capital and the overall institutional framework conditions that are provided by the public sector, such as macroeconomic stability, openness and competition and a working social and economic system, has been stressed as being vital for SMEs to thrive (Cornett, 2009). This also goes for initiatives that support the creation of clusters and the regional aspects of innovation supporting measures because they are of particular relevance for SMEs. Zhu et al. (2012) state that in the past, the attitudes of government to small firms have varied considerably between countries. Many have provided arguments for the public support of small firms due to the important role that has been played by new tech-based SMEs in Europe and the United States (Rothwell, 1989). However, due to the differences in business environments, governance structure and culture, the sizable experience accumulated in innovation policies and their implementation in developed economies may not be as applicable in less developed countries. In the case of China, for example, the top five institution-based barriers have been stated to be; competition fairness, access to financing, lack of/ unclear laws and regulations, tax burden and public support systems (Zhu et al., 2012).

**6. As another contribution, this study answers the call that has been made for more research that probes deeper into the underlying institution-based barriers that “pull down” the innovation potential in SMEs.** Within some developing countries, the institutional environment has been described as being hostile to entrepreneurs, and more research needs to be conducted to understand how to strengthen market-supporting, entrepreneur-friendly institutions in order to unleash the innovation potential in SMEs (Lee et al., 2008; Peng et al., 2009, 2010; Yamakawa et al., 2008; Zhu et al., 2012). Sahut and Peris-Ortiz (2014) also state that there is an institutional dimension to the issue of opportunities that entrepreneurs must discover and make use of those conditions and those opportunities along with the economic environment, which is the existence of formal and

informal institutional conditions (i.e. culture and legal framework) (North, 1990, 2005; Sahut and Peris-Ortiz, 2014, p663–668).

**7. This study points out the potential shortcomings of utilising Eurocentric approaches to economic development in developing country contexts.** Illustrating how the use of Eurocentric approaches to economic development in developing country contexts yields less than desirable outcomes for developing economies. Transitional economies such as South Africa have years of shortfall to make up for due to the colonialist legacy they stem from and thus adopting the same type of developmental approaches followed by more advanced countries sees them invest heavily into mechanisms that do not address the social challenges that they are facing but creates further inequality by empowering big businesses and essentially designing economic systems that their own population gains very little from. This study highlights how developing countries cannot always look to the West to solve their own internal struggles but must seek internal solutions and invest in them in order to empower their local inhabitants, build a stronger economy but also to scale up these local solutions to a point where the country can stand on stronger footing in the global arena.

**8. This study contributes to a more comprehensive understanding of how government support and inter-firm relationships affect performance of SMEs, particularly in developing countries.** It has been noted that existing small business strategy literature does not comprehensively provide for mechanisms through which government support and inter-firm relationships affect performance and studies investigating this in developing economies are rare in literature. Thus, questions of how government support systems an inter-firm collaboration affect performance and mechanisms through which these effects are channelled still remain unanswered. Accordingly, this study attempts to address the apparent lack of scholarly work on the performance outcomes of institutional support and inter-firm relationships by drawing on insights from institutional theory to explore on what levels institutional support hinders or improves SME performance. Moreover, this study examines how firm resources mediate the relationships between government support; interfirm collaboration; institutional ties, managerial discretion and firm performance. SMEs are noted to create employment, enhance business competitiveness, provide consumers with a variety of innovative

products and services to contribute to economic growth in both developed and developing (Kongolo, 2010; Ratten, 2014; Poole, 2018). However, existing small business strategy literature indicates that in most developing economies, SMEs face a plethora of challenges that inhibit their performance and growth potential (Beyene 2002; Ahmad et al., 2010; Mukumba, 2014; Colombo et al., 2012). There is a consensus in the literature that resource constraints are one of the major challenges impeding performance and growth of SMEs in developing countries (Taylor, 2013; Ratten, 2014; Amornkitvikai & Harvie, 2018). Some scholars put forward the argument that due to their inherent susceptibility to the liability of smallness and newness, SMEs then to be challenged by the need for external resources (Bengtsson & Johansson, 2014; Hunt & Oritz, 2017). Various scholars have proposed the need for government support and interfirm relationships as ways of overcoming resource capability constraints SMEs face (Smallbone & Welter, 2001; Tambunan, 2008; Kang & Park, 2012; Lu et al., 2010; Ratten; 2016; Songling, et al., 2018).

#### ***Rationale for the importance of this study's theoretical contribution***

Presenting knowledge about the green economy of South Africa is a significant theoretical contribution because South Africa's green economy has been described as "relatively new" as compared to more developed economies. Therefore, there is still a great deal that needs to be investigated. Especially because the governing policies that direct business action in green economy sectors were developed for big businesses and the SMEs that operate within the green economy are faced with having to operate within an uneven playing field. Furthermore, there is a great deal more that needs to be understood such as the actual impact of factors such as government funding on the innovation of SMEs in the developing country contexts and the in-depth examination of the South African case can provide insight into this. In sum, this study presents the voices of entrepreneurs that are making a conscious and concerted effort to help South Africa transform its economy into a greener economy and presenting their voices will contribute towards an understanding of how unique institutional environments can constrain or enable innovation and entrepreneurial activity at the micro level which also, consequently, plays an important role in South Africa's economic and social development. It is the aspiration of the researcher that this exploratory study will yield insights and generate findings that will make recommendations based on evidence that can aid in the advancement of a greener economy in South Africa.

The following section introduces the study's context and describes the study's background and rationale.

## **2. The Green Economy: A South African Context**

The following section is structured to discuss the South African climate challenge as it relates to addressing the economic issues in the country and the national government's efforts to redress the imbalances of the past, develop the economy, and transition to a green economy. Following this, there will be a discussion of the interface between the economy and sustainable development and then the status quo of the green economy in South Africa and the commitment to transitioning to a greener economy. This discussion will lead to the institutional setup of South Africa that affects the development of the green economy and the relevant institutional forces that impact the development of this will be explored as they relate to the green economy. In South Africa, sustainability policies have been formulated in three phases, following the World Summit on Sustainable Development, hosted in Johannesburg in 2002. Between 2003 and 2008, the government department of environmental affairs (DEA) undertook an analysis of existing economic, social and environmental trends, leading to the formulation of an informed vision, that was effectively communicated through the National Framework for Sustainable Development (NFSD) (Slavova et al., 2015). This was approved in 2008. Following on from the NFSD, a strategy for the period 2011- 2014 was framed with a clearly specified action plan that received endorsement by the South African Cabinet. This strategy deemed the National Strategy for Sustainable Development and Action Plan (NSSD 1) (Nteo, Tshangela & Phooko, 2011) detailed specifications of a system of institutional arrangements and five strategic priorities; enhancing integrated planning and implementation, encouraging efficient use of natural resources, developing a green economy (UNEP, 2013), building sustainable communities and responding effectively to climate change. The NSSD1 evaluations fed into the development of a Policy Action Plan (2015-2020), which addressed actions around the promotion of green SMEs and their development; the role of the informal sector; and how to enhance gender equality in the green economy (Slavova et al., 2015). Moreover, it has been stated that South Africa does not lack sustainable development strategies, coupled with well- quantified goals for reducing social inequality and environmental degradation, however, critics have expressed the belief that a lack of commitment to implementing those

policies has resulted in an uncoordinated response to the challenge (Rennkamp, 2012; SEED, 2015).

### ***2.1 The South African Climate Challenge***

The importance of developing a sustainable green economy has been on the national agenda of South Africa since the country made its climate commitments to the Paris Agreement along with many other countries in 2015 (UNFCCC, 2020). South Africa submitted its first Nationally Determined Contributions (NDCs) on 1 November 2016 outlining the country's pledge to transition to a low-carbon economy. The NDC covers adaptation and mitigation, as well as finance and investment requirements and is based on the principle of equity. This has been developed with the recognition that the Paris Agreement is binding with a progressive approach to enhance climate change mitigation and adaptation implementation within the context of sustainable development that considers a just transition (The National Business Initiative, 2022). South Africa's updated NDC was submitted to the UNFCCC in September 2021 and covers mitigation and adaptation goals and supports the requirements under the Paris Agreement and equitable access to sustainable development (South African Government, 2021). The updated NDC reflects deeply on the impacts of climate change, already experienced by the country and the severe outlook in light of rising global emissions. Southern Africa is identified as a global climate change hotspot (Hoegh-Guldberg et al., 2019). The national average temperature has increased at a rate of more than twice that of global temperature since 1990, which is already resulting in more frequent droughts and extreme weather events (CFA, 2021). The mitigation component of the NDC places a high priority on the decarbonisation of the electricity sector during the 2020s, with deeper decarbonisation anticipated in the 2030s. South Africa's Just Transition challenges are highlighted in the NDC, particularly arising from transitioning the electricity sector and addressing the economic and social consequences that are a result from this transition in coal producing regions. (CFA, 2021). The Government has approved the submission of the National Climate Change Bill to Parliament. The Bill aims to provide a legal instrument towards the implementation of the National Climate Change Response Policy allowing for the alignment of policies that will influence the country's climate change response (CFA, 2021).

Specific to South Africa is the challenge that a significant proportion of the economy is dependent on coal and transitioning to a greener economy will be a vast undertaking for the nation. The national government has set out various policies and initiatives to help develop a more sustainable economy. Among these initiatives is the Green Accord. The Green Accord is a partnership set up by the government, the business community, trade unions, and community organisations to establish commitments that will enhance green economy investment. The Accord aims to involve both private and public sectors to assist in realising these commitments. Under the Accord, specific attention will be allocated to identifying opportunities for broad-based black economic empowerment (BBBEE) that will target various groups, among these, the youth, women, and social enterprises. Furthermore, organised labour has committed to social enterprises (including cooperatives) and invests in mechanisms that will create jobs and support the wider goals of the green economy. The green economy provides significant opportunity to create jobs for South Africa's people. The parties to this Accord would cooperate to promote decent work standards in the green economy and progressively improve the conditions of workers. The aspiration was also that the green economy would benefit from partnerships to promote productivity within green workspaces. Government and businesses are said to be committed to the employment of young people in green economy activities. In this regard, it was agreed that at least 80% of new employees in the manufacturing and installation of solar water heating systems and public and community works programmes directed at environmental challenges will be young people. Further targets for the employment of youth will be developed for other green economy activities that rely on public funding support.

Commitment two of this Accord states that the province of Gauteng commits to the establishment of a climate change innovation centre (Climate Innovation Centre housed under the Innovation Hub, a government incubator based in Pretoria, South Africa). This centre selects, incubates, and provides technical assistance and mentoring to technology entrepreneurs and SMEs (The Green Accord, 2015). The Innovation Hub currently incubates thirty-seven SMEs (one of which was a participant in this study). The original target for this, as stated in the Accord, is one hundred technology entrepreneurs and SMEs. The aim was to match technical assistance and mentoring with financing for all these enterprises. The objective for this is for a number of jobs that would be created, and a green skills learnership programme will form part of the initiative with one hundred participants

a year. Under commitment three, the government committed to the procurement of renewable energy as part of the plan to expand the generation of the energy capacity of the country. To achieve this, the government stated that they would secure commitments for the supply of 3725 megawatts of renewable energy by the year 2016 as a first step to realising the goals for renewable energy under the integrated resource plan (IRP) 2010-2030 (The Green Accord, 2015). South Africa has been experiencing a major electricity crisis from 2007 and has been further exacerbated in 2022, causing severe economic disruption and community unrest in many areas across the country.

Alongside the procurement of renewable energy, government, business and labour are committed to developing a long-term renewable energy roll-out strategy and programme in partnership with all social partners within the policy framework set by the government. The government also aimed to increase skills and capacity to develop professionals who could build and operate plants in the country. However, has only recently amended the regulation, allowing for this to happen due to the worsening electricity crisis. Furthermore, it was to set up an organisation that will facilitate the renewable energy sector by working in partnership with other social partners in the development of the sector. Within the IRP 2010-2030, the sector committed to, among other things, achieving an industry-wide localisation of at least 35% by 2016 and increasing local content in the years to follow towards the aspirational target of 75% and use the rollout of renewable energy as a vehicle to promote, socio and economic development. Moreover, the following job creation targets in the renewables sector by 2020; 50 000 green jobs, of which approximately 6,500 will be engineers and technicians; and as part of the wider green economy, 300,000 new jobs (The Green Accord, 2015). The government also committed to providing policy certainty in the replacement scheme for co-generation projects in sectors where electricity generation is already taking place or where generation capacity could be increased. Progress towards these targets has been slow to non-existent in some respects. The economic stagnation created by the covid-19 global pandemic played a role in this, however, the lack of progress can mostly be attributed to institutional voids such as political corruption.

Under commitment five of the Accord, the government committed to the finalisation of a Waste Innovation Programme that aimed to promote reduced waste generation during production processes. Re-use could be promoted as one waste stream can potentially be the raw material for a separate industrial process that leads to novel products as well as feedstock for the generation of energy. Commitment six relates to the production of

biofuels for mandatory blending in the petrol and diesel, and the government committed to finalise an incentive system to kick-start the development of a local biofuels industry and to provide a supportive regulatory environment to facilitate the development of a local biofuels industry. Commitment seven commits to developing a conducive policy environment for clean coal initiative as well as effective coordination of public and private research initiatives. Under commitment ten, the government recognised that at least three million households still relied on traditional energy carriers like candles and firewood, leading to continued degradation, particularly in rural areas and in informal urban settlements. The government also committed to accelerating the programme to increase access to modern energy carriers through the electrification programme and to support the switching to appropriate modern thermal carriers like gas for cooking and space heating. To date, the commitments stipulated in the Green Accord have not met the targets outlined by the government.

## ***2.2 The Interface Between the Economy and Sustainability***

The South African government defines the green economy as a 'system of economic activities related to the production, distribution, and consumption of goods and services that result in improved human well-being over the long term, while not exposing future generations to significant environmental risks or ecological scarcities' (The Department of Forestry, Fisheries and the Environment, 2022). This bears implications that green sectors will experience increased investment, and there should be supportive enabling reforms. The Green Economy makes reference to two linked outcomes for development in the economy. The first outcome is growing economic activity which leads to investment, jobs, and competitiveness) in the green industry sector, and the second is initiating a shift in the economy towards cleaner industries and sectors as a whole. According to the United Nations Environment Programme, a green economy aims to facilitate resilient, equitable, and pro-employment development following a development path that reduces carbon dependency, promotes resource and energy efficiency and decreases environmental degradation (UNEP, 2011),

The South African economy has been dominated by oligopolies and parastatal organisations that inhibit innovation. As presented by Gumede (2004), the dominance of larger companies in various sectors has stifled entrepreneurship in other sectors. The World



Bank has noted that large metropolitan areas have developed budding entrepreneurial networks, academic excellence has continued, and government policy has evolved to support R&D in recent years. However, these promising conditions are not put to effective use as there are other factors that are observed, such as ineffectual support for start-ups, high-priced broadband, high trading costs, and a low skills base, are conditions which are still to be addressed (Swartz et al., 2019). The country's fluctuating currency, along with the political instability, led to a decline in foreign direct investments and an economic downgrade of its debt in 2017. In addition to this, there has also been the presence of internal factors such as severe drought conditions, the electricity crisis, which is currently in its worst state, logistical constraints for businesses, and labour relations challenges that hamper economic growth (Swartz et al., 2019).

The South African government recognises that the country has a unique opportunity to create jobs and recognise the nation's concerns about climate change. The opportunities for this reside in the following sectors; energy, water and sanitation, waste and recycling, and agricultural business. Enabling conditions to include the establishment of sound regulatory frameworks that would create rights and incentives that drive green economic activity, remove barriers to green investments, and regulate the most harmful types of unsustainable behaviour, either by creating minimum standards or by eliminating certain activities altogether (UNEP, 2013). Green investment in the agricultural sector is estimated to be at ZAR 9.4 billion, while investment in energy is estimated at ZAR 94 billion (UNEP, 2013). It can be observed that there is a substantial difference in terms of investment amounts being diverted into various sectors, which serves as an indication of where national priorities lay. Within the waste and recycling sector, waste generation is driven by the growing population, economic growth, and rising income levels, as well as increasing levels of urbanisation (South Africa Waste Report, 2021).

The green economy involves largely new economic activities and must provide access for disadvantaged groups and offer opportunities for SMEs in the social economy. In the end, the government has a key role to play in fostering this development (The Green Accord- New Growth Path Accord 4). South Africa views the green economy as a sustainable development path based on addressing the interdependence between economic growth, social protection, and the natural environment. South Africa has set its short, medium, and long-term vision for a contribution towards an environmentally sustainable,

climate change resilient economy and just society. This vision is outlined in the Cabinet-endorsed National Strategy for Sustainable Development and Action Plan (2014), New Growth Path (2020), and National Development Plan (2030), supported by various sector policies and strategies, including the integrated resource plan (IRP), industrial policy action plan, environment sector green economy implementation plan, national biodiversity strategy, and action plan and the national climate change response white paper (United Nations Environment Programme, 2013). According to the DEA (2010), South Africa views a green economy as a sustainable development path that is based on addressing the interdependence between economic growth, social protection, and natural ecosystems. The country's vision for sustainable development emphasises establishing a self-reliant nation that safeguards its democracy by meeting the needs of the people by managing its limited ecological resources responsibly for current and future generations, and by advancing efficient and effective integrated planning and governance through collaboration.

### *2.2.1 The Status Quo of the Green Economy in South Africa*

South Africa's Green Economy Barometer (2018) reports that the country has made noteworthy efforts to transform key industrial sectors such as manufacturing and transportation. Furthermore, sustainable agricultural practices are on the rise with the emergence of organic farming. The mining sector has made the commitment to transition (in theory) however, implementation of this is slow. To date, 90% of the electricity that is generated in the country comes from polluting coal-fired power plants as the struggle between Eskom and the independent power producers (IPPs) continues. One of the most widely presented arguments in South Africa's attempts to have a Just Transition is that national efforts to grow the green economy overlook small and micro businesses as well as further marginalise disadvantaged groups located in the countries informal sector (South Africa Green Barometer, 2018). It has been debated that the country will not be able to make this transition fair and inclusive because not enough measures have been set in place that will address the needs of these groups (of which, the majority of South Africa's population can be found as a low-income emerging economy). Swilling et al. (2016) argue that a just transition is only possible if the overall goal is human wellbeing (i.e. education, income and health) within a sustainable world (i.e. decarbonisation, resource efficiency and ecosystem restoration). They state that the wider socio- technical landscape pressures should be regarded

as key actors within the socio-political establishment as nudging historical processes stand in the way of such goals. Furthermore, a nation has to be committed to creating and investing in niche technologies that present alternatives for meeting local population needs.

### *2.2.2 South Africa's Commitment to Sustainability*

This line of inquiry on the theme of sustainability is one that is at the forefront of the global community at present. According to the United Nations Development Programme (2021), the Sustainable Development Goals (SDGs) were created in 2012 with the objective of producing a set of universal goals that meet the urgent environmental, political, and economic challenges facing the world. Coupled with this, the Paris Agreement, which is a legally binding international treaty on climate change adopted by 196 parties with the objective to "limit global warming" and was considered a "landmark in the multilateral climate change process because, for the first time, a binding agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects (UNFCCC, 2021). Therefore, there is a consensus between national governments, businesses, and academia that the matter of climate change is one that all parties have to participate in to combat. This study examines one country (South Africa), in a developing country context in their execution to work towards the creation of a sustainable green economy and what institutional factors hinder this progress.

### *2.3 The Sectors of The Green Economy and The South African Historical Context for Entrepreneurship*

Opportunities in the green economy of South Africa are described as numerous and varied (The Green Accord, 2011). However, for the purposes of this study, the broad categories for the classification of businesses have been placed under four key sectors: energy, agriculture, water and sanitation, and waste and recycling. The government departments that are predominantly responsible for regulating these sectors will be discussed in the following section.

***Department of Small Business Development.*** This department is focused on enhanced support to small businesses and cooperatives, with an emphasis on programmes to advance entrepreneurship amongst women, the youth, and people with disabilities to

promote job creation and economic growth. The department's objectives are to facilitate the development and growth of small businesses and cooperatives to contribute to inclusive and shared economic growth and job creation through public and private sector procurement; facilitate partnerships with all spheres of government as well as the private sector to ensure mutual cooperation that will benefit small businesses and cooperatives; advocate for a conducive regulatory environment for small businesses and cooperatives to enable access to finance, investment, trade and market access in an sustainable manner; and facilitate radical economic transformation through increased participation of small businesses and cooperatives in the mainstream economy (National Government, 2022). This department is to enable the poor, the vulnerable, and the excluded within South African society to secure a better life for themselves, in partnership with them and with all those who are committed to building a caring society. The department has the following primary core functions: management and oversight over social security, encompassing social assistance and social insurance policies, which aim to prevent and minimise poverty (National Government, 2022).

***Department of Trade, Industry, and Competition.*** The mission of the Department of Trade, Industry, and Competition (the DTIC) is to promote structural transformation toward a dynamic industrial and globally competitive economy; provide a predictable, competitive, equitable, and socially responsible environment conducive to investment, trade, and enterprise development; broaden participation in the economy to strengthen economic development; and continually improve the skills and capabilities of the DTIC to effectively deliver on its mandate and respond to the needs of South Africa's citizens. The strategic objectives are to facilitate the transformation of the economy to promote industrial development, investment, competitiveness, and employment creation; build mutually beneficial regional and global relations to advance South Africa's trade, industrial policy, and economic development objectives; facilitate broad-based economic participation through targeted interventions to achieve more inclusive growth; create a fair regulatory environment that enables investment, trade and enterprise development in an equitable and socially responsible manner; and promote a professional, ethical, dynamic, competitive and customer-focused working environment that ensures effective and efficient service delivery (National Government, 2022).

***Department of Women, Youth, and Persons with Disabilities-*** The mission of the Department of Women, Youth and Persons with Disabilities is to accelerate the socio-economic transformation and implementation of the empowerment and participation of women, youth, and persons with disabilities through oversight, monitoring, evaluation and influencing policy (National Government, 2022).

These departments, however, do work alongside other departments in relation to entrepreneurship and innovation. The following departments also work alongside the above listed;

***Department of Social Development.*** This department is to enable the poor, the vulnerable, and the excluded within South African society to secure a better life for themselves, in partnership with them and with all those who are committed to building a caring society. The department has the following primary core functions: management and oversight over social security, encompassing social assistance and social insurance policies, which aim to prevent and reduce poverty (National Government, 2022).

***National Treasury.*** The National Treasury's function is to promote economic development, good governance, social progress, and rising living standards through accountable, economic, efficient, equitable, and sustainable management of South Africa's public finances. The National Treasury's legislative mandate is also described in the Public Finance Management Act of 1999. The National Treasury is mandated to: promote the government's fiscal policy framework; coordinate macroeconomic policy and intergovernmental financial relations; manage the budget preparation process; facilitate the Division of Revenue Act of 2021, which provides for an equitable distribution of nationally raised revenue between national, provincial and local government; and monitor the implementation of provincial budgets. As mandated by the executive and Parliament, the National Treasury will continue to support the best possible allocation and utilisation of financial resources in all spheres of government to reduce poverty and vulnerability among South Africa's most marginalised (National Government, 2022).

These departments have established various policies and programmes over the years to help stimulate entrepreneurship and present strategies for poverty alleviation. Below is a description of each of the green economy sectors and the progress made in terms of entrepreneurship to date.

***The Energy Sector.*** The energy sector in South Africa has faced many challenges over the years. Since 2007, South Africa has been dealing with the problem of power cuts called 'load-shedding.' Load-shedding refers to instances when the demand for electricity exceeds the available supply; planned supply interruptions have to be carried out. It is a controlled way of rotating the available electricity between all Eskom customers (City of Joburg, 2022). The historical context of this is based on the electricity infrastructure during apartheid times that was built to supply South Africa's white minority population and not to include the black population. After apartheid ended, the entire urban population, which had grown rapidly over the years, had to be supplied with electricity, and over time, the existing infrastructure was not well maintained to the extent that at certain periods, access to the electricity needed to be shared so as not to overwhelm the power stations. Eskom (a state-owned enterprise), which is one of the biggest power utilities in the world, has battled to meet demand and is also in severe debt. This problem presents a serious threat to the economy and further perpetuates other social problems that South Africa is affected by, such as crime. (BBC, 2022).

According to the Department of Mineral Resources and Energy, South Africa's total domestic electricity generation capacity is 58,095 megawatts (MW) from all sources. At present, coal is by far the biggest energy source for South Africa, comprising around 80 percent of the country's energy mix. However, according to the 2019 Integrated Resource Plan (IRP), 24,100 MW of conventional thermal power sources, specifically coal, are likely to be decommissioned within the next 10-30 years. This would greatly help the green transition agenda of the country. South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPP) for utility-scale transactions signed 27 power purchase agreements in June 2018. The updated IRP outlines a number of steps the government will undertake to improve South Africa's unreliable and deteriorating energy sector, focusing on greater use of natural gas, and maintaining the nuclear sector while increasing the focus on social inclusion and a "just transition plan" to renewable energy (USAID, 2022).

To try and address this challenge, the country's major electricity provider Eskom and the Department of Minerals and Energy jointly released a policy document entitled "National Response to South Africa's Electricity Shortage." One of the challenges that has

arisen in the electricity crisis is the lack of skilled personnel, and the other is the lack of funding. The South African electricity sector, therefore, finds itself faced with three difficult problems. The first of these is electricity undersupply, which has resulted in a narrow reserve margin and power shortages. The prediction was made in 2005 that demand would double in the next 15 years, which has increased the pressure to reduce demand and increase supply immensely. The second problem is the ZAR 300 billion that Eskom required in order to extend the power infrastructure, which is rather difficult as Eskom remains deeply underfunded. And the third challenge is the high emissions intensity of the South African economy, especially the electricity sector, and the consequent environmental damage (Pegels, 2010). It should be noted that the additional power stations have been completed at present date, however, due to the matter of institutional voids, are not being utilised to full capacity.

The promotion of renewable energy technologies can provide a solution to electricity supply and emissions intensity aspects of the South African energy challenge. Even though there is said to be a high resource potential, there has been too little progress in the deployment of renewable energy sources (IRP, 2021). The obstacles to the large-scale dissemination of renewable energy in South Africa are numerous but not impossible to overcome. Water scarcity is one of the main barriers to the South African energy innovation system and the economy's energy technologies. Pegels (2010) states that the South African innovation system is characterised by a high path dependency which has its foundations in the apartheid period when independence from external energy supplies was a political necessity due to the sanctions that were faced by the country because of apartheid. As coal has been an abundant source of energy in South Africa, both electricity and fuel are produced from coal. The two main energy providers, Eskom (electricity) and Sasol (fuel) are responsible for the bulk of investment in energy research and development. They had also been monopolistic employers of university graduates in relevant fields in past years (Pegels, 2010).

These patterns have led to an extreme bias in innovative capacity towards fossil fuel innovation. Renewable energy technologies, on the other hand, have been said to have lacked the capacity basis at all levels of education (Pegels, 2010; CSIR, 2021). With their status as monopolistic energy suppliers, both Eskom and Sasol exercise substantial power. They use their influence to protect those of the energy market's features suited to their core competencies. Fostering a favourable environment for renewable energy providers has

been said not to be part of their strategy. The South African government has acknowledged that investments in renewable energy technologies need considerable support and consequently have taken measures to support private investment in renewable energy and other clean technologies (CSIR, 2021). Some of these measures have led to the country imitating successful examples in other countries. Though, it is questionable whether this imitation strategy has worked for the country. Given Eskom's competitive advantage and core competencies in fossil fuel technologies, independent power producers (IPPs) are considerably more capable of contributing to South Africa's renewable energy capacity.

South Africa's government has committed to strengthening competition in the electricity market (Nersa, 2021). Independent Power Producers (IPPs) are capable of contributing to South Africa's renewable energy capacity but, at present, do not face a level playing field as they have to sell their electricity to Eskom as a monopolistic buyer and because Eskom is a competitor of IPPs and a customer at the same time, this clearly presents a conflict of interest and further exacerbates the national problem of electricity demand and supply. With the rise of the green economy agenda, South Africa needs to look carefully into how it develops its green economy sectors. Regarding energy, the renewable energy sector could potentially help not only transform the economy but also aid in carbon emissions reductions. The renewable resource with the greatest potential in South Africa is solar energy. There are two main technologies for producing electricity from solar radiation: concentrating solar power (CSP), also known as solar thermal energy, and solar photovoltaics (PV) (Pegels, 2010). According to Nyoni (2021), efforts made to diversify sources of energy supply and use renewable energy and other potential new technologies are detailed in the country's Integrated Resource Plan. The renewable energy sub-sector is described as bearing plenty of profitable business opportunities. Renewables are the cheapest form of new energy generation and promise to create multiple decent jobs in the country, specifically within the micro, small-to-medium enterprise level (Nyoni, 2021). South Africa is seriously considering and initiating investments in the concept of the Just Energy Transition (JET), especially in the coal mining sector, paying attention to potential job losses that can occur by transitioning from fossil energy to renewable energy and integrating the private sector in formulating the JET (Nyoni, 2021).

Amidst conducting this research project, a significant development occurred that could potentially be the greatest game changer that the energy sector has been awaiting. The South African Independent Power Producers Association (SAIPPA) has characterised



a decision to relax licensing requirements for IPP generators as a big win for the country (Brandt, 2021). The President made the announcement that Schedule 2 of the Electricity Regulation Act would be changed to allow providers to generate more power without having to go through a long and laborious licensing process. SAIPPA members had been lobbying for a change to the legislation for the past four years. Specifically, the change that they were lobbying for was a change to the cap of at least 50 megawatts (Brandt, 2021).

The draft amendments contained a cap of 10MW, which they thought was less than adequate, and members were pleased that the President increased this to 100MW. Previously, by law, the National Energy Regulator South Africa (NERSA) were not allowed to approve a licence unless the generation that an IPP wanted to provide was in the integrated resource plan. Historically, it has been challenging to get around that hurdle, and the way that some IPPs had to use to get around it was to get the minister to approve a deviation (Brandt, 2021). The amendment will allow IPPs to sell back electricity into the grid, provided that they obtain a permit from Nersa. The government's announcement came on the back of a fresh round of rolling power cuts and repeated warnings from Eskom that the power supply would remain limited for the foreseeable future. As rolling power cuts have a negative impact on the economy, this amendment is much needed but also serves as an indication the SoE has reached breaking point, and this has forced the market to open up. This is a significant barrier that has been lowered so much that financiers are also more open to supporting IPPs, whereas before, there was a deep reluctance due to the regulatory regime.

***The Agricultural Sector.*** The agricultural sector is overseen by the Department of Agriculture, Forests and Fisheries. Food security is one of Africa's greatest challenges (UN, 2022), and South Africa shares this problem. Agriculture plays an important role in the process of the economic development of South Africa and can contribute significantly to household food security. The National Development Plan (NDP) sets out a broad vision of eliminating poverty and reducing inequality by 2030. Entrepreneurship in agriculture is high on the national priority list, and this sector has been identified as a potential income generator for many individuals. Nationally, more than three-quarters (75,6%) of households that were involved in agriculture were to secure an additional source of food. Provincially, 88.7% of households in the provinces of Limpopo and 78,8% of households

in Mpumalanga were engaged in agricultural activities as a way to supplement their existing sources of food (National Government, 2022). It is important to remember that the apartheid system witnessed many of the black population displaced from their land and this land being occupied by white farmers. Over generations, white farmers sharpened the skill of farming, and many of the large commercial farms are owned by white farmers. The policy of displacing non-white South Africans off the land for the benefit of white South Africans officially began with the 1913 Native Lands Act, though in reality, the practice stretches back centuries. In an effort to correct this injustice, the ANC government created the Land Claims Restitution Act of 1994 and has since introduced a number of programmes to develop black farmers. The department of agriculture also oversees the Animal and Veld Management Programme (AVMP). The AVMP aims to address the unsustainable land use management practices in rural areas that have generally led to poor management of the veld and overstocking, causing low livestock production and deterioration of natural resources (grazing, water, soil) and resulting in land degradation and deforestation. In addressing these problems, the AVMP has three projects: soil rehabilitation, re-greening the environment, and decongesting space. The intended outcomes of the AVMP are food security, improved rural livelihoods, improved livestock and veld management, increased production, improved environmental management, and enabling rural communities to use land more sustainably (National Government, 2022). These projects are directly linked to the efforts being made towards advancing the green economy, and several micro, and small enterprises engage in businesses to do with these types of projects.

***The Water and Sanitation Sector.*** The water and sanitation sector is overseen by the Department of Water Affairs. The water and sanitation sector remains one of the most underdeveloped sectors in South Africa. Coupled with the water scarcity challenge that the country faces, water and sanitation services are still not accessible to a large part of the country's population. Before 1994, there was no single national government that was responsible for water and sanitation in South Africa. This function was fragmented and allocated to local governments, and this resulted in very different levels of service (Water & Sanitation Programme, 2022). This situation was further exacerbated by the absence of coherent national policies, guidelines, or support structures; however, a policy review was undertaken, and a call was made for a single national agency to take responsibility for water supply and sanitation. Added to this, a call was made for the private sector to participate in accelerating progress towards the provision of water and sanitation services

for all. It is reported that South Africa's programme has rapidly expanded access to the basic water supply. However, progress on sanitation has been slower, as reflected by the lower priority ascribed to it by the government. The reasons for this have been stated to be that there is a perceived difficulty in working at the household level (Water & Sanitation Programme, 2022). The manner in which South Africa's water sector is regulated is expected to change. However, there are significant risks associated with reforms that may not produce the desired outcomes unless more clarity is provided as to how to structure incentives for the private sector to invest in water infrastructure (Barclay, 2022). Currently, the planned reforms are aimed at increasing investment in the maintenance and construction of water infrastructure and improving the quality of water. To achieve this aim, water sector regulation has to be strengthened, and a new National Water Resource Infrastructure Agency (NWRIA) will be established to develop and maintain national water infrastructure (Barclay, 2022).

***The Waste and Recycling Sector.*** The waste and recycling sector is overseen by the Department of Environmental Affairs. According to the Recycling of Waste and Scrap in South Africa report (2021), South Africa generates 108 million tons of waste on an annual basis, and of this, 90% ends up in the country's landfills. Slow progress in recycling and "wasteful habits" have resulted in the government creating the National Waste Management Strategy 2020. This strategy has introduced the obligation being placed on producers and manufacturers to recycle their products and packaging at the end of their life cycle. The landfills in South Africa are expected to be full in the coming years, of which the province of Gauteng accounts for 45% of the country's municipal waste. The increasing population and growth of informal settlements where fewer ratepayers finance waste management services have created a major challenge for the country (Wood, 2021). The National Waste Management Strategy (NWM) (2020) outlines opportunities that address waste-related challenges and is supposed to reinforce the country's response to global climate issues and create opportunities for collaboration of all stakeholders in finding solutions in waste management and implementing a circular economy.

In an attempt to align with the SDGs and the NDP, a number of key interventions have been laid out in the NWM (2020), such as the prevention of waste generation through cleaner production and industrial symbiosis and extending producer responsibility, prevention of food waste, increasing re-use and recycling, increasing technical capacity and innovation for waste, Cities Support Programme Implementation and the enhancement

and enforcement of the Waste Act and International Agreements. While this strategy provides an extensive list of interventions, the progress in execution will be determined by the entrepreneurs themselves, that act as the forerunners of this strategy. Furthermore, the waste and recycling sector in South Africa is heavily reliant on informal waste collectors. These are people who make their own trollies out of whatever materials they can find and physically pull hordes of waste through the streets, collecting plastic, glass, and paper to sell to waste collection plants for small amounts of money just so they can have enough to eat for the day. These informal waste collectors have been referred to as “hawkers”, “trolley pushers and “abo Magereza” (local term used to describe them- further discussion to follow in Chapter 6).

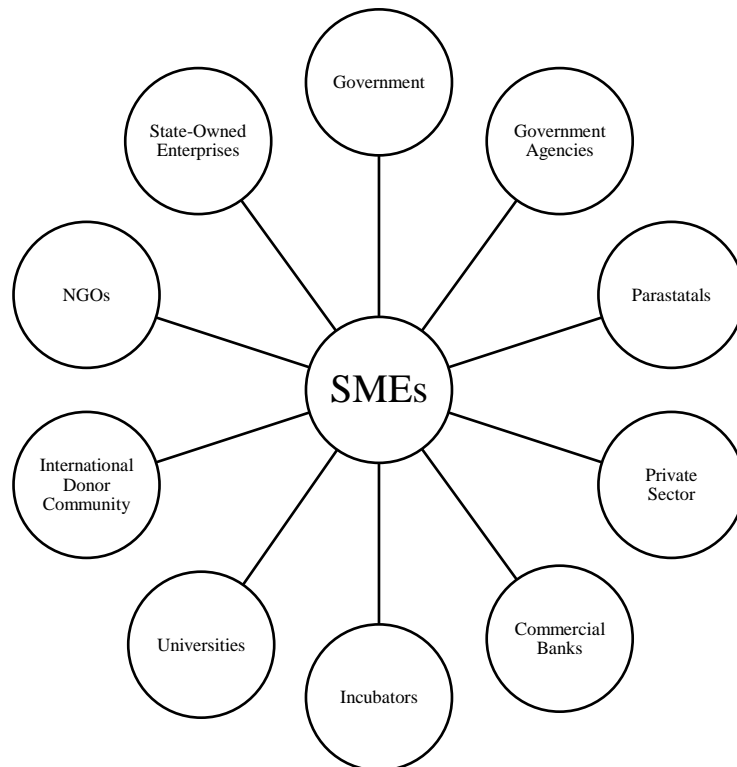
Bearing in mind that the responsibility has placed recycling of waste on the manufacturers themselves as they are mandated to do so by regulation, and the waste sector is supposed to be helping in the creation of jobs, it needs to be determined if this is indeed happening in the intended way as prescribed by regulation. It is evident that South Africa is improving in changing the face of waste management from one mostly landfilling (90% in 2011) to one of recycling (40% in 2017) for general waste. Doubtless, this is a consequence of recent changes in waste legislation, policies, and plans; more waste facilities are looking at waste beneficiation and the value of waste as a resource, along with media awareness campaigns and conscious consumerism. There is still a very long way to go to improve compliance at municipal waste management facilities, improve enforcement and protection of human health and the environment by improving waste collection services and facilities in rural areas and pollution prevention control or natural resources (South Africa State of Waste Report, 2021). The globalisation of the recycling market is another key driving force affecting waste management in South Africa. It places pressure not only on the local availability of recyclable materials but also on the market price of these materials (ISWA, 2012). The provision of waste collection services is primarily the responsibility of the local government (Treasury, 2011). However, in many small and rural municipalities, there is a limited capacity to fulfil this function. Weak governance is a challenge to the effective and efficient provision of waste collection services in these types of areas (South Africa State of Waste Report, 2021).

## ***2.4 The Institutional Setup Affecting South Africa's Green Economy Agenda***

South Africa's green economy agenda has been driven mainly by the desire of the national government to keep abreast with the global economy as well as to retain competitiveness in the global arena, as countries that do not transform their economies run the risk of losing out on key partnerships that they are dependent on for trade and the like. In 2011, the South African Government signed a Green Economy Accord. The Accord focuses primarily on job creation, and its fundamental messages are the opportunity to benefit from new prospects for economic activity from climate change, innovation has drawn from technology and research, the responsibility of government to create an enabling environment, and the partnership of all stakeholders to achieve the goals of the green economy. The Sustainable Development Goals Knowledge Platform (2022) reveals that this Accord falls short of "attempting to define the green economy," but it goes some way to explore what will be required to make the transition. Another central focus of this Accord is inclusivity, and it makes mention of the green economy providing an entry-point for Broad-Based Black Economic Empowerment (BBBEE) and addressing the necessity of women and young entrepreneurs and offering opportunities for enterprises in the social economy.

The parties to the climate change negotiation process under the United Nations Framework Convention on Climate Change (UNFCCC) struggled to find an agreement that may prevent dangerous climate change. Up until the Paris Agreement was ratified in 2015. Under the Paris Agreement, South Africa, along with many other countries, agreed to phase out coal by 2040, recognising that rapid and substantial emission reductions are vital, and they require a global structural change that needs to happen mainly in the energy sector (Pegels, 2010; Nyoni, 2021). South Africa contains all the contents such as high growth, very high energy-related emissions, and a strong financial base. Post the start of democracy in 1994, the country's economic growth showed an upward growth that was largely uninterrupted until the financial crash of 2007, which hit the country quite hard (Shahbaz et al.,2013). South Africa contributes to 1.1% of total global emissions, and its per capita emissions rate of 9 tonnes of CO<sub>2</sub>e per person in 2005 was above the global average of 5.8 tonnes and more than six times higher than the sub-Saharan average of 1.4 tonnes (World Bank, 2022).

The green economy agenda has led to the establishment of various incentives and funds to help stimulate entrepreneurship. This is important to bear in mind for the discussion of this thesis. Figure 1 is a visual overview of the stakeholders that SMEs interact with. Ideally, these stakeholders should work together to create an enabling environment for SMEs however, there are institutional barriers that hinder this from taking place.



*Figure 1 Overview of Stakeholders Who Interact with SMEs in the Green Economy*

#### *2.4.1 Economic Incentives and Funds to Stimulate the Green Economy*

There are various economic incentives that have been established in South Africa to aid in the development of the green economy. These incentives form part of the national government’s agenda to further the green economy. Table 1 below outlines these incentives in relation to the sector with an accompanying description of the incentive available. These incentives have been introduced over the past several years in recognition of slowing economic growth and a lack of development in multiple sectors. From this table, it can be noted that not many are sector-specific, and most are exclusive to meeting certain criteria.

<b>Incentive</b>	<b>Sector</b>	<b>Description</b>
Agro-Processing Support Scheme (APSS)	Agriculture	The Agro-Processing Support Scheme (APSS) incentive scheme is a ZAR 1-billion cost-sharing grant fund designed to boost investments in new and existing agro-processing projects
Support Programme for Industrial Innovation (SPII)	Multiple	Designed to promote technology development in South Africa's industry through the provision of financial assistance for the development of innovative products and/or processes.
The Aquaculture Development and Enhancement Programme (ADEP)	Multiple	A cost-sharing incentive programme for projects in primary, secondary, and ancillary aquaculture activities
Export Marketing and Investment Assistance Scheme (EMIA)	Multiple	Aims to develop export markets for South African products and services and to recruit new foreign direct investment into the country
The Sector Specific Assistance Scheme (SSAS)	Multiple	A reimbursable cost-sharing grant that will pay for 80% of the costs incurred by (non-profit) export councils, joint action groups, and industry associations to provide support to companies to grow the export market for South African goods.
R&D Tax Incentive	Multiple	This incentive is available to businesses of all sizes and in all sectors of the economy for research focused on science and technology as applied to any industry sector
Black Industrialists Scheme (BIS)	Multiple	This incentive programme aims to fast-track the participation of black industrialists in the South African economy. Currently, the key focus is on supporting businesses that can accelerate economic transformation and with high job creation potential, including blue/ocean economy, vessel building and repair, oil and gas, clean technology and energy, mineral beneficiation, aerospace, rail, and automotive components, industrial infrastructure, information communication technologies, agro-processing clothing, Textiles/leather, and footwear.
Green Fund	Multiple	ZAR R500-million fund was launched by the national financial institution, the Industrial Development Cooperation (IDC), in 2011, with the aim of improving South African SMEs' energy efficiency and the country's green economic development.

Tourism Transformation Fund	Multiple	The Tourism Transformation Fund helps black-owned enterprises to benefit from South Africa's growing tourism sector. Securing funding has been identified as a major obstacle to establishing new businesses and to growing existing tourism enterprises.
Growth Fund	Multiple	The Growth Fund is a grant fund specifically for growing South African small businesses that need a cash injection to scale up further and create jobs.
Technology Innovation Agency (TIA) – Seed Fund	Multiple	This grant funding is only available to individuals who are working with higher education institutions or science councils and are now looking to commercialise their research. The grants vary in size but can be up to ZAR1 million per project, although most grant allocations tend to be closer to ZAR 200 000.
National Youth Development Agency (NYDA)	Multiple	The NYDA provides grant finance in the form of micro-finance grants for survivalist youth entrepreneurship and cooperative grants for greater participation of youth in the cooperative sector.
Industrial Development Corporation (IDC)	Multiple	The IDC is a national development finance institution set up to promote economic growth and industrial development. They offer loan amounts of a minimum of ZAR 1 million with a maximum of ZAR1 billion per project allowed.
Technology Venture Capital Fund	Multiple	Provides equity or debt funding to emerging technology-focused businesses to enable the conversion of technology-rich South African intellectual property into a market-ready product and, ultimately, its commercialisation.
Small Enterprise Finance Agency (SEFA)	Multiple	SEFA is a joint venture and a consolidation of various funds, including the Apex finance fund, KHULA, and a contribution fund coming directly from the Industrial Development Corporation (IDC).
The National Empowerment Fund (NEF)	Multiple	The National Empowerment Fund (NEF) is established by the National Empowerment Fund Act, 1998 (Act No. 105 of 1998). The NEF is a driver and thought leader in promoting and facilitating black economic participation by providing financial and non-financial support to black empowered businesses and promoting a culture of savings and investment among black people.
The NEF Women Empowerment Fund	Multiple	A fund that is aimed at accelerating the provision of funding to businesses owned by black women. The funding starts from ZAR 250 000 to ZAR 75 million across a range of sectors for start-ups, expansions, and equity acquisition purposes.



iMbewu Fund	Multiple	A fund that supports black entrepreneurs wishing to start new businesses as well as supporting existing black-owned enterprises with expansion capital.
uMnotho Fund	Multiple	uMnotho Fund that is designed to improve access to BEE capital.
Cooperative Incentive Scheme	Multiple	The objectives of this initiative include promoting cooperatives through the provision of a matching grant and assisting them in improving the viability and competitiveness of their enterprises by lowering the cost of doing business. To apply, you must be part of emerging cooperatives with a majority black ownership. Applicants must be the primary cooperative members (at least five people), and those who are historically disadvantaged individuals will benefit from this program.

*Table 1 Table of government funding available to SMEs (Source: SME South Africa, 2022)*

Furthermore, there are several financial mechanisms of the South African government aimed at facilitating investment in the green economy, which include Municipal Infrastructure Grant, Urban Settlements Development Grant; Electricity Demand Side Management Programme; Public Transport Infrastructure and Systems Grant; Provincial and Municipal Disaster Grant; Municipal Drought Relief Grant, Regional Bulk Infrastructure Grant and Manufacturing Competitive Enhancement Programme. DEFF, DBSA, IDC, and private financiers have made significant investments toward greening the country's economy. Additionally, South Africa has received support from the Climate Technology Fund (a multi-donor trust fund under the global Climate Investment Funds- CIF), and various green financing instruments are being explored and implemented in the private sector to transition to a green economy. However, access to finance is the foremost barrier to SMEs operating in green economy sectors (Nyoni, 2021).

Although these incentives and programmes exist, the impact that they currently have on entrepreneurs is minimal. In a report by the CDE (2022), It is stated that there are government programmes in place, but they are just not reaching all the relevant people. One of the possible reasons for this has been said to be a lack of implementation capacity within the state, and the other is that government departments are not informed about the areas where there is the greatest demand for their programmes or a combination of the two. Another important point that has been made in this report is that the government's strategies of procurement and targeted support do not do much to change the very challenging environment in which most SMEs do business (CDE, 2022).

### ***2.5 The Institutional Setup Affecting the Green Economy: The South African Political Environment***

South Africa has a unique post-apartheid legacy that is still evident today and impacts the economy and society at large. Contextualising the challenge that was faced by South Africa in rebalancing the economy to include black South Africans in meaningful economic participation has always been a complex problem. It begs the question of how to include previously excluded groups in an economy with limited opportunities. The current policies set in place by the national government have only partially worked as the country remains in a state of dire inequality. To view the current state of developments, it is vital to go back in history. The problems faced by the South African economy on the eve of the democratic elections were immense. This section builds the context for this study. The discussion will focus on the historical background of apartheid and how its remnants have impacted South Africa today.

South Africa's institutional setup is peculiar to its own historical development, which weaves a complicated socio-economic fabric as a result of the power struggle between colonialists (i.e., the Boers and the British) and the local population (i.e., local tribes and kingdoms). More recently (1948-1990), the apartheid government, which institutionalised white supremacy over the black indigenous population, shaped South African institutions (Heleta, 2018). Notwithstanding that apartheid was officially abolished in 1991, leading to multiracial elections in 1994, its heritage is still present in today's South Africa (Long, 2021). In this regard, the entrepreneurial ecosystem of South Africa is riddled with multiple layers of complexity such as systemic corruption, racial

discrimination, gender discrimination, and political affiliations that lead decisions based on cronyism, influence peddling, and lobbying (Scott et al.,2012), thus posing barriers to entry for those entrepreneurs who are not embedded in the “right” circles.

The impact that apartheid has had on South African society operates so deep that it can be seen on almost every street corner one turns in. There are extreme levels of excess and lavishness and extreme desperation and dire poverty existing all at the same time. South Africa, to date, is known as one of the most unequal countries in the world, reporting a per-capita expenditure Gini coefficient of 0,67 in 2006, dropping to 0,65 in 2015. This is according to the Inequality Trends in South Africa report (Statistics South Africa, 2022). The reason behind these staggering levels of inequality is due to South Africa's apartheid legacy and the subsequent residue of the institutional system of racial discrimination that denied black South Africans access to decent education, jobs, land, basic human rights, and so much more (Heleta, 2018). That system, although departed, is far from forgotten. The following section explores the contextual background from a historical perspective to lead into the regulatory, normative, and cultural cognitive frameworks in operation in the country.

Economic growth had slowed substantially since the early 1970s, reversing the robust expansion of the 1960s, when the country's growth rate was among the highest in the world, along with Japan, South Korea, and Brazil (Mohr & Rogers, 1996, p.45). The making of economic policy in South Africa's transition to democracy and the initial economic conditions, and the context under which policy came to be formed, differed in some significant ways from the economic reform program in Eastern Europe and elsewhere (Habib & Padayachee, 2000). Key among these differences were that: markets and market institutions, albeit heavily distorted by racial considerations, already existed and, in some areas such as finance, commerce, and communications, were both sophisticated and globally linked. South Africa possessed a powerful group of conglomerates that encompassed key elements of mining, finance, energy, and industry, which worked tirelessly throughout the transition to ensure that the new government would create the kind of macroeconomic stability that would facilitate the further globalisation of their activities. Despite slow growth, rising unemployment, poverty, inequality, and racially skewed provision of social and physical infrastructure, crucial macroeconomic balances were sound- foreign debt was low, domestic debt though rising, was within limits, and inflation was within a manageable range (Habib & Padayachee, 2000).

According to Mpeta et al. (2018), during the apartheid regime, living standards for the black population were particularly poor because of the increasingly repressive labour policies in urban areas, famine, and land expropriation (Fourie et al., 2018). Diving deeper into history, the discovery of diamonds around 1870 transformed the economy of Southern Africa. Men of all races made their way to the mining town of Kimberley to dig for diamonds. The demand for labour meant salaries for young black men whose purchases of guns, agricultural equipment, and other sundries brought them to influence and status back in their kingdoms. Discrimination soon followed with a prohibition on claim ownership by black men. A system of migrant labour that initially developed to limit wage increases in the diamond mines was extended to gold mining following discoveries on the Witwatersrand two decades later. By the end of the 19<sup>th</sup> century, white miners earned eight times as much as black miners. Repressive and discriminatory labour practices in the early 20<sup>th</sup> century institutionalised the wage gap. A 'colour bar,' for example, essentially reserved skilled and semi-skilled jobs for white workers (Mpeta et al., 2018).

A further drive to the depletion of black bargaining power came about as a result of labour laws also impacting non-agricultural work. The legislation remained the most serious peril. The 1913 Land Act prohibited the ownership of land by black people (among other things). This had devastating effects on the prospects of black farmers, forcing many into the non-agricultural job market. In July 1913, Sol Plaatje undertook to investigate and publicise the effects of the Native Land Act. The results of this investigation revealed that the Act drove many black farmers to 'overcrowded locations' with poor sanitation. With the outbreak of World War II, it is said that white men were occupied with the war and black workers benefited as mining was the largest employer after agriculture, and the war-time diversion of white men created new opportunities for black as well as female labour.

By 1948, The National Party's electoral victory and the imposition of even more repressive policies changed the fortunes of black South Africans once again. The 1951 Bantu Authorities Act and the 1959 Promotion of Black Self-Government Act, for example, had dire consequences for black people living in new homelands. Fourie et al. (2018) state that qualitative and quantitative evidence points to a marked increase in malnutrition among black Africans in the 1950s. These and other apartheid-era policies, including unbalanced spending on education, health, and pensions for different racial groups, entrenched stark inequalities in income, living standards, and life expectancy. By the 1970s, social spending on black South Africans, mostly with the purpose of allying to

black unrest, began to increase rapidly, with some positive effects on black living standards. With this historical background in mind, it is now necessary to discuss the transition of power that entered with the introduction of democracy (Mpeta et al., 2018).

It is well known and understood that apartheid had a severe impact on South African society, and the ramifications are still present today. Besides the psychological impact on the groups that were affected by the system, there is also a social impact, namely, the inequality gap that has not gotten any smaller since the introduction of democracy in 1994. To understand why this is so, it is necessary to first examine the political structure of the country post-apartheid. The first three governments that were led by the current ruling party: the African National Congress (ANC), had only a "modest success in tackling the challenges of poverty and inequality they inherited from the apartheid era" (Seekings, 2015). Although the economy has grown, it has grown in a manner that is hostile to the poor. This situation has resulted from the retention of key elements of the "distributional regime" of the apartheid period, in particular policies that favoured capital and skill-intensive growth despite chronic unemployment. Apartheid disseminated income poverty and exacerbated income inequality in obvious ways. African people were evicted from their land, faced restricted opportunities for employment or self-employment, were limited to low-quality public education and healthcare, and were physically confined to impoverished parts of the countryside or cities. At the same time, the white minority benefitted from discriminatory public policies (Seekings, 2015).

The national ruling party, the ANC, promised "a better life for all" in its 1994 election campaign. Its election manifesto- the Reconstruction and Development Programme (RDP)- promised that "attacking poverty and deprivation" would be "the first priority of the democratic government." The RDP would empower the poor to seize opportunities "to develop to their full potential" and "to sustain themselves through productive activity," with the state ensuring improved access to social security, public education, and other services. All South Africans should enjoy "a decent living standard and economic security" (ANC, 1994). A series of public policies were reorientated around "developmental" concerns. Socio-economic rights were also included in the 1996 Constitution. Section 27 of the constitution states (among others) that (1) everyone has the right to have access to (a) healthcare services, (b) sufficient food and water; and (c) social security, including, if they are unable to support themselves and their dependents, appropriate social assistance. (2) The state must take reasonable legislative and other

measures, within its available resources, to achieve the progressive realisation of each of these rights" (African National Congress, 1994).

One of the more notable policies implemented by the ANC to redress the injustices of the past was to include black South Africans in the fuller participation of the formal economy since 1994. This policy was called the "Broad-Based Black Economic Empowerment" (B-BBEE) strategy and is a response to the commonly criticised elite enrichment that supposedly marked the first phase of black economic empowerment (BEE). B-BBEE was created with a mandate of increasing the ownership, management, and control of businesses by black citizens, especially by women. It also seeks to support the emergence of new skills and small businesses, make finance more readily accessible to black entrepreneurs, and uses "preferential procurement" by the state and its agencies to spread empowerment across the private economy (Krüger, 2014). B-BBEE is only part of the government's broader strategy to de-racialize public institutions, provide employment and social benefits to the poor, accelerate land reform, and improve public service delivery. Furthermore, the National Broad-Based Economic Empowerment Act (2003) allows for South Africa's Government to issue "Codes of Good Practice" in relation to B-BBEE. The seven elements of the Codes formed the foundation for the creation of a Generic Scorecard against which company performance could be assessed. Babarinde (2009) describes these seven elements, their indicators, and the relative weighting given to them in the B-BBEE scoring process, as follows:

- a) Ownership – the transfer of ownership to black people (20 points)
- b) Management Control – the share of black people in senior management (10 points),
- c) Employment Equity- alignment with the Employment Equity Act (15 points),
- d) Skills Development- the share of payroll devoted to training (15 points),
- e) Preferential Procurement- procurement from "black-owned" firms (20 points),
- f) Enterprise Development- investment in "black-owned" firms (15 points)
- g) Socio- Economic Development – supporting community initiatives (5 points)

Based on their overall B-BBEE performance, companies achieve a B-BBEE status level from Level 1- Level 8 (with Level 1 the highest B-BBEE contributor level) and a corresponding procurement recognition level. Companies can claim points for their own B-BBEE scorecard by procuring from a B-BBEE compliant business, specifically, those that have achieved higher B-BBEE levels (Littlewood & Holt, 2018).

History observes that the spatial dimension of apartheid policy, exclusions against asset accumulation, and the systematic undermining of human capital through 'Bantu education' created deep-seated racial disadvantage (Krüger, 2014) Bantu education provided black school children with the most basic level of education and was designed to keep the black population in low level education where they could serve in white households as domestic workers (i.e. maids/ kitchen girls) or gardeners (i.e. garden boys). The highest career aspirations that a black person could strive for was to be a teacher (within the bantu education system) and the education system of today has yet to recover from this in many areas. Entrepreneurship has been identified as one mechanism that can help empower the previously disadvantaged (National Government, 2020).

The following passage is taken from "A nation on the couch" by South African author and psychotherapist Wahbie Long. *"The ghosts of our shared past remain very much in our midst and are being fed by an economic system that continues to condemn millions of black South Africans to lives of shameful and envious deprivation. On the other hand, their white counterparts find themselves at an impasse, uncertain of how to engage with a people that has been disintegrated for generations. A steady trail of relational raptures- interpersonal violence, civil unrest, state sabotage, and racial antipathy- remains the order of the day, while the struggle for recognition persists as the animating feature in post-apartheid life. Alienation is evidently a system-wide phenomenon. Shame, envy, and impasse are linked to the alienated and alienation that is deeply embedded in South Africa's national psyche. In a staggeringly unequal society, the battle among the underclasses is all about respect: in an attempt to shore up a crumbling sense of self, the shame of living in relative poverty is projected outwards onto other marginalised groups while the power establishment itself remains relatively intact (Long, 2021, p.38)."* Long (2021) also alludes to the imbalance in the education system stating that *"the broken schooling system from which many black students came from has left them underprepared for the academic demands of university-level training (Long, 2021, p.41),"* which also further trickles down to entering the workplace or venturing into businesses.

Long 2021, states that *"over the course of three centuries, European settlers succeeded in subduing the native populations, confiscating their land, and exploiting their labour. It did not suffice that the locals were defeated militarily and economically: the entire edifice of their cultural traditions had to be liquidated. Material domination went*

*hand in hand with ideological domination and, in the South African instance, that meant the denigration and shaming of all black people (p.73).*" Black people were not recognised as being human; they were rather seen as being little more than accidental objects in virgin land. Apartheid added a new dimension to this idea. The separation of races and the *"border between black and white was impregnable: the native is being hemmed in; apartheid is simply one form of the division into compartments of the colonial world. The first thing the native learns is to stay in his place, and not to go beyond certain limits"* (Long, 2021, p.73).

According to Swartz et al. (2019), the case has been made for including history in analyses of strategy and entrepreneurship (Perchard et al., 2017). This is especially important for South Africa, where inclusive elections were held only in April 1994, and the nation adopted a new constitution and a Bill of Rights in 1996 (Department of Justice and Constitutional Development, 2017). Before this, discrimination was accepted and dictated spatial settlement policies of the apartheid government. Before 1994, the majority black population had no voting rights and severely restricted land and property rights. Central Apartheid-era laws restricted educational attainment for the black population, and this resulted in generations of people who supplied cheap labour in mines and factories (Mpeta et al, 2007), contributing, during the 1945-1971 period, profits that allowed successive South African governments to endure policies popular with the political alliance that had brought the National Party to power in 1948 (Davies, O'Meara & Dlamini, 1985).

The economy of South Africa desperately needs to transform in order to fulfil the country's global emissions reduction targets. Presently, the economy is still almost completely dependent on carbon-intensive industries to keep the economy going. The national government recognises the need for change and is looking to take steps to involve more small and medium-sized enterprises (SMEs) in contributing to this transition and a greener economy for all because they recognise the potential that SMEs have to create jobs for South Africa's people and grow the economy. However, the institutional environment still acts as a barrier to the advancement of SMEs. South Africa wants sustainable development for the country that grows the economy with the least environmental impact and benefits for society. To achieve sustainability, they need international coordination and coordination at the national level; they also need regional and local coordination and support systems in place for SMEs. SMEs are the engine of the economy (Roper et al., 2015), and therefore a sustainable development agenda should facilitate entrepreneurial



activity. Empirical observation shows that SME entrepreneurial activity is suboptimal in South Africa's national context, and also innovation activity presents some challenges. Many SMEs struggle to navigate the complex environment. However, the few that are able to do it successfully have learnt to adapt to the environment.

### *2.5.1 The Regulatory Framework Affecting SMEs in South Africa*

South Africa's regulatory environment will be explored as it relates to entrepreneurial and innovation activity for SMEs. The institutional environment imposes restrictions on individuals, social groups, and organisations through institutional mechanisms. In so doing, it shapes their incentive structures and the context of network mechanisms at the meso- and micro-levels (Minh & Hjortsø, 2015). Analysing institutional environments can be done at different levels: the micro (i.e., the individual), the meso (i.e., the sector but also geographically, ethically, economically, or politically tied communities), and the macro (i.e., society) levels (Eijdenberg et al., 2018). Bruton et al. (2010) discuss the foundations of institutional theory, stating that it is traditionally concerned with the manner in which various groups and organisations better secure their positions and legitimacy by conforming to the rules and norms of the institutional environment (Meyer & Rowan, 1991; Scott, 2007; Bruton et al., 2010).

The term "institution" broadly refers to the formal rule sets (North, 1990). These are derived from the rules such as regulatory structures, government agencies, laws, courts, professions and scripts, and other societal and cultural practices that employ conformance pressures on businesses (DiMaggio and Powell, 1983, 1991). These institutions create expectations that determine appropriate actions for organisations and also form the logic by which laws, rules, and taken-for-granted behavioural expectations appear natural and abiding (Zucker, 1977). Therefore, institutions define the parameters of appropriate action, in turn rendering other actions outside of this unacceptable or beyond consideration (DiMaggio & Powell, 1991). The regulative pillar derives most directly from studies in economics and thus represents a rational actor model of behaviour based on sanctions and conformity. Institutions guide behaviour by means of the rules of the game, monitoring, and enforcement (North, 1990). These regulative components stem primarily from governmental legislation, industrial agreements and standards. These rules provide guidelines for new entrepreneurial organisations and can lead to organisations complying

with laws and also individual compliance with laws or may require a reaction if there is a lack of law or regulation in the entrepreneurial firm's region.

Procurement policy plays a major role in business relationships in the economy and, more specifically, preferential procurement. South Africa's task environment begins with a set of procurement policies set out by the national government. The legislative framework that is applicable to government contracting and public procurement is the Constitution of the Republic of South Africa 1996. Section 217 of the Constitution that requires that when an organ of the state contracts for goods and services, it must do so in accordance with principles of fairness, equitability, transparency, competitiveness, and cost-effectiveness which acts as the main piece of legislation that regulates public procurement (Bowmans, 2016).

The features of the South African economy after 1994 provide an insight into how challenging the transformation undertaking is in a country that has been classified as the most unequal in the world. During the period 1996-2015, the Gini coefficient for South Africa went up from 61 to 63 (World Bank, 2018). The African National Congress (ANC) administration instituted the system of Broad-Based Black Economic Empowerment (BBBEE) as a comprehensive form of employment equity and a social, economic, and political redress mechanism (Swartz et al., 2019). Although BBBEE had some noble intentions, the policy has received a great deal of criticism, and concerns have been raised that the policy is re-racializing the South African political economy as it has seen the empowerment of a select few (Freund, 2007; Southall, 2007).

The Constitution gives permission to organs of the state (such as departments of government and public entities) to implement a preferential procurement policy that advances persons that were previously disadvantaged by unfair discrimination. Section 217 (3) of the Constitution provides for legislation that will prescribe a framework within which the policy must be implemented to be enacted. In line with section 217(3) of the Constitution, the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and the regulations published under it in 2011 (PPPFA Regulations) prescribe requirements regarding black economic empowerment (BEE) considerations for state tenders. Within local government, the Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act 56 of 2003 (MFMA) regulate, among others, the manner in which municipal powers and functions are exercised and performed and the management of the

financial affairs of municipalities and other institutions in the local sphere of government. These require that the entities to which they apply follow the PPPFA (Bowmans, 2016). Table 2 shows a summary of the legislation that impacts SMEs operating in South Africa.

<b>Name of regulatory requirement</b>
Direct tax included personal income tax and company tax
Indirect taxing, including VAT, excise, and customs duties
Employer tax and levy
Basic Conditions of the Employment Act of 1997
Labour Relations Act of 1995
Collective bargaining and bargaining councils
Skills Development Act and levy
Employment Equity Act of 1998
B-BBEE Act of 2003
Compensation for occupational injuries and diseases
Access to and protection of information legislation, including PAIA and POPI
Patents Act of 1978
Occupational Health and Safety Act of 1993
Transfer Duty
Financial Intelligence Centre Act of 2001
Consumer Protection Act of 2008
Business registration
Designs Act of 1993
Trademarks Act of 1993
Stamp Duty
Copyright Act of 1978
Supply chain management regulations
Spatial planning policies
Property rates and taxes

*Table 2 Summary of legislation that impacts SMEs (The Centre for Development and Enterprise, 2022)*

Table 2 shows all of the various legislation that the average registered SME would have to undergo in order to do business. As can be seen, there is a great deal of bureaucratic red tape that a new business needs to adhere to. This is not to mention the associated cost of complying with all of these requirements. Therefore, it is relevant to evaluate whether having so much legislation for a small business is an enabling factor for entrepreneurial activity and innovation activity or whether all of this legislation may, in fact, have an adverse effect and be a barrier standing in the way of innovating and carrying out entrepreneurial activities. An example of this burden in application to the energy sector is outlined below in Figure 1. Figure 1 illustrates the policy and regulatory framework that is followed by a new entrant into the Renewable Energy Independent Producer Programme (REIPPP). This is a programme aimed at entrepreneurs who wish to establish IPPs to produce and supply electricity.

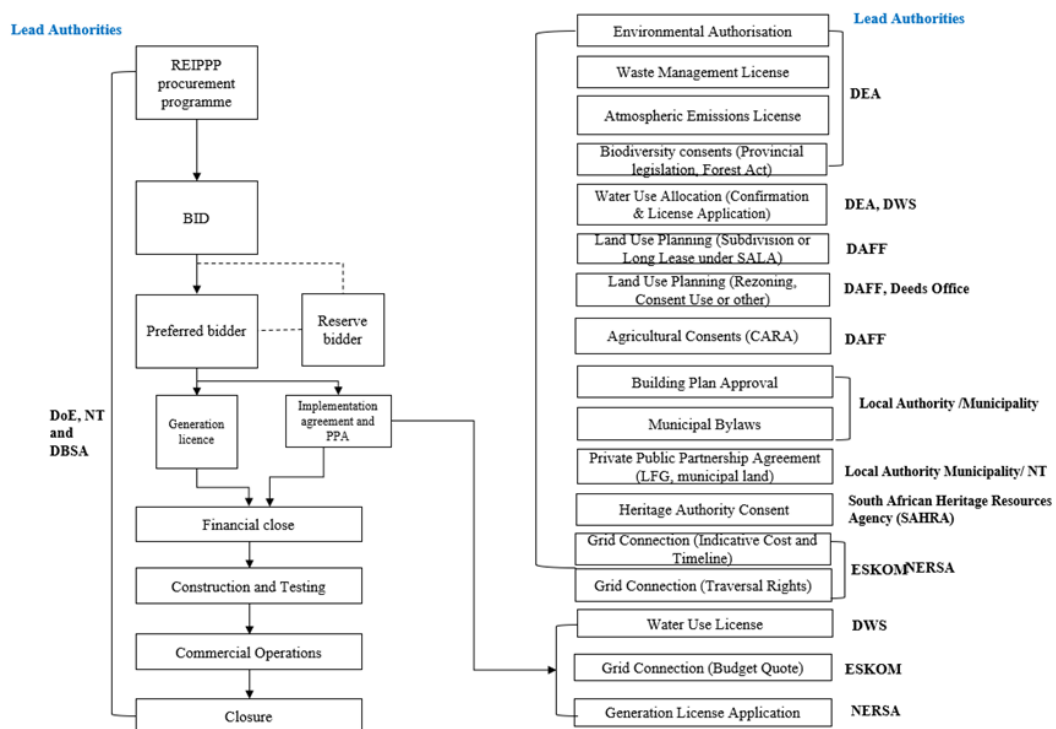


Figure 2 Policy environment for REIPPP (State of Renewable Energy in South Africa, 2018)

Figure 2 illustrates the policy and regulatory framework that is followed by a new entrant into the Renewable Energy Independent Power Producer Programme (REIPPP) and outlines all the legislation that the business would be liable to adhere to and the various

entities that they need to engage with in order to set up and bid for tender in the REIPPP. The introduction of independent power producers (IPPs) has contributed to the transformation in the electricity generation sector from one single public utility to multiple generators. The public sector also plays a dominant role in this transformation in the REIPPP. REIPPP contracts require IPPs to contribute to socio-economic development within their immediate local community. During the last major bidding window in 2015, the REIPPP attracted ZAR 53.2 billion in foreign Renewable Energy Independent Power direct investment and financing across all bid windows (State of Renewable Energy Report in South Africa, 2015).

Figure 2 provides an illustration of the kind of lengthy and stringent regulatory process that is followed by entrepreneurs wishing to participate in the REIPPP. Although this is relative to the energy sector, this also shows that establishing a business in South Africa's regulatory environment is riddled with long processes that slow down entrepreneurial and innovation activity. The following section will discuss the normative and cultural-cognitive frameworks that affect SMEs and entrepreneurship in South Africa.

#### *2.5.2 The Normative and Cultural-cognitive frameworks affecting SMEs and entrepreneurs in South Africa's Green Economy*

Busenitz et al. (2000) defines the normative dimension of the institutional environment as the degree to which a country's residents admire entrepreneurial activity and value creative and innovative thinking. The normative dimension of the institutional environment refers to the norms of behaviour to which individuals must obey and which suggest what is valued in a given society (Bruton et al. 2010). Nguyen et al. (2009) stated that the normative environment determines whether entrepreneurial activities are admired and supported. Research has suggested that societies create norms, consciously or unconsciously, which may both promote and dampen business dealings (Theodorakopoulos & Jones, 2007; Minniti, 2008). One notable piece of research is Baumol et al. (1996) who compiled several case studies of how the normative dimension of the institutional environment influences the allocation of entrepreneurial effort to productive and unproductive directions and this ultimately has an impact on the growth of the economy. On the other hand, Bowen & De Clercq (2008) provide evidence that in some countries, society does not always have a positive view of entrepreneurship which may

impact new business activities in a negative way. One important indicator of the normative dimension of entrepreneurship is the degree to which society values private business as a means for creating wealth in a society.

In countries with economies with little economic and market freedom, entrepreneurship is likely to be discouraged or pushed into the informal sector (Sambharya & Musteen, 2014).. In underdeveloped economies that are less open to market forces, the monopoly power of state-owned enterprises is likely to distort competitive forces and make entry by entrepreneurs to pursue opportunities that have the potential to cause a disruption to the status quo (Sambharya & Musteen, 2014). Additionally, the acceptance of entrepreneurial failure may be lower in economies with governments that are highly involved in economic activities. Ireland et al. (2008) put it forward that, the mixed attitudes about entrepreneurship are still noticeable in transition economies where most of productive property was owned by state governments. Haung (2009) also contributed to this discussion by providing evidence that the degree to which government takes an active role in a given economy alters economic development and has a dampening effect on entrepreneurship. Sambharya and Musteen (2014), state that the normative environment supporting market freedom, including investing freely in market enterprises, may also be an important aspect for entrepreneurship which often demands higher levels of financial capital. On the other hand, institutional environments where the government is expected to interfere may be more conducive to environments where entrepreneurship is driven by necessity in which businesses require smaller amounts of risk capital.

The cultural-cognitive institutional environment relates to the subjectively held values and beliefs that limit behaviour and tend to operate on the level of culture and language (Bruton et al. 2010). Hofstede (1980) defines culture as a collective programming of mind, and this definition has been typically viewed as a major component of the cognitive institutional environment as it influences the way that entrepreneurs are viewed and affects personal attitudes toward risk taking, independent thinking, and taking initiative (Hayton et al. 2002). While some cultures recognise and reward entrepreneurial behaviour, other cultures actually constrain it by viewing it as a violation of the status quo. South Africa's apartheid past blocked access for its black population to perform any economic activity that may be deemed to be empowering or elevated their station. This means that black entrepreneurs who had a meaningful participation in the economy were rare to none. Although, the system of apartheid may be long gone, its impact on the

economic participation of black people is not forgotten, which begs the question of whether the current system indeed values it's people's ability to be entrepreneurs. There is a vast body of research that has shown that national culture has a significant impact on entrepreneurial behaviours (Kreiser et al. 2010; Stephan and Uhlaner 2010; Wennberg et al. 2013; Carree et al. 2007) including backing new ideas (Shane, 1994) and proactiveness (Kreiser et al. 2010), and also it affects personal traits of individuals that are deemed as important to entrepreneurship. Those include locus of control and risk-taking propensity among others (Thomas & Mueller, 2000).

## ***2.6 Classifying SMEs within the Context of South Africa's Green Economy***

The green economy in South Africa is to a large extent driven by social entrepreneurs. For this reason, it is necessary to make the distinction between commercial and social entrepreneurship. The Small Business Act defines an SME in terms of pre-determined set thresholds by the number of employees, turnover and assets, with the following resource limits: 200 employees, ZAR26 million in turnover and ZAR5 million in fixed assets (DTI, 2013; Urban, 2016). However, a significant portion of SMEs within the green economy would be located on the lower end of this spectrum and could even be deemed to be micro enterprises. Making a distinction between commercial and social entrepreneurship is vital to form a basis of the differentiating features that set SMEs apart. Social entrepreneurship refers to innovative activity with a social objective (Austin, et al., 2006) in either the for-profit sector i.e. that occurs in social-purpose commercial ventures (Dees & Anderson, 2003). Social entrepreneurship can be defined as innovative, social value creating activity that can occur within or across non-profit, government or business sectors (Austin et al., 2006).

Fundamentally, the social mission is the purpose of social entrepreneurship as opposed to commercial entrepreneurship that focuses on private gain (Austin et al., 2006). Social entrepreneurship can result in transformative social impacts (this is not to say that commercial entrepreneurs do not share the same motivation). Moreover, the element of performance measurement is also a key distinguishing factor as the social purpose of the social enterprise creates greater challenges for measuring performance than that of the commercial entrepreneur who is able to measure tangible and quantifiable outcomes such as financial indicators and the like (Austin, 2006). Social entrepreneurs are faced with the

difficulties associated with measuring social change as an outcome as there are many other dimensions that one must consider before a judgement can be made, bearing in mind that affecting change is a slow process. In essence, SMEs in South Africa's green economy fall into either sphere. Further classification could be viewing entrepreneurs as opportunity-driven or necessity-driven (Sambharya & Musteen, 2014).

This section has described the overarching context and background of the study, indicating the institutional setup of South Africa and how it affects the various green economy sectors of energy, water and sanitation, waste and recycling, and agriculture. The chapter to follow gives an overview of the literature that forms the foundation of this study.

### **3.0 Literature Review**

The following literature review will explore the research context of SME entrepreneurship in a transitional/ developmental country context. In developing country contexts, the environment tends to be one of uncertainty as both formal and informal rules have profoundly changed because of transitions in governmental, market and social systems. Speaking of the impacts of such changes on SME innovation, the institution-based literature has explicitly applied institutional theory with the main focus on legal and political elements of institutions (Lu, Tsang & Peng, 2012; Minh & HjortsΦ, 2015). Authors have listed examples of this, describing factors such as inadequate laws and regulations, high tax burden, limited support systems, lack of access to financing and the institutional environment in a region playing a multifaceted role in firms' knowledge management and innovation strategy, even influencing firms' choice of networking practices (Lu, Tsang and Peng, 2008; Zeng Xie & Tam, 2010; Zhu, Wittman & Peng 2012; Minh & HjortsΦ, 2015). Entrepreneurship literature spans over a vast array of concepts and challenges that entrepreneurs encounter. Narrowing the scope of literature to focus on the factors that are directly related to the institutional environment is quite an undertaking, however, the task has been performed to include the most relevant literature pertaining to this subject area. As this is an inductive study, it does not include prior hypotheses as a starting point following a review of existent literature (Lingelbach, 2015). Instead, the aims of the study are to generate propositions that can be tested in future studies. In order to orient the data collection and analysis from which propositions will emerge, the study begins with exploring relevant literature on the constructs of institutions, entrepreneurial



orientation, managerial discretion, innovation and entrepreneurial activities. Lumpkin and Dess (1996) pointed out that the external environment affects firm performance and growth regardless of the strategic orientation of firm resources. Several authors have conducted research on barriers to small firm growth across different countries in transition (Aidis and Estrin, 2006; Aidis, 2002; Hallberg, 2000; Barlett & Bukvič, 2001; Hashi, 2001; Hoshi et al., 2003; Pissarides et al., 2003; Smallbone, 2002). Their findings suggest that barriers to entry, time-consuming regulatory requirements, incomplete legal frameworks, the tax structure that twists incentives and discriminates against small businesses, and finance are the main obstacles to SME growth in transition countries (Krasniqi, 2007).

There is a growing stream of literature that sees the role of the institutional environment as both a barrier and an opportunity for entrepreneurship (Stenholm et al., 2013; Tracey & Phillips, 2011; Sambharya & Musteen, 2014). As such, drawing on institutional theory to inform the literature of this study is a key component of this study. The main principle of institutional theory is that the behaviour of individuals, as well as organisations, are embedded in and influenced by a broader environment, which is made up of other organisations and governed by rules and norms. These are imposed either openly by the government and the rule of law or indirectly through often-subconscious compliance with culturally embedded norms of behaviour (North, 1990). The institutional forces influencing both individual and organisational behaviour have been described as being consistent with three main categories- regulatory, normative and culturally-cognitive (Scott, 2007). Noting this, the application of these dimensions into entrepreneurship will be the foundation of this literature review as well as a deeper exploration into entrepreneurship itself.

In the competitive environment of the ever-increasingly global economy, innovation and proactiveness are vehicles for firm survival and, ultimately, firm success (Covin & Slevin, 1991; Porter, 1990). The working definition of entrepreneurship is provided by Professor Howard Stevenson from the Harvard Business School, and he defines this concept as “*the pursuit of opportunity beyond resources controlled*” (Harvard Business Review, 2013; Eisenmann, 2013). Entrepreneurship has also been referred to as the pursuit of creative or novel solutions to challenges confronting the firm, including the development or enhancement of products and services, as well as new administrative methods and technologies for performing company functions (Knight, 1997).

Entrepreneurial orientation is a fundamental strategic posture that plays a contributory role to strategic innovation under changing conditions in the firm's external environment and is applicable to any firm irrespective of its size and type. Scholars note that entrepreneurial activity is important because it stimulates greater performance and may be the fundamental element in the procurement of advantages relative to competitors (Knight, 1997).

The section to follow focuses on the constructs of entrepreneurial orientation, managerial discretion, entrepreneurial activity and innovation activity at individual, firm and country levels in relation to the institutional environment as an independent variable. The rationale for these choices is that they form an integral part of firm survival, sustainability, growth and ultimately, performance. Entrepreneurial orientation has been selected for analysing as a construct because it is one of the strategic postures that have been accredited in the literature as giving a better firm performance to firms that apply it than those that do not (Covin & Slevin, 1990). Managerial discretion has also been linked to firm performance as it relates to the external environment interaction (Carpenter & Golden, 1997). Entrepreneurial activity and innovation activity are also relevant to examine as they are the outputs that emerge through the interaction of entrepreneurial orientation and managerial discretion within the constraints of the wider institutional environment. The articles included in this review are from highly rated journals and are widely cited in literature within their respective fields. Table 3 presents an overview of the overarching theories to be considered in this study and the associated themes and ideas that stem from these constructs. Meaning and interpretation of these theories are subject to the ideological perspective of the researcher and likewise to the implications of these theories and constructs.

### ***3.1 Defining Institutions***

Institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life. In this conception, institutions are multifaceted, durable social structures made up of symbolic elements, social activities, and material resources. Institutions exhibit properties such as that they are relatively resistant to change (Jepperson, 1991). As stated by Gibbens (1984), institutions are by definition the more enduring features of social life, giving 'solidity' and structure to social systems across time and space. They can be

transmitted across generations, maintained and reproduced (Zucker, 1977). Institutions also undergo change over time. Institutions exhibit stabilising and meaning-making properties because of the processes set in motion by regulative, normative, and cultural-cognitive elements. These elements are the central building blocks of institutional structures, providing the elastic fibres that guide behaviour and resist change (Scott, 2014).

### ***3.2 Defining Entrepreneurial Orientation and Managerial Discretion in Entrepreneurial Ventures***

***Entrepreneurial Orientation.*** EO refers to the strategy-development processes that provide organisations with a basis for entrepreneurial decisions and actions (e.g., Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003). EO represents the policies and practices that provide a basis for entrepreneurial decisions and actions. Thus, EO may be viewed as the entrepreneurial strategy-development processes that key decision makers use to enact their firm's organisational purpose, sustain its vision, and create competitive advantage(s) (Rauch et. al, 2009). Many successful firms point their success to an EO, an approach to decision-making that draws on entrepreneurial skills and capabilities. An EO keeps firms alert by exposing them to new technologies, making them aware of marketplace trends, and helping them evaluate new possibilities, an EO helps companies identify opportunities and launch new ventures. As a result, literature has stated that firms that exhibit a strong EO generally have a higher performance (Wiklund, Lumpkin, & Frese, in press, Lumpkin et al., 2009). However, the application of this to the South African environment needs careful assessment. The first construct of the study is that of entrepreneurial orientation (EO). The directionality of the relationship that exists between EO and managerial discretion (MD) is one that has been debated by many academics.

The volatile and complex environments that entrepreneurs operate within require them to devise strategies to respond to the challenges they are presented with. Different environments have different complexities that need the most appropriate and precise responses in order to overcome threats while also taking advantage of the potential opportunities. Entrepreneurship was often regarded to be within the scope of influence of individuals only because it is frequently associated with the introduction of a revolutionary invention (Kilby, 1971). It is also considered by some theorists to apply primarily to the domain of small businesses because they are said to be responsible for most of the

economic growth and new job creation by means of entry into untapped markets (Birch, 1979; Eshima and Anderson).

Entrepreneurial orientation (EO) is the joint exhibition of innovative and proactive entrepreneurial behaviours and a managerial willingness to pursue opportunities with uncertain outcomes (Anderson et al., 2015). A popular concept in strategic entrepreneurship research is that EO is important because consistent findings show that entrepreneurial firms grow faster (Eshima & Anderson, 2017, p770–779). EO refers to the strategy-making processes that provide organisations with a basis for entrepreneurial decisions and actions (e.g., Lumpkin & Dess, 1996; Wiklund & Shepherd, 2003). EO represents the policies and practices that provide a basis for entrepreneurial decisions and actions. Thus, EO may be viewed as the entrepreneurial strategy-making processes that key decision makers use to enact their firm's organisational purpose, sustain its vision, and create competitive advantage(s) (Rauch et. al, 2009). Due to the various labels attached to the phenomenon it does not come as a surprise that researchers have yet to settle upon a widely accepted definition of EO. Table 3 presents a sampling of EO definitions (as well as definitions of the constructs) that have surfaced from previous literature.

<b>Authors</b>	<b>Definition of EO</b>
Mintzberg (1973)	"In the entrepreneurial mode, strategy-making is dominated by the active search for new opportunities" as well as "dramatic leaps forward in the face of uncertainty"
Khandwalla (1976/1977)	"The entrepreneurial [management] style is characterised by bold, risky, aggressive decision-making"
Miller and Friesen (1982)	"The entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies"
Miller (1983)	"An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch"
Morris and Paul (1987)	"An entrepreneurial firm is one with decision-making norms that emphasise proactive, innovative strategies that contain an element of risk"
Covin and Slevin (1998)	"Entrepreneurial firms are those in which top managers have entrepreneurial management styles, as evidenced by the firms' strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative and passive or reactive"
Merz and Sauber (1995)	"...entrepreneurial orientation is defined as the firm's degree of proactiveness (aggressiveness) in its chosen product-market unit (PMU) and its willingness to innovate and create new offerings"
Lumpkin and Dess (1996)	"EO refers to the processes, practices and decision-making activities that lead to new entry" as characterised by one, or more of the following dimensions: a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities"
Zahra and Neubaum (1998)	EO is "the sum of a firm's radical innovation, proactive strategic action, and risk-taking activities that are manifested in support of projects with uncertain outcomes"
Voss, Voss, and Moorman (2005)	"...we define EO as a firm-level disposition to engage in behaviours [reflecting risk-taking, innovativeness, proactiveness, autonomy and competitive aggressiveness] that lead to change in the organisation or marketplace"

*Table 3 Sampling of EO definitions (Covin and Wales, 2012)*

### 3.2.1 *The Dimensions of Entrepreneurial Orientation*

Literature has confirmed that entrepreneurial orientation has a direct positive impact on managerial discretion. Prior researchers have suggested that there is a set of organisational processes from which strategic decisions develop (Hart, 1992) at the individual level of the entrepreneur, who in turn forms strategies at firm level in accordance with the level of managerial discretion necessary. These take the form of patterns or modes that can be characterised and identified across organisations (Hart, 1992). The dimensions of a firm's strategy-making process may be viewed as encompassing the entire range of organisational activities that involve planning, decision-making and strategic management (Lumpkin & Dess, 1996).

The importance of entrepreneurship to the strategic management of firms has been widely acknowledged in strategy and marketing literature (e.g. Andrews, 1971; Chandler, 1962; Schendel & Hofer, 1979). Miles and Snow (1978) viewed the entrepreneurial problem as a fundamental issue that is faced by all firms, the solution to which defines an organisation's domain, its product-market relationships and its resource commitments. Previous research and theory have identified that an EO is a key ingredient for organisational success (Lumpkin & Dess, 1996). The following section will introduce the five dimensions of EO and their application to entrepreneurial activities. The dimensions of EO can be derived from a review and integration of the strategy and entrepreneurship literature (e.g., Covin & Slevin, 1991; Miller, 1983; Miller & Friesen, 1978; Venkatraman, 1989a). Based on Miller's conceptualisation, three dimensions of EO have been identified and used consistently in the literature: innovativeness, risk-taking and proactiveness. Lumpkin and Dess (1996) suggest an alternative way of viewing the EO construct. In brief, they propose that there are five dimensions of entrepreneurial orientation (EO) and these dimensions should be explored independently (as separate variables) rather than summed into a single construct as is the Miller/Covin and Slevin (1989) construct.

***Autonomy.*** In their 1996 paper, Lumpkin and Dess introduced the concept of EO, defined as the "strategy-making processes and styles of firms that engage in entrepreneurial activities". The authors describe the dimension of autonomy as the independent action by an individual or team that is aimed at bringing forth a business concept or vision and

carrying it through to completion. In general terms, it means the ability and will to be self-directed in the pursuit of opportunities. Within an organisational context, it refers to action taken free of suffocating organisational constraints. Thus, even though factors such as resource availability, actions by competitive rivals or internal organisational considerations may change the course of new venture initiatives, these are not enough to expel the autonomous entrepreneurial processes that lead to new entry, i.e. throughout the process, the organisational actor remains reasonably able to act independently, to make decisions and to proceed as they see fit (Lumpkin & Dess, 1996; Cacciolatti & Lee, 2016).

***Innovativeness.*** The dimension of innovativeness refers to a willingness to support creativity and experimentation in introducing new products or services and the novelty, technological leadership and R&D in developing new processes. Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes. Schumpeter (1934, 1942) was among the first scholars to place a high emphasis on the role of innovation in the entrepreneurial process. Schumpeter (1942) outlined an economic process of “creative destruction,” by which wealth was created when existing market structures were disrupted by the introduction of new goods or services that shifted resources away from existing firms and caused new firms to grow. The key to this cycle of activity was entrepreneurship: the competitive entry of innovative “new combinations” that propelled the dynamic evolution of the economy (Schumpeter, 1934). Therefore, “innovativeness” became an important factor used to characterise entrepreneurship (Lumpkin & Dess, 1996). Innovativeness reflects a firm’s tendency to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services or technological processes. Although innovations can vary in their degree of “radicalness” (Hage, 1980), innovativeness represents a basic willingness to depart from existing technologies or practices and venture beyond the current state of the art (Kimberly & Evanisko, 1981). There are many methods by which to classify innovations, but the most helpful distinction is between product-market innovation and technological innovation (Lumpkin & Dess, 1996).

***Risk-taking.*** Risk-taking refers to a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes and/ or borrowing heavily and committing significant resources to

ventures in uncertain environments (Rauch et al., 2009). Cantillon (1734) was the first to make the argument that the principal factor that separated entrepreneurs from hired employees was the uncertainty of the riskiness of self-employment. Therefore, the concept of risk-taking is a quality that is frequently used to describe entrepreneurship. Risk has various meanings, depending on the context in which it is applied. In the context of strategy, Baird and Thomas (1985) identified three types of strategic risk, and these were: “venturing into the unknown”, “committing a relatively large portion of assets”, and “borrowing heavily”. These definitions convey a sense of uncertainty and may generally apply to some types of risk often discussed in the entrepreneurship literature, such as personal risk, social risk or psychological risk (Gasse, 1982).

***Proactiveness.*** The dimension of proactiveness is an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment (Cacciolatti & Lee, 2016). Proactiveness refers to processes aimed at anticipating and acting on future needs by seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of the competition, and strategically eliminating operations which are in the mature or declining stages of the life cycle. Thus, a proactive firm is a leader rather than a follower because he/she has the will and foresight to seize new opportunities even if he/she is not always the first to do so (Lumpkin & Dess, 1996).

***Competitive aggressiveness.*** The competitive aggressiveness dimension reflects the intensity of a firm’s efforts to outperform industry rivals, characterised by a combative posture and a forceful response to competitor’s actions (Lumpkin & Dess, 1996; Cacciolatti & Lee, 2016). Stinchcombe (1965) suggested that young firms are particularly vulnerable to the “liability of newness” and, therefore, must take steps to establish legitimacy and power relative to suppliers, customers, and other competitors. Because new ventures are much more likely to fail than established businesses, many scholars have argued that an aggressive stance and intense competition are critical to the survival and success of new entrants (Lumpkin & Dess, 1996).

Although these are the dimensions of EO, it is vital to note that they do not necessarily have to be expressed altogether in the same proportion so that various



combinations of the different dimensions create a unique EO mix that is typical to a single individual. Hence, different mixes of EO affect entrepreneurial behaviour in different ways. For example, one firm may be focused on aggressively pursuing first-mover advantages and new product innovation while another is focused on proactively entering markets early in the product life cycle. Therefore, small business owners can also possess' different mixes of EO, and this affects the way they run their firms, the long-term aims and objectives for their business, the tactical choices related to the allocation of resources and the overall ethos followed in their business activity (Cacciolatti & Lee, 2016). This is especially notable as this is a study focused on a developing country context.

### *3.2.2 The Measurement of Entrepreneurial Orientation*

The predominant method of measuring EO is the use of the Miller/Covin and Slevin (1989) instrument. Indeed, research suggests that the vast majority of prior studies on EO have employed this conceptualisation. The scale developed by Miller/Covin and Slevin (1989) has been subject to careful scrutiny in several empirical investigations (e.g., Knight, 1997; Kreiser, Marino, & Weaver, 2002), but little progress has been made in the development of new approaches to EO's assessment since Lyon, Lumpkin and Dess (2000) issued this challenge to researchers. In general, measurement concerns have not yet broadly captured the interest of EO researchers, perhaps because studies employing the Miller/Covin and Slevin (1989) scale and its variations have repeatedly yielded findings that are said to be of theoretical interest (Covin & Wales, 2012).

Under the Miller/Covin and Slevin conceptualisation of EO, a firm is entrepreneurial because it engages in a coexisting display of innovative, proactive and risk-taking strategic behaviours; that is, a firm that possesses a high level of EO is expected to exhibit similarly high levels of innovativeness, proactiveness and willingness to take risks. Notably, EO links to a variety of key performance outcomes, including sales growth (Covin et al., 2006) and non-financial performance measures (Marino et al., 2002). Anderson and Eshima (2013) presented the argument that firms with intangible resource advantage relative to their industry peers should also witness a strengthening relationship between EO and firm growth (Anderson & Eshima, 2013). Because EO is generally constructed as a resource-consuming strategic posture (Covin & Slevin, 1991), the availability or limitation of strategically valuable resources influences the extent to which firms are able

to capture value from the engagement in innovative, proactive and risk-taking strategic behaviours. Correspondingly, value capture from the engagement in entrepreneurial behaviours is also reliant on the organising context within the firm; internal structures, processes and routines may encourage or discourage growth outcomes (Covin & Slevin, 1991; Anderson & Eshima, 2013).

Linton and Kask (2017) state that several studies indicate that the direct linear relationship between EO and firm performance is an “oversimplification” that can be questioned (Andersén, 2010; Wiklund & Shepherd, 2005). As an example, they reference Patel, Kohtamäki, Parida, and Wincent (2015), who conclude that EO, rather than increasing performance, increases changeability in performances, insisting on more EO enhancing the odds of both big wins and big losses, thereby challenging linearity of EO to firm performance (Wiklund & Shepherd, 2011; Linton & Kask, 2017). Gupta and Batra (2016) state that as knowledge regarding EO has indeed expanded, researchers have drawn attention to the direction and strength of EO performance relationship in emerging economies as the institutional contexts in emerging economies question critical assumptions which originated in the developed economy of the United States (Bruton et al., 2008; Gupta and Batra, 2016, p660–682). The appropriateness of the use of the instrument to measure EO levels in the developing country context of South Africa will be explored and commentary will be provided as to the outcome of these tests.

### 3.2.3 The Role of Social Network Embeddedness of Entrepreneurs in Determining Entrepreneurial Outcomes

Small business strategy scholars agree that top managers are one of the most important human resource assets in driving SME success. This is due to SMEs being highly reliant on top managers, who are often the owners, for making and implementing most of the important firm decisions (Lubatkin et al., 2006; Lu et al., Eijdenberg et al., 2015). Literature raises the suggestion that managers offer two types of resources, namely, human capital as indicated by their experience, and social capital as indicated by their external ties (Granovetter, 1985; Li & Zhang, 2007; Augier & Teece, 2009; Chung & Kuo, 2018). Zhang et al., (2012) assert that managers in small firms invest considerable amounts of time, money and other resources to develop and maintain ties with managers of other firms.

Managerial ties have been emphasised to be especially common in developing economies because of the weak institutions, thus managers are forced to rely heavily on their ties and interactions with managers of other firms (Peng & Lou, 2000; Boso et al., 2013; Chung & Kuo, 2018). Such ties, defined as a manager's social relations and networks with managers in other business entities and ties to leaders in governmental, non-governmental and key industry stakeholders (Peng & Luo, 2000), allow SME managers to learn from the experience of others and be provided with opportunities to identify and capture business opportunities and therefore improve performance (Augier & Teece, 2009). As SME managers play an important role in identifying and capturing strategic opportunities, coordinating the necessary resources, and initiating new business models (Steenkamp & Kashyap, 2010), it is sensible to expect SMEs with managers/ entrepreneurs with strong managerial ties to more successfully manage their business and record better performance. This view has been largely thought to provide human resources such as trust, friendship, reputation, experience, intelligence, relationships and insights of individual managers and employees in a firm which are a necessity for performance as they are more difficult to imitate than capital-based resources (Barney, 1991, 1995). It has therefore been posited that managerial ties are an inimitable socially complex firm resource that provides firms access to industry information held by competing firms (Li et al., 2014), to the point that stronger ties between managers (perhaps across various firms), may grant firms access to industry information, subsequently strengthening a firm's performance (Zulu-Chisanga, 2021). Moreover, if a firm is highly endowed with resources, it should be more effective in turning collaboration and managerial ties to expand its business and improve financial performance. Thus, a firm's resources and capabilities are important enablers of a firm's performance (Zulu-Chisanga, 2021).

#### *3.2.4 The Relationship Between Managerial Discretion, Innovation and Entrepreneurial Activity*

***Managerial Discretion.*** Entrepreneurial orientation affects managerial discretion within firms. Business owners are overwhelmed with various challenges within the environment in which they operate their firms and must make use of their discretion to form strategies to overcome these challenges. Managerial discretion refers to the freedom to decide what should be done in a particular situation (Finkelstein & Hambrick, 1990).

This translates differently within different contexts. Managerial discretion in operation translates to administrative and organisation operational practices. Managerial discretion is divided into four main components; entrepreneurial behaviour, entrepreneurial learning, entrepreneurial discretion and entrepreneurial intention. Locus of control is one of the managerial characteristics that has been used to assess discretion. Locus of control has shown an indirect relationship to the environment and structure; at times, the environment places constraints that push a personality in the external direction, which leads to a lower degree of discretion. However, the point has been made that locus of control is a stable characteristic which does not change over time (Miller et al.,1982). The seminal definition of managerial discretion provided by Williamson (1963) is managerial objectives and motives that impact firm outcomes. Affirming that the personal and group goals of executives ultimately impact the advancement of the organisation. He states that one of the key managerial objectives is profits and emphasises the role of profits as a motive, maintaining that “profits are a source of discretion” (Williamson, 1963, p.1035) with the study investigating the effects of discretion on compensating the top executive and findings indicating that the motive for compensation widens the opportunities for managerial discretion. Contextualising this study as investigating the South African entrepreneurship and green economy landscape. It is necessary to make a distinction between profits and environmental and social impact as objectives for managerial discretion. Considering what objectives are important and motives for managerial action is a central part of this study. Furthermore, Williamson’s (1963) study also investigated the role of board composition, and the findings showed evidence that the composition of the board reflects management’s attitude toward discretionary resource allocations, and a voluntary change in composition reflects a change in managerial interests (Williamson, 1963).

Hambrick and Finkelstein (1987) further built on this, introducing the concept of latitude of action. They stated that before strategic actions can be taken, managers have to first make the determination of which organisational issues are within their domain or discretionary set and which issues are beyond their latitude of action. They theorised that managerial discretion refers to executives’ ability to affect important organisational outcomes as a function of the task environment, the internal organisation and managerial characteristics. Carpenter and Golden (1997) made a distinction between managerial discretion and perceived managerial discretion. Highlighting the work of various authors (Child, 1972; Finkelstein & Hambrick, 1996; Hambrick & Finkelstein, 1987; Pfeffer &

Salancik, 1978; Thompson, 1967) who investigated how some circumstances provide managers greater discretion than others. This is where the notion of high vs low discretion stems from, examining what kinds of situations could be classified as high discretion or low discretion.

An example was produced by Finkelstein and Hambrick (1990), who reported that managerial discretion moderates the relationship between executive characteristics and both strategy and performance (Finkelstein & Hambrick, 1990). In their study on perceived managerial discretion that examines the cause and effect, Carpenter and Golden (1997) observe the interaction between locus of control and perceived managerial discretion by adopting a ‘personality- situation interactionism’ perspective (Weiss & Adler, 1984). They state that the key to this perspective is the recognition that situations vary in their relative ‘strength’ (Mischel, 1977). Strong situations are those which result in relatively common interpretations of an issue and bring about a common understanding regarding appropriate responses. That is that strong situations have ‘widely accepted rules of conduct which constrain and direct behaviour’ (Weiss and Adler, 1984:20). On the other hand, in contrast to this is that weak situations allow various interpretations and responses to similar kinds of issues. Focusing on the personality characteristic of locus of control presented by Rotter (1966), which he states reflect individuals’ generalised perceptions of the degree to which they control, or are controlled by, their environment. Carpenter and Golden (1997) suggest that one’s locus of control may affect the extent to which managers perceive themselves to have discretion in a variety of situations. According to these authors, they focus on locus of control because it is theoretically relevant to discussions of perceived discretion.

Building on the notion brought forward by Hambrick and Finkelstein that CEOs could be classified as having an internal or external locus of control. Internals are said to be socialised and selected according to their beliefs in intentionality. They stated that CEOs with an internal locus of control have greater discretionary sets because they will translate their perceived control into purposive involvement in many areas and the generation of multiple courses of action (Hambrick & Finkelstein, 1987). Boone and DeBrabander (1993) stated in their review of literature on CEO characteristics that firms led by internal CEOs tend to perform better than those managed by external CEOs. According to Carpenter and Golden (1997), it is important to bear in mind that much research has indicated that locus of control is a stable, individual difference which has been shown not to vary across situations (Kinicki & Vecchio, 1994; Miller & Rose, 1982; Mitchell,

Smyser, & Weed, 1975; Pederson et al., 1989; Phares, 1968; Rotter, 1966; Spector, 1982). Locus of control is context-independent and not related to organisational or other situational variables (Boone & DeBrabander, 1993). Therefore, internals tend to remain internals throughout their lives, and externals remain externals despite the manager's experiences or situation (Anderson, 1977; Andrisani & Nestel, 1976). In contrast, managerial discretion is situation-specific and highly variable (Hambrick & Finkelstein, 1987; Hambrick et al., 1993); certain situations provide much discretion, whereas others provide relatively little (Hambrick & Abrahamson, 1995).

For this study, the view of locus of control developed by Finkelstien and Hambrick (1987) view will be adopted. Within this view, rather than looking at CEOs or managers, this study will look at start-up founders, entrepreneurs and small business owners as either having an internal locus of control or an external locus of control, providing differing levels of perceived discretion for situations that would be characterised as high discretion or low discretion. Bearing in mind the seminal definition of managerial discretion, which states that profit is an objective of the business manager because business managers are paid more to make choices that achieve the objectives. However, whether this is true for SME owners in the green economy and what the context is for South Africa is still to be determined. Factoring in how these three relationships interact will be the purpose of exploring the construct of managerial discretion in this study.

The following section explores connected themes within the study. As this is a study primarily focused on entrepreneurship, there are other key elements to consider in order to determine how these might materialise in an SME setting. These elements are entrepreneurial leadership and entrepreneurial intention/ motivation. Coupled with these, looking at the kind of survival strategies that might be employed by entrepreneurs in order to navigate complex environments will also be discussed; these are involvements in strategic networks in order to adapt to the environment and trust building.

***Entrepreneurial Activity.*** According to Sambharya and Musteen (2014), most entrepreneurship research has focused on opportunity-driven entrepreneurship, which often leads to high potential and high growth ventures responsible for most job creation, innovation, and wealth creation in general (Block & Wagner, 2007). Less of a focus has been placed on necessity-driven entrepreneurial activities, particularly in the context of developing and emerging countries with sizeable informal economies (Khanin et al., 2012).

Both types of entrepreneurial activities are vital and share some common qualities; they are different in other aspects (Valliere & Peterson, 2009). Both of these types of entrepreneurial activities have different motivations that drive entrepreneurs to start new ventures; opportunity-driven entrepreneurship often involves more intensive creation processes, while on the other hand, necessity-driven entrepreneurship often relies on the imitation of well-known and understood business models. It has been argued that opportunity-driven entrepreneurial activities have higher levels of uncertainty and higher levels of risk and that necessity-driven entrepreneurial activities require less financial and human capital (Thurik et al., 2008) than opportunity-driven entrepreneurship (Sambharya & Musteen, 2014).

Entrepreneurial activity provides the means for extending the frontiers of corporate capabilities and keeping up with or surpassing competitors. Mintzberg (1973) views entrepreneurship from the perspective of the individual manager. The manager, as the entrepreneur, is responsible for the introduction and design of much of the controlled change in his/ her organisation. He/ she continually searches for new opportunities and problems, and he/ she initiates improvement projects to deal with these (Knight, 1997). Entrepreneurial activities that relate to the start-up, growth and exit of a firm involve numerous activities that need meticulous planning and evaluation in order to select the most appropriate responses that work with that context. Bruton et al. (2013) state that entrepreneurial actions of emerging economy firms are not uniform but instead “flow uniquely from the specific settings in which they occur.” Therefore, one needs to examine the contextual setting of the nation. Moreover, variables beyond the context of the nation also impact what happens in emerging economies. The entrepreneurial actions of firms in emerging economies are critical, yet scholars can view these actions along multiple different dimensions. The research of Hitt et al. (2011), suggests that there would appear to be two broad dimensions to entrepreneurial strategic actions. The first of these involves the micro-level processes that flow from the individual. These individual micro processes include concerns both about the individual, such as cognition (Abell, Felin, & Foss, 2008) and learning, which shape the entrepreneurial and strategic actions of the firm. Second, there are also macro-level concerns, including the gathering and structuring of resources. The micro/ macro concerns then lead to a variety of entrepreneurial activities, in turn, produce unique sets of performance outcomes in emerging economies (Bruton, Filatotchev, Si, & Wright, 2013).

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Entrepreneurship contributes to the quality and future hopes of a sector, economy or even a country (Ribeiro & Huarng, 2013). The role of the entrepreneurs is crucial in creating new economic activities that help to create value (Huarng & Yu, 2011) and generate wealth and jobs (Avlonitis & Salavou, 2007; Ribeiro & Peris-Ortiz, 2011; Yu & Huarng, 2013). In the same breath, innovation has become a key concept in the business world economy. Schumpeter (1934) associates the entrepreneur with the innovator in that the task of both is to introduce inventions to productive activity (Dibrell, Craig, & Hansen, 2011; Laforet, 2008; Mousa & Wales, 2012). Huarng (2013) also ties innovation to entrepreneurship in a new business model. Innovations by entrepreneurs tip the balance in the economy and lead to a process of creative destruction (Huarng and Ribeiro- Soriano, 2014). There is a growing academic recognition that entrepreneurship is closely linked to the institutional context in which it occurs (Bruton et al., 2010). Institutions encompass notions of culture, legal environment, tradition and history and economic incentives, which organise social interaction by constraining and enabling activities and decisions (Greenman, 2013). There is an institutional dimension to the issue of the opportunities that entrepreneurs must discover and make use of, which must be included. It is not only the economic environment that conditions the opportunities, as Shane (2012) emphasises. In addition to the economic environment, the existence of informal and formal institutional conditions (culture and legal framework) (North 1990, 2005) constitutes a background which largely explains different economic agents’ interpretation of the future, their objectives, and conduct (Sahut & Peris-Ortiz, 2014).



***Innovation activity.*** Innovation can be defined as “the process of equipping new, improved capabilities or increased utility” (Drucker, 1985; Johannessen et al.,1999; Gunday et al.,2011) or “the process of the adoption of internally or externally generated devices, systems, policies, programs, processes, products or services that are new to the adopting organisation (Damanpour, 1991). There is a tradition to refer to Schumpeter when defining innovation. Innovation can be viewed as “new combinations” and can be separated from invention when the entrepreneur brings it to the market (Asheim, 2006, p163–173; Cohen & Levinthal, 1990, p128–152; Lundvall, 2007, p95–119). Lundvall (2007) outlines the following; 1. Firms are the units that play the most vital role in the innovation system, and it bears significant importance how firms organise themselves as this affects economic performance. 2. Firms innovate in interaction with other firms, and they interact with knowledge infrastructure, including universities and technological institutes. 3. A firm’s innovative activities, style and method of innovation and learning are dependent on the national education systems, labour markets, financial markets, intellectual property rights, competition in product markets and welfare administrations. 4. The institutional setup in these areas’ shapes people, organisations and broader society. 5. Firms belonging to different sectors will be different in the way they innovate, interact with other firms, interact with the knowledge infrastructure and draw upon markets for labour, finance and intellectual property (Lundvall, 2007). He, therefore, proposes that an effective way to analyse the national system of innovation of a country would consist of the following steps; 1) Analyse what occurs inside firms in terms of innovation and competence building. 2) Analyse the interaction among firms, including cooperation, competition and networking and the manner in which firms interact with the knowledge infrastructure. 3) Explain international differences or variations within these respects with reference to the national education, labour markets, financial markets, welfare regimes and intellectual property regimes. 4. Firm organisation and network positioning may be used to describe the specialisation, competitiveness and growth performance of the innovation system (Lundvall, 2007).

The European Commission Green Paper (1995) has grouped and categorised the two major skills that are vital to innovative firms. The first is strategic skills which are associated with a long-term view along with an ability to identify, anticipate and adapt to new market trends. The second is organisational skills which involve an internal synergy of the firm and external cooperation with other relevant actors such as public research,

consultancies, customers, suppliers and so on. Innovation in SMEs relies heavily on the knowledge management capabilities of firms, especially so due to the resource scarcity faced by SME firms in general; SMEs, therefore, must create knowledge and integrate and apply this knowledge across the organisation (Johannessen et al., 1999). Criscuolo et al. (2010, p191–202) have stated that “globally engaged firms generate more of the innovations that feed into higher productivity largely because they learn more from more sources’ . Further to this, it has been stated that “innovating firms show higher productivity levels and grow faster than non-innovators. Griliches (1979) and Criscuolo et al. (2010, p191–202) have suggested that the output of new knowledge is dependent on two inputs. The first input is the investment in discovering new knowledge. This can be achieved through (among others) research and development. The second input is the flow of ideas from the existing knowledge stock, i.e. a pre-existing knowledge base upon which to innovate. Industrial Organisation literature has used the Knowledge Production Function (KPF) to interrogate how firms learn from existing knowledge either inside or outside the firm and also either via market transactions or spill-overs (Criscuolo et al., 2010, p191–202).

According to Akcigit (2017), papers that have studied in detail the production function that entails innovation-based growth models and the R&D production function have concluded that there are at least two steps in creating a practical innovation. The first is universities, public research labs and occasionally private firms that invest in theory-oriented and abstract “basic research” to produce fundamental, essential, initial stage background knowledge in the form of theories and equations. The subsequent step is for profit-seeking innovators and companies will invest in more familiar, data-oriented, or end product-oriented “applied research” to produce a practical and patentable finding (Akcigit, 2017, p1–11). Innovation activity requires both internal and external factors to work in cohesion so that innovation can take place. That is not to say that the presence or absence of certain internal or external factors will eliminate the possibility of innovation taking place, but the right combinations of both factors will make for better innovation practices within the firm, given the institutional and industry contexts that the firm finds itself subjected to. The link between entrepreneurship and innovation dominates the literature; to quote Shane (2012), the concept of entrepreneurship incorporates “the Schumpeterian (..) notion that entrepreneurs also exploit those potentially profitable opportunities by creatively recombining resources”, that is, by innovating; although innovation can be

incremental or radical (Lassen et al. 2006; Robson et al., 2009), and is carried out in a context that includes “innovation, venturing and strategic renewal” (Zotto & Gustafsson, 2008).

***Entrepreneurial Leadership.*** According to Love and Roper (2015), varying skills needs are reflected in the need for ambidextrous leadership, which moves from transformational leadership towards more focused transactional leadership as innovation projects move closer to market (Rosing et al., 2011; Love & Roper, 2015). Business leaders also have a vital role in ensuring effective employee engagement in innovation and exporting. There is suggestive evidence that effective people management and team development can play a significant part in ensuring the success of both innovation and exporting projects and so contribute to SME success (McCloud & Clarke, 2009). Furthermore, globalising markets and increasingly open models of innovation pose significant skills and people management challenges for smaller firms. Therefore, placing greater emphasis on the importance of SME innovation in the national ‘skills ecosystem’ and related legal, vocational education and industrial relations systems (Cooney, 2010). Partnering or collaborative working for innovation are methods that have been attributed to overcoming internal skills constraints (Jones & Craven, 2001). Maintaining and developing collaborative relationships also has significant skills and people management implications (Love & Roper, 2015).

***Entrepreneurial intention/ motivation.*** Krueger et al. (2000) conducted a study that compares two intentions-based models in terms of their ability to predict entrepreneurial intentions: Ajzen’s theory of planned behaviour (TBP) and Shapero’s model of entrepreneurial event (SEE). Ajzen argues that intentions, in general, depend on perceptions of personal attractiveness, social norms and feasibility. Shapero argues that entrepreneurial intentions depend on perceptions of personal desirability, feasibility and propensity to act. Further, the authors discuss self-efficacy and entrepreneurial behaviour, stating that self-efficacy is linked to initiating and persisting at behaviour under uncertainty, setting higher goals and reducing threat-rigidity and learned helplessness (Bandura, 1986). This is important because opportunity recognition depends on the situational perceptions of controllability (Dutton, 1993) and self-efficacy (Krueger &

Dickson, 1994). In as much as self-efficacy predicts opportunity recognition, self-efficacy perceptions are also pivotal to self-employment intentions (Scherer et al., 1989). Self-reported competencies are predictive of entrepreneurial performance (Chandler & Jansen, 1992). Entrepreneurship researchers, to a large extent, have ignored the concept of self-efficacy despite its importance and proven robustness in predicting both general and specific behaviours. In addition, self-efficacy has been associated with opportunity recognition and risk-taking (Krueger & Dickson, 1994).

***Entrepreneurs' adaptation to the environment.*** The institutional environment that entrepreneurs operate within requires them to respond cognitively to external stimuli. According to Cacciolatti and Lee (2016), “when the person-environment interaction takes place, different cognitive processes affect the way the entrepreneur perceives an opportunity or a potential threat. These stimuli then generate a kind of entrepreneurial resilience in the identification of both opportunities and threats.” Rather than opting to exit a business, individual entrepreneurs may choose responses to perceived opportunities or threats depending on their learning style, gender and ability to manipulate or exploit institutions in their favour. Formal institutions (i.e. political, economic or legal etc.) may present threats to the entrepreneur. Within political environments, potential threats may come in the form of the failure to achieve clear-cut and transparent policymaking (or instability in the political system), creating uncertainty in the social environment (McMillan & Woodruff, 2002). Literature has noted that bad governance creates high levels of bureaucracy, presenting a barrier to lean operations and having a negative impact on firms' operations and transaction costs (Aidis and Adachi, 2007; Aidis et al., 2008; Berkowitz & Holland, 2001; Djankov et al., 2002; Peng, 2010; Cacciolatti & Lee, 2016). It has been suggested that entrepreneurs in transition economies often have to contend with regulations that turn out to be incoherent; entrepreneurs might respond to this through establishing adaptive mechanisms of defence based on exploitation and manipulation of institutions such as personal networks, trust and more or less legitimate actions, which can help mitigate the negative impact of bad governance or inadequacies of unstable political systems (Aidis and Adachi, 2007; Aidis et al., 2008).

Cacciolatti and Lee (2016) state that formal institutions can pose threats to entrepreneurs. Access to credit is often almost predominately available to powerful and well-connected larger firms, and SMEs are often overlooked. Due to credit being so difficult to obtain, entrepreneurs may be placed in situations where bribery is the only

means to swing things in their favour. It is necessary for firms to adopt some type of mechanism to defend themselves. The unclear and inconsistent application of taxation rules and the presence of hidden administration costs when dealing with public organisations pose a real threat to the liquidity and business planning of firms (McMillian & Woodruff, 2002). Unclear regulatory systems and inaccessible licensing present other barriers. Entrepreneurs dealing with these threats presented by the economic environment might develop defence mechanisms based on legitimate actions. Furthermore, dysfunctional legal systems do not contribute to entrepreneurship. For example, if property rights are not respected, then simple activities like medium-to- long-term planning or acquisition of resources become challenging. The threats coming from the legal environment identified in extant literature include potential private property' expropriation', legal decisions unenforced by courts and police, ineffective or unguaranteed contracts, mistrust of judiciary impartiality when dealing with legal disputes, and the competitive disadvantage in dealing with those entrepreneurs who do not bend rule (Rose, 2000; Cacciolatti & Lee, 2016). Entrepreneurs who perceive themselves to be to be under threat from the legal environment may develop defence mechanisms such as different business strategies, capitalising on personal networks, trust, and enacting acquired informal codes of conduct (Cacciolatti & Lee, 2016).

***Choice of entering a strategic alliance.*** Kogut (1988) presented a theoretical explanation for the formation of joint ventures and highlighted three main motivations which are generally applicable to other types of alliances as well, such as: transaction costs resulting from small numbers bargaining, strategic behaviour that leads firms to try to enhance their competitive positioning or market power, and the quest for organisational knowledge or learning that results when one or both partners want to acquire some critical knowledge from the other or one partner desires to maintain its capability while seeking another firm's knowledge. Gulati (1998) notes that some of the early empirical studies on alliances focused on the formation of joint ventures in particular, which entailed the creation of a new entity with shared equity between partners. They examined some of the strategic requirements for joint ventures, which included the enhancement of market power and increased efficiency. The concentration of alliances within particular industries in the manufacturing sectors, for instance, has led scholars to conclude that the quest for market power may be an important motive for such ties (e.g. Pate, 1969; Berg & Friedman, 1978).

Further refinement of these arguments incorporated transaction costs as an inducement of certain types of alliances (Stuckey, 1983) and knowledge acquisition as a prominent motive for many alliances (Berg & Friedman, 1981).

Some industry-level factors linked with alliance formation include the extent of competition, the stage of development of the market and the demand for competitive uncertainty (Harrigan, 1988; Shan, 1990; Burgers & Kim (1993); Eisenhardt & Schoonhoven, 1996). A strategic interdependence perspective on alliance formation suggests that firms ally with those with whom they share the greatest interdependence. In an effort to assess the significance of resource dependence, researchers have linked the formation of alliances to the distribution of various kinds of capabilities within the industry, such as production, marketing, distribution, regulatory approval, and access to new technologies. The role of resource configurations has been closely explored within industries in order to predict alliance formation. This has led to the revelation of distinct patterns such as densely linked factions formed on the basis of strategic interdependence resulting from country-specific resource advantages (Shan & Hamilton, 1991), the distribution of strategic capabilities (Nohria & Garcia-Pont, 1991), and the relative size and performance of firms (Burgers & Kim, 1993). The research suggests that industry patterns in the formation of alliances indicate that firms are driven to enter alliances with each other by critical strategic interdependencies.

According to Gulati (1998), organisational scholars have long studied the diversity of structures within organisations and viewed structure as a mechanism to manage uncertainty. Prior research on contract choices in alliances and the extent of hierarchical controls that they embody has been influenced by transaction cost economists, who have focused on the appropriation concerns in alliances, which originate from contracting hazards and behavioural uncertainty at the time of formation (e.g. Pisano, 1989; Pisano, Balakrishnan & Koza, 1993; Oxley, 1997). Following this perspective, scholars have suggested that hierarchical controls are an effective response to some of the concerns as they are anticipated at the time the alliance is formed. The logic for hierarchical controls is an effective response to appropriation concerns based on the ability of such controls to assert control by agreement, enable monitoring and align incentives. The operation of such logic was originally examined in the classic make-or-buy decisions (e.g. Walker & Weber, 1984; Masten et al., 1991). The same logic by which firms choose between the extremes of making and buying a component is also expected to operate once firms have decided to

form an alliance in their choice of governance structure. The greater the appropriation concerns, the more hierarchical the governance structures for organising the alliance are likely to be (Gulati, 1998).

***Involvement in social networks and trust.*** The structural embeddedness of a firm has importance because this is where the overall network in which individual transactions and also economic relationships are situated. An important implication of the embeddedness of firms in social networks is the enhanced trust between firms. Trust between firms refers to the confidence that a partner will not exploit the vulnerabilities of the other (Barney & Hansen, 1994). A social network of prior ties can promote trust through two possible means. One of these is by serving as effective referral networks; the prior social structure makes firms aware of each other's existence. Through these ongoing interactions, firms not only learn about each other but may also develop trust around norms of equity or 'knowledge-based trust' (Shapiro et al., 1992). There are said to be some strong knowledge-based cognitive and emotional bases for such trust, which are perhaps most visible among individual organisation members. Macaulay (1963) observed how close personal ties emerged between individuals in organisations that contracted with each other; these personal relationships in turn 'exert pressures for conformity to expectations.' Likewise, Ring & Van de Ven (1994) pointed to the important role of informal, personal connections across organisations in determining the governance structure used to organise their transactions (Gulati, 1998).

The second way trust can be promoted in social networks can serve as an important basis for 'enforceable' or 'deterrence-based' trust (Kreps, 1990; Raub & Weesie, 1990; Shapiro et al., 1992; Burt & Knez, 1995). The anticipated utility from a tie with a given partner and those with shared partners motivates good behaviour. Each partner's awareness that the other has much to lose from behaving opportunistically enhances their confidence in the other. Potential sanctions include loss of repeat business with the same partner, loss of other points of interaction between the two firms, and loss of reputation. A question raised around this is how is trust between two firms likely to alter their choice of contracts in subsequent alliances? An important concern of firms entering alliances has to do with appropriation and relates to the predictability of their partner's behaviour. A detailed contract is one method of making behaviour predictable, and another is trust. Both knowledge-based trust resulting from mutual awareness and equality norms and deterrence-based trust arising from reputational concerns creates 'self-enforcing'

safeguards in an exchange relationship and can substitute for contractual safeguards (Bradach & Eccles, 1989; Powell, 1990). As a result, where there is trust, appropriation concerns are likely to be mitigated, and one may not choose to rely on detailed contracts to ensure predictability.

According to Polanyi (1957), embeddedness is a methodological principle suggesting that economy and society do not exist independently one from another and, therefore, can only be analysed through a holistic approach: the economic life of a country needs to be examined in relation to social relations and institutions. Therefore, it becomes difficult to separate the economy from society because all economic systems are embedded in social relations and institutions (Woods, 1987). Following this notion, the embeddedness argument stresses the role of concrete personal relations and structures (or ‘networks’) that generate trust (Gulati, 1995) and foster a preference for transacting with individuals of known reputation. This suggests a lower reliance on institutional arrangements; thus, this mechanism becomes essential to survive and thrive in environments characterised by institutional voids.

Social network embeddedness also implies that actors have a preference to rely on trusted information from their own past dealings (Kogut, 1984). Trust coming from the experience of previous interactions prompts people to seek information and dealings from those who are deemed trustworthy (Khanna & Palepu, 1997), thus reciprocating a preference for a continuing relationship based on economic motivations and stabilised by trust (Granovetter, 1985). Socially embedded individuals also manage to acquire social capital by expanding their network by virtue of the trust posed in them by the social network.

In a study of the choice of governance structures in strategic alliances, it was discovered that firms select contractual forms for their alliances not only on the basis of the activities they include, and the related appropriation concerns they anticipate at the outset but also on the existence of prior alliances in which the partners may be embedded (Gulati, 1995). Several articles have questioned the role of transaction costs and appropriation concerns in alliances. Powell (1990) made the suggestion that alliances and other such exchange relationships don’t necessarily fall on the market hierarchy continuum put forth by transaction cost economies that he calls the network form. He used the term ‘network’ to classify such ties because many such ties are deeply embedded in a



multiplicity of relationships. To conclude, entrepreneurs respond cognitively to the stimuli of the institutional environment. The interaction between the entrepreneur and the environment creates a cognitive response mechanism that can be perceived as an opportunity or a threat.

*EO at individual and organisational level.* Literature has indicated that entrepreneurial orientation affects managerial discretion. Managerial discretion determines the level and kind of innovation and entrepreneurial activity that will occur within a firm. Alegre and Chiva (2013) link EO to firm performance by examining the role of organisational learning capability and innovation performance stating that EO can be considered as a managerial attitude oriented toward the strategy-making process that provide organisations with a basis for entrepreneurial decisions and actions (Lumpkin and Dess 1996; Richard et al., 2004; Alegre and Chiva, 2013, p491–507). As EO is a strategic posture (Covin and Slevin, 1989) or attitude developed by managers toward entrepreneurship, organisational learning capability can be understood as the organisational characteristics that follow or are consistent with such managerial posture. Innovation consists of successful exploitation of new ideas (Amabile et al., 1996). The effects of entrepreneurial actions are manifested in product, process and administered innovations (Covin and Miles, 1999; Ireland and Webb, 2007; Schumpeter, 1934). According to Ireland et al. (2005), the inclusion of innovation as an indicator of entrepreneurship outcomes reflects the views of Drucker (1998) and Schumpeter (1934), maintaining that innovation is an important result of the entrepreneurship function. In fact, Schuler (1986) understands entrepreneurship as the practice of innovating, and he claims that what distinguishes entrepreneurial from non-entrepreneurial firms is the rate of innovation. EO could therefore be considered as an antecedent of innovation type (Alegre and Chiva, 2013).

Anderson and Eshima (2013) discuss the perspective that the relationship between EO and firm growth is stronger among younger firms than among older firms. Age is said to have its advantages in terms of a general ability to pursue entrepreneurial strategies; older firms may be better equipped to engage in innovation, proactiveness and risk-taking by virtue of more established routines, structures and processes that discipline firms actions and provide strategic purpose (Amburgey et al., 1993; Henderson, 1999; Anderson and Eshima, 2013, p413–429). Nevertheless, innovation is path dependent and firm's future entrepreneurial strategies among older firms is based partly on an understanding of the

past, market conditions that are increasingly divergent with current market expectations as time progresses (Anderson & Eshima, 2013). Younger firms with more temporarily relevant market knowledge and benefiting from a higher level of adaptability and strategic flexibility with which to exploit new entrepreneurial initiatives (Van de Ven, 1986).

Wang (2008) and Zhao et al. (2011) reported that the more entrepreneurial a firm is, the more it engages in information and knowledge acquisition in order to respond to growth opportunities. Altinay et al. (2016) discuss the interface between organisational learning capability, EO and SME growth. They state that there have been very few studies that have adopted a strategic management perspective to understanding the combined and simultaneous effects of strategic orientations on growth in a small business context. They do however, highlight the notable work of the “excellent” contribution by Alegre and Chiva (2013) who used SEM on a data set from Italian/Spanish ceramic producers and found that organisational learning capability (alongside innovation) significantly influence the EO-performance relationship (Altinay et al., 2016).

***Corruption.*** Corruption is the result of the gaps that exist within the law. It encourages and fuels the unofficial economy and discourages domestic and foreign investments, which are badly needed in transition economies. The result is an environment where companies operate within is uncompetitive and where the market fails to allocate resources efficiently through increasing the cost of business and lowering productivity, which is harmful for the private sector growth (Krasniqi, 2007). Corruption can be deeply rooted in the economy and difficult to change (Nielsen 2003; Baumol, 1990). Corruption varies across countries in its prevalence and effects and reflects the use of public office in gaining a private benefit (Rose-Ackerman, 2007; Murro, 1995; Audretsch et al. 2022). Individuals can be presented with corruption in their daily lives as well as when participating in business-related transactions. Furthermore, for some entrepreneurs in some countries, dealing with corruption may be embedded and assumed (Estrin et al., 2013; Audretsch et al., 2021). Corruption diverts time and effort, redirecting the entrepreneur to negotiating bribes and managing relationships with bureaucrats, instead of engaging in value creation and business activity (Audretsch et al., 2022).

***Financial constraints.*** Access to external finance is a vital determinant in all countries because it affects both creation of new companies and the growth of existing businesses (Falcetti et al., 2003). Finance can be obtained either by the owner’s private

resources or from other external sources such as loans or grants from the public sector. However, the resources of small business owners are usually limited. The high cost of capital is another burden when it comes to SME financing. SMEs are less likely to be able to obtain loans than large firms; instead, they rely on internal funds, or cash from friends and family, to launch and initially run their businesses. Access to finance is a key constraint to SME growth and is the second most cited obstacle facing SMEs to grow their businesses in emerging markets and developing countries (World Bank, 2022).

This section has explored literature surrounding the key factors connected to the barriers and enablers of entrepreneurial activity and innovation activity. Table 3 below summarizes all the key theories that have been used in this study.

Theory	Construct	Definition	Associated ideas
Institutional theory	Institutional environment	<p>Institutions are made up of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life. Institutions are multifaceted, durable social structures made up of symbolic elements, social activities, and material resources (Scott, 2014) and are relatively resistant to change (Jepperson, 1990)</p>	<p>Pillars of institutional theory (Scott, 1997):</p> <ul style="list-style-type: none"> <li>-<b>Normative</b>: corruption, transparency</li> <li>-<b>Regulative</b>: policy environment</li> <li>-<b>Cultural-cognitive</b>: Post-apartheid legacy and societal behaviours</li> </ul> <p>Institutional logics</p> <p>Institutional voids</p> <p>Support measures</p> <p>Procurement processes</p>
Entrepreneurship theory	Entrepreneurial orientation	<p>EO refers to the strategy-development processes that provide organisations with a basis for entrepreneurial decisions and actions (e.g., Lumpkin &amp; Dess, 1996; Wiklund &amp; Shepherd, 2003).</p> <p>Entrepreneurial activities that relate to the start-up, growth and exit of a firm involve numerous activities that need meticulous planning and</p>	<p>Start-up, growth, exit</p> <p>Administrative practices/ Operational practices</p> <p>Internationalisation</p> <p>Strategic alliances</p> <p>Dimensions of EO (autonomy, innovativeness, risk taking, proactiveness, competitive aggression) (The Miller/Covin, Slevin 1989 scale)</p>

	Entrepreneurial activity	evaluation in order to select the most appropriate responses that work with that context.	Entrepreneurial leadership Level of education of entrepreneurs
Organisational theory	Managerial discretion	The seminal definition of managerial discretion provided by Williamson (1963) is managerial objectives and motives that impact firm outcomes. Later definitions explore managerial discretion as “locus of control” and “perceived discretion (Key, 1997, Carpenter and Golden, 1997, Finkelstein and Hambrick (1989)	Latitude of action taken by entrepreneurs/ freedom in decision-making Locus of control Perceived discretion
Innovation theory	Innovation	Innovation has been defined as the process of the adoption of internally or externally generated devices, systems, policies, processes, products or services that are new to the adopting organisation (Damanpour, 1991; Rosenbusch et al. 2011). Innovation is a constitutive element of entrepreneurship (Schumpeter, 1982, Davidsson, 2004; Lumpkin and Dess, 1996)	Product innovation Process innovation Formal/ informal organisational structure Knowledge transfers Knowledge spill-overs Employee training

Agency theory	Institutional actors	Agency theory is concerned with resolving two problems that can happen in agency relationships. The first of these occurs when (a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing. The challenge with this is the principal agent cannot verify that the agent has behaved appropriately. The other problem is associated with risk sharing that occurs when the principal and the agent have different attitudes toward risk (Eisenhardt, 1989).	Trust Rapport Collaboration Conflict Advocacy
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*Table 4 Theories, constructs and associated ideas*

### *3.2.5 The Role of Entrepreneurship and Innovation in Green Economy Enterprises*

The significance of education, entrepreneurship, innovation, human capital, and the institutional framework provided by the public sector, including macroeconomic stability, openness and competition, and a functional social and economic system, has been emphasized as crucial for the prosperity of SMEs (Cornett, 2009). Little is understood about the role of SMEs in advancing the green economy in terms of what they contribute, the barriers they face and what actions can be taken to support them (Creech et al., 2014). Organisations such as SEED have performed extensive work to understand and recognise the contributions of these kinds of enterprises. Many of these, in the South African setting take the form of community-based enterprises that prioritise social, environmental, and economic development. However, as noble as these contributions are, it has been observed that they receive very little support from the South African government which is astonishing considering the great need faced by the country. The green economy is described as an economy in which economic growth works hand-in-hand with environmental responsibility in a mutually beneficial style while supporting progress on social development together with improving human well-being and social equity, and reducing environmental risks and ecological scarcities (UNEP, 2010; Wooders et al., 2011).

SMEs have come to be recognised as generating employment opportunities and economic output and contribute to the economic development of a nation in numerous ways such as turning innovative ideas into economic opportunities, revitalising social and productive networks and increasing productivity (Seelos & Mair, 2005; OECD 2010; Creech et al., 2014). Although, the recognition of the role played by SMEs in economic development has yet to cross over the green economy and research and policy have prioritised how medium-sized and large enterprises can move into new opportunities in green industries or “greening” their own operations and moving towards being more environmentally responsible, there is simply not enough known about how SMEs’ in green economy industries have contributed to local level social and environmental change through the use of entrepreneurship operating models (Creech et al., 2014).

### *3.2.6 The Role of Multinational Enterprises (MNEs) in Shaping the Business Landscape of Entrepreneurs*

Literature on multinational enterprises (MNEs) highlights that within developing country settings, there is an importance on public governance since this is a key determinant of the potential profitability of the organisation and shapes the business environment in which they operate (Globerman & Shapiro, 2003). In developing country settings, it has also been discussed that government policies are exogenous to MNE strategies, it is likely that MNEs would try to shape the business environment in their favour (Boddewyn, 1988; Hillman & Hitt, 1999). This has been described as corporate political strategy and has been mostly investigated with an emphasis on the level of trade protection to an active political participation in the decision- making (Desbordes & Vauday, 2007). MNEs are likely to initiate “quid pro quo” arrangements with governments that result in policy benefits being obtained by the MNE. Firms can decisively shape government policies, and this has profound consequences for the national economy as a whole. For instance, successful MNE lobbying for a reduction of trade barriers should improve national surplus and possibly increase aggregate welfare (Olarreaga, 1999). On the other hand, Cole et al. (2006) presented the argument that lobbying of MNEs could result in a relaxation of pollution regulations and the consequent creation of pollution havens if the government gives a lot of weight to the campaign contributions in its objective function (Desbordes & Vauday, 2007).

MNEs that conduct FDI activities in developing nations are said to also perform lobbying activities in their host countries. Hellman et al.,’s (2002) is one of the studies to have examined the political behaviour for foreign firms in developing countries. In line with the Grossman and Helpman (1994) model, they show that foreign firms, by bribing more frequently public officials than domestic counterparts, enjoy substantial private gains from this strategic behaviour, at the expense of the rest of the economy (Desbordes & Vauday, 2007). However, their results do not give any indication on whether domestic and foreign producers diverge in terms of bribing efficiency. Furthermore, the authors ignore the possibility that foreign firms may influence the government through legal terms, i.e. through political influence. The Organisation for Economic Co-operation and Development (OECD) Anti-bribery Convention has stated that foreign firms from developed countries are increasingly likely to resort to legal lobbying activities (Desbordes & Vauday, 2007). On the one hand, it has been argued that a foreign firm will exert a



stronger political influence on government policies than domestic firms because it may be deemed as a vital contributor to domestic growth, thanks to its advanced technology. The other side of this is that governments may discriminate foreign firms against domestic firms because the former suffers from a political liability of foreignness.

### *3.2.7 The Role of Institutional Support and Firm Performance*

As institutional arrangements determine boundaries and paths for firm behaviour in given environment, they produce entry barriers or create opportunities for action and performance (Bruton et al., 2010; Fligstein, 1996; Grewal & Dharwadkar, 2002; North, 1990; Zulu-Chisanga et al., 2021). On that account, we observe that there is a variation in performance across contexts that may be explained as a function of differences in the existence, distinctively and intensity of particular institutional arrangements (DiMaggio, 1994; DiMaggio & Powell, 1983; Pfeffer & Salancik, 1978; Peng 2003). Consequently, the institutional perspective is utilised to explain how the institutional environment in which the SME is embedded affects its activities and performance (Zulu-Chisanga et al., 2021). The role that is played by government support among SMEs has come to the fore on investigations of SME performance in developing countries (Manolova et al., 2010). Undeniably, small business strategy scholars have highlighted the necessity for governments to support SMEs but have also emphasised that these firms should co-operate and pool resources together to enhance their performance (Kang & Park, 2012). There is also an ongoing debate on how government support and inter-firm collaborations among SMEs in developing economies relate to performance of their businesses is not only inconclusive but also under researched. Considering the underdeveloped market mechanisms in most developing economies, institutional arrangements in terms of government support play a vital role in influencing SMEs' behaviours both by increasing access to resources and shaping how SMEs respond to competitive and dynamic environments (Smallbone & Welter, 2001, Tambunan, 2008; Lu et al., 2010; Kang & Park, 2012; Thongsri & Chang, 2019).

Although, there has been an increase in the amount of evidence of the existence of institutional support for SMEs in developing economies, a critical review of extant research provides inconclusive findings of the relationship between government support and performance. For example, while Doh & Kim (2014) Tambunan (2008) and Kang and

Park (2012) found a positive link, Hong et al., (2016) found that government support in terms of grants had a negative effect on innovation performance. Unexpectedly, Guan and Yam (2015) found that government financial incentive is not significantly related to SME performance. In spite of these findings in the literature, we draw insights from the institutional environment logic to argue that increases in institutional support for business will be associated with increases in performance. From a logical perspective, since government institutions regulate and motivate the behaviour of actors in a particular environment (North, 1990; DiMaggio, 1994; Dunning & Lundan, 2008; Scott, 2013), they are likely to shape the nature of firm economic activity to an extent that they can stimulate a firm's action and boost performance. Therefore, it is expected that institutional support from the government takes the form of tax allowances, loans, information technology, productivity improvement assistance and financial capital, would lead to enhanced firm performance (Zulu-Chisanga, 2021).

### *3.2.8 The Role of Firm Collaboration in Navigating the Institutional Environment*

The interfirm relationship suggests that a firm engages in collaborative efforts with other firms, including competitors, to pool their resources and capabilities together in an effort including its competitors, to pool their resources and capabilities together in with the aim of both achieving mutual and individual goals (Levy et al., 2003; Gnyawali & Park, 2009; Kang & Park, 2012). Mutual goals relate to common goals on which the relationships are built and held together while individual goals are firm-specific, such as market and financial performance (Gnyawali & Park, 2009). Evidence from literature suggests that firms in inter-firm relationships are able to reap a variety of benefits such as cost and risk sharing, access to variety of other firms' skills, knowledge resources and capabilities in various value chain activities to enhance performance (Lorenzoni & Lipparini, 1999; Dries & Swinnen, 2010; Boucken & Kraus, 2013; Wang et al., 2015). Though, the literature indicates that SMEs may benefit from inter-firm collaborations, some scholars argue that collaboration may be risky for SME survival. For example, Gnyawali and Park (2009) suggest that while inter-firm collaboration may help SMEs gain economies of scale, reduce marketplace uncertainty risk, and speed up market entry of new products, the risk of technology theft, the challenge of management style and misfit and loss of focal firm control may cost SMEs cooperating with competitors.

Colombo et al., (2012) also present the argument that collaboration with other firms creates a lot of organisational and managerial challenges for SMEs such as diverting limited resources and management time from the company's core business (Zulu-Chisanga et al., 2021). Although there is a slight vagueness that exists in the literature on whether inter-firm collaboration improves or hinders performance, we are able to observe that relationships with other firms presents firms with the opportunity to be unique, in the sense that collaboration with other firms is more likely to gain sustainable competitive position and superior performance that competitors that practice limited collaboration (Barney, 2001). If we consider the resource challenges that SMEs face, we expect that through collaborating with other firms, an SME may gain access to resources that are immobile, not readily bought nor sold in the factor markets and is likely to enjoy greater financial performance (Zulu-Chisanga et al., 2021).

### *3.2.9 The Role of the Institutional Environment on SME Innovation*

Literature suggests that SMEs should innovate differently from the manner in which large companies do innovation and place additional focus on building networks with other companies, research facilities, customers and suppliers (Kleinknecht & Reijnen, 1992; Bullinger et al., 2004). Open innovation has been suggested to be beneficial for SMEs as it allows small players to gain access to sources of technology and intellectual property (Chesbrough & Crowther 2006; Vanhaverbeke & Cloudt, 2006). In regards to incremental process and product innovation, small firms in developing countries often do not have the necessary in-house technical or maintenance support that is required and thus, will typically seek aid from subject matter experts only when attempting to address an immediate issue, whereas large firms intentionally enhance their long-term innovative capacity by conducting joint research initiatives with external universities (Larsen & Salter, 2004; Fukugawa, 2005). Some of the challenges that SMEs face include access to limited resources, access to fewer technically capable employees and at times, a lack of understanding about the idea generation process (Vossen, 1998; Olander et al., 2009; Vrgovic et al., 2012). Added to these, SMEs have a limited cash availability or can seldom fully dedicate personnel to create new products and services (Woy & Qing, 2007; Woy & Wang, 2007). This is also means that SMEs have a limited capacity to carry out customer

research that can help them create purposeful ideas targeted at specific market segments or opportunities (Woy & Qing, 2007; Woy & Wang, 2007).

Networking is found to be a positive and effective form of collaboration for SMEs, mostly as a possible way to innovate as much as large firms do (Narula, 2004), where there is evidence that the success of SMEs in comparison to large firms is based on the SMEs ability to utilise external networks more efficiently (Rothwell & Dodgson, 1994). Van de Vrande et al., (2009) stated that the role and importance of participating in external networking to acquire new knowledge or fill in existing gaps in ones knowledge is an important open innovation activity among SMEs. They are able to benefit from collaboration networks that are well constructed and managed (Inkpen & Tsang, 2005), helping them to strengthen their competitive advantage (Bougrain & Haudeville, 2002) to facilitate their innovation capabilities (Lee et al., 2010), and to be significantly more productive in developing countries (Biggs & Shah, 2006). Collaboration networks such as these help SMEs co-develop products and services (Gulati, 1998), and also helps all the network participants to share experience, yielding learning effects for future innovation (Lundvall, 1993; Argote & Ingram, 2000). Considering the fact that SMEs generally face more uncertainties and barriers to innovation, networks are found to be a complementary response to insecurity that arises in development and use of new technologies, while reducing uncertainties in innovation (Diez, 2000). These can be especially helpful in developing country contexts such as South Africa.

Collaboration with other SMEs is therefore considered to be vital for SMEs' innovation efforts (Radas & Bozic, 2009), but for that collaboration to succeed, other SMEs must have the required relevant knowledge and experience to help (Zeng et al., 2010). If none of the collaborative SMEs have that knowledge, they will most likely find it difficult to innovate. Additionally, there are other external factors that governments and innovation hubs have to take into consideration when trying to boost innovation for SMEs. These factors include the educational and technical skillsets of the local workforces (Vrgovic et al., 2012). Nonetheless, there are also important internal factors for SMEs to develop their innovative capabilities (above and beyond investments in R&D and trainings) such as owners' technical education and prior working experience, technical skills of the owners and their respective, local workforce do not possess the requisite knowledge, they are unlikely to succeed in their innovation efforts without the collaboration provided by innovation hubs (Vrgovic et al., 2012).

Literature presents the possible collaboration between SMEs and experts such as independent inventors should be heavily based on information and communication practices and technology so that it can be efficient. This is based on strong positive effect that network cohesiveness has on project success, since frequency and diversity of communication between inventor and collaborating organisation directly affect project success (Ebadi & Utterback, 1984). Unfortunately, developing countries face numerous obstacles that could make collaborations between enterprises, independent inventors, and other consultants unmanageable. (Vrgovic et al., 2012). Del Castillo and Barroeta (2006) suggested that promoting innovation in SMEs through policy, economics, and local initiatives. Since SMEs often have limited resources available to gather relevant information, it can be difficult for the m to search for and decide with whom they should participate in collaborations with and also how to create an effective network on their own (Julien, 2002). Due to these difficulties, SMEs tend to build post-hoc deep and lasting ties only when they organise a network that fulfils their expectations (Simard & West, 2006), which makes them unready to initiate network building. SMEs are found to maintain few external relationships in their innovative process (Kaminski et al., 2008), being careful about picking partners, because they have limited opportunities to fail (Narula, 2004). Especially within developing country settings, small firms rarely initiate and practice cooperative strategies, which results in a limited number of integrated business processes between two or more companies (Salman, 2004). It is therefore thought to be less likely for them to form or turn to collaborative networks instinctively (Vrgovic et al., 2012).

### ***3.3 Research Propositions***

“Institutions are very complex” (Williamson, 2000; p.595). Given this reality, the use of research propositions in this study has been deemed most appropriate because the nature of the causal relationships between the variables is unclear. As this is an exploration of the study phenomenon, and the study is inductive. Therefore, the following diagram outlines the process for the formulation of the research propositions.

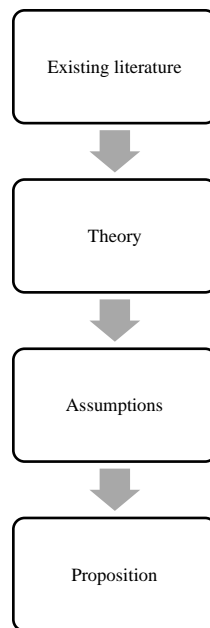


Figure 3 Research proposition formulation process

The following propositions have been derived from literature and will be explored in this study. Due to the empirical nature of this study, and the consideration that this is exploratory research, it has been deemed that research propositions are more appropriate than hypotheses. Each of the following propositions is linked and derived *from literature*.

*In summary, the propositions are:*

*P1 If the institutional environment has high levels of stringent regulation, then entrepreneurial orientation levels will be higher.*

*P2 If the normative and cultural-cognitive dimensions of the institutional environment lead to government mistrust, then levels of innovation activity will be lower.*

*P3 If the institutional environment has weak policy, then higher levels of managerial discretion will be employed by entrepreneurs,*

*P4 If the institutional environment contains incoherent policy, then levels of managerial discretion will be higher.*

*P5 If the institutional environment is weak in terms of high levels of corruption, then entrepreneurs will display high levels of EO and use their social embeddedness to create social capital for entrepreneurial activities and innovation activities.*

*P6 If entrepreneurs mistrust processes and policies with the government then this will create separation among entrepreneurs of different groups and lead to lower levels of innovation activity.*

Each of the above propositions will be explained individually in the section to follow.

### *3.3.1 The Effects of The Regulative Pillar as a Barrier to Entrepreneurial Orientation*

The institutional environment of a nation determines the ‘rules of the game’ which shape the business strategy that a firm can deploy (North, 1991; Peng et al., 2008). Emerging economies are said to generally have weak institutional infrastructures due to uncertainties that arise from political and legal instabilities (Wright et al., 2005). The disadvantageous effects of political instability and regulatory barriers or impediments are especially problematic for SMEs as they often lack the financial or managerial resources to safeguard themselves against serious political shocks or navigate through bureaucratic red tape (Gupta & Batra, 2016). EO, however, has been attributed to allowing firms to successfully handle the challenges that are associated with low political stability and weak regulatory quality (Cacciolatti & Lee, 2016). Since the regulatory environment places such heavy burdens on entrepreneurship, it can then be assumed that entrepreneurs must access their strategic orientations to navigate this environment. Therefore, it is proposed that:

***P1 If the institutional environment has high levels of stringent regulation, then entrepreneurial orientation levels will be higher***

Minh and Hjørtsø (2015) state that SMEs often act as an engine for economic growth in developing countries which are unfortunately described to have many “institutional voids” characterised by a lack of market supporting institutions, which also imply stringent regulation and thus leading to individual SMEs having to develop strategies to compensate for the lack of supporting laws and regulations (Khanna & Palepu, 1997; Minh and Hjørtsø, 2015, p209–228). Entrepreneurial orientation refers to “processes, practices and decision-making activities that lead to new entry” (Lumpkin & Dess, 1996). More specifically, EO is a multidimensional construct describing the strategy-making process at the organisational level including dimensions such as product innovation, proactiveness, and risk-taking behaviour (Covin & Slevin, 1991; Rosenbusch, Rauch & Bausch, 2013). Firms need to acquire resources from their external environment and turn them into services and products, exploring and exploiting opportunities that are provided by the external environment. The authors attribute entrepreneurial orientation as being a critical factor in this type of transaction as it influences specific strategic decisions and resource allocations (Atuahene-Gima & Ko, 2001). According to this theory, only those firms that apply the appropriate strategic orientation in a specific environment may be able

to transform advantages provided by the environment into above-average performance levels. This is also where the concept of managerial discretion becomes most applicable. Rosenbusch et al., (2013) state that little is known about the antecedents or forerunners of EO. In this light, it is put forward that due to the fact that the task environment provides resources and opportunities for entrepreneurial strategies, specific characteristics of the environment are likely to trigger or hinder EO (Covin & Slevin, 1991; Miller, 1983). The task environment is said to affect decisions, actions, and performance of organisations, it could be argued that it offers a more relevant perspective than the concept of industry structure as an antecedent of EO and firm performance (Covin & Slevin, 1991; Miller, 1983).

### *3.3.2 The Effects of The Normative and Cultural- Cognitive Pillar of The Institutional Environment on Entrepreneurial Orientation*

One important indicator of the normative dimension of entrepreneurship is the degree to which society values private business as a means for creating wealth in a nation. In countries with economies with little economic and market freedom, entrepreneurship is likely to be discouraged or pushed into the informal sector (Sambharya & Musteen, 2014). In underdeveloped economies that are less open to market forces, the monopoly power of state-owned enterprises is likely to distort competitive forces and make entry by entrepreneurs to pursue opportunities that have the potential to cause a disruption to the status quo (Sambharya & Musteen, 2014). Additionally, the acceptance of entrepreneurial failure may be lower in economies with governments that are highly involved in economic activities. Ireland et al. (2008) put it forward that, the mixed attitudes about entrepreneurship are still noticeable in transition economies where most of productive property was owned by state governments. Haung (2009) also contributed to this discussion by providing evidence that the degree to which government takes an active role in a given economy alters economic development and has a dampening effect on entrepreneurship. Sambharya and Musteen (2014), state that the normative environment supporting market freedom, including investing freely in market enterprises, may also be an important ingredient for entrepreneurship which often demands higher levels of financial capital. On the other hand, institutional environments where the government is expected to interfere may be more conducive to environments where entrepreneurship is driven by necessity in which businesses require smaller amounts of risk capital.



Normative rules introduce a prescriptive, evaluative and obligatory dimension to social life. Normative systems include both values and norms. Values are the conceptions of the preferred or the desirable together with the construction of standards to which existing structures of behaviours can be compared and assessed. Norms place specificity on how things should be done; they define legitimate means to pursue valued ends. Normative systems define goals or objectives (e.g. winning the game, making a profit but also designate appropriate ways to pursue them (e.g., rules specifying how the game is to be played, beliefs of fair business practices) (Scott, 2014). Some values and norms are applicable to all members of the collective; others apply to only selected types of actors or positions. The rest give rise to roles, perceptions of appropriate goals and activities for particular individuals of specific social positions. These beliefs are simply anticipations or predictions but rather serve as prescriptions (i.e., normative expectations) concerning how specific actors are supposed to behave (Scott, 2014). Normative systems are usually viewed as imposing constraints on social behaviour, and so they do. But in the same breath, they empower and enable social action. They present rights and responsibilities, privileges, duties and mandates. Douglas (2002; 2013) made the proposition that cultural categories should be treated as cognitive containers in which social interests are defined, classified, and negotiated. On the other hand, Hofstede (2001) stated that culture provides patterns of thinking, feeling and acting (i.e. mental programs or “software of the mind.” Therefore, since it can be assumed that the normative pillar dictates the rules of the game; then, entrepreneurs that do not perceive that they can play by these rules may mistrust the system. Therefore, it is proposed that;

***P2 If the normative and cultural-cognitive dimensions of the institutional environment lead to government mistrust, then levels of innovation activity will be lower***

Cultural systems work on multiple levels, from the shared definition of local situations to the common frames and patterns of belief that comprise an organisation’s culture, to the organising logics that give structure to organisational fields, to the assumptions that are shared and ideologies that define preferred political and economic systems at national and transnational levels. Cultural elements differ in their degree of institutionalisation, the extent of their linkage to other elements and the degree that they are expressed in routines. Discussion on cognitive-cultural elements of institutions places attention to these more embedded cultural forms: culture set in forms that require less by

way of maintenance, ritual enforcement, and symbolic explanation spheres we usually think of as “cultural” (Jepperson, 1991). Cultures are often conceived as unitary systems, internally consistent across groups and situations. But cultural conceptions frequently vary, beliefs are held by some and not others. People that find themselves in the same situations can perceive the situation quite differently in relation to what is and what ought to be. Cultural beliefs vary and are frequently contested, particularly in times of social disorganisation and change (DiMaggio, 1997; Seo & Creed 2002; Swidler, 1986). Cultural-cognitive theorists emphasise compliance in many instances because other types of behaviour are inconceivable; routines are followed because they are taken for granted as “the way things are done.” The predominant logic employed to justify conformity is that of convention, the perceived correctness and accuracy of the idea’s underlying action (Scott; 2014). Therefore, normative practices and cultural practices affect entrepreneurial orientation by creating invisible parameters within which entrepreneurs must manoeuvre around in order to perform entrepreneurial activities. Without observing the cultural and normative queues, entrepreneurs struggle to navigate in a particular environment.

### *3.3.3 The Effects of The Institutional Environment on Managerial Discretion*

Managerial discretion can be likened to the judgement used by managers when deciding on a particular action. Autonomy can be linked to managerial discretion on the basis that it is the independence to act on or pursue certain decisions that have emerged from entrepreneurial cognitive processes. Entrepreneurs require appropriate responses to deal with complex institutional environments and will therefore tap into their cognitive abilities to do this. The decision-making process is closely linked to latitude of action, locus of control and perceived discretion elements of managerial discretion. Managerial discretion varies from one entrepreneur to another, and some have more discretion in the way they make choices because different entrepreneurs face different challenges, and some are more constraining than others. Under the assumption that EO affects decision-making and that managerial discretion is part of decision-making, it is not unlikely to assume that EO has an effect on managerial discretion. It is possible for one to make a few assumptions of how EO may affect managerial discretion. Firstly, the dimension of proactiveness keeps firms alert by exposing them to new technologies, making them aware of marketplace trends, and helping them evaluate new possibilities (Lumpkin et. al, 2009). This means that

entrepreneurs have different magnitudes of discretion in their decisions. Decision-making is part of managerial discretion. Managerial discretion is the latitude of action that is available to decision makers in a given situation (Hambrick & Finkelstein, 1987). Managerial discretion can be described as the latitude of managerial action available to a decision maker (e.g., a top manager) in a given situation (Hambrick & Finkelstein). Higher levels of discretion enable leaders with a wider range of options and greater latitude of action (Wangrow et al., 2015). It is known that managerial discretion is useful in situations where managers have an organisational hierarchy consisting of a wide range within which to exercise decision-making such as within a medium-to-large sized business but may not be so useful in situations where the scope of decisions is narrower such as within a small-sized firm. Arguably, if an entrepreneur makes all the decisions, the discussion about managerial discretion is irrelevant predominantly to a small-sized firm context as there is often no hierarchical structure with managers to oversee various business functions as in a small-sized firm context the entrepreneur would be responsible for most of the functions in the business. However, this is not the case for a medium-sized firm and thus the relevance of the discourse of managerial discretion becomes pertinent. Furthermore, within the South African context of SMEs within green economy sectors, businesses can grow in size and financial revenue and still remain under the classification of being a start-up as the institutional and policy environment is said to be ever-changing and thus growth is difficult, however, in terms of organisational structure, the managerial discretion concept is very much relevant to these kinds of organisations. Therefore, it is assumed that where policy within the regulatory environment is unclear then entrepreneurs will exercise more discretion. It is thus proposed that;

***P3 If the institutional environment has weak policy, then higher levels of managerial discretion will be employed by entrepreneurs,***

and it is also proposed that;

***P4 If the institutional environment contains incoherent policy, then levels of managerial discretion will be higher.***

Managerial discretion is affected by various factors, policies form an integral part of how entrepreneurs establish business strategies. An institutional environment with weak or incoherent policy presents additional challenges for entrepreneurs. In the development of the managerial discretion construct, Hambrick and Finkelstein (1987) focus on three forces that determine a manager's latitude of action: the task environment, internal organisational

factors, and managerial characteristics. First, the task environment which is characterised by factors in the organisation's domain (e.g. industry) and how the organisation functions within its domain. Since the task environment alters managerial discretion, managers have substantially differed roles in affecting organisational performance across industries. The task environment is expected to positively influence managerial discretion when product or service characteristics vary greatly across industry competitors, the market for the industry's products or services is growing, and demand for the industry is highly concentrated, highly regulated, and powerful external forces, such as competitors, suppliers, and buyers, exist (Hambrick & Finkelstein, 1987; Wangrow et al., 2015). Related to this, Dess and Beard (1984) introduced munificence, dynamism, and complexity as dimensions of the task environment relevant to industry firms. Many of the managerial discretion task environment factors closely resemble these three dimensions and it is reasonable to conclude that industry munificence, dynamism and complexity all potentially increase a manager's latitude of action (Wangrow et al., 2015).

Internal organisational factors influenced by powerful internal stakeholders and resource availability are the second force shaping discretion. The internal organisation defines the degree to which the organisation is open to a variety of possible actions and subsequently empowers the CEO to execute those actions (Hambrick & Finkelstein, 1987). Aspects such as an organisation's size, age, and culture also need to be taken into consideration as they are integral to a firm's internal makeup. Thus, a manager seeking to initiate change can be severely constrained by the ingrained culture of a larger or older organisation as a result of standardised routines or more formally defined roles and control systems. Relatedly, capital intensity and resource availability can also constrain or enable a manager's latitude of action. Organisations that have made large capital outlays are likely to be highly committed to the current course of actions and potentially tied closely to their current products and processes (Hambrick & Macmillan, 1985; Wangrow et al., 2015). The final force affecting managerial discretion is the managerial characteristics. Child (1997) made the argument that executives in the same environmental situation will set different levels of discretion for themselves based on their interpersonal linkage to the environment. A top manager's tolerance for ambiguity, locus of control and ability to deal with cognitive complexity compose the psychology-based personal characteristics in this force. Attributes of the top manager's relationship with the firm, including his or her power base and commitment to the status quo, are also included in defining personal characteristics

affecting discretion (Wangrow et al., 2015). Therefore, unclear or incoherent policy creates an uncomfortable level of ambiguity for entrepreneurs, and they are placed in positions where they have to “fill in the gaps” by using higher levels of managerial discretion.

#### *3.3.4 The Use of Social Embeddedness and Social Capital in Institutional Environments*

Socially embedded individuals have less difficulties in building ties with members of their community when compared to outsiders (Polanyi, 1997). The ties they build contribute to their social capital, i.e. Gaining access to information and financing. The seminal definition of social capital was introduced by Bourdieu (1986) who defined it as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition” (p. 248). An example of social capital is the networks and the links formed through academic institutions and activist groups. Social networks can give access to resources, but the latter depends on the strength of the ties of the individual with other network members (Bordieu, 1986). It should be noted, though, that Portes (1998) maintains that social networks are not a given and need to be built through investment strategies oriented to the institutionalisation of group relations, operating as a reliable source of other benefits, for instance obtaining information about upcoming opportunities that are not yet open to everyone else. In accordance with Bourdieu’s (1985) definition of social capital, it comprises two main elements: the first is the social relationship itself that allows individuals to claim access to resources possessed by their associates, and the second is the amount and quality of those resources.

Consequently, through social capital, actors can gain direct access to economic resources, such as subsidised loans and investment tips. Social capital is created by changes in the relationship among actors (Baker, 1990, p. 619), and some academics claim that a dense network is a necessary condition for the emergence of social capital (Loury, 1981; Coleman, 1990). All this brings us to the understanding that social capital exists in the relationship structures in social networks and that in order to possess social capital, an individual must be related or connected to others (Portes, 1998). An example of a social network structure that allows individuals to increase their social capital is the political party. Political affiliation to a party can gain you faster access to resources i.e. funding, human resources, information etc. Being involved with the party in power creates more stability for entrepreneurs as you may be privy to information and resources others are not

(Ambe & Badenhorst-weiss,2012). Therefore, political affiliation enables social interactions and allows individuals to foster social capital. Both social embeddedness and social capital are useful enablers of entrepreneurial activity. The presence of high levels of corruption and the need to express political affiliation create the necessity for entrepreneurs to form strategic relationships, therefore it is proposed that;

***RP5 If the institutional environment is weak in terms of high levels of corruption, then entrepreneurs will display high levels of EO and use their social embeddedness to create social capital for entrepreneurial and innovation activities.***

It has been stated that corruption could affect people who are interested in starting a business directly by shaping how they assess potential profits and risk (Audretsch et al., 2022). This also has the impact of diminishing trust which makes engaging with the government viewed as risky. Entrepreneurs that operate in highly corrupt contexts might be inclined to pay bribes if that is the norm of that environment and thus the cost of doing business increases and they also lose trust in formal institutions and may turn their attention on trying to manage uncertainty due to the increased cost of doing business (Audretsch et al., 2022). And to look at the bigger picture, a high level of corruption means that funds that were meant to become public sector resources are instead diverted privately and this may lead to restrictions in resources that could limit entrepreneurial activities and opportunities, further discouraging entrepreneurs (Audretsch et al., 2022). Corruption is costly to the entrepreneur and its consequences are that time and effort are spent on negotiating bribes and managing relationships with bureaucrats, and this time and effort could have been better spent on engaging in value creation and business activity. However, it should be noted that if a bribe can be used to achieve or facilitate an outcome, this can be considered an enabler for entrepreneurial activity and therefore, the stated rules are not the only way of conducting business. This also suggests that corruption can expose entrepreneurs to a risk of ongoing future exploitation (Audretsch et al., 2021). Some entrepreneurs may view corruption as being useful especially if their competitors are also participating in paying bribes and not doing so appears to be holding up one's business.

Entrepreneurship networks may reduce transaction costs allowing them to benefit from local contracts, knowledge and opportunities (see Brown and Mason, 2017) when they are not faced with corruption (Audretsch et al, 2022). The relationship between

corruption and entrepreneurial networks can be important if forms of corruption are linked to social networks and the nature of reciprocity (see Karhunen et al., 2018). In a high corruption context, this is relevant because entrepreneurs may try to influence their entrepreneurial networks to cope with corruption. Furthermore, in high corruption contexts, entrepreneurs attempt to use their networks to get information or complete transactions without engaging with corrupt officials. They may try and set up deals that bypass the government and rather work within their trusted relationships to keep off the radar (Audretsch et al, 2022).

### *3.3.5 Preferential Treatment: Social Network Embeddedness as A Prerequisite of Trust*

Embeddedness refers to the level of integration of individuals within a social system. Embedded individuals operate in a social environment, and their purposive actions are affected by the level of integration they have within their social environment (Gulati, 2012). The seminal concept was developed by Polanyi (1957), who put forward a vision of all economies being ‘embedded and enmeshed in institutions’ (GT, p. 32). According to Polanyi (1957) embeddedness is a methodological principle suggesting that economy and society do not exist independently from one another and therefore can only be analysed through a holistic approach: the economic life of a country needs to be examined in relation to social relations and institutions. Therefore, it becomes impossible to separate economy from society because all economic systems are embedded in social relations and institutions (Angeles, 2008). Following from this notion, the embeddedness argument stresses the role of concrete personal relations and structures (or ‘networks’) that generate trust (Gulati, 2012) and foster a preference for transacting with individuals of known reputation. This suggests a lower reliance on institutional arrangements, thus this mechanism becomes essential to survive and thrive in environments characterised by institutional voids.

Social network embeddedness also implies that actors have a preference to rely on trusted information from one’s own past dealings (Kogut, 1984). Trust coming from the experience of previous interactions prompts people to seek information and dealings from those who are deemed trustworthy (Khanna & Palepu, 1997), thus reciprocating a preference for a continuing relationship based on economic motivations and stabilised by trust (Granovetter, 1985). Socially embedded individuals also manage to acquire social capital by expanding their network in virtue of the trust posed in them by the social

network. Therefore, it is assumed that if one does not possess the right kind of social capital or is not embedded socially in the right networks then conducting entrepreneurial activity will be negatively impacted as such the response is to formulate the kind of strategic relationships that will help one gain access to the desired opportunities. While this will create trust among social groups, it may create mistrust with the government as this is the precedent set at governmental level. Therefore, it is proposed that;

***P6 If entrepreneurs mistrust processes and policies with government then this will create separation among entrepreneurs of different groups and lead to lower levels of innovation activity.***

## **Summary**

This chapter discussed the rationale for the use of research propositions in this study instead of conventional hypotheses. As this study is an observation of phenomena, research propositions are more appropriate for such a study, and the propositions allow for a further and in-depth understanding of the relationships that exist between the institutional environment and how it acts as an enabler or barrier to entrepreneurial activity and innovation activity.

## **3.4 Theoretical Framework**

The framework provided by Williamson (2000) of institutions being viewed under four levels of social analysis is useful as it explores how the various levels interact and impact entrepreneurial outcomes. Williamson analyses the four levels of social analyses and draws a distinction between the higher-level imposing constraints on the level immediately below. At the top level is social embeddedness, where norms, customs and traditions are located. Institutions at this level change very slowly, citing the words of Douglas North when he posed the query, “what is it about informal constraints that give them such a pervasive influence upon the long-run character of economies?” (1991, p.111). The second level is referred to as the institutional environment. The structures that are observed at this level are the formation of formal constraints such as codes of conduct (North, 1991). The shadow of the past largely forms these constraints as well as bureaucracy within government and the division/distribution of powers across different



levels of government. Level 3 and 4 are subsequently impacted by level 1 and 2 and complete the picture of what an institutional environment looks like and how it operates.

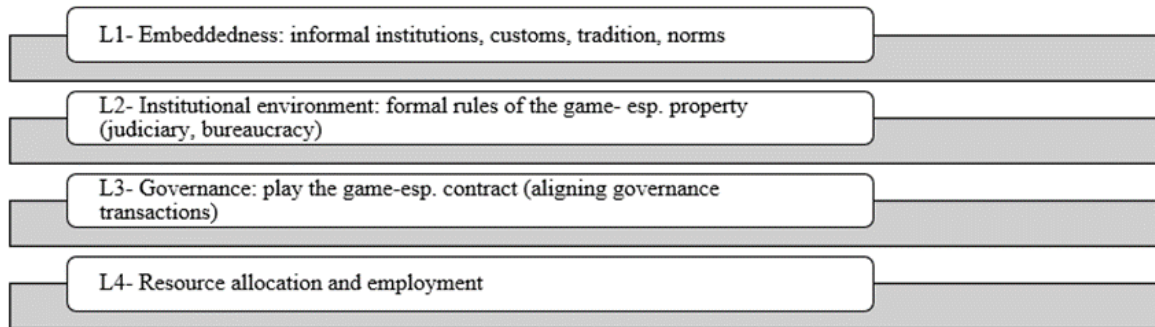


Figure 4 The four levels of social analyses in institutions (Williamson, 2000)

### 3.4.1 Social Embeddedness and its Interaction with the Institutional Environment

Social embeddedness enables the creation of social capital which can be used to help individuals navigate the institutional environment. Social embeddedness contributes to social innovation by creating an atmosphere where coordination and collaboration can take place (Wijk et al., 2019). Resource-scarce small enterprises depend on their ability to be embedded in social networks where they can form partnerships, gain access to information and finances as well as acquire access to new markets. social embeddedness creates platforms where this is possible. One of the fundamental sources of creating social capital is through one's educational background. educational background and educational status tend to hold high esteem in many societies. Furthermore, activism also provides a platform where entrepreneurs can form associations behind a common cause and lobby for support. This can also assist entrepreneurs to access desirable networks where additional opportunities and support can be garnered (Gulati, 1998). The argument of embeddedness stresses that the role of concrete personal relations and structures or networks of such relations in generating trust and discouraging misconduct (Granovetter, 1985).

### 3.4.2 *The Three Pillars of The Institutional Environment*

***The regulative pillar.*** Institutions constrain and standardise behaviour. The regulatory pillar gives explicit regulatory processes, i.e. rule setting, monitoring and sanctioning activities. In this conception, regulatory processes involve the capacity to establish rules, inspect others' conformity to them and, as a necessary issue of rewards and punishments- in an attempt to influence behaviour. Scott (2014) suggests that regulatory systems are those that display high values on each of the dimensions of obligation, precision and delegation, while normative systems display lower values. On the other hand, the prominent institutional economist Douglas North (1990) features rule systems and enforcement mechanisms as the formal written rules as well as typically unwritten rules and codes of conduct that underlie and supplement formal rules. North places emphasis on the more formalised control systems that are likely to focus attention on the behaviour of individuals and firms in markets or on other competitive situations, such as politics, where contending interests are more common and, as such, specific rules and referees more necessary to preserve order.

***The normative pillar.*** Normative rules introduce a prescriptive, evaluative and obligatory dimension to social life. Normative systems include both values and norms. Values are the conceptions of the preferred or the desirable together with the construction of standards to which existing structures of behaviours can be compared and assessed. Norms place specificity on how things should be done; they define legitimate means to pursue valued ends. Normative systems define goals or objectives (e.g. winning the game, making a profit but also designate appropriate ways to pursue them (e.g., rules specifying how the game is to be played, conceptions of fair business practices) (Scott, 2014). Some values and norms are applicable to all members of the collective; others apply to only selected types of actors or positions. The rest give rise to roles, perceptions of appropriate goals and activities for particular individuals of specific social positions. These beliefs are said to be more than simply anticipations or predictions but rather serve as prescriptions (i.e., normative expectations) concerning how specific actors are supposed to behave (Scott, 2014). Normative systems are usually viewed as imposing constraints on social behaviour, and so they do. But in the same breath, they empower and enable social action. They present rights and responsibilities, privileges, duties and mandates.

***The cultural-cognitive pillar.*** Douglas (1982) made the proposition that cultural categories should be treated as cognitive containers in which social interests are defined, classified, argued and negotiated. On the other hand, Hofstede (1991) stated that culture provides patterns of thinking, feeling and acting (i.e. mental programs or “software of the mind.” Cultural systems work on multiple levels, from the shared definition of local situations to the common frames and patterns of belief that comprise an organisation’s culture, to the organising logics that give structure to organisational fields, to the assumptions that are shared and ideologies that define preferred political and economic systems at national and transnational levels. Cultural elements differ in their degree of institutionalisation, the extent of their linkage to other elements and the degree that they are expressed in routines. But cultural conceptions frequently differ, and beliefs are held by some and not others. People that find themselves in the same situations can perceive the situation quite differently in relation to what is and what ought to be. Cultural beliefs vary and are frequently contested, particularly in times of social disorganisation and change (DiMaggio, 1997; Martin, 1992, Seo and Creed, 2002; Swidler, 1986).

The cultural cognitive institutional environment relates to the subjectively held values and beliefs that limit behaviour and tend to operate on the level of culture and language (Bruton et al., 2010). Hofstede (1980) defines culture as a collective programming of the mind, and this definition has been typically viewed as a major component of the cognitive institutional environment as it influences the way that entrepreneurs are viewed and affects personal attitudes toward risk-taking, independent thinking, and taking initiative (Sambharya & Musteen, 2014). While some cultures recognise and reward entrepreneurial behaviour, other cultures actually constrain it by viewing it as a violation of the status quo. There is a vast body of research that has shown that national culture has a significant impact on entrepreneurial behaviours (Kreiser et al., 2010; Stephan & Uhlaner, 2010; Wennberg et al., 2013; Wennekers et al., 2007), including backing new ideas (Shane, 1994) and proactiveness (Kreiser et al., 2010), and also it affects personal traits of individuals that are deemed as important to entrepreneurship. These include locus of control and risk-taking propensity, among others (Thomas & Muller, 2000).

### *3.4.3 The Institutional Factors as Barriers or Enablers of Entrepreneurship and Innovation*

Institutions are heterogeneous, and so are their impacts on entrepreneurship and innovation (Audretsch et al., 2022). It is known that institutions affect entrepreneurial decision-making (Aidis et al., 2012; Autio et al., 2014; Webb et al., 2020) and incentives to start innovation activities (Amoros et al., 2019). Research shows that the structure, size and quality of institutions- which can represent explicit and hidden rules that influence economic exchange (North 1990, 2005; Williamson, 2000)- are responsible for shaping the context in which entrepreneurs and organisations operate (Baumol, 1990; Scott, 1995, 2001; Elert et al., 2019; Audertsch et al., 2019). Therefore, the institutional environment can either facilitate entrepreneurship and innovation by providing a favourable regulatory environment and plausible normative and cognitive cultural dynamics which help entrepreneurs thrive.

### *3.4.4 The National and Individual Level Perspectives Impacting Entrepreneurship and SME Innovation*

This study will focus on how the entrepreneurial orientation of SMEs in South Africa's green economy is affected by institutional factors that moderate entrepreneurial and innovation activities within firms. The rationale behind the selection of EO and how it is utilised within SMEs is based on the general consensus in the literature that firms that use the dimensions of EO generally tend to do better than those that do not, and therefore, investigating this from a South African entrepreneurship perspective would be a useful contribution to this discourse as this provides an emerging economy perspective. Entrepreneurial orientation refers to "processes, practices and decision-making activities that lead to new entry" (Lumpkin & Dess, 1996). More specifically, EO is a multidimensional construct describing the strategy-making process at the organisational level, including dimensions such as product innovation, proactiveness, and risk-taking behaviour (Covin & Slevin, 1991; Rosenbusch, Rauch & Bausch, 2013).

Product innovation represents a firm's efforts to experiment with and develop new products designed to meet current or future market demands. Proactiveness refers to managers' forward-looking perspective regarding future wants and needs in a market (Shane & Venkatraman, 2000). Firms may benefit from taking proactive measures by capitalising on new or developing opportunities and by shaping the competitive landscape.

Risk-taking reflects managerial behaviour whereby time, effort and money are invested before financial returns are realised (Venkatraman, 1997). It has been stated upfront by Chirico et al. (2011) that due to product innovation, proactiveness, and risk-taking being key dimensions of EO and because EO includes taking actions to create and pursue future opportunities, EO is the conduit through which managers use systems of practices and managerial styles to direct how resources are used. Therefore, EO represents managers' mobilising visions as discussed in the resource arrangement literature (Chirico et al., 2011; Sirmon & Hitt, 2003; Sirmon et al., 2007).

Linked to EO is the aspect of personality traits. Personality traits have also been conceptualised as inclinations to act by McCrae and Costa (1990). They suggest that different propensities may facilitate or impede business owners' actions and behaviours. Rauch et al. (2007) assume that personality traits are predictors of entrepreneurial behaviour. Creativity is the seed of all innovation. The successful creation of new products, new services, or new business practices starts with a person thinking up a good idea- and developing that idea beyond its initial state (Amabile et al., 1996; Baer, 2012). Minh and Hjortsϕ (2015) state that SMEs often act as an engine for economic growth in developing countries which are unfortunately described to have many "institutional voids" characterised by a lack of market supporting institutions, thus leading to individual SMEs having to develop strategies to compensate for the lack of supporting laws and regulations (Khanna & Palepu, 1997; Minh and Hjortsϕ, 2015, p209–228). Therefore, it is important to understand SMEs' innovation behaviour to recommend effective innovation practices for firms and support the development of contextualised policies in emerging economies (Minh and Hjortsϕ, 2015, p209–228). Although SME innovation phenomenon has been studied quite extensively, research has seldom addressed the developing country context (Hadjimanolis, 2000; Radas & Božić, 2009; Zeng Xie & Tam, 2010; Minh & Hjortsϕ, 2015) as well as questions of how external variables such as institutional support influence SME innovation have remained relatively unexplored (Lu, Tsang and Peng, 2008; Radas & Božić, 2009; Minh & Hjortsϕ, 2015).

Factors that influence innovation in SMEs are said to have been intensively studied in developed countries, while research on SMEs in emerging economies, more so the barriers to innovation, has been largely neglected (Hadjimanolis, 1999; Keizer, Dijkstra, & Halman, 2002; Radas and Bozic, 2009, Zhu et al., 2012). According to Asheim and Coenen (2006), in order to enhance understanding of which types of innovation systems effectively

facilitate innovation in different kinds of industries in different regions, it is necessary to contextualise analyses to the actual knowledge base of various industries as well as to the “regional and national institutional framework, which strongly shape the innovation processes of firms.” Furthermore, it is stated that the linkage between the larger institutional frameworks of the national innovation and business systems is of special importance as it reveals the character of the regional innovation system. Asheim and Coenen (2006) make a distinction between a ‘knowledge-based economy and a ‘learning-based economy.’ They state that a learning-based economy is also within itself a knowledge-based economy; the competitive advantage is based on the exploitation of unique competencies and resources, i.e. a firm or a region/ nation leverages off what they have which is unique in relation to their competitors. This relates to Porter’s (1990) strategic perspective on the contemporary global economy and how these unique competencies and resources can be developed in order to foster competitiveness based on competitive advantage (Porter, 1990).

A learning economy, on the other hand, is basically understood as an interactive learning process which is socially and territorially embedded and culturally and institutionally contextualised (Lundvall, 1992). A learning economy perspective on innovation does not make a distinction between high-tech and low-tech branches or sectors but counts all branches and sectors as having the potential to be innovative in a broader sense. There is an added emphasis placed on the continual learning and innovation of the processes of creation and reproduction that can be found in any sector that enjoys competitive advantages on the global market (Asheim & Coenen,2006). Though broad, this perspective has an implication that suggests that innovation can occur anywhere and places a focus on the “enormous untapped growth potential that could be mobilised” in traditional sectors if the necessary “institutional reforms and organisational change that promote learning processes” were implemented (Lundvall,2004).

One of the thought leaders in the innovation discourse is Schumpeter. He developed an explanation of the change-over from routine economic growth to ‘dynamic’ economic development and introduced the notion of ‘new combinations’, which refer to the introduction of a new product, a new method of production, a new market, a new source of supply of raw materials or half manufactured goods and finally implementing the new organisation of any industry (Schumpeter, 1934; Hagedoorn, 1996, p883–897). The role played by organisational learning is also key to Schumpeter’s innovation theory of ‘new

combinations. Organisational learning and knowledge accumulations, and organisational dynamics are pivotal to assisting the firm in interacting with its environment, which in turn relates to the success or failure of a firm (Cohen & Levinthal, 1990; Hagedoorn, 1996). Schumpeter also stressed the importance of the role of the entrepreneur, stating that the entrepreneur “is the only agent of economic change” and “the entrepreneur is the personification of innovation”, i.e. the individual that carries out the new combinations. The Schumpeterian entrepreneur is characterised by his/her proactive behaviour and is not necessarily a strictly rational economically maximising subject. Schumpeter’s entrepreneur is both a rationally and irrationally motivated economic agent who seems to be never satisfied by results based on existing innovations but who keeps searching for new opportunities” (Hagedoorn, 1996, p883–897). This highlights the importance of studying the role played by the entrepreneur within SMEs in this study as they perform the role of the catalyst of change.

The current global market economy requires firms to be innovative to acquire and maintain a competitive edge, especially so with the fast-changing status of the global market (Zeng et al., 2010, p181–194). Gunday et al. (2011) highlight the fundamental importance of innovativeness in SMEs as a key growth strategy to enter new markets as well as boost existing market share. Firms rely on innovations to provide them with a strategic orientation to aid them in achieving a sustainable competitive advantage (Gunday et al., 2011; Drucker, 1985; Hitt et al., 2001; Kuratko et al., 2005). Efficient firms survive and grow in the market, while inefficient firms with productivity below a certain threshold decline and fail (Jovanovic, 1982; Hopenhayn, 1992; Cassiman et al., 2010, p372–376). Literature describes that a minority of firms introduce innovations that are both radical and new to the global economy. These pioneers boost the economic development of a nation by contributing to the diversity of the economy and technological opportunities. Among their competitors, there are late and early followers that copy and adapt new products and processes (Lundvall, 2007).

This study aims to adopt two main perspectives. These perspectives are the national level view, as represented by figure 5 (Scott, 2014) and the entrepreneurs’ perspective at the individual firm level (Lumpkin & Dess, 1996), as represented by figure 5. Table 1 contains a summary of the constructs and variables of this study.

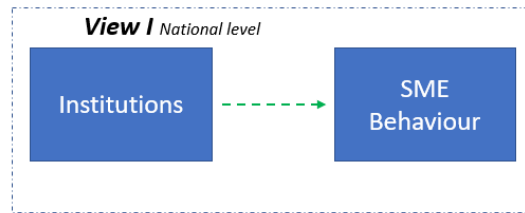


Figure 5 Perspective one: Based on North (1990) and Scott (1995)

Figure 5 above provides the first perspective for this study. The diagram has been adapted from North (1990) and Scott (1995) to illustrate how institutions influence SME behaviour. Government institutional support is the extent to which administrative institutions (including the central or local government departments) provide support (e.g. policies and programs) to firms in a nation or region in order to promote firms’ innovation activities (Li & Atuahene-Gima, 2001; Martin & Scott, 2000; Sheng, Zhou, and Li, 2011). Due to the inequities in economic and institutional reforms that exist in most developing countries, government institutional support varies across nations, as well as regions and areas within a given country (Sheng et al.,2011). Institutional theory focuses on the interplay between institutions and organisations in certain institutional contexts through a process known as institutionalisation (North, 1990; Scott, 1995). The institutional framework is defined by Davis and North (1971) as the set of basic political, social and legal ground rules that establishes the basis for production, exchange and distribution.

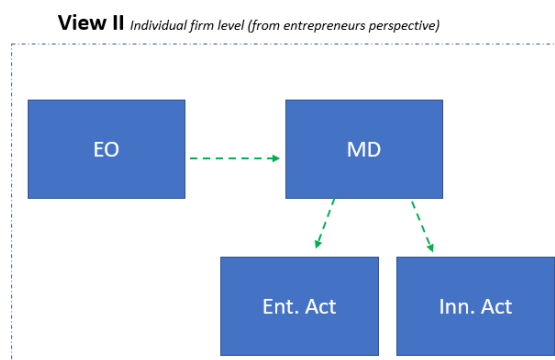


Figure 6 How Entrepreneurial Orientation Influences Managerial Discretion in firms moderating entrepreneurial and innovation activity (Lumpkin and Dess, 1996)

To reiterate the main variables that are being investigated in this study, the following section provides a brief overview of the concepts. The specific aspect will be how the three pillars of the institutional environment affect each of these constructs.



Construct name	Definition	Sub-themes	Variable	Author
<b>Managerial discretion</b>	Latitude of action or scope of freedom of action. Before strategic actions can be taken, managers have to first make the determination of which organisational issues are within their domain or discretionary set, and which issues are beyond their latitude of action (Hambrick and Finkelstein, 1987)	Individual power to act (Key, 1997)	Perceived discretion	Key (1997)
		Locus of control (Rotter, 1954)	Locus of control (internal and external)	Carpenter and Golden (1997) Finkelstein and Hambrick (1989)
		Perceived discretion (Carpenter and Golden, 1997)	perceived discretion for high discretion issues	
			perceived discretion for low discretion issues	
			perceived managerial power	
<b>Innovation activity</b>	Innovation has been defined as the process of the adoption of internally or externally generated devices, systems, policies, processes, products or services that are new to the adopting organisation (Damanpour, 1991; Rosenbusch et al. 2011). Innovation is a fundamental element of entrepreneurship (Schumpeter, 1982, Davidsson, 2004; Lumpkin and Dess, 1996)	Radical innovation	Product innovation	Chadee and Roxas (2013)
		Incremental innovation	innovation capacity	
		Process innovation		
		Innovation orientation	Business model innovation	
<b>Entrepreneurial Orientation</b>	Entrepreneurial firms are those in which top managers have entrepreneurial management styles, as evidenced by the firms' strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative and passive or reactive (Covin and Slevin ,1998). EO refers to the processes, practices and decision-making activities that lead to new entry" as characterised by one, or more of the following dimensions: a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities (Lumpkin and Dess ,1996)	strategic orientation	Autonomy	Covin and Slevin/ Miller (1989)
			Risk-taking	
			Competitive aggressiveness	Lumpkin and Dess (1996)
			Innovativeness	
			Proactiveness	
<b>Entrepreneurial Activity</b>	Entrepreneurial activities that relate to the start-up, growth and exit of a firm involve numerous activities that need meticulous planning and evaluation in order to select the most appropriate responses that work with that context. The research of Hitt et al. (2011), there would appear to be two broad dimensions to entrepreneurial strategic actions. The first of these involves the micro-level processes that flow from the individual. These micro individual processes include concerns both about the individual processes include concerns both about the individual, such as cognition (Adell, Felin, and Foss, 2008) and learning, which shape the entrepreneurial and strategic actions of the firm. Second, there are also macro-level concerns, including the gathering and structuring of resources.	Start up	finance acquisition	Hitt (2011)
		Growth	Information acquisition and use	
			R&D	
			Involvement in networks	
		Exit	Strategic alliances and collaborations	
			Market expansion	

Table 5 Constructs and measures.

### 3.5 Conceptual Framework

Drawing on the framework provided by Williamson (2000) (figure 4), the following conceptual framework has been developed for this study and investigation. The conceptual framework examines the institutional environment as a whole, and how it affects the use of entrepreneurial orientation among SMEs, how managerial discretion is exercised, the role of social embeddedness and how it is utilised and finally, how this all has an impact on entrepreneurial and innovation activities.

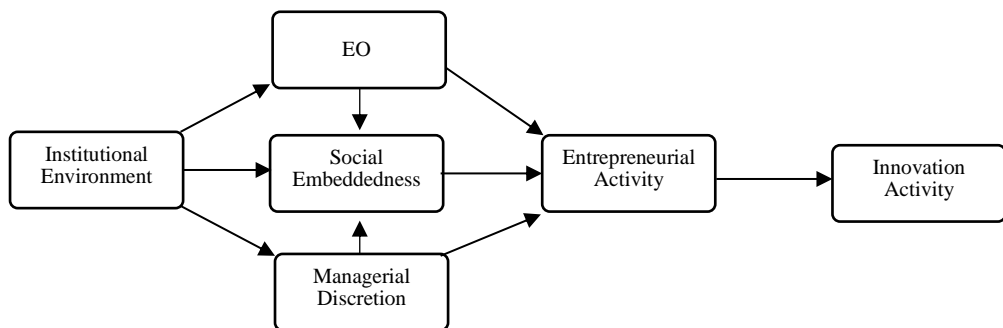


Figure 7 Conceptual Model (Author herself)

It has been suggested that the institutional environment plays a significant role in the entrepreneurial ecosystem of a nation (North, 1990). Its impact can either be positive or negative, and determining this, should be performed on a case-by-case basis. The institutional environment of a nation determines the ‘rules of the game’, which shape the business strategy that a firm can deploy (North, 1991; Peng et al., 2008). Generally, it is said that emerging economies have weak institutional infrastructures due to uncertainties that arise from political and legal instabilities (Wright et al., 2005). However, EO has been attributed to allowing firms to successfully handle the challenges associated with weaknesses in the regulatory environment of a nation (Lumpkin & Dess, 1996).

#### 3.5.1 The Effects of The Regulatory Dimension of The Institutional Environment on Entrepreneurial Orientation

The regulatory and institutional environment can both promote and inhibit entrepreneurship (Klapper et al., 2006; Stenholm et al., 2013; Van Stel et al., 2007). Countries

differ greatly in the quality of requirements that they pose on entrepreneurs in terms of the regulations around starting and operating a business. The level of regulatory complexity of the institutional environment represents a significant barrier to entrepreneurship (Sambharya & Musteen, 2014). Entrepreneurs who seek to pursue an attractive business opportunity are likely to be discouraged from doing so when facing a burdensome, time-consuming process involved with acquiring all necessary permits and licenses and keeping up with regulations, especially because starting a new venture is a complicated and risky undertaking within itself. Entrepreneurs have to deal with complex administrative processes, and in many instances, this is daunting enough to discourage some individuals from engaging in entrepreneurial activity (Sambharya & Musteen, 2014). The longer it takes to obtain regulatory approval to start a new venture is likely it is to reduce the chances that the venture will be successful and, therefore, seriously pursued. The time and funds consumed by complying with complex regulatory requirements are resources that could rather be devoted to conceiving a business idea or bringing it to commercialisation, building an entrepreneurial team and securing the necessary financing (Sambharya & Musteen, 2014). It is assumed that if a national agenda supports a transition of a green economy (as is the case in South Africa) then the regulation surrounding green economy sectors should follow suit in terms of low regulatory barriers for entrepreneurs who are making a contribution to this mandate. Clarity of whether or not this assumption is true will be discussed in the findings chapter.

### *3.5.2 The Effects of the Institutional Environment on Social Embeddedness*

The institutional environment of a nation dictates not only the rules that entrepreneurs should abide by, but also presents the cultural cues that should be observed (Scott, 2007). The observation of these cues and cognition of one's culture create an alignment to one's embeddedness, creating associations among individuals. The institutional environment that presides, ultimately cause entrepreneurs to use their social embeddedness to operate in business. In the case of South Africa, this could come across in the form of black male or female entrepreneurs bidding for a tender that requires a level-1 scorecard. Therefore, as a black male entrepreneur, one makes a bid through their embeddedness as a black South African. However, this does not strictly reflect in the form of race, this embeddedness takes on the form of gender, education, religion etc. Therefore, it is the institutional environment that drives entrepreneurs to use their social embeddedness in order to do business. Moreover,

specifically (but not limited to) South Africa, the playing field between female and male entrepreneurs is uneven (Kogut & Mejri, 2021) and South Africa has a great racial divide (Ponte et al., 2007). Harnessing one's social embeddedness to build networks of like-minded individuals who can support efforts for entrepreneurial activities and innovation is another way that the institutional environment effects social embeddedness.

### ***3.6 The Effects of Institutional Environment on Managerial Discretion***

Matters of morality, sense-making and leadership are some of the factors that the institutional environment affects within managerial discretion. Entrepreneurs encounter a range of challenges while doing business in complex institutional environments such as South Africa. This places them in different situations where they are forced to exercise discretion in decision-making. Matters such as what action should one take when presented by institutional weaknesses such as corruption, or unclear/ incoherent policy are some of the considerations encountered by green economy entrepreneurs in South Africa's context. Institutional theory implies a structure that constrains or enables action among various actors. The institutional environment is defined as the formal regulatory rules that govern factors such as property rights and markets. The entrepreneurial capacity of a nation is often defined by the formal institutional environment made up of political, economic and legal structures (Acs et al., 2008; Williams & Vorley, 2015). However, these formal structures alone do not sufficiently explain differences in entrepreneurial activity between countries, and there is also a need to study informal institutions such as norms, value systems and codes of conduct which affect entrepreneurial capacity and shape the behaviours of entrepreneurs (Frederking, 2004; North, 1990; Valdez & Richardson, 2013; Williams & Vorley, 2015). As such, the context in which entrepreneurship occurs is diverse, and the institutional framework that prevails in transition (and/or developing) economies specifically is fundamental to shaping entrepreneurial orientation, managerial discretion, new venture creation, and in due course, growth (Saar & Unt, 2008; Williams & Vorley, 2015).

Formal and informal institutions go hand-in-hand and together define the 'rules of the game' affecting the decisions of individuals in the pursuit of entrepreneurial activities. Where institutions are weak or poorly administered, they inhibit growth and become detrimental to enterprise culture (Baumol, 1990). Institutions interact with both individuals and organisations and influence decision-making by signalling which choices, norms and behaviours are

normalised and socialised within a society (Ahlstrom & Bruton, 2002; Tonoyan et al., 2010). This then presents the question of what does an entrepreneur do in light of factors such as poor administration? As previously mentioned, the institutional environment imposes restrictions on individuals, social groups and organisations through institutional mechanisms; in so doing, it shapes their incentive structures and the context of network mechanisms at the meso- and micro-levels (Minh & Hjortsø, 2015). Analysing institutional environments can be done at different levels: the micro (i.e. the individual), the meso (i.e. the sector but also geographically, ethically, economically or politically tied communities) and the macro (i.e. society) levels (Eijdenberg et al., 2018). Although there have been many studies performed looking at cross-country comparative studies of macro- or meso- level factors, much less is known regarding entrepreneurial behaviour and perseverance in challenging institutional environments and the micro-level, meaning that individual entrepreneurs' experiences with navigating challenging institutional terrain are not all that well understood (Eijdenberg et al., 2018). There is an increasing academic recognition that entrepreneurship is closely linked to the institutional context in which it occurs (Bruton et al., 2010; Eijdenberg et al., 2018). Institutions incorporate concepts of culture, legal environment, tradition and history and academic incentives, which organise social interaction by containing and enabling activities and decisions (Greenman, 2013; Eijdenberg et al., 2018). Institutional theory applied to entrepreneurship suggests that entrepreneurs need to conform to existing institutions in order to gain endorsement, legitimacy and resources from important referent audiences and stakeholders (Su et al., 2017). The aim of entrepreneurs is to gather vital human and financial resources by convincing potential resource constituents of the legitimacy, appropriateness and desirability of their proposed activities relative to one or more socially constructed systems of evaluation (Suchman, 1995; Tolbert et al., 2010). By structuring the attention and action of entrepreneurs, customers, suppliers and investors, institutions form a shared sense of social reality (Thornton et al., 2011).

Common institutional factors, for example, that may have an influence on entrepreneurial activities are market conditions and property rights (Foss & Foss, 2008), family structure (Bika, 2012), formal policy (Murdock, 2012) and the availability of capital (Audretsch & Thurik, 2000). Inadequate institutional development can complicate new venture development (Mair & Marti, 2009), while a more developed institutional environment with overly restrictive regulation can hamper activities (Gurses & Ozcan, 2015). Moreover, research has discovered that informal relationships, such as small associations and local networks, may perform the role of filling in institutional gaps that result from an inadequate formal

institutional infrastructure (Khanna & Palepu, 1997; Eijdenberg et al., 2018). In places with institutions that provide secure property rights, a fair and balanced judicial system, contract enforcement and effective limits on the government's ability to transfer wealth through taxation and regulation, creative individuals are more likely to engage in productive market entrepreneurship (activities that generate wealth such as product innovation). On the other hand, in places without strong institutions, these same individuals are instead more likely to engage in manipulating the political or legal process in order to capture the transfer of existing wealth through unproductive political and legal entrepreneurship (Sobel, 2008, p641–655). Specific to South Africa, procurement policy plays a major role in business relationships in the economy and, more specifically, preferential procurement. South Africa's task environment begins with a set of procurement policies set out by the National Government.

The legislative framework that is applicable to government contracting and public procurement is the Constitution of the Republic of South Africa 1996, Section 217 of the Constitution that requires that when an organ of the state contracts for goods and services, it must do so in accordance with principles of fairness, equitability, transparency, competitiveness and cost-effectiveness which acts as the key piece of legislation that regulates public procurement (Bowmans, 2016). Essentially, South Africa's Constitution mandates that the best person for the job is provided the opportunity to get the job and surrounding conditions are enabling for them to be in a position to perform said job effectively. Furthermore, changes in policy that enhance an entrepreneur's ability to do business should be welcomed in order for the creation of a more equal business environment as with previous mention of changes to the energy policy for IPPs in South Africa's energy sector. Institutional entrepreneurship literature is relevant to the above developments regarding the amendments to the licensing policy. Within this discourse, some scholars refer to entrepreneurs as creators of institutions (Child, Lu and Tsai, 2007; Clemens & Cook, 1999; Fligstein, 2001; Garud, Hardy & Maguire, 2007; Garud, Jain & Kumaraswamy, 2002; Levy & Scully, 2007; Lounsbury & Crumley, 2007; Mutch, 2007; Perkmann & Spicer, 2007; Wijen & Ansari, 2007; Zilber, 2007). On the other side, some academics look at entrepreneurs' roles in institutional change, i.e. the destruction of one institution and the establishment of another. In examining how institutional entrepreneurs are characterised, we discover that the majority of authors view them as agents pursuing certain interests and acting strategically (Beckert 1999, Child, Lu & Tsai 2007; Fligstein, 2001; Garud, Hardy & Maguire 2007; Greenwood & Suddaby, 2006; Lawrence & Philips, 2004; Levy & Scully, 2007; Misangyi, Weaver & Elms 2008; Wijen & Ansari, 2007).

An example worth noting can be found within the South African energy sector. This translates to looking at the role of the institutional actor, which is the private sector that can push for policy amendments which in turn serve entrepreneurs, likewise can also block entrepreneurs when they adopt a passive stance. Furthermore, there is also the idea that entrepreneurs mobilise resources (Battilana, 2006; Beckert, 1999; Garud, Hardy & Maguire, 2007; Khan, Munir & Willmott, 2007; Levy & Scully, 2007; Misangyi, Weaver & Elms, 2008; Mutch, 2007; Zilber, 2007) and mobilise other actors (Beckert, 1999; Fligstein, 2001; Garud, Hardy and Maguire 2007; Khan, Munir & Willmott 2007; Levy & Scully, 2007; Lounsbury & Crumley, 2007; Perkmann & Spicer, 2007; Suddaby & Greenwood, 2005; Wijen & Ansari, 2007; Zilber, 2002), and are in line with DiMaggio's (1988) initial concerns.

The mobilisation of others also draws on Fligstein's (2001; p.106) definition of socially skilled actors: "the ability on the part of the actors to analyse and attain such cooperation can be viewed as a social skill". Another aspect is the idea that entrepreneurs create meaning (Garud, Jain & Kumaraswamy, 2002; Misangyi, Weaver & Elms, 2008; Perkmann & Spicer, 2007; Rao & Giorgi, 2006; Suddaby & Greenwood, 2005; Zilber, 2007), which is derived from Zilber's (2002) seminal work on the role of meaning in institutional agency. Other descriptions, for example, are institutional entrepreneurs as leaders (Child, Lu & Tsai, 2007; Levy & Scully, 2007; Wijen & Ansari, 2007), visionaries (Beckert, 1999; Perkmann & Spicer, 2007; Rao & Giorgi, 2006; Zilber, 2007) or reflexive agents (Beckert, 1999; Greenwood & Suddaby, 2006; Mutch, 2007) play a minor role. This leads to the discussion around the paradox of embedded agency, which deals with the notion of how actors can change institutions if they take them for granted and thus cannot envision alternatives (Battilana, 2006; Battilana & D'Aunno, 2009; Beckert, 1999; Dorado, 2005; Garud, Hardy & Maguire 2007; Greenwood & Suddaby, 2006; Levy & Scully, 2007; Wijen & Ansari, 2007). In South Africa, we observe a disenfranchised entrepreneurial community that has lost confidence in the government's ability to create the kind of enabling environment that is needed to advance the economy as a whole. This has to lead to the use of the combination of entrepreneurial orientation and managerial discretion, which has in some instances yielded unique entrepreneurial activity, innovation activity and firm performance. Another angle is presented by Battilana (2006), who reasons that in order to link individual agency and organisational or societal structures, we have to "explain under which conditions individuals are enabled to act as institutional entrepreneurs" (Battilana, 2006). Battilana's argument echoes a very prominent concern in the institutional

entrepreneurship literature. It refers to the question of which conditions “produce” entrepreneurs i.e., either trigger entrepreneurial behaviour or make it successful.

### ***3.6.1 Transparency in Governance that Affects Organizational Behavior.***

Closely connected to managerial discretion, is the idea that transparency in governance may be able to affect organisational behaviour. Transparency is the sort of information or reporting procedure that makes activity or results visible or verifiable (Hood, 2007). According to Osrecki (2015), discretion can be interpreted as permission to break the rules, in the sense that where there is the presence of ambiguity, corruption has the opportunity to feature. There has been a general trend in western societies that substitutes trust in external control, standard setting, formalised auditing and punishment in cases of failing to meet predefined targets (Hood et al., 2005; Hood & Heald, 2006; Philip 2009; Pollitt et al., 1999; Power, 1997; Osrecki, 2015). Discussions related to transparency and accountability assume that information disclosure and open professional practice to public scrutiny increases trust in and legitimacy of public institutions. Furthermore, it is argued that transparency increases organisational performance as this disclosure is mainly concerned with information flows (Osrecki, 2015). Disclosure has been debated as its ability to enhance organisational performance i.e. will rule-following lead to better observability and organisational performance? One view on this is that organisational informality (as in a casual approach to rule following), leads to self-interested concealment and organisational ineffectiveness (Bennis et al., 2008; Wehmeier & Raaz, 2012). On the other hand, enhanced transparency, compliance and accountability have only short-term effects on efficiency during an adjustment period or if the outcomes to be accounted for are themselves faulty. Therefore, the bureaucracy of organisational transparency, rule-following and efficiency are mutually self-enforcing mechanisms (Osrecki, 2015).

Exercising discretion in organisational decision-making can have important functions for organisations and not only for the beneficiaries of organisations but also reducing discretion can cause side effects that can be harmful to the organisation. The question still prevails of whether formal rules and only formal rules should prevail? (Osrecki, 2015). Although, in an ideal world, this would be the goal, however, it has been emphasised that the tendency to oversee organisational costs of limiting discretion and insisting on compliance is not a



theoretical necessity, it can create tangible side effects when practically implemented (Osrecki, 2015). Osrecki (2015) makes reference to Luhmann (2000) who describes situations that could bear a mutually favourable outcome in the form of a win-win situation that illustrates how members for whatever reason take the stance to break ‘paralysing’ rules and the organisation can let them do so without needlessly approaching the issue and without confessing that the formal order has been undermined. This is where the role of functional deviance would become more apparent. Functional deviance is a very common occurrence and a much less demanding arrangement than productive resistance (Courpasson et al., 2012) in which members break obsolete rules to intentionally save their company (Osrecki, 2015). This does not mean that in the concept of functional deviance, agency does not play a role- functionally deviant organisations managers/ members have to make a decision: stick to the rules/ play by the rules or bypass the rules in order to get to desired organisational outcomes (Osrecki, 2015). It should also be noted that a deviant act can be classified as functional for an organisation even if the deviant actors take action on the pure grounds of self-interest. So even if the functionally deviant behaviour rests on decisions, these decisions need not rest on ethical or unselfish motives in enhancing organisational flexibility. The functionality of deviant act is a latent and emergent social structure, not assumed from a motivational base (Osrecki, 2015). Based on this perspective, fighting corruption with transparency, accountability and compliance-based programs can be problematic because if it proves successful, it also runs the risk of binding the affected organisations to a strict formal operating mode, discouraging not only deviant (i.e. corrupt), but also functionally deviant behaviour. In other words, the problem with anti-corruption programs-based principle-agent models is that they do not differentiate between corruption and functional deviance but frame all informal, i.e. untransparent behaviour as potentially corrupt. Within the context of South Africa, entrepreneurs are faced with this very dilemma. Should they play by the stringent rules of the regulative environment that is also affected by institutional voids or should they operate somewhat outside of the rules in order to move their businesses forward. Some entrepreneurs that took part in this study went as far as describing the regulative environment as being counter-productive to their ventures and claiming that if they were to strictly follow the rules, they would not be able to conduct their entrepreneurial ventures in a manner that allows the business to progress because the system was not designed for entrepreneurship to thrive. On the other hand, some also expressed an appreciation for the rules, stating that they know that the rules are in place to serve a purpose however, the adjustments that need to be made to create a more enabling environment for

entrepreneurship are absent and a compromise needs to be reached so that a more entrepreneurially productive society is created.

### *3.6.2 The Role of Government Support for Entrepreneurial and Innovation Activities*

Government support for entrepreneurial activities is an important area of entrepreneurship research (Friske & Zachary, 2019; Minniti, 2008; Ribeiro- Soriano & Galindo-Martin, 2012). Research in this area has made substantial contributions to our understanding of whether and how government support influences entrepreneurial outcomes (e.g., Bowen & De Clercq, 2008; Busenitz et al., 2000). This stream of research has, in particular, examined the role of national governments and how their policies and practices foster or obstruct entrepreneurship (Minniti, 2008; Ribeiro-Soriano & Galindo-Martín, 2012; Spencer & Gómez, 2004). Despite the important insights these studies generated, many of the studies focus on policies and practices, paying limited attention to the policymakers as well as socio-political processes involved in policy-making and government support. It has been noted that extending research focus from policy to policymakers is important as it can contribute to a complete understanding of the policy-making process and government support, especially in developing countries such as those in Africa where identity and ethnicity play more pertinent roles in the social, economic and political arenas (Francois et al., 2015; Mkandawire, 2015). African countries, in particular, bear the brunt of this. While there have been significant improvements in national governments and political reforms over the years, entrepreneurs' access to government support in many African nations is still based on a highly inefficient and self-serving patronage system in which sociocultural, political and economic linkages and loyalty are recognised more than conventional merit-based processes (Kshetri, 2011; Tangri, 1999).

The use of government support in fostering entrepreneurship is well-documented (Busenitz et al., 2000; Friske & Zachary, 2019; Minniti, 2008; Ribeiro- Soriano & Galindo-Martin, 2012). Firstly, governments can create a conducive business climate for entrepreneurship by enacting policies and regulations that improve the processes of launching and growing new business ventures and provide resource support for entrepreneurs (Friske & Zachary, 2019). Through their function of shaping the legal and institutional environment, governments also have the capacity to promote “productive entrepreneurship” (Baumol, 1990), which includes specific types of entrepreneurial ventures (i.e. high growth or technology

ventures) that make a significant contribution to economic growth. Secondly, the government also serves the role of promoting entrepreneurship by establishing an efficient administrative infrastructure that facilitates the creation and expansion of new ventures (Bowen & De Clercq, 2008). Thirdly, they also serve the critical function of fostering entrepreneurship by offering financial incentives, including tax breaks, subsidised loans, and grants to new ventures (Bertoni et al., 2019). It has been noted that entrepreneurs who have access to government support in the form of access to subsidised loans or grants and training/advocacy agencies (e.g. regional small business development/ economic development associations) are better equipped to launch and grow their business ventures (Bruton et al.,2009). The likelihood of their ventures failing is also less compared to those entrepreneurs that do not have similar access. However, it has become apparent that governments do not always play a conducive role in promoting entrepreneurship. Research has uncovered that governments sometimes hinder entrepreneurial activity through burdensome regulatory environments (Chowdhury et al.,2019), weak formal institutions and dysfunctional or corrupt administrative systems (Amoros et al., 2019; Ault & Spicer, 2014; Tonoyan et al.,2010). Furthermore, the presence of unchecked corruption and a lack of accountability has also been identified as a prominent factor adversely affecting entrepreneurial activity (e.g. Chowdhury et al.,2019; Tonoyan et al., 2010). Therefore, literature notes that governments can facilitate or impede entrepreneurial activity depending on the strength of their institutions, the favourability of their policies toward entrepreneurs as well as the efficiency of their administrative practices. To reiterate, literature has indicated that most of the research on the role of government in entrepreneurial activity, is around the underlying assumptions regarding this have been that entrepreneurs have more or less similar access to government resource support (Coleman et al.,2019). While this assumption may be more of reality among developed economies, it is not necessarily the case among less developed countries, specifically in Africa. The discrepancy that African entrepreneurs face in accessing government support has been widely documented. Studies have demonstrated that access to government support in Africa countries can vary, among others, by geography (Spiegel, 2012), gender (Spiegel, 2012), as well as other considerations (Mwenda & Tangri, 2005).

Looking at South Africa, the Constitution gives permission to organs of the state (such as departments of government and public entities) to implement a preferential procurement policy that advances persons who were previously disadvantaged by unfair discrimination. Section 217 (3) of the Constitution provides for legislation that will prescribe a framework within which the policy must be implemented to be enacted. In line with section 217(3) of the

Constitution, the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and the regulations published under it in 2011 (PPPFA Regulations) prescribe requirements regarding black economic empowerment (BEE) considerations for state tenders. Within local government, the Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act 56 of 2003 (MFMA) regulate, among others, the manner in which municipal powers and functions are exercised and performed and the management of the financial affairs of municipalities and other institutions in the local sphere of government. These require that the entities to which they apply adhere to the PPPFA (Bowmans, 2016).

### *3.6.3 The Institutional Constraints to Entrepreneurial Activity and Innovation in South Africa*

Understanding the activities of entrepreneurs in challenging institutional environments, that is what they actually do when they develop a new venture, is said to be a very understudied aspect of venture creation (Shook et al., 2003). One reason for this under-representation is that analysing institutional environments can be done at different levels: the micro (i.e. the individual), the meso (i.e. the sector, but also geographically, ethnically, economically or politically tied communities) and the macro (i.e. society) levels (Eijdenberg et al., 2018). Very little is known about entrepreneurial behaviour and perseverance in challenging institutional environments at the micro-level (Rodrigues and Child, 2003; De Castro et al., 2014). Eijdenberg et al. (2018) conducted a study that showed how entrepreneurs in Tanzania conduct entrepreneurial activities within the challenging institutional context of Tanzania. They show that entrepreneurs undertake well-known entrepreneurial strategies, such as focussing on reducing prices while increasing quality, uniqueness and speed to market, but they also focus on their self-regulatory (inner) strength through commitment, working harder, taking action and having confidence in themselves (Van Garderen & Stormont, 2012). In the South African context, we observe that within the institutional environment the regulative environment does encourage entrepreneurship, and there are normative expectations that have been taken for granted that contribute to addressing legacy issues and the country's wider sustainable development (Littlewood & Holt, 2018). Formal institutions in South Africa are relatively strong with regulation that governs business activity which is mature and largely enforced. SMEs largely exist within the informal economy which has less regulative enforcement. This coexistence of the informal economy with a large formal economy often necessitates South African SMEs to be active in both, perhaps providing linkages between them to address

institutional gaps (Littlewood & Holt, 2018). Furthermore, SMEs success is tied with local economic conditions as the SME sectors market grows and they tend to be hardest hit by economic downturn (Smit, 2012) (as is the case within this study as this study was conducted during the Covid-19 pandemic).

Some of the less well-known responses to institutional constraints are also discussed in this study, such as tactfully managing relationships with authorities through knowing appropriate circumstances in which to stand up for themselves, speaking kindly and paying bribes (Orr & Scott, 2008). Others choose non-compliance by avoiding registration and paying tax, as well as not reporting full sales earnings because they knew that they would be paying a bribe later. Accordingly, these micro-level and fine-grained details provide richer insights into the influence of various institutions and everyday entrepreneurship in developing countries (Ojong et al., 2021). The following section will discuss some of the pertinent constraints faced by entrepreneurs that they must overcome when implementing entrepreneurial activity. The impact of apartheid policies has left a legacy of unequal development across the South African landscape, which is manifested in regional inequalities in terms of access to education, healthcare, and basic services (i.e. water, sanitation, refuse removal and electricity) (The National Business Initiative, 2022).

***Internal and external financing.*** Studies indicate that, generally, among SMEs acquiring external financing is a challenge. Riding et al. (2012) state in a study that was conducted in Canada, evidence suggests that SMEs which were growth-oriented had a particularly high rejection rate when seeking external finance. Small firms face particular problems in accessing external finance for innovation and export development (Ughetto, 2008; Love & Roper, 2015). The standard issues of viability and legitimacy that are associated with smaller firms are exacerbated by the commercial and technical risk associated with their innovation project. In the early stages of development, this technical and commercial risk makes it quite difficult to build and present a case to potential finance providers, and this leads to significant refusal rates (Riding et al., 2012). Developing a convincing business case may become more achievable, however, once the initial risks are overcome, and the focus moves to the establishment of operations, market introduction and so on. Even within such a situation, commercial risks are likely to be significant, particularly in situations where the innovation is unprotected either by strategic or legal frameworks. Due to such risks, the added emphasis tends to be placed on internal methods of finance for such projects. From a South African perspective, accessing finance is also one of the main constraints listed by several surveys and

SME studies (Mahembe, 2011; Berry et al.,2002; Fatoki & Garwe, 2010; Chimucheka & Rungani, 2011, Coetzee & Buys, 2017). The gap in financing for SMEs is said to be attributed to commercial banks evaluating applications without understanding the dynamics of an SME's business model and performances and in South Africa's context, risk-taking on small enterprises is not regarded as favourable (Coetzee & Buys, 2017). South African banks have been said to be less inclined to finance SMEs (Pretorius & Shaw, 2004) due to their perceived high level of risk and a weak expected return (Smit, 2012).

The challenge presented by a lack of access to finance for SMEs in South Africa inhibits growth and sustainability. Some of the factors that contribute to this obstacle include the lack of suitable formal finance products available to small enterprises, a lack of easily available credit information, the perceived riskiness of small enterprise finance as well as the apparent lack of appropriate assets available to small businesses for the purposes of collateral. All of these factors decrease the availability and raise the cost and credit for SMEs (OECD, 2022). According to a report on financing SMEs and entrepreneurs (2022), the South African Reserve Bank data on bank statistics, total SME credit exposure to banks was ZAR 631 billion at the end of 2020, which amounts to 25% of total business loans. The low level of SME financing can be a result of both supply and demand side issues. Examining the demand side, the majority of SMEs exhibit a lack of borrowing from financial institutions, while on the supply side, there are high costs that are associated with financing, coupled with high collateral requirements which may have an effect in the low demand of loans (OECD, 2022). The South African Government acknowledges that a lack of access to finance is one of the major constraints for SMEs' development. As a result, the government is committed to address the structural constraints in the small business sector in order for the formal credit market to be more accessible. Covid-19 had a severe impact on SMEs with only 32% of the enterprises classified as essential services operating during lockdown, leading to cashflow and liquidity challenges for most, along with limited access to safety nets (OECD, 2022). Post-Covid recovery has seen minor change for many of South Africa's SMEs with continued slowing of the economy and rising infrastructural and social challenges further heightening the lack of funding that is available to small business, green economy SMEs also bearing the brunt of this.

***Strategic alliances and networks.*** The formation of alliances between firms is one of the key strategic decisions undertaken by firms. Gulati (1998) defines strategic alliances as “voluntary arrangements between firms involving exchange, sharing, or co-development of

products, technologies or services. They can happen as a result of a wide range of motives and goals, take a variety of forms and occur across vertical and horizontal boundaries. The decision to enter an alliance, the choice of partner, and the dynamic evolution of the alliance as the relationship develop over time are some of the factors that strategic management literature has placed increasing focus on over the past few years. Some of the key questions that have been focused on include: which firms enter alliances, and who do they choose as partners? What types of contracts do firms use to formalise the alliance, and how do the alliance and the partners' participation evolve over time? The idea that a firm's social connections guide its interest in new alliances and provide it with opportunities to realise that interest is closely rooted in the processes that underlie a firm's entry into new alliances (Gulati, 1993). A firm on its own initiative identifies the need for an alliance, seeks out the best partner available and chooses an appropriate contact to formalise the alliance. Social capital can be obtained through the formation of strategic alliances and networks. South African SMEs mobilise social capital to access resources, expertise and networks. Entrepreneurs that possess significant social capital are comparatively well positioned financially to start their own ventures. Furthermore, entrepreneurs leverage their relevant knowledge, skills and experience to draw upon (Littlewood & Holt, 2018). The importance of inter-firm collaboration to financial performance has been emphasised by Zulu-Chisanga et al., (2021) has providing benefits such as cost and risk-sharing, joint opportunity exploitation and access to a variety of competitors' skills, knowledge, resources and capabilities in various value chain activities. Luo et al. (2007) and Jiang et al. (2010) found that alliances with competitors has a positive impact on financial performance. In the case of SMEs, Morris et al. (2007) present evidence that inter-firm collaboration enabled SMEs to mitigate risk and leverage resources. Inter-firm collaboration through strategic alliances is likely to lead to superior performance because SMEs are able to reap a variety of benefits such as gaining access to other firms' resources and capabilities that may not even exchanged in the in the factor market as they are either associated with other resources or embedded in inter-firm routines and processes. Entrepreneurs that are affiliated to business networks gain access to network knowledge which is essential for exploiting and shaping opportunities and enhancing performance (Zulu-Chisanga et al., 2021).

The role of the external environment is usually captured within measures of competitiveness in product or supplier markets. For example, from a transaction cost standpoint, this translates to the argument that the lower the competition, the greater the likelihood that the firm will be exposed to 'small numbers bargaining' and other forms of

opportunistic behaviour (Williamson, 1985). Resource dependence theorists, similarly make the case that at intermediate levels of industry concentration, firms experience high levels of competitive uncertainty and are likely to mitigate this competitive interdependence by entering into frequent joint ventures (Pfeffer & Nowak, 1976). Another area of interest around alliances has focussed on firm- and industry-level factors that impel firms to enter alliances. Andrews (1971) claimed that strategic actions of firms are the outcome of a match between a firm's existing competence and the availability of new opportunities. The social context in which firms are embedded includes a whole variety of elements that can be classified broadly as structural, cognitive, institutional, and cultural (Zukin & DiMaggio, 1990; Gulati, 1998). In the case of social networks, on the other hand, there have been four broad areas of focus of prior research on the influence of social networks: inequality, embedding, contagion, and contingency (Burt et al., 1994). Research on inequality suggests how network connections can explain differences in the resources available to individuals, groups and organisations, while research on embedding describes the institutions and identities resulting from networks and how they enable difficult transactions. The research on contagion has shown how networks can promote behavioural conformity by serving as channels for both technological and social information about organisational activities, which in turn can have an influence on the extent to which they adopt new innovations (Davis, 1991; Haunschild, 1992). Finally, contingency styles suggest how social networks can moderate key organisational processes. All four of these perspectives focus on the consequences of embeddedness in social networks and how this can moderate or play a mediatory role in firm performance (Gulati, 1998).

Kogut (1988) presented a theoretical explanation for the formation of joint ventures and highlighted three main motivations which are generally applicable to other types of alliances as well: transaction costs resulting from small numbers bargaining, strategic behaviour that leads firms to try to enhance their competitive positioning or market power, and the quest for organisational knowledge or learning that results when one or both partners want to acquire some critical knowledge from the other or one partner desires to maintain its capability while seeking another firm's knowledge. Gulati (1998) notes that some of the early empirical studies on alliances focused on the formation of joint ventures in particular, which entailed the creation of a new entity with shared equity between partners. They examined some of the strategic requirements for joint ventures, which included the enhancement of market power and increased efficiency. The concentration of alliances within particular industries in the manufacturing sectors, for instance, has led scholars to conclude that the quest for market



power may be an important motive for such ties (e.g. Pate, 1969; Berg & Friedman, 1978). Further refinement of these arguments incorporated transaction costs as an inducement of certain types of alliances (Stuckey, 1983) and knowledge acquisition as a prominent motive for many alliances (Berg & Friedman, 1981). Motives for alliances is one of the central ideas that has been presented in South Africa's green economy and how the institutional environment acts as a driver to push certain types of entrepreneurs to partner with others. Within the case of South Africa, it is suggested that the success of strategic alliances between large firms is influenced by four broad factors: motivational, cultural and resource capability synergies; shared commitments, goals and roles; participative planning, operationalisation and administration; and regular open communications (Ahwireng-Obeng & Egunjobi, 2001).

Some industry-level factors linked with alliance formation include the extent of competition, the stage of development of the market and the demand for competitive uncertainty (Harrigan, 1988; Shan, 1990; Burgers et al., 1993; Eisenhardt & Schoonhoven, 1996). A strategic interdependence perspective on alliance formation suggests that firms ally with those with whom they share the greatest interdependence. In an effort to assess the significance of resource dependence, researchers have linked the formation of alliances to the distribution of various kinds of capabilities within the industry, such as production, marketing, distribution, regulatory approval, and access to new technologies. The role of resource configurations has been closely explored within industries in order to predict alliance formation. This has led to the revelation of distinct patterns such as densely linked factions or groups formed on the basis of strategic interdependence resulting from country-specific resource advantages (Shan & Hamilton, 1991), the distribution of strategic capabilities (Nohria & Garcia-Pont, 1991), and the relative size and performance of firms (Burgers et al., 1993). The research suggests that industry patterns in the formation of alliances indicate that firms are driven to enter alliances with each other by critical strategic interdependencies.

***Information use and decision-making.*** Entrepreneurs place a heavy reliance on the use of marketing information for decision-making to try and achieve business success. Cacciolatti and Lee (2016) state that competitive markets are characterised by the asymmetry of information; therefore, the level of uncertainty that firms need to overcome when operating in a market makes it difficult to make the right choices. Firms need to rely on information to inform their decision-making. Scholars have defined market information in several ways. One of the most prominent of these is by Glazer et al., (1992), who defined it as 'data that have been

organised or given structure- that is placed in context-and endowed with the meaning'. The substantive content of market information is broad enough to include what is known as a result of experience and primary or secondary research studies. Cacciolatti et al. (2012) define it as 'structured data, usable within a marketing context and that has been voluntarily sought and systematically collected. Some examples of this include all internal (related to the organisation, the marketing mix, business and marketing strategies and tactics adopted, internal resources available and so on) and external (related to consumers, competitors, and other stakeholders, as well as external resources available and the market dynamics and economic trends) information. Several authors that have made a substantive contribution to knowledge in this area include (among others) Deshpande and Zaltman (1982), Hutt et al. (1988) and Menon & Varadarajan (1992), who have investigated the effects of organisational characteristics and structures of business owners' use of marketing information. The role of information, especially in small businesses, is vital and used to inform decisions in planning activities. Collecting information allows the firm to reduce uncertainty in its business activities and enables the company to add value to its supply chain. Information is highly critical for the management and growth of business value. Knowledge about competitors and customers is essential to understanding the future direction of business development and monitoring the marketing environment is critical to companies' success (Cacciolatti & Lee, 2016).

Strategic decision making amongst entrepreneurs is another important element to consider. The SMEs in South Africa are faced with tremendous resource constraints which include inadequate business skills and a lack of access to funding resulting in unsystematic decisions based on imperfect information (Ayandibu & Houghton; Gronum, Verreyne & Kastle 2012). Entrepreneurs in South Africa seldom participate in rational planning and decision-making processes because of a lack of managerial skills coupled with an inability to employ skilled employees to provide the necessary business support. Due to such limitations, decision-making among SMEs in South Africa is mainly the responsibility of the owner of the business and is based on intuitive tendencies and deemed to be more informal in character (Cant, Wild & Kallier, 2015). strategic decision-making process consists of diagnosing the stimulus demands that signify possible influences on the company, consideration of alternative courses of action and then the selection of the most appropriate response to the given stimuli of a particular situation (Gopaul & Rampersad, 2020). In South Africa, the strategic decision-making process is influenced by factors internal and external to the SMEs which impact the firms' reactions to opportunities and sustainability. Olawale and Garwe (2010) suggest that

environmental factors such as market variables are some of the contingency factors impacting the decision-making process.

Generally, external environment uncertainty, composed of the significance of heterogeneity and change, is a threat to business managers due to the restrictions placed in formulating strategic decisions and long-term planning to maintain relevance and equilibrium with the external environment (Gupta, 2013). Therefore, the variables of heterogeneity and uncertainty of external environment in the South Africa, inclusive of effects, are vital to understand the context of strategic formulation because they influence decisions regarding competitive advantage and performance (Sandada, Pooe & Dhurup, 2014). Hang and Wang (2012) state that the relative inadequacy of strategic decision-making skills in response to the stimuli of the external environment contributes to poor performance and firm failure in SMEs. Studies that have been conducted in South Africa suggest a relationship between poor strategic decision-making and firm performance which denotes that a formal approach to strategic decision-making is associated with improved performance (Sandada et al., 2014; Van Scheers & Makhitha, 2016). It is therefore suggested that this argument that has been posited by these researchers is the occurrence of a positive relationship between rational programmed strategic decisions and higher performing small businesses. On the other hand, researchers dispute the existence of such a relationship between the formality of strategic decisions and the firm's performance (Honig & Samuelsson, 2012; Williams et al., 2018). Studies on the relationship between formal strategic decision-making and firm performance have produced inconclusive and inconsistent results oscillating from negative relationships to positive relationships and even no relationships (Efendioglu & Karabulut, 2010). In South Africa, SME decision-making processes are characterised by high levels of flexibility and informality and motivated by intuitive tendencies due to unsophisticated structures, informal information sources and a lack of management skills (Ayandibu & Houghton, 2017). The lack of a programmed analytical approach to formulating decisions among these SMEs is due to the shortage of resources that are required to generate a formal method of rationality in the decision-making process (Lekhanya, 2015). Therefore, SME owners have a tendency to approach the decision-making process in a subjective, non-sequential manner. Studies that have looked into this area in South Africa acknowledge the dominance of an emergent and an informal approach towards the processes (Van Scheers & Makhitha, 2016) but fail to describe the exact nature of this particular mode of decision formulation (Gopaul & Rampersad, 2020).

### *3.6.4 The Interaction Between Institutional and Individual-Level Factors on Innovation*

This section aims to discuss the critical core activities that are undertaken by firms in order to effectively facilitate innovation activity. Innovation activity requires both internal and external factors to work in cohesion so that innovation can take place. That is not to say that the presence or absence of certain internal or external factors will eliminate the possibility of innovation taking place, but the right combinations of both factors will make for better innovation practices within the firm, given the institutional and industry contexts that the firm finds itself subjected to. It has been said that innovation is a mindset that needs to be embedded in the very fabric of the organisation. Entrepreneurship literature has cited innovation culture as being crucial to a firm's ability to innovate effectively. O'Regan et al. (2005) considered culture to be one of the worst impairments to the implementation of innovation. Particularly within SMEs, which tend to have flexible innovation cultures, which are typically characterised by relatively low resistance to change, low-risk aversion, and tolerance of ambiguity (Acs et al., 1997). Damanpour (1991) found that innovation cultures in large organisations tend to be more formalised and based on research capabilities and operating procedures. Some SMEs operating in dynamic environments can have complex structures (Damanpour, 1991) and still, notably, large firms operating in less-complex environments can have informal structures.

The link between entrepreneurship and innovation dominates literature; to quote Shane (2012), the concept of entrepreneurship incorporates "the Schumpeterian (..) notion that entrepreneurs also exploit those potentially profitable opportunities by creatively recombining resources", that is, by innovating; although innovation can be incremental or radical (Lassen et al. 2006; Robson et al., 2009), and is carried out the context that includes "innovation, venturing and strategic renewal" (Zotto & Gustafsson, 2008). With regards to the entrepreneur who organises the combination of factors and the process of productive transformation (corporate entrepreneurship), Covin and Slevin (1986, 1991) point out that the characteristics of this form of entrepreneurship are innovativeness, proactiveness, and risk-taking, which, in a broad sense, involve orientation towards the development of new products and services, technologies, administrative techniques, new forms or organisational design and incentives for new strategies (Chell et al., 2008; Covin and Slevin 1986, 1991; Lumpkin & Dess, 1996; Miller, 1983; Schafer, 1990; Zotto & Gustafsson, 2008). It has been said that innovation is an

inherent characteristic of entrepreneurship, and that innovation and entrepreneurship must go hand in hand so that the multiple dimensions of the firm's relationship with its environment (institutional development, resource allocation, and commercialisation) enable innovation to develop (Woolley & Rottner, 2008).

Government institutional support is the extent to which administrative institutions (including the central or local government departments) provide support (e.g. policies and programs) to firms in a nation or region in order to promote firms' innovation activities (Li & Atuahene-Gima, 2001; Martin & Scott, 2000; Sheng, Zhou, & Li, 2011). Due to the inequities in economic and institutional reforms that exist in most developing countries, government institutional support varies across nations as well as regions and areas within a given country (Sheng et al., 2011). Institutional theory focuses on the interplay between institutions and organisations in certain institutional contexts through a process known as institutionalisation (North, 1990; Scott, 1995). The institutional framework is defined by Davis and North (1971) as "the set of fundamental political, social and legal ground rules that establishes the basis for production, exchange and distribution. Wheelen and Hunger (1999) found the high failure rate to be largely caused by informal strategic planning processes and a lack of systems to keep track of SMEs' performance. Within the strategic planning process enters the arguments related to formal and informal structures, especially within the SME context. The entrepreneurial innovation phase relates to new product development, for which informal structures are necessary. The managed innovation process relates to cost efficiencies through process improvement. Schumpeter argued that as markets mature, SMEs' competitive environments shift to price, creating the need to reduce costs through process improvements (Terziovski, 2009). In his 2009 paper, Terziovski reported that the supporters of formality have argued that SMEs need to improve their organisational capabilities by formalising their structures and systems in order to become more efficient. He further highlights that specific to organisations that operate within the manufacturing sector (especially SMEs), innovation focuses on process improvements for which formal structures and systems are necessary to squeeze costs out (Terziovski, 2009). Supporters of informality, on the other hand, argue that SMEs do not need to formalise their structures and systems due to the limited range of products that they develop for their niche markets. They have based this argument on the premise that flexible structures are a significant source of SMEs' competitive advantage over large firms. This contradiction has given rise to a theoretical tension between formality and informality. Terziovski further states that this tension requires an explanation, and to do this, an identification of the elements

of formal and informal structures that have an effect on SMEs' competitiveness and why these are important needs to be provided. His study concluded that innovation strategy and formal structure are the key drivers of innovation leading to high SME performance, stating that formal systems and procedures are vital because they tend to add clarity to employees' roles, lead to employee commitment, and ultimately lead to organisational effectiveness (Patel, 2005; Prakash & Gupta, 2008). Referring to Schumpeter's (1934) discussion that focuses on the function of the entrepreneur; he categorises entrepreneurship as a type of behaviour. The entrepreneur realises new possibilities and combinations. Accordingly, his major talent is not the intellect but the will "in contrast to the inventor, who creates a possibility per se, the entrepreneur's activity refers to the practical actualisation" (Weik, 2011). Schumpeter also stated that the entrepreneur is characteristically involved in new ventures and non-routine situations and typically meets with the social resistance of those who want to defend the status quo. For this reason, founding a normal company in a normal economic environment does not count as an entrepreneurial activity. Entrepreneurial activity has to map unknown terrain, to move where no one dared to venture before. Further to this, Schumpeter cites socialist functionaries whose prime motif is not consumption or, more generally, an immediate enjoyment of created value, and the entrepreneur acts in an economically non-rational way because his marginal costs are greater than his marginal gains. Schumpeter's entrepreneur is an individual human being with a strong will and the practical knowledge to spot opportunities. He states quite clearly that this person does not need and often lacks intelligence, charisma, or a high social position, and Schumpeter goes as far as calling him/her a "revolutionary of the economy" (Schumpeter, 1934). We note that Schumpeter's entrepreneur is always a single human being acting strategically and, most importantly, creatively to that degree as he realises unknown and unused potentials. Schumpeter's approach is, moreover, functionalist without any concern for contingencies in the context of action, i.e. the organisational or institutional field (Weik, 2011).

**Intellectual property management.** Intellectual property management tends to be a contentious issue within SMEs. It has been suggested that as individual SMEs typically have fewer patents and so on, they may be less able to adopt technology-swapping mechanisms to defend their IP rights than larger companies with a wider patent portfolio (Lanjouw & Schankerman, 2003). Levels of IP activity among SMEs also vary from region to region and

sector to sector; however, there is little consistent evidence of any clear association between IP activity and either SME growth or survival. Rogers et al. (2007) conducted a study with findings that concluded that SMEs see value in registering their innovations to acquire IP protection. Furthermore, they state that there is a general view that SMEs may be so financially disadvantaged or lacking in information about IP assets that they do not widely use these systems of protection is rejected; therefore, general awareness about the importance of IP is growing among SMEs (Love & Roper, 2015). SME IP protection strategies differ from those of larger firms focussing more on speed to market or secrecy rather than patenting (Lanjouw & Schankerman, 2003). One exception appears to be those firms working with universities; these are typically R&D intensive or science-based small firms for which patents remain a vital mechanism for appropriating the returns from innovation (Leiponen & Byma, 2009). For these firms, patents also provide an important signalling instrument, attracting customers and enticing venture capital investments (Holgersson, 2013; Love & Roper, 2015).

## **Summary**

Summing up this section, literature on the constructs of entrepreneurial orientation, managerial discretion, entrepreneurial activity, and innovation activity at individual, firm and country levels in relation to the institutional environment has conclusive evidence on most fronts; however, it is based mostly on evidence gathered from developed nations and very little on developing country contexts. Operating a company within a challenging institutional environment, as typically found in developing countries, requires that firms implement several strategies simultaneously. Firms need to decide how much R&D will take place, what methods to employ in order to obtain finance, which alliances to take part in and which networks would be most suitable to help further their strategic endeavours and how they will gather and utilise the information for decision-making and planning purposes. Entrepreneurs can indeed have different mixes of EO, and this will have an impact on the manner in which they conduct the activities within their firms and what sort of long-term objectives and aims they desire for their businesses. EO impacts the tactical decisions that are related to the allocation of resources and, overall, the ethos that they follow within their businesses.

## 4.0 Methodology

### *Rationale behind the selection of methodological approach*

The methodology that has been adopted in this study is phenomenological in its overall nature. Thus, this methodology requires the use of methods that are appropriate for qualitative research. It has also been decided that mixed methods are to be implemented in this, however, there is a predominance of qualitative techniques. These methods have been cross validated with some statistical analysis in the form of quantitative evidence. While the adoption of this approach does not follow conventional phenomenological approaches, there are phenomenological studies that have adopted this use of mixed-methods and advocate for the robustness of the results gained from the implementation of both (see Tufford & Newman, 2012 and Gearing & Edward, 2004). According to Husserl's definition of phenomenology that emphasises subjectivity and the discovery of the essence of experience and provides a systematic and discipline methodology for derivation of knowledge (1965, pp. 5-6). Husserl's approach makes use of only the data available to consciousness and observes the discovered phenomena through reflection on subjective acts and their objective correlates. Husserl also pointed to a new way of looking at things as they actually appear therefore, this warrants incorporating methods that reflect the most accuracy. Harmon (1991) on the other hand emphasized that human science would include more participative kinds of methodologies and this assumption means that we learn certain kinds of things from distancing ourselves from the subject studies, we acquire another kind of knowledge from intuitively 'becoming one with'



the subject. We do not learn about reality from controlled experiments but rather by identifying with the observed” (p.53).

Phenomenology has been selected as a research paradigm to follow as it focuses on exploring the subjective experiences and perspectives of individuals in relation to a particular phenomenon. In this case the experiences of entrepreneurs in South Africa’s institutional country context. This approach provides a deep and rich understanding of the lived experiences of individuals and has several advantages as a research paradigm, with the emphasis of the importance of studying individuals' experiences in their natural setting (Spiegelberg, 1965). By exploring the phenomenon from the participant's point of view, I was able to gain a more accurate and detailed understanding of the phenomenon. This approach has led to more meaningful and relevant findings that could potentially have a significant impact on policy implications. Therefore, it was deemed necessary and justifiable to add a quantitative element so that there is greater validity and credibility to the study as this study does bear the aim of presenting policy implications and so quantifying the results cannot be avoided (however, so as not to interrupt the flow of this thesis, the quantitative data has been added to the appendix). Furthermore, phenomenology encourages the researcher to set aside their own preconceptions and biases and adopt a non-judgmental attitude towards the participants (Spiegelberg, 1965). This approach has enabled me to explore the nuances and complexities of the phenomenon, leading to a more holistic and comprehensive understanding. This approach emphasises the importance of exploring the phenomenon from the participant's point of view, adopting a non-judgmental attitude towards the participants, and exploring complex and abstract phenomena.

This study also synthesises the findings in the form of case studies. Fundamentally, this study acknowledges the qualitative nature of a phenomenological paradigm, nevertheless, the study is strengthened by cross-referencing quantitative data. This approach was adopted to achieve triangulation to enhance the validity of the study (Natow, 2020). Therefore, in the pursuit of validity to this study, the use of multiple methodological practices was employed (i.e., qualitative, and quantitative data). This mainly was in the form of the use of diverse methods which could serve as a check on biases and inaccuracies that any one data source, method, or analysis protocol might have and could sway the results of the study (Leech and Onwuegbuzie, 2007; Love et al.,2002; Merriam and Tisdell, 2016). The methodology employed in this research study has been structured as follows. Firstly, the epistemological approach that has been observed is interpretivist in nature. In considering the question of how we as individuals acquire knowledge, we do this through the interpretation of social phenomena and

as such, a phenomenological view has been adopted. We then consider what the nature of social phenomena is. To do this, an ontological position that is constructivist (i.e., constructionism) is adopted because reality in itself is objective and can be interpreted through the eyes of the observer who then constructs his/her own meaning. This methodology also considers what the value of this reality is. To understand what 'value' is, an axiological position is adopted that denotes that reality is not in itself 'value free' but rather 'value laden' because, the moment that the observer looks at a social phenomenon, he/she learns about this reality but interprets this according to his/her own mental frame, experience and worldview. In South Africa, entrepreneurship cannot be detached from one's embeddedness in one's race, gender, age and even tribe in some instances. We observe that the fore listed can be determinants of entrepreneurial opportunities and whether one is able to access them. This is regardless of educational background, qualifications or merit of the business idea. Furthermore, inequality and imbalances in wealth distribution are another barrier or can be an enabler for this kind of access. The institutional environment is constructed in such a way that an individual aiming to engage in entrepreneurship needs to first consider where he/ she is from, what they have, and who they might be able to connect to. Overall, the institutional environment of South Africa has created passive participants that feed into this system as the institutional environment determines 'the rules of the game' (North, 2016). It is observed that the assumptions discussed in this methodology are in accordance with a phenomenological and psychological approach, and they determine this methodology which is qualitative in nature. Following on, the research strategy that has been adopted is an interpretivist paradigm that governs the theory drawn from an inductive approach.

In regard to methods, the most appropriate method to interpret such reality is to use qualitative methods using various techniques, and, in this instance, a mixture of semi-structured and in-depth interviews was conducted, along with observations and case studies. In terms of the analysis, the data collected will be analysed through thematic analysis and presented in the form of embedded case studies. The section to follow will discuss the fore listed in greater detail.

### **Achieving Triangulation in This Study**

As previously mentioned, triangulation enhances the validity of a study (Natow, 2020). Therefore, in the pursuit of validity to this study, the use of multiple methodological practices

was employed. This mainly was in the form of the use of diverse methods which could serve as a check on biases and inaccuracies that any one data source, method, or analysis protocol may have (Leech and Onwuegbuzie, 2007; Love et al., 2002; Merriam and Tisdell, 2016). Triangulation has also been stated to be useful from a constructivist perspective (as adopted in this study context). Constructionism takes the position “that reality is constructed, multi-dimensional, and ever-changing,” and that “there is no such thing as a single, immutable reality waiting to be observed and measured” (Merriam, 1995:54). Triangulation is useful from this perspective to demonstrate various conceptions and understandings of reality (Golafshani, 2003; Seale, 1999). This study also made use of elite interviews in prominent positions in the political arena within the research context of South Africa and thus, the study is able to demonstrate unique views of reality, from a privileged and powerful standpoint as well as the equally valuable perspectives of the general participant. Obtaining additional sources can provide insight into other perceptions (Kezar, 2003). Kezar (2003) explains that for the critical theorist, the goal of research is to identify and disrupt inequalities, Willis (2007) supports this idea, and this study was able to gather the commonalities among both the high-profile politician and the entrepreneur to produce a common thread (as detailed in the findings section of this study).

Furthermore, it has been stated that employing multiple resources is useful in such studies to the extent that exposing multiple perspectives can contribute to an illuminating effect (Seale, 1999; Natow, 2020). Literature on research methods notes that triangulation in the form of the use of multiple methods such as multiple methods triangulation from when a researcher employs more than one type of qualitative data collection procedure, such as gathering data via interviews, observations and documents (Denzin, 2009; Merriam & Tisdell, 2016; Thurmond, 2001). This is performed with the thought in mind that what an individual tells you in an interview can be cross checked against what you observe on site or what you read about in documents (Merriam & Tisdell, 2016). Although many published studies do not discuss the reasoning behind their use of triangulation, those that did provide some insights as to why and how triangulation can support studies frequently cited that the purpose behind this was to address potential validity threats. Craft (2017:331) made use of multiple data sources from prominent political spheres with the stated purpose of obtaining ‘triangulation to verify claims made by advisers.’ On the other hand, Downie (2013) stated a similar purpose for triangulation, stating that data that is acquired from interviewees were cross-checked against those of their colleagues and existing accounts of the same period with the aim to safeguard the validity of

the derived constructs. Likewise, this study adopted these principles to achieve triangulation to ensure that the constructs and themes that emerged were indeed valid and were the correct line of inquiry to pursue in investigating how the barriers and enablers of South Africa's institutional environment affect entrepreneurial and innovation outcomes. The use of elite interviews from a government minister, CEO of government agency, prominent officer of a development agency served to cross-check that what entrepreneurs were expressing/ their perceptions (as people on the outside) could be related back to what the decision makers (people on the inside) perceived as well.

#### ***4.1 Epistemology: Phenomenology and Interpretivism***

When the investigation is one of human experience and human experience is essentially formed around the interests and intentions that give it meaning (LeVasseur, 2003) then the phenomenological method is considered appropriate as it is grounded in the belief that truth can be found in lived experience (Spiegelberg, 1965). Therefore, phenomenology is well-suited to holistic questions that spring from experience. Particularly phenomena that are not well understood and that are central to the lived experience of human beings are appropriate for phenomenological research (Carpenter, 1995). What people say and do is a product of how they interpret the world. Typical of the phenomenologist view underpinning qualitative research methodologies, this study aims to capture the process of interpretation in an effort to uncover the meaning of a person's behaviour (Cope, 2005) relative to how the institutional environment shapes their actions. Assuming the role of a phenomenologist and attempting to see things from another's point of view (Bogdan & Taylor, 1975;14), this phenomenological inquiry aims to understand the subjective nature of 'lived experience' from the perspective of those who experience it, through the exploration of meanings and explanations that individuals point to their experiences (Cope, 2005). Patton (1990:71) defines such a phenomenological 'focus' simply as describing 'what people experience and how it is that they experience what they experience'. He further states that the methodological implication of this focus on lived experience is that an individual's interpretation of an experience is a vital part of the experience itself (Patton, 1990). Phenomenological inquiry has been cited as a credible and robust research approach within the social sciences for entrepreneurship and small business research (see, for example, Bouchikhi, 1993; Chell & Pittaway, 1998; Costello, 1996; Hines & Thorpe, 1995; Johannisson, 1995; Rae, 2000; Rae & Carswell, 2000; Steyaert, 1998; Steyaert & Bouwen,

1997; Cope, 2005). As this line of inquiry is qualitative in nature, Thompson et al. (1989) emphasise that the world of 'lived experience' does not always correspond with the world of objective description because objectivity more often than not implies trying to explain an event or experience as separate from its contextual setting. Bracketing as a technique has been described as an attempt to hold prior knowledge of belief about phenomena under study in suspension in order to perceive it more clearly (Powers & Knapp, 1995).

### *The Application of Bracketing*

Bracketing within phenomenology is suited to social research questions. Bracketing is a method that can be used to mitigate the potential adverse effects of unacknowledged preconceptions related to the research being conducted and thereby increase the rigor of the project (Tufford & Newman, 2012). Given that sometimes, there is a close relationship between the researcher and the topic that may both precede and develop during the process of qualitative research, bracketing is also a method to protect the researcher from the cumulative effects of examining what may be emotionally challenging material (Tufford & Newman, 2012). In the case of this study, when we consider that the topic under investigation is set in the backdrop of the apartheid regime and how it still lingers in South African society today, so much so that it impacts the lives of many people today, there is a great deal of sensitivity that needs to be applied in approaching a topic of this nature. A lengthy research endeavour on an emotionally challenging topic can infuse the researcher with its inherent challenges, render continuing research a difficult task and in turn, skew the results and interpretations. It was therefore, necessary to employ the techniques of bracketing to avoid encountering such a situation within this study. Indeed, bracketing can mitigate the negative effects of the research process, importantly it also facilitates the researcher reaching deeper levels of reflection across all stages of qualitative research: selecting a topic and sample, designing the interview, collecting, and interpreting data, and reporting findings. The opportunity for sustained -in-depth reflection can help to enhance the acuity of the research and facilitate more profound and multifaceted analysis and results (Tufford & Newman, 2012). Although, there is a lack of consensus among qualitative research scholars as to when bracketing should occur within the context of research, this study followed the prescriptions of authors such as Rolls and Relf (2006) who encourage bracketing at the start of the research process when the project is first conceptualised and

continuing with the process of bracketing throughout the research project. Ahern (1999) and Rolls and Relf (2006) state that it is important to surface preconception prior to undertaking the research project but suggest this is ongoing process throughout the research endeavour. Preconceptions arising at any one stage may filter to other stages and thereby affect the entire research process. It is particularly of especial importance that initial preconceptions arising from personal experience with the research material are surfaced prior to undertaking the research project and these should be monitored throughout the research endeavour as both a potential source of insight as well as potential hinderances to engagement.

Crotty (1996) advocates of simultaneous bracketing by both the researcher and participant but also acknowledges that the researcher cannot ensure that the participant brackets his or her preconceptions. This perspective is problematic because participants' bracketing out preconceptions may be the exact opposite of what is desired in qualitative research and may stand in the way of the participant's honest engagement with the phenomenon under focus and engagement with the interviewer. On the other hand, it should also be considered that many participants do bracket during interviews and often with a lack of awareness of the researcher. Despite this presumption about bracketing, the researcher. As the research should work under the assumption when conducting an interview, that the participant brings their preconceptions or displays their intentionality towards the phenomenon (Crotty, 1996). The phenomenological method is grounded in the belief that truth can be found in lived experience (Spiegelberg, 1965). Therefore, it is well-suited to holistic questions of meaning that emerge from experience, in particular, phenomena that are not well understood and that are central to the lived experience of human being are appropriate for phenomenological research (Carpenter, 1995). Gearing (2004) states that bracketing should not be merely a term used in a study to justify or validate an individual's approach or researcher's method but, rather, a rich concept that can facilitate effective and needed qualitative research. Bracketing is made up of three general individual phases, each phase has core elements made up of different components, these elements are; the researcher's theoretical orientation, question, focus, and emphasis will determine the compositions of these elements and ultimately dictate the type of bracketing (Gearing, 2004). The orientation standpoint and theoretical framework which are made up of the researchers' epistemological position and their ontological perspective. The researcher's orientation and theoretical approach influence the entire research protocols, method, and analysis of any investigation (Gearing, 2004).

The term 'phenomenological inquiry' is widely used within the social sciences and is often used to describe a research perspective that is different from, and set in opposition to, more passivistic forms of inquiry (Bogdan & Taylor, 1975; Cope, 2005). Although phenomenology is firmly located within a broad interpretive paradigm (Burrell & Morgan, 1979; Holstein & Gubrium, 1994; Cope, 2005). Therefore, it appears fitting that this is the most appropriate approach to follow for this particular study because 'phenomenological inquiry' is a stance or approach to conducting entrepreneurship and small business research that can be translated into an interpretive method that can be employed by entrepreneurship and small business researchers in phenomenological interviews as the primary research methodology (Cope, 2001; Cope, 2005). Though entrepreneurship researchers do make use of phenomenological approaches to research (for example, see Kisfalvi, 2002), specific forms of phenomenological inquiry are yet to be fully expressed and analysed in the field. Aldrich (1992) asserts that to a great extent, entrepreneurship research remains a 'mono-method' field that is reliant on mailed surveys and related questionnaire-based approaches. Cope (2005) states that this has created an imbalance that needs to be addressed and reinforces the acknowledgement that qualitative research should not be used just to convey special cases but to uncover the intricacies within entrepreneurship and small business areas. (Gartner & Birley, 2002).

Typically, synchronic research has been done to study entrepreneurs' common characteristics and to develop entrepreneurial typologies; however, it has been stated that this method is not ideally suitable for exploring more complex and evolving processes such as strategy formation and is less so suited to study the idiosyncratic contents of strategies (Kisfalvi, 2002). Subsequently, there has been a call for more observational material and field studies of entrepreneurs in order to validate the findings of synchronic research-based survey methodologies (see, for example, Jenkins & Johnson, 1997; Pearson et al., 1995). Consequently, the study presented here is a response to such calls. The nature of this study is exploratory and combined with an interest in individuals, and strategy content makes a qualitative, longitudinal approach most suitable (Burrell & Morgan, 1979; Evered & Reis Louis, 1981; Lee, 1989; Leonard-Barton, 1990; Pettigrew, 1979; Van de Ven & Huber, 1990). This kind of approach has been used in the past by researchers studying strategy formation (also see, for example, Bower, 1970; Burgelman, 1983; Langley, 1989; Mintzberg & Waters, 1982). The research design consisted of a single-case field study that explored the commonalities that might trigger one entrepreneur's strategic priorities, his/her particular set of life issues and

his/her firm's current and historical strategic orientations. The approach was, to a large extent, phenomenological (Lapierre, 1994; Kisfalvi, 2002), and its objective was to acquire a comprehensive and detailed understanding of the subjective reality of one entrepreneur and its impact on the firm that was founded and to provide the most appropriate description of the way a person organises or shapes his or her actions (Schafer, 1979, p.874).

The process of entrepreneurship has been described as autonomous and not in isolation from the entrepreneur's intention (Badola et al., 2018). Shane and Venkatraman (2000) agree with the definition of Timmons (1999), who stated that entrepreneurship is much more than the way of thinking and reasoning, it is obsessed with opportunity finding but it results in value which is not for owners but also for all stakeholders associated with the underlying business theme is to translate opportunities into rewards. Entrepreneurship has been defined as an emotional journey (Baron, 2007) in which entrepreneurial behaviour has been defined as a passion for doing something but also one of immense grief, doubt, and fear on other extremes (Shepherd, 2003). Thus, positivistic and interpretive approaches have been deemed most suitable for undertaking entrepreneurship research. The positivistic approach tries to uncover various cognitive processes aimed at capturing the intra-individual perspective and uncovering mental processes as an individual interacts with other individuals and his/her surrounding environment (Burguland, 2015). It should be noted that positivistic or cognitive-based approaches are situation-specific and operate on the subconscious level, and this ties in well with the fact that the interpretivist approach focuses on how an entrepreneur creates his/her world but, as a result, downplay the richness and ambiguity of entrepreneurial life (Burguland, 2015) and therefore fails to capture key elements like decision-making and coping with uncertainty (Badola, 2018). In a broad sense, this study is investigating the interaction between the institutional environment and how SMEs in the green economy of South Africa interact and engage with the institutional environment and how this affects how decisions are made and the manner in which firms have to navigate in order to survive in this complex environment.



#### *4.1.1 Phenomenological approach*

Bruton et al. (2010) call for more qualitative insights in entrepreneurship research and suggest that inductive studies have the potential to yield fruitful insights into understanding the complexities and intricacies that are faced by entrepreneurs and small businesses. A growing area of research aims to contextualise entrepreneurial phenomenon by investigating how institutional contexts enable and constrain entrepreneurial activities (Aldrich & Fiol, 1994; Bruton et al., 2010; Eijdenberg et al., 2018). Institutional theory, in its application to entrepreneurship, suggests that entrepreneurs must conform to existing institutions in order to gain endorsement, legitimacy and resources from important, relevant stakeholders (Greenman, 2013; Sharma, & Jain, 2013), and the methods used by entrepreneurs differ greatly according to each individual; therefore, in-depth analysis of these methods can best be understood through qualitative methods utilising an inductive and phenomenological approach. The following section discusses the rationale for the selection of a phenomenological methodology and why this approach is suitable for yielding new knowledge in relation to the institutional environment, and how this enables or hampers entrepreneurial action among SMEs in South Africa's green economy. Below is an outline of the influences that have steered this research.

Phenomenological research endeavours to describe as accurately as possible the phenomenon, while shying away from any pre-given framework, but remaining true to the facts. According to Welman and Kruger (1999, p. 189) "the phenomenologists are concerned with understanding social and psychological phenomena from the perspectives of the people involved". Any researcher applying phenomenology is primarily concerned about the lived experiences of the people that the study revolves around (Greene, 1997; Holloway 1997; Kruger, 1988; Kvale, 1996; Maypole & Davies, 2001; Robinson & Reed, 1998). Phenomenological methodology has been accredited with being a valuable qualitative methodology because the researcher cannot be detached from his or her own beliefs and that the researcher should not try anything to deviate from this (Hammersley, 2000; Groenwald, 2004). Adopting my own embeddedness as a black female pursuing a doctorate at what many still consider a "young" age. I view the institutional environment of South Africa through my own eyes and consider my own experiences. I draw on what I have seen and heard while growing up in South Africa and find commonalities with my participants. With this in mind,

execution of phenomenology means that I attempted to capture the richness of descriptions of the phenomena and their settings (Groenwald, 2004). An example of how this was achieved was to use actual research questions that were put to participants such as:

- How is South Africa's institutional environment acting as a barrier or an enabler to your business activity?
- If and what governmental support mechanism has enabled entrepreneurial activity and innovation activity in your business?

Through conducting semi-structured in-depth interviews, I was able to delve deeper into entrepreneurs' experiences of the institutional environment. According to Bailey (1996, p. 72) the "informal interview is a conscious attempt by the researcher to find out more information about the setting of the person". The interview reciprocal: both researcher and research subjects are engaged in the dialogue. From this exercise, I encountered that the duration and number of interviews varied from participant to participant. We now move onto the discussion on the ontological stance that was adopted in this study.

#### ***4.2 Ontology: Constructionism***

Ontology is the object of inquiry that one sets to examine. Matters of social ontology are concerned with the nature of social beings. It is advised that the central point of orientation here is the question of whether social objects should be considered objective entities that have a reality that is outside of social actors or whether they can and should be considered social constructions built up from the perceptions and deeds of social actors (Bryman, 2016). It bears the implication that social phenomena are not only produced through social interaction but are in an ongoing state of revision. Recent years have observed that the term has come to include the belief that researchers' own experiences of the social world are constructions; that is, the researcher always puts forward a specific version of social reality and knowledge is seen as undetermined (Bryman, 2016). For example, the social reality presented by each participant in this study seemed to have common pain areas such as the perception of feeling discriminated against, and if we delve deeper into this notion, was it true that the participant indeed was discriminated against on the basis of race or gender or have the societal normative and cultural dimensions (Scott, 2006) run so deep that the interpretation of the participant is that they have experienced discrimination rather than perhaps looking at the situation from a different angle?

In other words, have South African entrepreneurs come to expect discrimination regardless of the situation?

According to Creswell and Creswell (2018), constructivism or social constructivism (often combined with interpretivism) is such a perspective, and it is typically seen as an approach to qualitative research. Social constructivists believe that individuals seek understanding of the world in which they live and work. People develop subjective meanings of their experiences—meanings directed toward certain objects or things. These meanings are varied and multiple, leading the researcher to look for the complexity of views rather than narrowing meanings into a few categories or ideas (Berger & Luckmann 1967; Lincoln et al., 2011; Mertens, 2010 and Crotty, 1998). The goal of the research is to rely as much as possible on participants' views of the situation that is being studied. The questions become broad and general so that the participants can construct the meaning of a situation, typically formed in discussions or interactions with other people. The more open-ended the questioning, the better, as the researcher listens attentively to what people say or do in their life settings. Often these subjective meanings are negotiated socially and historically. They are not simply imprinted on people but are formed through interaction with others (hence social constructivism) and through historical and cultural norms that operate in peoples' lives. Thus, taking a constructivist research approach often addresses the processes of the interaction among individuals. They also focus on the specific contexts in which people live and work in order to understand the historical and cultural settings of the participants. Researchers take into consideration how their own backgrounds shape their interpretation, and they position themselves in the research to acknowledge how their interpretation flows from their personal, cultural, and historical experiences (Creswell & Creswell, 2018).

The researcher's intention is to make sense of the meaning's others have about the world or how they interpret those meanings. As per Crotty's (1998) assumptions on constructivism:

1. We construct meanings as they engage with the world they are interpreting. Qualitative researchers have a tendency to use open-ended questions so that the participants can share their views.
2. We as human beings engage with our world and make sense of it based on our historical and social perspectives; we are all born into a world of meaning placed upon us by our culture. Thus, qualitative researchers seek to understand the context or setting of the participant through this context and gathering information personally. We also interpret

what we find, an interpretation shaped by the researcher's own experiences and background.

3. The basic generation of meaning is always social, arising in and out of interaction with a human community. The process of qualitative research is largely inductive; the researcher generates meaning from the data collected in the field.

### **The institutional environment within the frame of the constructivist worldview**

Following on the assumptions derived by Crotty (1998) pertaining to the generation of meaning always being social, the study also draws on the discourse of North (1990) on institutions. Institutions are described as humanly devised constraints that structure political and social interaction. They consist of both informal constraints (i.e. sanctions, customs, codes of conduct and so on) and formal rules (i.e. laws, constitutions, property rights). All through history, we observe institutions that have been devised by human beings to create order and reduce uncertainty as a by-product. Alongside the standard constraints of economics, they define the set of choices involved in transactions and production costs and hence the profitability and feasibility of engaging in economic activity. Institutions provide the incentive structure for an economy; as that structure progresses, it shapes the direction of economic change towards growth, stagnation, or decline. According to North (1991), political and economic institutions as efficient solutions to problems of organisation in a competitive framework (Williamson, 1975; 1985).

The central issue of economic history and economic development is to account for the evolution of the political and economic environment that induces increasing productivity (North, 1991). According to Scott and Orr (2008), making use of a broad view of institutions as encompassing three general elements; cultural-cognitive, normative and regulative (Scott, 2001) is helpful in enhancing understanding of how to cross-societal friction arises. Institutions are viewed as symbolic frameworks that provide guidelines for behaviour and lend stability, regularity and meaning to social life (Campbell & Gregor, 2004; Scott, 2001). Regulative elements include formal regulations and rules that govern behaviour, such as constitutions, laws and property rights (North, 1990; Scott, 2001). The regulatory pillar is "distinguished by a prominence given to explicit regulatory processes; rule setting, monitoring and sanctioning activities. In this view, regulatory processes involve the capacity to establish rules, inspect another's conformity to them, and as needed, manipulate sanctions- rewards or punishment in

an attempt to influence future behaviour.” (Scott, 2001). Regulations may be created and maintained by transnational authorities, nation-states, or provinces and local regimes with the power to create rules and sanction unconventionality (Djelic & Quak, 2003). Scott and Orr (2008) note that the institutional environment affects the types of firm-level decisions. They state that these are affected by institutional differences as they describe studies of a wide range of behaviours, including efforts to assess the stability of the policy environment (Henisz, Zelner, & Guillen, 2005); choice of country, sector, and location (Henisz & Delios, 2001); mode of entry and so on. Moreover, Scott and Orr (2008) note that firm strategy and structure are also impacted by the institutional environment drawing on the works of earlier institutional theorists (e.g., DiMaggio & Powell, 1983; Meyer & Rowan, 1977), who tended to portray organisations confronting institutional pressures as passive followers, but subsequent research has demonstrated that firms are by no means helpless when confronting institutional differences and challenges.

Theoretical formulations have been revised to consider the ways in which firms play an active role in their fate, and researchers have examined firm-level characteristics, such as size, sector and associations to other organisations, that mediate response to institutional pressures (Scott, 2001). The three ‘pillars’ that constrain and guide social behaviour, namely, regulative, normative and cultural-cognitive, form the basis and parameters within which entrepreneurship takes place. The regulative pillar includes formal regulations and rules that govern behaviour, such as constitutions, laws and property rights (North, 1990; Scott, 2001). This pillar is distinguished by a prominence given to explicit regulatory processes: rule setting, monitoring and sanctioning activities. According to this view, regulatory processes involve the capacity to establish rules, inspect another’s conformity to them, and, as needed, manipulate sanctions-rewards or punishments in an attempt to influence future behaviour (Scott, 2001). The normative pillar, on the other hand, includes informal norms, values, standards, roles, conventions, practices, taboos, customs, traditions, and codes of conduct that guide behaviour and decisions (North, 1990; Scott, 2001). The emphasis in this regard is placed on normative rules that introduce a perspective, evaluative and obligatory dimensions to social life. These normative systems include both values and norms (Scott, 2001). Values are qualified as conceptions of the preferred or the desirable, while norms specify how things should be done; they define legitimate means to track how ‘values’ are faring. Normative systems define goals and objectives but also designate appropriate ways to pursue them (e.g., the rules specifying how the game is to be played). While the cultural-cognitive pillar refers to “the operating

mechanisms of the mind” (North, 2005), these include shared beliefs, categories, identities, scripts, heuristics, logics of action and mental models (Scott, 2001). These elements are cultural in the sense that social reality is referenced and rationalised against external symbolic frameworks and cognitive in the sense that social reality is interpreted and constructed through internalised frames of making or creating meaning.

#### *4.2.1 The Role of Culture in The Ontological Approach to Constructivism*

Raymond Williams (1976) defines culture as “a particular way of life, whether of a people or a period or a group.” This definition allows for further analysis of the diversity of human life and is a fundamental precedent of empirical inquiry (Diaz de Rada, 2014). By assigning culture to “a people or a group,” Raymond Williams offers a very exact image of the kind of logical use that word has had and continues to have in the social sciences. As a way of life, culture is, in this sense, a property of a social subject. On the other hand, there are some problems cited with this definition because the word culture stems from the assumption that human beings live in societies that have each and every one of them sharing one way of life. Thus, the concept of culture represents social order and makes real a social subject which it interprets as a unit that is isolated from the rest of the social subjects and proposes an identity for this social subject (Diaz de Rada, 2014). There is also the matter of convention to consider in this exploration of culture. The concept of convention makes it possible to differentiate between the objects of the world that are produced without the mediation of social institutions and the objects of the world that owe their existence to some social institutions (Diaz de Rada, 2014). The concept of a culture incorporates an inevitable paradox: no culture can exceed its own institutional reality. As human beings, we cannot stop interpreting reality, constructing it by means of conventional forms, but we can only expand the reality of the horizon of our knowledge about the world, acknowledging the limitations that these fibres woven by conventions impose upon us. Under this notion, there are two kinds of limitations; the first being that the kind of objects are vulnerable to being suggested by culture (the movements of the stars do not incorporate culture, although they do partially incorporate our descriptions of them) and the kind of ways methods that can be used to construct or create our knowledge (Williams, 1976; Diaz de Rada, 2014).

Entrepreneurial action is said to be normally characterised as planned, intentional and strategic (Weik, 2011). Thus, this research is an exploration of these actions in relation to a

specific institutional environment. As it is exploratory in nature, Vogt (1999, p.105) defines exploratory research in social science as “a broad-ranging, purposive, systematic, prearranged undertaking that is designed to maximise the discovery of generalisations leading to the description and understanding of an area of social life”. Such exploration is, depending on the standpoint taken, a distinctive way of conducting science- a special methodological approach (as contrasted with confirmation and a pervasive personal orientation of the explorer. The emergent generalisations are many and varied; they include the descriptive facts, folk concepts, cultural artefacts, structural arrangements, social processes and beliefs and belief systems normally found there. This research is an exploration to examine the idea that the institutional environment of South Africa acts as a barrier or an enabler to entrepreneurship within the green economy, impacting the innovation activity and entrepreneurial activity. This idea is being explored for diagnostic purposes and the systematic search for how the apartheid legacy has impacted entrepreneurship in the green economy. According to Stebbins (2001), research such as this can be dubbed limited exploration as the researcher is aware of what to look for. To reiterate, in this case, what is being looked for are the traces of the apartheid legacy that are embedded in today’s society and how they are shaping the entrepreneurship eco-system of the country and how its entrepreneurs (especially its eco-inclusive ones are navigating the landscape). The application of this exploratory approach and the qualitative method that is being used is that the actual data collection is what is developing the theory. The empirical approach of gathering data from multiple sources and going through the process of induction and deduction to uncover new phenomena. To explore effectively this phenomenon of the three pillars that make up the South African institutional environment (normative, regulative and cultural-cognitive) and their impact on entrepreneurship, the research has to adapt to special orientations as suggested by Stebbins (2011). The first orientation is flexibility in looking for data and open-mindedness about where to find them. In thinking about adopting this orientation, the suggested first step is to make use of Max Weber’s model to acquire an intimate, first-hand understanding of the human acts being observed. It follows that the most efficacious approach is to search for this understanding wherever it may be found, using any ethical method that would appear to bear fruit.

#### *4.2.2. Epistemological Considerations: Interpretivism*

The matter of what should be accepted as knowledge in a discipline is one that crops up often in research. In the social sciences, a crucial issue is the question of whether the social world can and should be studied according to the same principles, procedures, and ethos as the natural sciences (Bryman, 2016). As such, the position that establishes the importance of replicating the natural sciences is invariably associated with the epistemological position of interpretivism. This epistemology infers, among other things, that only phenomena and thus knowledge confirmed by the senses can truly be accepted as knowledge. Secondly, the purpose of theory is to produce hypotheses that can be tested and will thereby allow explanations of laws to be assessed. Thirdly, knowledge is arrived at through the gathering of facts that provide the basis for law, and lastly, science must be conducted in a way that is objective (Bryman, 2016). It has also been highlighted that to judge a method without knowing what object it is supposed to explain is like constructing a tool without knowing its purpose. As the researcher, my personal interpretation of surroundings and subject matter comes to the forefront and I present this study as is seen through my own eyes, allowing the reader access to journey alongside me to discover new knowledge.

Social-scientific understanding relates the perspective of the interpreter, which is based on his or her cultural pre-understanding, to the reconstruction of the agents' self-understanding such that an explanatory and realist analysis of the other's actions is based on intentional beliefs becomes possible (Kögler, 2014). Thus, the role of agency becomes central to the formation of this understanding. The underlying claim is that an adequate account of what agents do requires taking into account what they themselves think they are doing or how they perceive their own actions. Max Weber introduced this idea of giving a methodological role to the self-understanding of agents and asserted that the "subjective meaning" that human agents associate with their actions plays a vital role in explaining what these actions essentially are and why they happen (Weber, 1949, 1978). This claim entails the requirement that an adequate description of the action must be based on an understanding of the agent's own comprehension of the situation and also that the implication that only an adequate description relative to the reconstruction of the agent's self-understanding will provide the social scientist with the tools to explain why the action happened to start with (Kögler, 2014).

Regarding the object, it is similarly questionable to assume that we can simply abstract from the object method or an approach that defines its understanding for us in order to approach



its “pure being.” To separate our view of the object from the object itself, forget that what we define as “the object itself” is still understood by us and is thus necessarily based on an approach, however, implied, that delivers the object to us. In fact, the sheer claim we can distinguish the method- understood as our subjective approach to the thing itself as well as the object understood as the pure entity that is at stake would render the intent to do so unspoken because the method’s goal is to give us the object as it is, which is assumed in the dissimilarity. It is implied that our understanding of the object is already based on the right method, as it gives us the object itself, which supersedes the whole attempt to distinguish the right approach from the object itself (Babbie, 1995; Kögler, 2014; Bryman, 2016).

Based upon the ontological assumption that human agency is essentially structured by the agent’s self-understanding concretely defines the methodological perspective of phenomenology. The context is only accessible by going step-by-step through the elements that make up its substance, while those elements receive their meaning and understanding once the context is understood. The context is only accessible by venturing step-by-step through the elements that make up its substance, while those elements receive their meaning and, therefore, complete understanding only once the context is understood. The interpretive understanding of such expression or acts is thus defined by a continuous back-and-forth judgement of both the meaning of the parts and the whole. The interpretive process achieves a continuously refined comprehension of the meaning by exploring how the two dimensions are linked (Groenewald, 2004; Kögler, 2014). It has been stated that looking at the resources the interpreter has to draw on to get the process going requires finding preliminary meaning that is needed to start making sense and draws on the interpreter’s own comprehension of the relevant issues at stake. The interpreter is also responsible for bringing a lot to a symbolic text or social action before he or she can even begin with the construction of an account. Furthermore, knowledge of language, knowledge of the topic and, a certain pre-understanding of the context, a capacity to make sense of the references which are mentioned in text or action- that is, thoughts, facts, institutions, feelings etc. are needed to start an explanation (Groenewald, 2004; Kögler, 2014).

The methodological uniqueness of the human and social sciences is therefore grounded in the ontological similarity between subject and object in this area. This ontological claim has an immediate methodological significance because the essential feature of human agency is defined as understanding. The fact that human agents are formed by self-understanding gives itself to ground scientific analyses concerned with understanding human agency since what is

at stake now is the social-scientific understanding of a social self-understanding. The object of understanding is thus itself understanding; it is an object that is essentially defined by being itself interpretive. Thus, capitalising on the facts that humans understand themselves leads to a methodological perspective of how we should go about analysing meaning and action (Kruger, 1988; Holloway, 1997; Kögler, 2014).

#### *4.2.3 Ontological Approach to Interpretivism*

The interpretive dimension is the social scientist's attempt to make sense of human agency. Noting this, there are two assumptions that are derived; first, human actions are, to an essential extent, defined by the self-understanding of the agents. The second is the contexts in which agents interpret themselves are not identical but differ in their internal organisation. Taking both of these assumptions together, we must acknowledge that in order to understand how actions are structured in another context, it is important to acquire a basis of how the actions are understood in the other context. If we could uncover a basis that is unaffected by the contexts themselves, we may be able to reconstruct this ground without getting entangled in the understanding of the self-understanding of the agents. Considering this, if all contexts were similar or identical, the researcher might be able to commence with the task of interpretation. The researcher could then develop a best fit for one context and use it to disclose meanings in all others. However, if meaning is holistically structured, and if contexts differ from another, we need to develop an understanding of the different contexts if a respective action is to be understood (Gadamer, 1989; Davidson, 2001; Winch, 1991).

As per the approach in social science, the object is defined as human action and understood as the meaning we generate from agency. This requires an internal approach that draws on our own pre-understanding of concepts, values and purposes, which are put into play to get the other's perspective and context. The meaning of human agency is defined as meaningful because contexts of meaning differ; any approach aiming at understanding agency needs to make sense of the respective meaning-contexts at stake (Kögler, 2014). Furthermore, the need for an interpretive approach becomes apparent when we try to identify our object of understanding (Hollies & Lukes, 1982; Krausz, 1989; Kögler, 2006; Roth, 2003). The premise has been generally accepted that we reconstruct and understand the meaning-contexts at stake. Thus, this means that entering into the other's meaningful perspective requires a bridging act

between our own pre-existing understanding of the intentional objects and the other's understanding of them. However, this means that we can only identify the other's meaning if we approach the other by engaging in dialogue. This means that if we remain outside the intentional understanding of the issues at hand, we cannot even determine which acts and meanings of the other we are to explain. It is important that we understand what the other's actions and expressions involve, but this requires that we take a second-person perspective by approaching the other as someone who makes sense of things just as we do (Kögler, 2014). Entering more deeply into the other's perspective means that we come to connect the other's symbolic expressions in a coherent way. This new perspective arises from a process in which we must involve ourselves in the articulated symbolic and cultural material. Understanding the other is thus a product of this encounter, based on sharing in dialogue. Kögler (2014) states that only by submerging oneself into this dialogue process can the other's meaningful acts and expressions even be identified. Relating this to the study, and the elements of race, gender, educational background and age, as the researcher, I had to be able to see participants' experiences both through their eyes and mine to draw meaning from discussions.

Another justification for the selection of the interpretive approach is that interpretation of the other's symbolic and cultural expressions is further grounded in the concrete interpretive challenges that actions and expressions present to the interpreter. The possibility of unclear and problematic expressions refers back to the fact that human social science emerged from a context in which unclear meanings should be clarified for an ongoing social and cultural life (Dilthey, 2004; Habermas, 1971, 1988). As such, cultural expressions require the work of interpretive understanding to connect them back to one's own logical context. They need to be interpreted so that they can speak to themselves and the world. Consequently, if the social sciences want to retain an internal connection to the reflexive self-understanding of agents, they need to build explanatory models that maintain a relation to the agents' self-understanding. Without this connection of social scientific knowledge into the social life world of situated agents would become impossible (Kögler, 2014). Furthermore, the need for an interpretive connection to the agent's self-understanding is finally exemplified even by those approaches that critically challenge the situated perspective of the agents at stake (Horkheimer & Adorno, 1972; Hoy, 2004; Hoy & McCarthy, 1994).

Finally, it cannot be overlooked that a great deal of social-scientific work consists in approaching the agent's own self-understanding as in some form limited, restricted, and uniformed by the background factors and social processes and structures that ultimately define a cultural context. Yet even if a symbolic perspective is defined as ideology or otherwise objectively structured, we still face the need to relate those structures to how agents see themselves and their world. Just the identification of the meaning of the ideological level requires that the agents' own conceptual and value-perspective be analysed and reconstructed (Kögler, 2014). Also, it has been noted that to have an impact on cultural and social life, the capacity for agents to critically reflect and adopt the social-scientific findings needs to be present. However, this implies that agents are able to exercise a link between their own self-understanding and the social-scientific theories that uncover structural limits in their views. Therefore, for this to be possible, the researcher cannot start from the agents' pre-existing understanding and complicated explanatory accounts (Kögler, 2014).

### ***4.3 Axiological Position: Value laden***

Axiology is the study of value, or more effectively, theory on the nature of value (Deane, 2018). Taking into account that axiology is often overlooked, it is vital to establish where the axiological position intersects with the ontological and epistemological position. The question has been asked whether philosophical insights can be useful for interdisciplinary researchers in the extension of their thinking about the role of values and knowledge in research (Deane, 2018). As a part of value theory, axiology is concerned with the factors of what makes a good researcher (e.g. objective, curious, caring, diligent and the like) and what is worthwhile science (e.g. correlation, causal, problem-centred, and so on). This inquiry is further extended to include the philosophical considerations of the nature of reality and what really exists, the relationship between the knower and what is known and ultimately, axiology which is what we value.

The standpoint that is presented by the research is in conducting this investigation, sharing some of the beliefs that participants may have and be seeking to engage with these ideas from multiple perspectives forms the notion of the reality of this study. It is one thing to

attempt to investigate the institutional environment of South Africa as a black female and another as a white female because in establishing trust and building rapport with participants, it is necessary to demonstrate that their point of view can be understood without being condemned or judged and their experiences and truths can be respected. Allowing participants to put together their thoughts without interruption is integral to drawing out the way that they perceive reality. So, in essence, it is observed that in South African society, an individual's race will play a determining factor in how far they can go in business, likewise with gender and other factors that may not be observed in more developed countries. The deep entrenchment of apartheid thinking still lives on and manifests itself at various levels of social interaction, and so it is observed that even after 29 years of democracy, little has changed, and this way of thinking and being is performing a disservice to the economy and the people of the country.

#### *4.3.1 Values*

As discussed earlier, the axiological stance in this study is value-laden. Values reflect either the personal beliefs or the feelings of a researcher. Until recently, it was felt that social research should be value-free and that it should be strictly subjective. This position has now changed, and it is expected that research should be value-laden, reflecting the researcher's feelings and beliefs (Bryman, 2016). Nowadays, there is a growing recognition that keeping researchers' values 'in check' is unrealistic because how does one separate what they stand for from their own research? This is not possible. A researcher's values will surface in any one of these points (if not numerous).

- Choice of research area
- Formulation of research questions
- Choice of method
- Formulation of research design and data collection techniques
- Implementation of data collection analysis of data
- Interpretation of data
- Conclusions

It is warned that there are multiple points where bias and the intrusion of values can be introduced (Bryman, 2016). In the case of this study, the choice of research area drew the researcher in because, having worked in the NGO sector in the role of an environmental analyst and researching South Africa's national development plan, it became apparent that there was a misalignment between the intended plans of the national government to support entrepreneurs and advancement in the transition to a greener economy. Within that particular NGO, the researcher worked on a number of initiatives that should have had a role in assisting SMEs, considering the position and political affiliation that the NGO occupied, but it did not offer any kind of assistance for SMEs. This brought about the question of whose job it was to help entrepreneurs navigate the economy, and as the researcher delved more into this, the need to investigate this began to surface, and that is how the study came to be. This also informed the research questions and, due to the lack of data available, also affected the choice of method and the like.

#### *4.3.2 Practical Considerations*

Firstly, the choices of research strategy, design or method had to be tailored to the research questions that were being investigated. In this case, the interest was focused on the worldviews of entrepreneurs in South Africa's context, and thus a qualitative research strategy seemed the most appropriate fit as it is sensitive to how participants interpret their social world. Not to mention that each participant has their own unique set of circumstances and experiences, so a one size fits all approach would not bring forth the kind of new knowledge that is sought to make a contribution to the field. Furthermore, the researcher was interested in a topic in which there was very little research that had been done in the past; therefore, a qualitative strategy would serve the researcher's needs because it is often associated with the generation of theory as opposed to the testing of it. Moreover, the lack of structure to this approach also affords the researcher the flexibility that is needed to follow any new leads that are encountered and fully explore concepts. The final consideration was the nature of the topic and the people being investigated. In this case, investigating the institutional environment and the legacy that apartheid bears on entrepreneurship presently have a number of sensitivities around it. Participants needed to be given the room they needed to discuss factors like how their race or gender is affecting how they can participate in economic activities. Some respondents also

shared personal information about their backgrounds coming from poverty or encountering corruption which is also a highly sensitive topic that many people do not feel easy about discussing. These practical considerations have been central to the design and execution of this study. Bryman (2016) states that while practical considerations may appear mundane when compared to philosophical discussions about epistemology and ontology, they are still just as important because all social research is a blend of ideas, and the feasibility will depend on many circumstances in which the nature of the participants in an investigation and the constraints on the researcher appear to have a great impact on the decisions about how to proceed. Table 3 presents an overview of the strategy to be followed in this study.

Qualitative strategy		
Epistemological orientation	→	Phenomenology → Interpretivism
Ontological orientation	→	Objectivism

Table 6 Overview of the qualitative strategy followed in this study.

Entrepreneurial action is said to be normally characterised as planned, intentional and strategic (Weik, 2011). Thus, this research involves an exploration of these actions in relation to a specific institutional environment. As it is exploratory in nature, Vogt (1999, p.105) defines exploratory research in social science as broad-ranging, purposive, systematic, prearranged undertaking that is designed to maximise the discovery of generalisations leading to the description and understanding of an area of social life. Such exploration is, depending on the standpoint taken, a distinctive way of conducting science- a special methodological approach (as contrasted with confirmation and a pervasive personal orientation of the explorer. The emergent generalisations are many and varied; they include the descriptive facts, folk concepts, cultural artefacts, structural arrangements, social processes and beliefs and belief systems normally found there. This research is an exploration to examine the idea that the institutional environment of South Africa acts as a barrier or an enabler to entrepreneurship within the green economy, impacting the innovation activity and entrepreneurial activity of the nation. The application of this exploratory approach and the qualitative method that is being used is the actual data collection is what is developing the theory. The empirical approach of gathering data from multiple sources and going through the process of induction and deduction to uncover new phenomena.

#### ***4.4 Research Design and Methods***

To provide an overview of this study, as stated in the contribution to knowledge section, the method undertaken to perform this study consists of various approaches and each brought a unique perspective and rich insights to make a contribution to knowledge. Firstly, the researcher's interest in this topic emerged from previous work experience in South Africa's non-profit sector, where in my previous role, I worked with an organisation that helped big businesses work to set and meet their SDG targets. In doing this, I observed that more and more SMEs were interested in working towards the same goals; however, it appeared that because they were small, they were not seen as a priority. Thus, the idea for this topic was sparked. The starting point for this study commenced with desktop research in literature, policy documents, reports and articles. This was then followed by performing a stakeholder analysis of South Africa's green economy to discover whom the relevant participants for this study needed to be and how to approach them. Next came acquiring ethics approval for the study, creating an interview guide, obtaining participant consent and carrying out in-depth interviews with 55 participants. I also attended key events that produced additional insights related to this study and then selected 3 participants; 3 entrepreneurs representing 3 SMEs of the sectors in the green economy and, together with some master's students, performed a consulting type exercise where we examined the business models of these 3 SMEs to see how we could assist in optimising their current business models. The result of this exercise was interesting in that in as much as these 3 SMEs were green and had a strong social focus element, they lacked either the business knowledge needed to communicate a value proposition to potential funders or the business model itself simply was not viable. This result then brought about the question of what perceptions South African green economy entrepreneurs have about their positions in the economy, access to opportunities and lack thereof. This question is quite broad, and so a case study methodology was selected to best bring about these answers that could then be translated into a contribution to knowledge and the field.



A qualitative multi-method research design was employed to answer the research questions in order to uncover the nuances and unique intricacies of entrepreneurs' navigating a complex institutional environment in order to innovate and execute entrepreneurial activities. This multi-method design combines elements of action research, participant observations, and qualitative enquiry under the frame of a case study approach. The sampling method employed was a purposive sampling method together with snowball sampling because the pool of green economy entrepreneurs is quite small and gaining access to these participants required insider knowledge and the networks to connect the research to participants. The research followed Eijdenberg's et al. (2018) approach to entrepreneurship and institutional environments. The research approach of Eijdenberg et al. (2018) was selected because of their study on entrepreneurial activities in a developing country that adopts an institutional theory perspective to gauge the institutional effects on entrepreneurial activities and gather inductive data on institutional constraints enablers and responses, which is relevant for this study. On the other hand, Bruton et al. (2010) also call for more qualitative studies to be done in studying entrepreneurship in institutional contexts and promote for institutional theory as being of great use to the study of entrepreneurship. The following section outlines the research design in more detail.

Eijdenberg et al. (2018) highlight the effectiveness of Gephart's (2004) *Qualitative Research and the Academy of Management Journal* for conducting qualitative research, and as such, this study has used Gephart (2004) as a guide to this research study. The data was collected from a mix of individual interviews with entrepreneurs of different types of businesses, experts and entrepreneurs from the four main green economy sectors, energy, water and sanitation, waste and recycling and agricultural business and related stakeholders. While the interviews were meant to obtain an in-depth perspective of institutional effects on entrepreneurial activities, the other purpose of individual interviews was to acquire inductive data on institutional constraints, enablers and responses. The main advantage that was obtained from these interviews is that participants concentrated on personal experiences related to the topic and built on each comment to provide a broader picture of the phenomenon. On the other hand, there is the disadvantage of this that the cultural element was extremely pronounced in each interview as participants linked their race to opportunities or lack thereof, and this may have presented views that were quite harsh at times. However, it cannot be ignored that individual interviews yield responses that are personal and detailed and therefore, the researcher is better able to elaborate extensively on respondents' personal experiences and

phenomena. Moreover, interviews with the entrepreneurs of different types of businesses were descriptive, that is that interviews were supposed to present “a complete description of a phenomenon within its context” (Yin, 2009, p.5). Craig and Douglas (2001) have stated that expanding research settings and using more creative methods is beneficial for the discovery of complicated cross-cultural phenomena (Zhilin, Wang & Su, 2006). In light of this, the stages of data collection were divided into several phases.

### **Phase 1: Desktop research**

The first phase was secondary research that focused on reviewing desktop literature, recorded interviews, newspaper articles, policy documents, reports, and so on. The second phase was an action research component in which the researcher was involved with workshops for start-up enterprises in the green economy (further details follow in the section below).

### **Phase 2: Initial scoping exercise using participant observation and action research to recruit participants**

The initial scoping exercise was the participation in the SEED starter workshops for environmental enterprises. SEED initiative, an international programme for recognition and support for innovative small-, micro, and medium-sized enterprises (SMMEs). The SEED initiative was founded by the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP), and the International Union for the Conservation of Nature (IUCN). SEED identifies and supports promising, locally-driven enterprises working in developing countries to improve livelihoods and manage natural resources sustainably. In partnership with the Institute for Sustainable Development (IISD), SEED places a strong focus on research and learning so as to increase the understanding of how innovative start-ups grow, what barriers they face and their economic, social and environmental impact (Creech et al., 2014). The researcher had to apply and request permission to participate in these training workshops as these were specifically targeted at start-ups in the green economy. This was done by joining a start-up called KANA AFRIKA founded by Karabo Malope (a young black female entrepreneur and architect) KANA AFRIKA is a sustainable architecture firm that specialises in housing projects in township and underdeveloped areas. Within this study, I categorise this start-up within the waste and recycling sector because the housing designs that KANA AFRIKA specialises in are recycled materials. I requested to join this business by offering to

assist with a business development project that was being worked on and suggested that participating in the SEED Starter Workshops would be fruitful for the business. Upon being accepted into the business, I made the application to SEED and fortunately we were accepted into the programme. As I as the researcher, was part of this business for a period, it is believed that this constitutes action research. Although this is not a major component of the research methods, it is worthwhile to have a discussion on how this component contributed to the overall study.

A sample of 35 participants representing 11 start-ups were in attendance, and the researcher utilised these entrepreneurs for the first lot of interviews. This exercise was extremely fruitful as the researcher gained access to the start-up toolkit. With the use of this toolkit, each entrepreneur discussed their experiences with issues such as seeking investment, accessing capital, navigating the tender application process, engaging with governmental stakeholders and so on. Each highlighted the challenges that they had experienced and also learnt how to better take advantage of opportunities. As this was a hands-on approach to gaining primary data, it is believed that this constitutes both participant observations and partially action research. Bryman (2016) explains that there is no single type of action research, but broadly action research can be defined as an approach in which the action researcher and members of a social setting collaborate in the diagnosis of a problem and in the development of a solution based on the diagnosis. The collection of data is likely to be involved in the formulation of the diagnosis and solution of a problem and in the emergence of a solution. In action research, the investigator becomes part of the field study. This can involve the collection of both quantitative and qualitative data. Action research is said to be more common in some social science areas than others. It is especially common in fields such as business and management research and is sometimes dismissed by academics for lacking rigour and for being too subjective in approach. However, there is also great advocacy for this because of its commitment to involving people in the diagnosis of and solutions to problems rather than imposing on their solutions to predefined problems (Bryman, 2016).

According to Coghlan et al., (2019), Action research is now, in many instances, understood as a global family of related approaches that integrates theory and practice with a goal of addressing important organisational, community, and social issues together with those who experience them (Bradbury, 2015; Coghlan et al., 2019). Furthermore, it focuses on the creation of areas for collaborative learning and the design, enactment, and evaluation of

liberation actions through combining action and reflection in ongoing cycles of co-generative knowledge. Action research is also said to find expression in different modes and is practised across diverse organisational sectors and communities. The context within which action research is practised sets how an action research initiative is conceived, how it is designed and implemented, and what it contributes and practices (Shani & Coghlan, 2019). Adopting the definition that was adapted from Shani and Pasmore (1985), Coghlan and Shani (2014) refer to action research as an “emergent inquiry process in which applied behavioural science knowledge is integrated with existing organisational knowledge and applied to address real organisational issues. It is simultaneously concerned with bringing about change in organisations, developing self-help competencies in organisational members, and adding to scientific knowledge. Finally, it is an evolving process that is undertaken in a spirit of collaboration and co-inquiry” (Shani & Coghlan, 2019). Reinforcing this reflection is Shani and Pasmore’s (1985) action research framework, which follows from the above definition; this framework breaks down action research into four factors. According to the authors, these four factors make up a comprehensive framework as they capture the core of action research and the complex cause-and-effect dynamics within each factor and between the factors. They provide a unifying lens into a wide variety of the reported studies in the literature, whether or not the factors are discussed explicitly, and a high-level guide for the action researcher. Each of these will be discussed below in relation to the research project.

*Context:* As action research generates localised theory through localised action, knowledge of context is critical. The context of the action refers to the external business or social environment and the internal local organisational/ discipline environment of a given organisation. Knowledge of the scholarly context of prior research in the field of the particular action proposed and to which a contribution is intended is also a prerequisite (Shani & Coghlan, 2019). The context for this study is South Africa’s institutional environment and its role in enabling or hindering entrepreneurial activity, innovation activity and firm performance in South Africa. This comes on the backdrop of the national agenda to transition to a greener economy and examines the role the government is playing in the facilitation of this.

*Quality of relationships:* this refers to the quality of the relationship between members, and the researcher is vital. Hence, the relationships need to be managed by building trust,

facilitating honest conversations, concern for others, and so on (Shani & Coghlan, 2019). Establishing relationships with participants proved to be a great challenge. Referring back to the institutional environment, which comprises three core pillars, namely, regulatory, normative and cultural-cognitive. The institutional environment of a nation determines the 'rules of the game', which shape the business strategy that a firm can deploy (North, 1991; Peng et al., 2008). Emerging economies are said to generally have weak institutional infrastructures due to uncertainties that arise from political and legal instabilities (Wright et al., 2005). The disadvantageous effects of political instability and regulatory barriers or impediments are especially problematic for SMEs as they often lack the financial or managerial resources to buffer themselves against serious political shocks or navigate through bureaucratic red tape. These are just some of the complications that are faced by entrepreneurs and SME owners, and thus finding willing and open participants was a struggle as their perception of this project had some kind of negative association with it. The recruitment process changed several times and ended up using a referral system where personal networks had to be utilised in order to gain access to participants that were only willing to be interviewed if a colleague of theirs gave the referral. Furthermore, the exploration of regulatory, normative and cultural-cognitive institutional environment influences the EO dimensions and managerial discretion from the perspective of how a historic cultural shift carries with it some negative associations as factors such as racism and prejudice surfaced at many points in the interviews, and it became apparent that discussions around race cannot be escaped in South Africa as this is prevalent in every area of society. Thus, the researcher being a black/ African female interviewing a black man or woman or even a white man or woman would bring about different revelations.

*Quality of action research process itself:* the quality of the action research process is grounded in the focus on both action and the inquiry processes. The inquiry process is systematic, rigorous, and reflective such that it enables the researcher to develop a deeper level of understanding and meaning of a critical issue or phenomenon (Shani & Coghlan, 2019). One of the key action research activities that was conducted was the participation in the SEED Starter workshops. The rationale for the involvement in these workshops was primarily to gain access to interview participants. SEED is a Germany-based NGO that works in SA on sustainable development programmes, working in partnership with the United Nations Environment, UNDP and IUCN on green economy projects. The SEED Starter programme guides participants in the early stages of ideation to the generation of a viable business plan used to launch an eco-inclusive enterprise. Participants join together in teams during Starter

workshops to blueprint and refine their business plans with the support of peer learning and expert guidance. As the researcher, I had to form my own team and apply to be a participant in this programme. The process took a month to complete, and the workshops took place in December 2020. This experience proved to be invaluable as it achieved the intended objectives of participant recruitment, and identifying the key issues that are affecting entrepreneurs within the green economy in South Africa. After the completion of this programme, I also had the opportunity to be a participant in the Indalo eco-inclusive symposium in March 2021. This event was also used for participant engagement and recruitment. This event was also beneficial for engaging with multiple stakeholders from various levels in the green economy. The symposium joined government, academia, NGOs and entrepreneurs for three days to discuss how the green economy in South Africa could be assisted more and what can be done to support more green projects and entrepreneurship in the country.

*Outcomes:* the dual outcomes of action research are some levels of sustainability (human, social, economic and so on), the development of self-help and competencies out of the action and the creation of new knowledge from the inquiry (Shani & Coghlan, 2019). Referring to the previous section discussing the involvement in the SEED Starter programme and Indalo inclusive symposium as the catalysts of the recruitment process. Being a part of first-hand discussions occurring around the green economy highlighted the key issues that required exploring. These key issues were: the policy environment of South Africa as a barrier or enabler to entrepreneurship, assisting entrepreneurs in enhancing and developing skills, the creation of more projects to create more entrepreneurs and how the private sector can help entrepreneurs in the green economy.

### **Phase 3: One-one in-depth semi-structured interviews**

The core of this study relied on one-one, in-depth semi-structured interviews. Typically, this refers to a context in which the interviewer has a series of questions that are in the general form of an interview guide but is able to vary in a sequence of questions. The first questions are mostly somewhat more general in their frame of reference than the questions typically found in a structured interview schedule. Also, the interviewer normally has some latitude to ask further questions in response to what is deemed as significant responses (Bryman, 2016). The steps involved in conducting these interviews were first, introducing the research where the rationale for the study was presented, and the researcher then attempted to establish a

rapport with the participants. According to Bryman (2016), unless an element of rapport can be established, some respondents may initially agree to participate and then decide to terminate their participation because of the nature of the questions. With the participant's permission, the interviews were recorded for later transcription, and the offer was extended for the transcriptions to be forwarded on to the participants once completed.

#### ***4.4.1 Embedded Case Study Design***

Stake (1995) observes case study research is concerned with the complexity and particular nature of the case in question, so a basic case study involves the detailed and intensive analysis of a single case (Bryman, 2016). As is typical, case studies are associated to studies with qualitative research, and as it applies to this study where semi-structured interviewing has been used because it is conducive to the generation of an intensive, detailed examination of a case. The case is the object of interest in its own right, and the researcher aims to provide an in-depth examination of it. The distinguishing factor of this study is that the unique features of each case manifest in the form of an idiographic approach (this is when a researcher is concerned with revealing the unique features of a case (Bryman, 2016). De Toni and Pessot (2021) discuss that employing an embedded case study design can be advantageous to a study involving multiple layers of complexity. As this study is such, there will be the main case, and sub-units will be used to investigate the actual complexity and observe the interaction of entrepreneurs' responses to the institutional environment.

Yin (2008) presents that case study methods are used to dig deeply and intensely to gather insight and understanding of phenomena that are new or unexamined. Case study methods allow the researcher to understand the how and why problems and situations in ways that do not require control over those problems. The purpose of the case study method is to shed light on a decision or set of decisions in regard to why they may have been taken, in what manner and what was the outcome (Yin, 2008). Therefore, case-based research methods are the most appropriate selection for researchers that are interested in the intricacies of the actual case and discovering new phenomena and they are described as possessing the ability to provide a powerful story to illustrate particular social context and phenomena. Case studies require the researcher to understand the case in a context where information about the case and its context is gathered over considerable time following considerable engagement. As is

appropriate for such outcomes, case study methods do not claim any particular methods for data collection or data analysis (Merriam, 1995).

#### *4.4.2 Instruments*

The instruments that were used in this study consisted of participant observations and semi-structured interviews. This occurred during the SEED starter workshops, in which the researcher had the opportunity to take part in the intensive and comprehensive course for social enterprises. It was possible to systematically observe the behaviour of individuals and record dialogue. The advantage of this was that it allowed the behaviour to be observed when it came to networking between entrepreneurs. The structure of these workshops is that they were moderated by the facilitator who opened discussions and engaged with the entrepreneurs, and this created an atmosphere for open and free discussion around topics concerning social and environmental entrepreneurship in South Africa. Participants spoke very openly about how they had encountered harsh conditions in the regulatory environment and often struggled with elements of having to prove their credibility when trying to access funding from commercial banks. It was fascinating to see how the group would generally agree with these woes, and the facilitator would take the discussion further and then entrepreneurs would exchange contact details with each other to discuss possibilities around the creation of joint ventures or collaborations to circumvent the challenges that they were experiencing.

#### *4.4.3 Participant Observations*

As part of the study, 3 participants were requested to take part in a different aspect of the researcher's work. This was an exercise where the entrepreneur's business models would be analysed, and recommendations on how these business models could be optimised were suggested. The 3 participants from the energy, agriculture and waste and recycling sectors gave in-depth information about their current business models and a business problem that they were facing and the researcher, along with some students, assisted in providing some recommendations for these business models. The data gathered from this observation exercise has been used to explore the problems associated with business models for entrepreneurs whose businesses are more socially and environmentally focused. Bryman (2016) describes the role of a participant observer as someone who participates in a group's core activities but not as a full member. In cases of closed settings such as organisations, the researcher takes it upon



him/herself to work on an occasional basis and sometimes as part of a research bargain to gain entry or acceptance and is involved in principal activities. In this case, the 3 participants worked with the researcher and presented one business challenge that their firm faced. The first participant was from the energy sector and faced the problem of requiring to determine the best pricing strategy for products as a big component of the business focused on social upliftment, and the target market was made up of both customers that could afford products, and those that could not afford them so essentially would be getting this particular product for free. The second participant from the agricultural sector had the challenge of wanting to know where his production and output levels needed to be to get to a position where he was making enough to turn a profit as he currently is only just breaking even, while the third participant was from the waste and recycling sector and was facing a complete rebrand because the impact of Covid-19 was so severe on the business that it was necessary to start from scratch. Working with these businesses on these business problems took approximately two months with weekly check-in calls to seek further information and clarity until a final pitch video was created for these entrepreneurs.

It can be agreed that the depth of this interaction borders on action research and also qualifies as in-depth participant observation. The findings of this diagnostic exercise will be discussed in further detail in the findings and discussion section.

#### ***4.5 Sample Selection***

Given the difficulty in identifying a single database on SMEs in most developing countries (Boso et al., 2017; Kriauciunas et al., 2011; Zulu-Chisanga, 2021), a great deal of consideration was placed into potential sources participants. The researcher was also fortunate enough to have gained access to prominent stakeholders who acted as participants in this study who can be classified as ‘elite’ interviews. Because gaining access to elite persons for interviews can be difficult (Goldstein, 2002; Parry, 1998), it is not uncommon to see elite interview studies with relatively small numbers of respondents. It is also noted by Natow (2020) that some published studies relied on as few as three or four elite respondents (Aubrey & Durmaz, 2012; Beech, 2011; Van Gramberg et al., 2013). Triangulation with additional data sources or methods is one way to ensure the accuracy of research findings in these studies (Merriam, 1995). Furthermore, Kezar (2003) points out that elite interviews are useful in critical analyses because the interviews can provide “information that is not necessarily public

knowledge”, coming from powerful sources. With regards to the sampling technique that was used in this study, it was identified that purposive sampling was suited for this type of qualitative study. Purposive sampling is a non-probability form of sampling whereby the researcher does not seek to sample research participants on a random basis, and the goal of this is to sample case/participants in a strategic way so that those sampled are relevant to the research questions that are posed (Bryman, 2016). To this end, the researcher samples in order to ensure that there is a great deal of variety in the resulting sample so that sample members differ from each other in terms of key characteristics that are of relevance to the research question. An important consideration in this is that the researcher does not generalise to a population. Also, the researcher must be clear in his or her mind about what the criteria are that are relevant to the inclusion or exclusion of participants. It is well known that the collection of primary data in developing countries, such as South Africa, involves major challenges for researchers (Kriauciunas et al.,2011). Despite this fact, it is believed that the most genuine data branch comes from the context in which the entrepreneurs operate (Eijdenberg, Thompson et al., 2018). Therefore, the researcher collected data in Johannesburg, South Africa, one of the largest commercial cities in Southern Africa. All the data were collected over the period between October 2020 and September 2021. I used the snowball sampling technique (Naderifar & Ghaljaie, 2017) as the basis for the selection of the respondents. “Snowballing involves recruiting individuals to collect data from other individuals whom they think meet certain inclusion criteria defined by the researcher” (McGee et al.,2009, p.974). I selected the sample based on judgement and the purpose of the research (Babbie, 1995; Greig & Taylor, 1999; Schwandt, 1997), looking for those who have had experiences relating to the phenomenon to be researched” (Kruger, 1988 p.150). I also engaged in internet searches and enquires over the telephone to various bodies in South Africa. The interviews that were conducted are the primary unit of analysis (Bless & Higson-Smith, 2000), with their “informed consent” (Bailey, 1996, p.11; Arksey & Knight, 1999; Street, 1998; Groenewald, 2004).

Ethical considerations played a vital role in this study. Participants were sent emails extending the invitation to share their experiences and provided with reassurance that they will be anonymous. I also requested their permission to record the interview and extended the offer to share the transcripts with them.

#### *4.5.1 Snowball Sampling*

Snowball sampling is a technique in which the researcher initially samples a small group of people relevant to the research questions. The initial set of participants will recommend others and so on. The sampling of informants in ethnographic research is said to be a combination of convenience sampling and snowball sampling (Bryman, 2016). A great deal of the time of an ethnographic researcher is spent trying to gather information from whatever sources are available to them. As such, the opposition is faced, and an element of indifference to their research naturally find themselves relieved to glean information or views from whoever is prepared to share details. Furthermore, there is the difficulty of finding appropriate participants frequently leads to the implementation of such a strategy. For example, a certain minister of a government department suggested five entrepreneurs for the researcher to engage with and also included the researcher in a webinar where additional insights were gained as well as more participants that were relevant for the study. There were also other instances where an entrepreneur would refer the researcher to a contact or colleague in the same sector.

#### *4.5.2 Theoretical Sampling Framework*

In addition to snowball sampling, theoretical sampling was also used. Theoretical sampling was advocated for by Glaser and Strauss (1967) and Strauss and Corbin (1998) in the context of an approach to qualitative data analysis that they developed. Theoretical sampling is meant to be an alternative strategy that is performed in order to discover categories and their properties and to suggest the interrelationships in theory. What gives this approach distinction from others is the emphasis on the selection of cases and units with reference to the goal of generating a theoretical understanding (Bryman et al.,2016). Specific to this study, data was collected, interviews were held etc. until theoretical saturation was achieved, i.e. successive interviews/observations have both formed the basis for the creation of categories and confirmed significance and that there was no longer a need to continue with data collection relative to that particular category or cluster and it was time to progress to research proposition generation out of the categories that had been built up and collect more data in relation to those propositions. The analysis section outlines in more detail how this transpired in the research study. The controls that were used in this study include a number of personal characteristics (e.g. the founder's age), firm factors (e.g. size) and environmental factors (e.g. sector/ industry) and so on (Kim, 2013).

### 4.5.3 *Sample size*

One of the problems that the qualitative researcher faces is that it can be a challenge to establish how many people will be interviewed if theoretical considerations guide selection. This is not aided by the fact that the criteria for recognising or establishing when or whether saturation has been achieved are rarely articulated in detail (Guest et al., 2006). Warren (2002, p.99) remarks that, “for a qualitative interview study to be published, the minimum number of interviews required appears to be between 20 and 30”. Adler and Adler (2012) advise a range between 12 and 60 and a mean of 30. The differences between these authors suggest that it is very difficult to try to specify minimum sample sizes (Bryman, 2016). Therefore, the size of the sample that is able to support convincing conclusions is likely to differ somewhat from the situation in purposive sampling terms, and qualitative researchers have to recognise that they engaged in a delicate balancing act; however, Onwuegbuzie and Collins (2007 p.289) state that “in general, sample sizes in qualitative research should not be so small as to make it difficult to achieve data saturation, theoretical saturation, or informational redundancy. At the same time, the sample should not be so large that it is difficult to undertake a deep, case-oriented analysis. Considering the issues associated with deciding upon appropriate sample size, Bryman (2016) proposed the following considerations to be taken into account when deciding how large a sample should be:

1. Saturation: this will necessarily factor in when to decide that data collection can end. However, the researcher needs to be clear on whether it is data saturation or theoretical saturation. In the case of this study, after 38 interviews, it became apparent that no new information was coming to light, and participants were giving more or less the same kind of responses; thus, it can be said that data saturation was reached, but it was decided that all scheduled interviews would go ahead as scheduled and those participants were kind enough to refer relevant peers and colleagues to be interviewed and it was deemed worthwhile to build the network of this study and complete all of the interviews.
2. The style of theoretical underpinnings of research: some approaches to inquiry, such as the life story method and conversation analysis, tend to be associated with smaller

samples on which the researcher carries out an intensive analysis (Bryman, 2016). One such interview was with a female entrepreneur in the agricultural sector who invited the researcher to her hydroponic urban farm in the inner city of Johannesburg on Constitution Hill (a historic location that is significant to the apartheid struggle). She shared her life story of coming from a disadvantaged background of poverty to becoming a businesswoman with her own hydroponic farm and provided a real-life illustration of an entrepreneur engaging with the institutional environment on various levels as well as how her embeddedness as a black female urban farmer plays a role in circumventing some of the challenges and what factors within the institutional environment have enabled or hampered her venture.

3. The heterogeneity of the population from which the sample is drawn: in the case of this study, there are varying socio-economic profiles that make participants different, yet it was discovered that the cultural-cognitive and normative dimensions of the institutional pillars (Scott, 2006), created a sense of homogeneity within the sample.
4. Research questions: these vary in scope and specificity; the questions for this study are not too generalised and narrow enough for a smaller sample. To reiterate, the research questions of this study are as follows below:
  - i. **RQ1.** In what ways does the institutional environment of South Africa act as a barrier or an enabler to entrepreneurial and innovation activities within SMEs?
  - ii. **RQ2.** How are SMEs and entrepreneurs in South Africa's green economy being supported for entrepreneurial and innovation activities?
  - iii. **RQ3.** How does entrepreneurial orientation enable entrepreneurs in South Africa's context to navigate the institutional environment?
  - iv. **RQ4.** How does EO affect managerial discretion for entrepreneurial activity and innovation activity within firms?
  - v. **RQ5.** Are there differences in institutional support mechanisms among various SMEs within the green economy sector of South Africa?

Considering the above, a sample of 55 participants took part in this study. 47 of which were the entrepreneurs themselves. A detailed sample description has been outlined in the sample description section to follow.

#### *4.5.4 Criteria for Inclusion*

The first set of interviews consisted of a group of stakeholders involved in various spheres of the green economy. Of these, there was a minister of a particular department, a CEO of a government agency, a representative from an NGO, a CEO of a business advisory that is affiliated with the green economy industry and various representatives from relevant organisations such as the Industrial Development Corporation (IDC), Innovation Hub and SEDA, the choice of these departments and organisations was that they represent the relevant stakeholders at the forefront of advancing South Africa's green economy as well as support SMEs in the country. The 47 interviews were undertaken with entrepreneurs. All businesses were formally registered but differed in size (for example, some businesses only consisted of 2 people, and the largest was made up of 20 people). Therefore, the first distinct observation was that SMEs within the green economy could be better described as micro and is also indicative of the level of resources that SMEs have available to them when developing green ventures. Table 1 provides an overview of the same, and the section to follow provides the socio-economic profiles of the entrepreneurs.

The criteria for inclusion in the sample were as follows:

- i. The entrepreneur must be involved in a venture within one of the green economy sectors; water and sanitation, waste and recycling, energy and agricultural business. This could be a self-standing business or involved in a tender process within one of these industries.
- ii. The entrepreneur operates within South Africa and conducts business within the country context (as an understanding of the institutional set-up is vital for this study)
- iii. In the case of other stakeholders (apart from entrepreneurs), they must have knowledge about the policy environment or in-depth knowledge within one of the four sectors.

A key aspect of this study is the creation of case studies. The exploration of the entrepreneur's socio-economic profiles is based on the overarching framework of the constructs being impacted by the institutional environment and whether or not the pillars of regulatory, normative and cultural-cognitive elements such as policies, race, corruption, etc. could be used to underpin differences in strategy, success factors or stumbling blocks for entrepreneurs in South Africa. As mentioned above in the research design section, case studies

are a design within which the researcher develops an in-depth analysis of a case, often a program, event, activity, process, or one or more individuals. Cases are bounded by time and activity, and the researcher collects detailed information using a variety of data collection procedures over a sustained period of time (Stake, 1995; Yin, 2009, 2012, 2014; Creswell & Creswell, 2018).

The application of this is the collection of detailed information about entrepreneurs within the four main green economy sectors (energy, water and sanitation, waste and recycling, and agricultural business) as well as various incubation programmes, policies and support programmes that have been designed with the objective of aiding in economic development and entrepreneurship in South Africa. The time period of data collection is interesting as it began in 2020 in the first stages of a global pandemic and harsh economic downturn in South Africa and progressed through various stages of national lockdown levels, social unrest, and rolling electricity blackouts (i.e. load shedding). Needless to say, each entrepreneur was operating and not operating at various stages with numerous personal and business challenges to tackle. Some entrepreneurs ran into unforeseen financial hardship and walked away from projects and investments that had taken years to establish. Some took significant losses that almost caused them to give up, and others did give up altogether.

#### ***4.6 Data Collection***

The phase of data collection employed multiple sources to enable triangulation (Yin, 2013) and the process took 16 months in its entirety. Specifically, the sources of evidence were interviews, field notes, publicly accessible documents and presentations made at events such as workshops and webinars as well as one visual inspection of a site. Focusing on interviews, respondents were selected among individuals with significant understanding of the challenges faced by entrepreneurs in green economy sectors. Multiple respondents who indicated a willingness to participate and provide access to information with different experiences, educational backgrounds, socio-economic settings who were in charge of leading an entrepreneurial venture/ SME or micro enterprise gave valuable input to this study.

A total of 55 interviews were held. 47 of these being with the entrepreneurs themselves and 8 with other stakeholders who could provide insight and input such as government officials, policy makers and so on. An interview guideline was developed to ensure consistency and provide guidance in a semi-structured format with open-ended questions because of the

exploratory nature of the research (Kazadi et al.,2016). After introducing the general theme of the research, each interviewee was asked about their individual experiences and perceptions. Respondents were asked to first describe the type of entrepreneurial venture that they were involved in or about the company they ran and how long it had been in operation. Then the question was asked of the motivation to start/get involved in the business as establishing entrepreneurial motivation was an important starting point to help steer the conversation to discuss the dimensions of entrepreneurial orientation and managerial discretion. Following this, the conversation generally progressed to the discussion on the challenges and experiences that the entrepreneur has encountered and from specific responses, follow up questions would be asked. The interviews lasted between 30 and 60 minutes depending on the respondent's schedule. All interviews were recorded and transcribed for analysis and interpretation.

#### *4.6.1 Sample Description*

It has been stated that one of the problems that the qualitative researcher faces is that it can be difficult to establish from the beginning how many people will be interviewed if theoretical considerations guide selection. Furthermore, it is stated that it is impossible to know how many people can be interviewed before theoretical saturation is reached. This is not helped by the fact that the criteria for recognizing or establishing when or whether saturation has been achieved are rarely communicated in detail (Guest et al., 2006). Also, as the inquiry proceeds, it may be seen that groups will need to be interviewed who were not anticipated from the outset (Bryman, 2016) for example, in this study, when investigating the institutional environment, especially the regulatory and policy environment to determine why innovation seems too stifled, it was revealed that a great reason for this was that access to finance is a deterrent and interviewing venture capital firms would give additional insight to this as they are normally involved in the financing of start-ups. The participants that were interviewed as part of this study were located in the following provinces around South Africa; the Western Cape, Gauteng, KwaZulu-Natal, the Northwest province and Mpumalanga.

A total of 55 participants were interviewed. 47 of these being entrepreneurs and 8 being key informants from government agencies, incubators, non-governmental organisations, academia and international donor agencies. The rationale behind this sample is that it is representative of the green economy of South Africa holistically. Table 6 below is an outline of participants per sector and other stakeholders included in the study. Entrepreneurs involved



in the agricultural sector were a mix of commercial farmers, small holder farmers, co-operatives and businesses that support agricultural businesses. Entrepreneurs in the energy sector were composed of independent power producers (IPPs) and smaller energy related projects. Entrepreneurs in waste and recycling were a mix of recycling plants, waste collection and recyclers and businesses that convert waste into commercial products. Finally, entrepreneurs in the water and sanitation sector were a mix of water treatment and environmental conservation projects to do with water. For the sake of honouring privacy with participants, it has been decided that the exact role of the businesses will not be specified as the green economy sector is relatively small in South Africa so the interests of these businesses need to be protected, furthermore, a broad view of each sector will suffice for the purposes of investigating how the institutional environment affects these sectors and entrepreneurs. Table 6 and Figure 3 depict the sectoral split of study participants.

*Table 7 Overview of participants included in the study*

	Agriculture	Energy	Waste and recycling	Water and sanitation	total	total
Entrepreneurs	22	13	7	5	47	
NGO	1	1	0	1		
Policy makers	1	1	0	0		
Other*	1	2	1			
	24	17	8	6		55

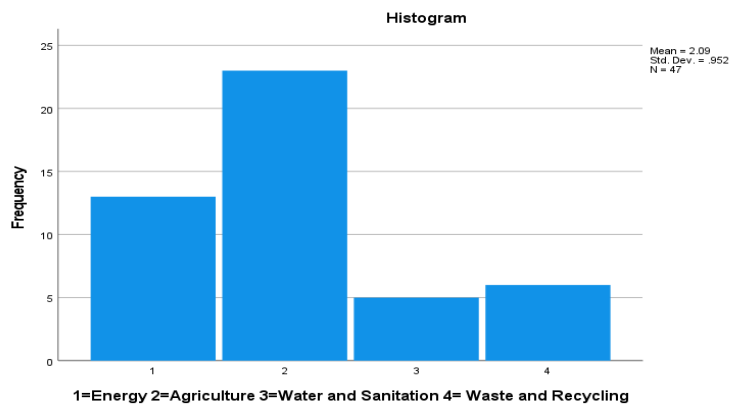


Figure 8 Study participants by sector

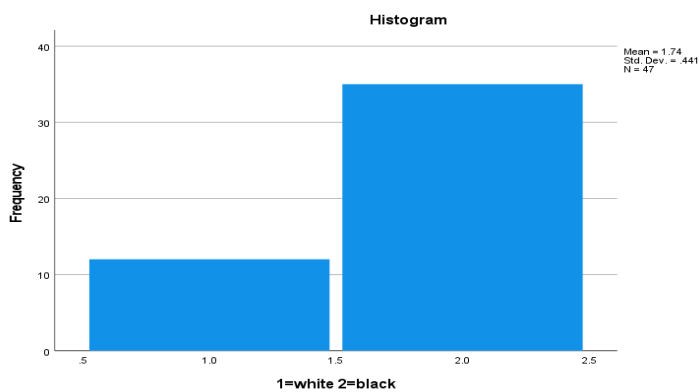


Figure 9 Participant racial split

Figure 9 depicts the split between black and white participants. Participants have been classified in this way because this study explores how the South African historical legacy that emphasised racial separation has translated into today's business world, not to mention that certain policies impact entrepreneurs differently based on the racial group that they belong to. It should be noted that that of course, there are more than these two racial groups in South Africa, but this classification follows the BEE criteria and the more than just black Africans are included as 'black' within these criteria.

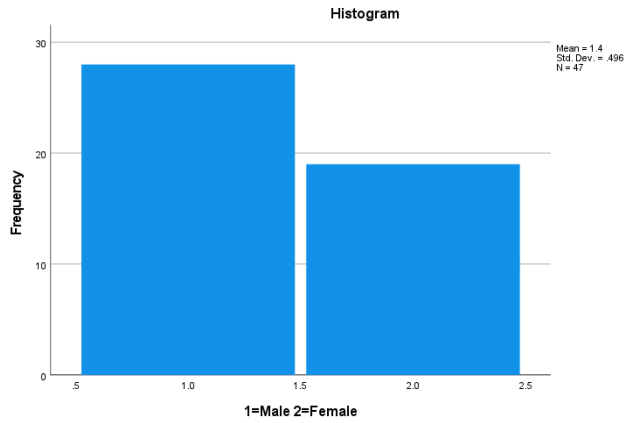


Figure 10 Participant gender split

Figure 10 depicts the gender split between male and female participants. This is also a key differentiator as there are specific policies and programmes aimed at entrepreneurship for women and exploring if the impact of such policies and programmes affects female participants and male participants in the same way will be important for this study.

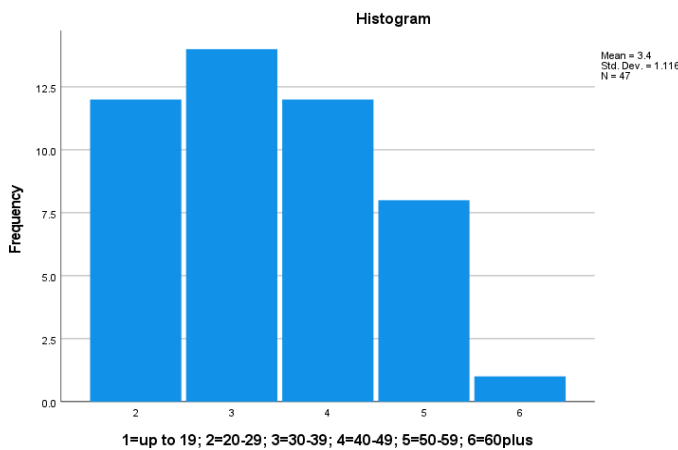


Figure 11 Participant age split

Figure 11 depicts the participant age split to show the distribution of participants based on age. This is important because later in the analysis section, it needs to be determined whether an entrepreneur's age plays a determining role in how an entrepreneur is able to navigate the institutional environment.

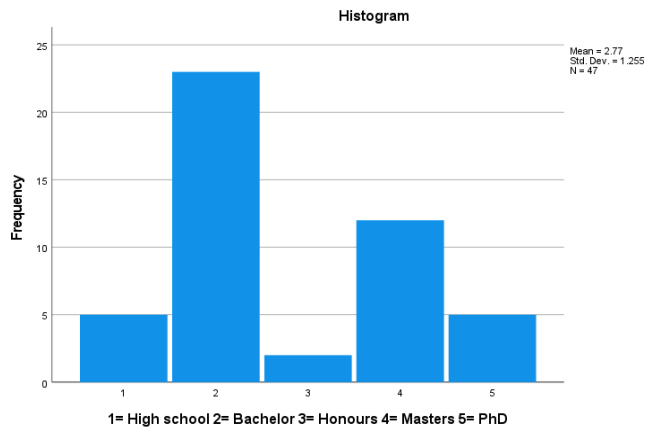


Figure 12 Participant educational background

Figure 12 depicts participants' educational background, this is important because later in the analysis, it needs to be determined whether educational background plays a determining role in how an entrepreneur is able to navigate the institutional environment.

#### 4.6.2 Reliability, Validity, and Replicability

It has been argued that attempting to measure for the replicability of measures in qualitative research cannot actually be done as each participant interaction is completely unique so the focus in this study is on validity. In this regard, various steps have been put in place to avoid contaminating the study with bias from the respondent, the researcher or reactivity caused by the researcher's influence on the data. As the aforementioned pose significant threats to validity, a few strategies have been employed to ensure that the data collected and analysed in this study is free from bias. Firstly, further clarification was sought from participants and no jumping to conclusions and making assumptions was done when talking with a participant. The researcher took care to ask questions like "what do you mean by that" to ensure that there was complete understanding and what the participant said is indeed what they meant. Secondly, analysing negative cases was conducted to weed out all of the cases that do not match the rest of the data to ensure that errors did not occur during the coding process, and these were cross checked against the original transcripts. Finally, a thorough audio log was kept of all interviews as well as research journals where notes were taken to cross check cases.

To answer the question of how well the case fares in the context of research design, we rely on Yin (2009) who states that the evaluation of a case study is dependent on the

researcher's discretion on the appropriateness of the criteria used. Regarding external validity or generalizability of case study research and ensuring that each case is representative so that it yields findings that can be applied more generally to the particular segment under investigation, however, this is not entirely possible. Another factor to consider is that of the type of case being explored. As it pertains to this study, we observed a combination of the critical case and the representative case. The classification of the critical case is applicable because the researcher has a well-developed theory, and a case is chosen on the grounds that it will give a better understanding of the circumstances in which the proposition will and will not hold. Furthermore, the classification of the representative case (i.e., exemplifying case) as it captures the circumstances and conditions of an everyday or commonplace situation, thus the case exemplifies a wider category of which it is a member (Yin, 2009; Bryman, 2016). The aim of taking this case study approach is to generate intensive examination of cases in relation to which they engage in a theoretical analysis. An important consideration is the quality of the theoretical reasoning in which the researcher employs. Probing the questions of how well the data supports the theoretical arguments that are generated and whether the theoretical analysis is inclusive but most importantly, how well the researcher generates theory out of the findings. Therefore, theory generation as well as theory testing are vital outcomes out of this study.

#### **4.6.3 Reflective Account of Data Collection**

Managing my own personal judgments, practices, and belief systems during data collection played an integral role in the data collection process. South Africa's historical context makes discussions on race uncomfortable as the wounds of its apartheid past have yet to heal (Long, 2021). During data collection, the world was in the middle of the Covid-19 pandemic. It was a time filled with great uncertainty and a general disgruntlement towards the nation's leadership. As a researcher, taking an objective stance during interviews was important in order to ensure that I accurately capture my participant's feelings and perceptions. If I felt as though a participant said something that I found to be negative or positive, I would ask them to elaborate on that point and would ask clarifying questions so that I would capture the exact meaning that the participant intended. It has been stated that discussing both negative and positive points eliminate the chances of personal biases featuring in the data collection (Bryman, 2016). Referring back to the methodology of this study, as this is a qualitative study, it adopts the popular philosophical view that constructionism denies the existence of any reality that is external to our constructions (Guba & Lincoln, 2013). A constructivist epistemology is said to rule out the possibility of any direct or 'objective' perception of reality. As such, I as a

qualitative researcher, accept the particularity of the subject and aim to develop in-depth understanding of single cases and small samples. The sampling size and sampling strategies used in this study did not have as much diversity as I would have liked, however, there was a uniformity that was discovered due to this. I did, however, ensure that I was careful in interpreting data to avoid any biasness of my own interfering with the study as maintaining objectivity was the end goal. Adopting this perspective required me to take account of the actual beliefs, values, and dispositions that I brought to the study. It is said that these dispositions can serve as valuable resources because a researcher's personal beliefs and theories have important consequences for the validity of their conclusions (Maxwell, 2018). All in all, I separated my personal feelings and judgements from those of participants and just focused on the narrative presented by each informant to accurately capture the images that they presented about their experiences in engaging in eco-inclusive entrepreneurship in the country.

## **5.0 Analysis and Interpretation**

The data gathered reflects how participants think and feel about South Africa's institutional environment and their experience working within this environment. Admittedly, some of the responses that were gathered made it difficult to draw conclusive insights especially around the more sensitive topics such as an encounter involving corruption. However, the following steps were taken to draw results. After the first 5 interviews, the researcher listed all the potential responses that could be cited by future participants of similar questions posed. After which, these responses were grouped into a handful of categories, generally this amounted to 3 main categories (i.e., yes, no or indifference- with further elaboration depending on each particular case). While some participants were more descriptive, allowing for a greater depth of quality to be garnered, others were evasive which added more complexity to the task of analysis. Values were then assigned to each category (i.e., 2= yes, 1=no, 0= indifference). All responses were then reviewed and then summed up. The researcher then evaluated the best approach to compute these responses and commence the task of analysis and after careful consideration, incorporating a method typically associated with quantitative data (i.e. Pearson r correlation matrix) was selected as the relationships between variables had to be linked. Although, this method is not normally used in phenomenological approaches, Natow (2020) explains that in order for triangulation to be achieved, multiple methodologies

can be utilised by adopting both qualitative and quantitative methods in a single study. Researchers may employ multiple data analysis techniques. Qualitative researchers often take approaches to data analysis that are both inductive (drawing findings and concepts out of data) and deductive (using data to test existing theories and concepts). An example of this is when a researcher may begin an inductive analysis by analysing themes emerging from data, and then conducting a deductive analysis to locate additional data either supporting or refuting emergent propositions (Creswell & Poth, 2018; Merriam & Tisdell, 2016). Literature notes that philosophers working within the philosophical tradition of phenomenology have, tried to answer the methodological question of how can we investigate nuances and complexities? There have been a growing number of phenomenological mixed method studies that explore various types of ‘mixing’ that refer to the use of multifaceted procedures of combining, integrating, linking and employing multiple methods (Creswell, 2003; Creswell et al., 2003). Tashakkori and Creswell (2007:3) describe that mixed-method investigations as “research in which the investigator collects and analyses data, integrates the findings and draws inferences using both qualitative and quantitative approaches”. Furthermore, to work with a phenomenological mixed method is consequently to phenomenologically inform both the qualitative and quantitative data generation, analysis and interpretation. In a phenomenological mixed-method context, the aim is to correlate the data and analysis from the micro-phenomenological interview with the data and analysis generated from qualitative methods. This can be done in different ways depending on the specific micro-experience under investigation, the research questions, and the aim of the correlation procedure. These aspects would influence when the qualitative and quantitative data are generated and what quantitative methods are used (Martiny et al., 2021).

#### Case Study Analysis

The analysis of the case studies focuses on how various elements of South Africa’s institutional environment hinder or enable entrepreneurial and innovation activity. These cases are grouped according to theme and sub-theme in relation to the various constructs that have been explored as part of the conceptual framework. Yin (2009) presents that case study methods are used to dig deeply and intensely to gather insight and understanding of phenomena that are new or unexamined. Case study methods allow the researcher to understand the how and why problems and situations in ways that do not require control over those problems. The purpose of the case study method is to shed light on a decision or set of decisions in regard to

why they may have been taken, in what manner and what was the outcome (Yin, 2009). Therefore, case-based research methods are the most appropriate selection for researchers that are interested in the intricacies of the actual case and discovering new phenomena and they are described as possessing the ability to provide a powerful story to illustrate particular social context and phenomena. Case studies require the researcher to understand the case in context where information about the case and its context is gathered over considerable time following considerable engagement. As is appropriate for such outcomes, case study methods do not claim any particular methods for data collection or data analysis (Merriam, 1995).

### **Coding**

In an effort to make sense of the data and develop an understanding of the data (and in turn, the codes), the researcher followed the following procedure. After transcribing interview, the researcher looked over each transcript and circled any words that stood out and could be linked to an institutional barrier (negative) or an institutional enabler (positive). Words such as “tough”, “confusing”, “shocking”, “terrible”, “disaster”, “mess”, “progress”, “embarrassment”, “dead-end”, “incompetent”, “selfish”, “supportive” etc were highlighted and grouped in accordance to the specific context that they were used and from this, the categories for the thematic analysis were derived. Categories were then formed that made use of the conceptual framework constructs such as the dimensions of EO where each individual construct was used as its own theme and then sub-themes were subsequently derived from that. For example, when the theme of risk-taking was discussed, sub-themes of personal loss, gain, assets, stake, losses, return on investment etc were drawn to ultimately reflect how high the risk incurred by an entrepreneur was. Appendix A outlines all the codes that were used in this study.

### ***Thematic Analysis Procedure***

The themes and subthemes were the reoccurring patterns found in the text that were linked to the data. These themes and subthemes derive from a thorough reading and rereading of data (Bryman, 2016). After this, a grid was applied to the data, which was used to organise at first into the core themes and data was displayed in a matrix format for each of the cases. Thus, a framework was created for thematic analysis of qualitative data, which provides a way of thinking about how to manage themes and data. Ryan and Bernard (2003) recommend the following when analysing the data:



- Repetitions: recurrent topics that appear over and over as this is one of the most common ways in which themes can be identified. Repetitions such as “I didn’t get a response back from the government”, “no one is willing to help us small guys”, “entrepreneurs in South Africa must be resilient”, appeared the most across all interviews.
- Indigenous typologies or categories: these can be local expressions that are either unfamiliar or used in an unusual way. In this study, local jargon such as “yesi”, “yah no” and “argg man, you know” were repeated by a number of participants when about to describe their experiences with working with government. This gave an indication that the entrepreneur was about to describe a negative experience or had a negative perception of the government or an element of the institutional environment.
- Metaphors and analogies: this can be seen in the way that participants choose to present their thoughts in the form of metaphors and analogies. Entrepreneurs used metaphors such as “it’s like trying to draw water from a stone” when describing experiences with seeking assistance from a government department or financing from a commercial bank. Many such metaphors were used in this study and provided a comical element during interviews with participants.
- Transitions: the ways in which topics shift in transcripts.
- Similarities and differences: exploring the way in which interviewees choose to discuss a topic in different ways from each other and then exploring the entire transcript and looking at how these differ.
- Linguistic connectors: examining connecting words such as “because” as this would indicate causal connections in the mind of the interviewee.
- Missing data: question what is not in the data by thinking about what the participant could have omitted. In some instances, participants steered clear of discussing anything related to bribery or corruption as they felt that this might threaten them personally, however, alluded to having connections within certain government departments which might point to the possibility that there was something questionable taking place in the particular entrepreneur’s business.

### ***Embedded Case Studies***

Multiple case studies have been utilised in this study as they are stated to have more compelling evidence, and the overall study is considered to be more robust as they provide

more depth (Yin, 2014). Multiple case studies require extensive resources and can be considered multiple experiments. Yin (2014) describes that for the use of multiple- case studies to be fruitful as a study, each case must be carefully selected so that it either predicts similar results (literal replication) or predicts contrasting results but for anticipatable reasons (a theoretical replication) (Yin, 2014). Eight case studies have been selected to analyse for this study that will be structured in an embedded design. These eight cases will be examined against the wider institutional context across the four green economy sectors. Special focus will be placed on the use of managerial discretion and entrepreneurial orientation in pursuing entrepreneurial action and subsequent innovation activity.

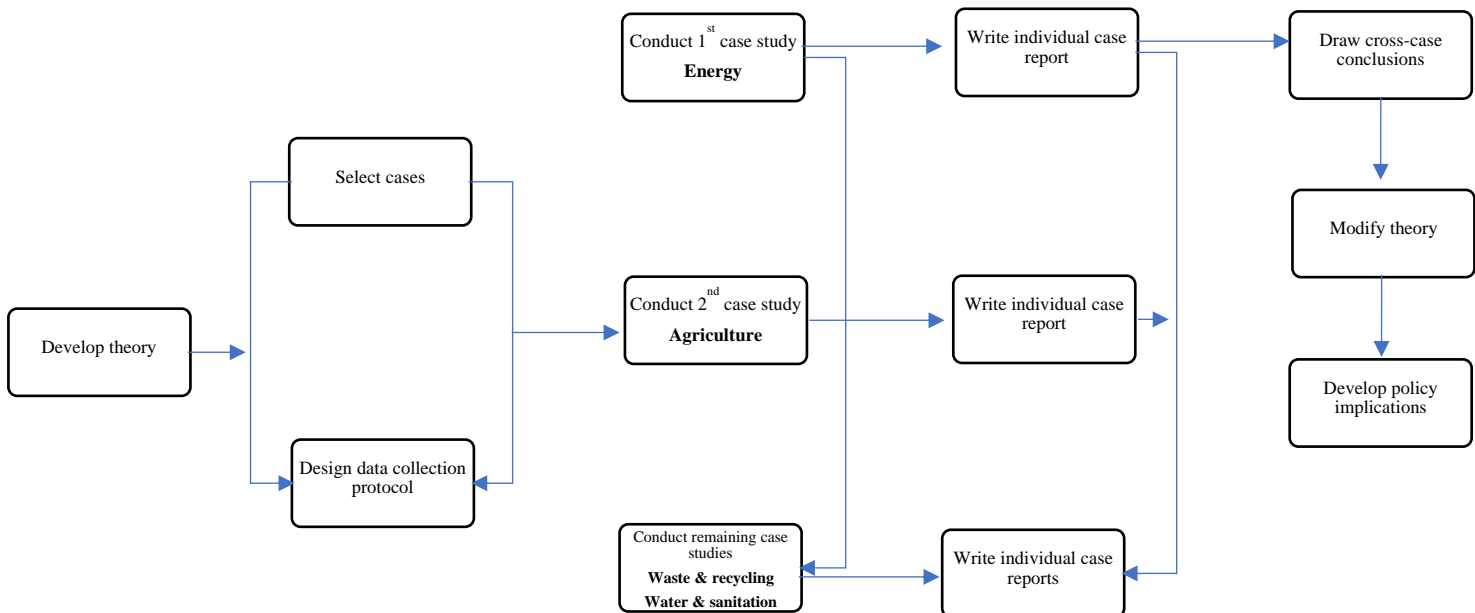


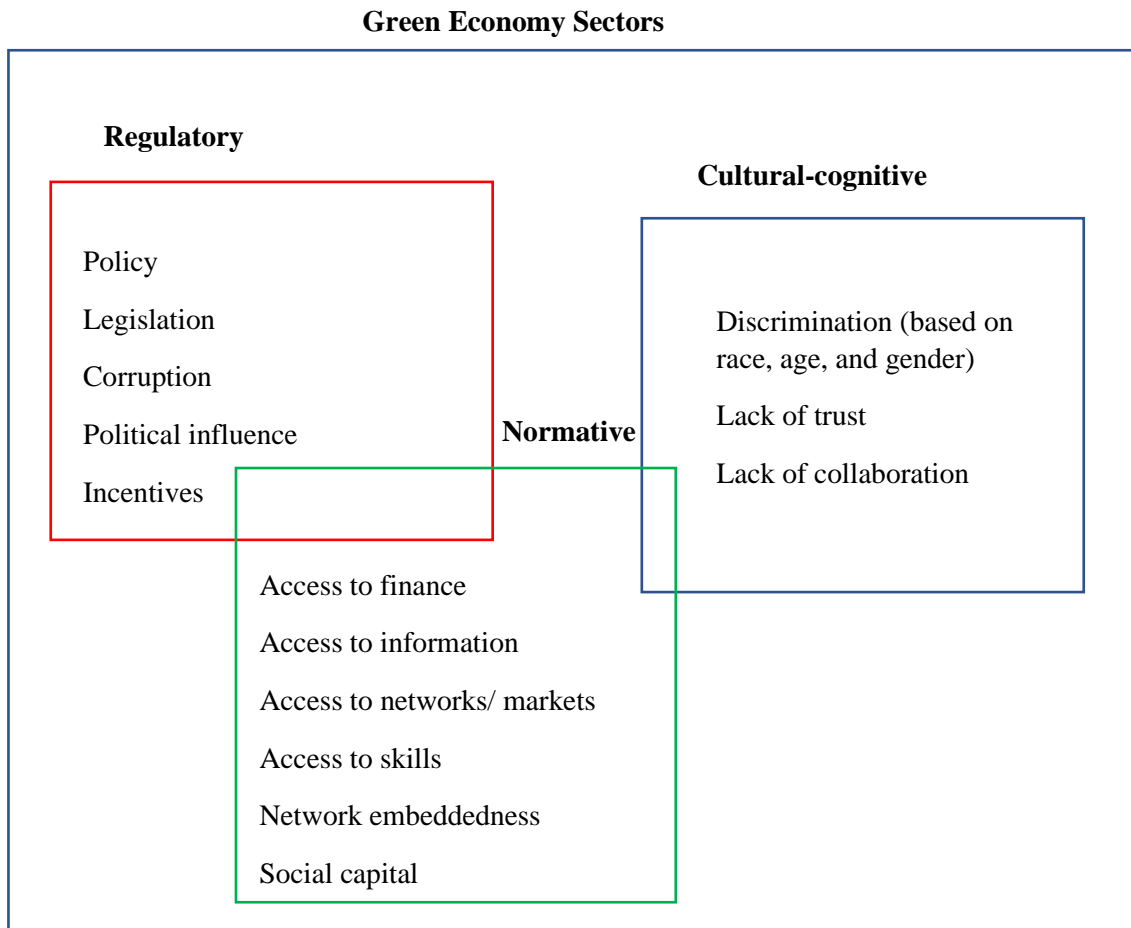
Figure 13 Multiple case study procedure (adapted from Yin 2014:60)

Below are the themes that will be explored in these case studies to build a picture of the four sectors of the green economy in South Africa. These themes will be used to analyse each sector and how managerial discretion and entrepreneurial orientation are exhibited by entrepreneurs to navigate barriers (and, in some instances, turning the barriers into enablers).

The following themes have been used to compose these embedded case studies:

- *Theme 1: The effects of the regulatory environment on entrepreneurial activity and innovation activity*
- *Theme 2: The effects of the normative environment on entrepreneurial activity and innovation activity*

- *Theme 3: The effects of the cultural-cognitive environment on entrepreneurial activity and innovation activity*



**Theme 1. The effects of the regulatory environment on entrepreneurial activity and innovation activity**

The regulatory institutional environment can both promote and inhibit entrepreneurship and innovation (Klapper et al., 2006; Stenholm et al., 2013; Van Stel et al., 2005). Countries differ greatly in the quality of requirements that they pose on entrepreneurs in terms of the regulations around starting and operating a business. The level of regulatory complexity of the institutional

environment represents a significant barrier to entrepreneurship (Sambharya & Musteen, 2014). Entrepreneurs who seek to pursue an attractive business opportunity are likely to be discouraged from doing so when facing a burdensome, time-consuming process involved with acquiring all necessary permits and licenses and keeping up with regulations, especially because starting a new venture is complicated and risky undertaking within itself. Entrepreneurs have to deal with complex administrative processes, and in many instances, this is daunting enough to discourage some individuals from engaging in entrepreneurial activity (Sambharya & Musteen, 2014). The longer it takes to obtain regulatory approval to start a new venture is likely to reduce the chances that the venture will be successful and, therefore, seriously pursued. The time and funds consumed by complying with complex regulatory requirements are resources that could rather be devoted to conceiving a business idea or bringing it to commercialisation, building an entrepreneurial team and securing the necessary financing (Sambharya & Musteen, 2014). Legislation underpinned discrimination in the early South African state (Swartz et al., 2019), but the legislation also determined the direction of investment flows and entrepreneurial opportunities. Legislation in South Africa is out of touch with the needs of South Africa's SMEs and start-ups. Participants perceived that legislation was burdensome but understood the importance of compliance. The consensus from the study is that legislation needs to be revised for small businesses in line with current market trends. Entrepreneurial action is inhibited by legislation because there is an extensive list of legislative requirements that companies are expected to adhere to, and revisions to certain legislation were last performed in 1997 and have not adapted to the changes in the economy over time. This leaves the entrepreneur in a position where they need to circumvent legislation in order to advance entrepreneurial activity.

***Incentives.*** Lingelbach (2015) and Morris et al. (2000) discuss influences on venture capital development in South Africa. Lingelbach (2015) shows that venture capital funding development is impacted by government effectiveness and clarity of policy regarding innovation, employment and ownership transfer under the Black Economic Empowerment policy. Another important aspect of incentives is incentivising scarce skills needed for the advancement of the green economy (e.g. engineering skills). Incentivising these kinds of skills involves the social mission, the financial incentive and the future prospect of financial gains.

***Policy.*** An institutional environment with weak or incoherent policy presents additional challenges for entrepreneurs. Entrepreneurs discussed how the policy environment was seldom

seen as favourable and rather is regarded as a constraining environment that limits entrepreneurial action and provides for lower levels of autonomy. Added to this finding, it was also discovered that policy favours big businesses and thus, adds another layer of difficulty for small businesses that do not have the same level of resources but are also forced to compete in an arena built for big well-resourced companies. On the other hand, some entrepreneurs have stated that because the green economy is relatively new in South Africa, there is a lot that is still not understood by the government, and thus, this has presented the opportunity for some entrepreneurs to “take advantage of loopholes” in policy or to act unnoticed due to regulators not really understanding how to regulate these industries. One such industry is organic farming of essential oils within the agricultural sector.

***Corruption.*** Research has uncovered that governments sometimes hinder entrepreneurial activity through burdensome regulatory environments (Chowdhury et al.,2019), weak formal institutions and dysfunctional or corrupt administrative systems (Amoros et al., 2019; Ault & Spicer, 2014; Tonoyan et al.,2010). Furthermore, the presence of unchecked corruption and lack of accountability has also been identified as a prominent factor adversely affecting entrepreneurial activity (e.g. Chowdhury et al.,2019; Tonoyan et al., 2010). Therefore, literature notes that governments can facilitate or impede entrepreneurial activity depending on the strength of their institutions, the favourability of their policies toward entrepreneurs as well as the efficiency of their administrative practices. Entrepreneurs in South Africa’s green economy expressed concerns that they were aware of or had been directly impacted by the presence of corruption within their sector. Corruption presents high levels of risk for entrepreneurs as it means that they must pay bribes, utilising vital financial resources that they need to serve the business elsewhere. On top of this, the presence of corruption also means that the best man for the job does not get the job and therefore, entrepreneurs need not focus on the development and harnessing of competitive advantage. The presence of corruption has forced some entrepreneurs to exit the sector altogether or to opt-out of working with the government by rather working with the private sector exclusively.

***Political affiliation.*** The imbalances created by the apartheid system, and the institutional corruption that its heritage fuels have led to a limited resource pool for today’s entrepreneurs to access and consequently, female entrepreneurs have been impacted the most. Depending on their network embeddedness (Granovetter, 1985), i.e. determined by their racial and gender identity, and on their social capital (Bourdieu, 1985), i.e. determined by their political

affiliation and ties with formal institutions, they may encounter more challenges to establish and run a business than their male counterparts, with differences in treatment also based on their racial and ethnic background. This is particularly true when we consider the predominance of the patriarchal system that was formed during apartheid, whereby men were regarded as the holders of primary power (Ponte, Roberts, & Sittert, 2007) and is still ingrained in people's minds at present.

## **Theme 2: The effects of the normative environment on entrepreneurial activity and innovation activity**

Bygrave and Minniti (2000) emphasise that the embeddedness of entrepreneurship in social and structural relationships is vital and suggest that entrepreneurship is a self-reinforcing process. Hence, entrepreneurs act as catalysts of economic activity, in which normative institutions, along with entrepreneurial history of a community are important (Urban, 2016). Busenitz et al. (2000) defines the normative dimension of the institutional environment as the degree to which a country's residents admire entrepreneurial activity and value creative and innovative thinking. The normative dimension of the institutional environment refers to the norms of behaviour that individuals must obey and which suggest what is valued in a given society (Bruton et al., 2010). Consequently, this will also determine one's ability to gain access into certain opportunities or resources. Nguyen et al. (2009) stated that the normative environment determines whether entrepreneurial activities are admired and supported. Research has suggested that societies create norms, consciously or unconsciously, which may both promote and dampen business dealings (Jones, 2007; Minniti, 2008). One notable piece of research is Baumol et al. (1996), who compiled several case studies of how the normative dimension of the institutional environment influences the allocation of entrepreneurial effort to productive and unproductive directions, and this ultimately has an impact on the growth of the economy. On the other hand, De Clercq et al. (2010) provide evidence that in some countries, society does not always have a positive view of entrepreneurship which may impact new business activities in a negative way. One important indicator of the normative dimension of entrepreneurship is the degree to which society values private business as a means of creating wealth in a society. In countries with economies with little economic and market freedom, entrepreneurship is likely to be discouraged or pushed into the informal sector (Sambharya & Musteen, 2014).

In underdeveloped economies that are less open to market forces, the monopoly power of state-owned enterprises (i.e. Eskom in the case of South Africa) is likely to distort competitive forces and make entry by entrepreneurs lean toward pursuing opportunities that have the potential to cause a disruption to the status quo (Sambharya & Musteen, 2014). Additionally, the acceptance of entrepreneurial failure may be lower in economies with governments that are highly involved in economic activities. Ireland et al. (2008) put it forward that the mixed attitudes about entrepreneurship are still noticeable in transition economies where the most productive property was owned by state governments. Haung (2009) also contributed to this discussion by providing evidence that the degree to which government takes an active role in a given economy alters economic development and has a dampening effect on entrepreneurship. Sambharya and Musteen (2014) state that the normative environment supporting market freedom, including investing freely in market enterprises, may also be important for entrepreneurship which often demands higher levels of financial capital. On the other hand, institutional environments where the government is expected to interfere by be more conducive to environments where entrepreneurship is driven by necessity in which businesses require smaller amounts of risk capital.

*Access to finance.* SMEs are less likely to be able to obtain loans than large firms; instead, they rely on internal funds, or cash from friends and family, to launch and initially run their businesses. Access to finance is a key constraint to SME growth and is the second most cited obstacle facing SMEs in growing their businesses in emerging markets and developing countries (World Bank, 2022). A lack of access to finance was one of the most frequently cited barriers to entrepreneurial activity.

*Access to information.* Cohen and Levinthal (1990) state that a firm's ability to recognise the value of new, external information, assimilate it and apply it to commercial ends is vital to innovative capabilities. Outside sources of knowledge are often important to the innovation process, and so is the ability to exploit knowledge. Specifically for entrepreneurs in the green economy, they will have to conduct research on the product that they aim to offer social value from as well as gain access to relevant opportunities within their respective sectors. Therefore, the absorptive capacity of the entrepreneur is important for entrepreneurial activity and innovation activity.

*Access to networks/ markets.* The embeddedness argument stresses the role of concrete personal relations and structures (or ‘networks’) that generate trust (Gulati, 2012) and foster a preference for transacting with individuals of known reputation. This suggests a lower reliance on institutional arrangements; thus, this mechanism becomes essential to survive and thrive in environments characterised by institutional voids. Social network embeddedness also implies that actors have a preference to rely on trusted information from their own past dealings (Kogut, 1984). Trust coming from the experience of previous interactions prompts people to seek information and dealings from those who are deemed trustworthy (Khanna & Palepu, 1997), thus reciprocating a preference for a continuing relationship based on economic motivations and stabilised by trust (Granovetter, 1985). Socially embedded individuals also manage to acquire social capital by expanding their network by virtue of the trust posed in them by the social network.

*Access to skills.* Creech et al. (2014) report findings from a study of social and environmental enterprises in the green economy that one of the biggest barriers that SMEs face is access to skills. These skills can be categorised as technical, research and business skills. Their findings indicate that many enterprises need a more or differently skilled local level workforce, support for research into new technologies and processes, support for the development of intellectual property (IP) and the use of IP as an asset to attract investment.

*Network embeddedness.* Depending on their network embeddedness (Granovetter, 1985), i.e. determined by their racial and gender identity, and on their social capital (Bourdieu, 1985), i.e. determined by their political affiliation and ties with formal institutions, they may encounter more challenges to establish and run a business than their male counterparts, with differences in treatment also based on their racial and ethnic background. This is particularly true when we consider the predominance of the patriarchal system that was formed during apartheid, whereby men were regarded as the holders of primary power (Ponte, Roberts, & Sittert, 2007) and are still ingrained in people’s minds now.

*Social capital.* Socially embedded individuals also manage to acquire social capital by expanding their network by virtue of the trust posed in them by the social network. Socially embedded individuals have fewer difficulties in building ties with members of their community when compared to outsiders (Polanyi, 1997). The ties they build contribute to their social capital, i.e. Gaining access to information and financing. The seminal definition of social



capital was introduced by Bourdieu (1985), who defined it as ‘the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition’ (p. 248). An example of social capital is the networks are the links formed through academic institutions and activist groups.

### ***Theme 3: The effects of the cultural-cognitive environment on entrepreneurial activity and innovation activity***

The cultural cognitive institutional environment relates to the subjectively held values and beliefs that limit behaviour and tend to operate on the level of culture and language (Bruton et al., 2010). Hofstede (1980) defines culture as a collective programming of the mind, and this definition has been typically viewed as a major component of the cognitive institutional environment as it influences the way that entrepreneurs are viewed and affects personal attitudes toward risk-taking, independent thinking, and taking initiative (Hayton et al., 2002). While some cultures recognise and reward entrepreneurial behaviour, other cultures actually constrain it by viewing it as a violation of the status quo. There is a vast body of research that has shown that national culture has a significant impact on entrepreneurial behaviours (Kreiser et al., 2010; Stephan & Uhlaner, 2010; Wennberg et al., 2013; Wennekers et al., 2007), including backing new ideas (Shane, 1994) and proactiveness (Kreiser et al., 2010), and also it affects personal traits of individuals that are deemed as important to entrepreneurship. These include locus of control and risk-taking propensity, among others (Thomas & Muller, 2000).

Notwithstanding that apartheid was officially abolished in 1991, leading to multiracial elections in 1994, its heritage is present in South Africa nowadays. In this regard, the entrepreneurial ecosystem of South Africa is riddled with multiple layers of complexity, such as systemic corruption, racial discrimination, gender discrimination, and political affiliations that lead to decisions based on cronyism, influence peddling, and lobbying (Scott, Dolan, Johnstone-Louis, Sugden, & Wu, 2012), thus posing barriers to entry for those entrepreneurs who are not embedded in the right circles. The imbalances created by the apartheid system, and the institutional corruption that its heritage fuels have led to a limited resource pool for today’s entrepreneurs to access and consequently, female entrepreneurs have been impacted the most. Depending on their network embeddedness (Granovetter, 1985), i.e. determined by their racial

and gender identity, and on their social capital (Bourdieu, 1985), i.e. determined by their political affiliation and ties with formal institutions, they may encounter more challenges to establish and run a business than their male counterparts, with differences in treatment also based on their racial and ethnic background. This is particularly true when we consider the predominance of the patriarchal system that was formed during apartheid, whereby men were regarded as the holders of primary power (Ponte, Roberts, & Sittert, 2007) and are still entrenched in people's minds now. Gender and race-based discrimination in business are major obstacles that entrepreneurs must overcome (Scott et al., 2012). The perception of discrimination has also been said to feature where age is concerned as well as gender-based discrimination.

***Lack of trust.*** The perception of lenders toward an entrepreneur's trustworthiness is a decisive component of the lending decision. The role of trust in credit access for entrepreneurs remains one of the biggest challenges for SMEs (Molo & Fink, 2013; Macqueen et al., 2018). The matter of trust is more prominent in institutional contexts where an actor's embeddedness in the institutional environment is entrenched in the cultural background that they come from. The role of national as well as local culture is stressed in the literature pertaining to finance (Molo & Fink, 2013; Macqueen et al., 2018). Trust develops over time; bank managers have very little room for exploiting trust when there is no previous relationship that exists. The matter of trust in the South African institutional context runs deeper as not only do commercial lenders have a lack of trust in entrepreneurs but there is also a lack of trust within sectors and low levels of collaboration between firms due to racial and cultural divides. Furthermore, in South Africa, it is observed that individual entrepreneurs do not trust the government, and this lack of trust perpetuates throughout society.

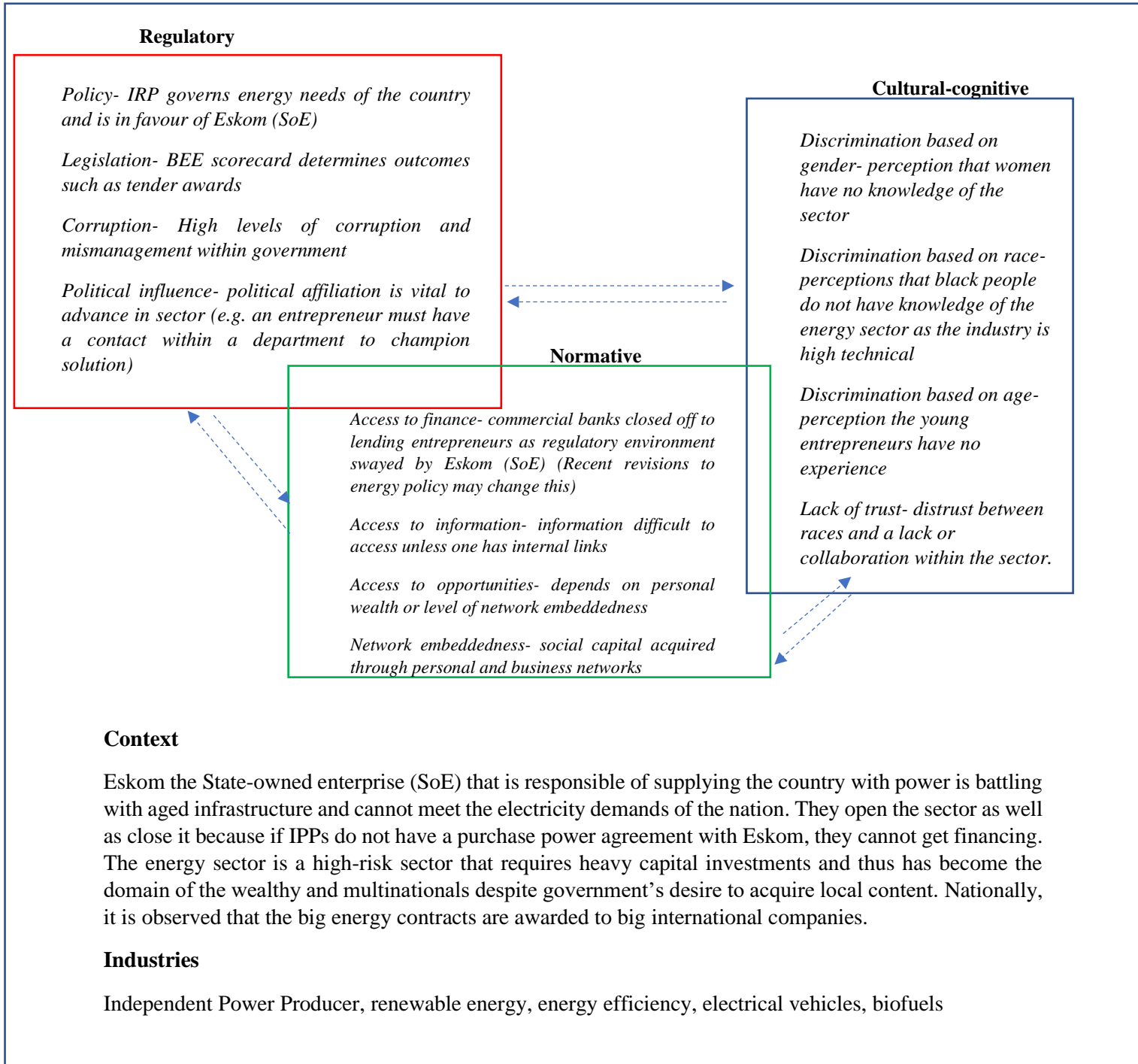
***Lack of collaboration.*** Collaboration or interchange of information with industry partners can act to enhance innovation. Collaborations are affected by regional institutional environments (Zhao et al., 2015). The institutional setup of a nation determines whether entrepreneurial activities and collaborations between local firms are possible. The setup of the institutional environment at regional level can either be an enabler or a barrier to the enhancement of independent innovation capabilities, depending on how the regulative system influences economic transformations through policies aimed at greatly improving the collaboration ability of enterprises (Kerr et al., 2013). Government programmes encouraging collaboration between businesses and universities are vital to foster development in innovation

capabilities (Zhoa et al., 2015). In South Africa, we observe a lack of programmes encouraging such collaborations, and so it is left up to the individual firms to create the collaborations for themselves, which is a difficult task as there is a lack of trust, as discussed prior.

### **Case studies illustrating the use of managerial discretion and entrepreneurial orientation to navigate barriers within the institutional environment for entrepreneurial activity and innovation activity in South Africa's green economy**

The following eight case studies will be used to analyse the green economy sectors. Fictitious names have been used to conceal the identities of these entrepreneurs. The use of fictitious names is necessary for two vital reasons. The first is that participants were assured that they would remain anonymous and that their privacy will be respected. Secondly, as previously stated, South Africa's green economy is relatively small so participants do not feel compromised by anything that they might have shared during interviews. These case studies were selected because the entrepreneurs have developed sustainable innovations within their respective sectors that are contributing to social good within their communities and would make a significant impact on society given the right support. These entrepreneurs are using their managerial discretion and combinations of entrepreneurial orientation to navigate the complex institutional environment and are positively impacting society in a meaningful way. In terms of innovation, these entrepreneurs claim to have introduced a technology or production process that is new to the community.

### South Africa's Energy Sector



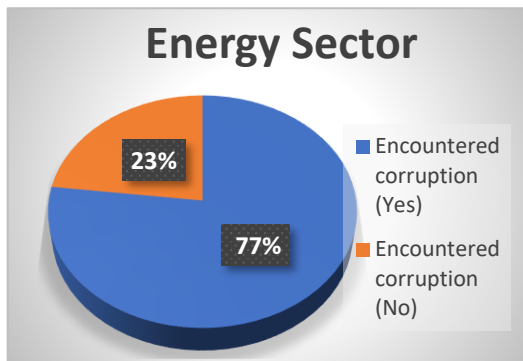


Figure 14 The impact of corruption in the energy sector

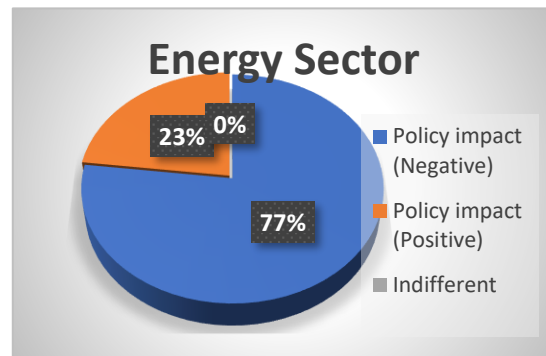


Figure 15 The impact of policy in the energy sector

### Case study 1.1 Khanya (a black male in the energy sector)

Khanya is an entrepreneur that has been working in South Africa’s energy sector for seven years. His start-up specialises in climate tech and runs projects in energy and green technology. He states that he has made his start-up’s mission to address the physical and mental darkness that South Africa’s rural communities find themselves in. Recognising the high rate of violent crimes in a local community in the Kwazulu-Natal province and seeking to contribute to helping uplift this community, Khanya resigned from his job working with a local municipality in the energy division and started an energy efficiency start-up with the aim of providing light for this community and providing Wi-Fi access a few years after. Initially, Khanya approached the Department of Small Business Development and the Department of Mineral Resources and Energy for assistance with funding and soon discovered that he could not access any funding from the government because he lacked inside contacts within the departments. He decided that since there was a lack of access to funding, he would bootstrap for the venture and lost almost everything he had at a point. Recognising that there was a lack of assistance for start-ups that had a social focus within the country, he began to approach venture capitalists in Silicon Valley, who supplied him with the required capital to manufacture and install connection towers in the community in Kwazulu-Natal. After gaining the trust and respect of the local community and making progress with providing streetlights, the rate of crime in that community reduced significantly. Khanya then won an award within one of the national incubators but was requested to pay a bribe in order to secure this award. Since bribery goes against Khanya’s morals, he rejected the award and began a fundraising campaign on international platforms to raise the money he needed to install the electricity and WI-FI

infrastructure and worked with other innovators in the energy space as well as with academia. Khanya has opted not to work with the government but rather does work with private companies as there is a great deal of distrust in the energy sector. The government, on the other hand, has recognised that Khanya has innovative power solutions and has requested him to utilise one of his solutions to help them establish how many companies in the Western Cape province have solar panels on their roof because Eskom is unable to determine how many big businesses in South Africa have moved off-grid due to the power shortage. Khanya has developed an energy-efficient solution to lighting and now offers WI-FI to the local community using the towers that he installed. This is an innovative and sustainable solution to the community challenges that are currently being experienced. He has been working with the local community members to develop affordable payment plans for them while using a different pricing model for the more well-off customers who can afford to pay slightly more for the WI-FI packages. Khanya has stated that in his experience in the sector so far, his biggest barriers have been the energy policy which only allows his business to supply power under Nersa's 10MW allocation (limiting the amount of generation he can provide) and corruption in the sector and crime (as his towers had previously been targeted by criminals). He states that the biggest enablers for him have been partnering with international donors and building his business and personal networks, which have, over time, earned him credibility in the sector so much so that government now approaches him for his help. Khanya has used his discretion to seek alternative funding sources and not participate in bribery and corruption but has used his entrepreneurial orientation to acquire opportunities for his start-up.

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*“We basically design technology in the green space and bring innovation to help people fix common problems. So, we're focusing on the people as opposed to just pure capitalists making money. We are just focusing on how we create sustainable solutions to the problems that people are experiencing... In Africa, the government don't give a damn about solving social issues. They don't really care, especially in South Africa. They don't actually care. So, you have to be on your own. We haven't made any government contracts because the ones that I could have done, they wanted me to pay bribes. So, I just do private sector work... We decided to seek funds internationally as we sought opportunities in the States. We were able to gain some finance in the US, in Silicon Valley, and that helped because we won a number of awards which got us international visibility. There's definitely no government help whatsoever, and even if you approach them, they just don't care. In my project right now, we are doing two pilots in two communities, and the government can't even provide a cent, and they keep making promises. They have no interest at all, unfortunately, but they are very quick to want to get credits if your work is being done; they want to get brownie points. It's just, unfortunately, something that will be overcome maybe in a few years' time, and maybe things*

*will change politically in South Africa and the rest of Africa.... We chose not to do any work with the government because in order to be involved in government contracts, they wanted me to pay bribes, and so I decided to just focus on doing private work because I did not want to compromise my integrity"- Khanya*

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Khanya shares his observations of South Africa's efforts to go green and states that at a government level, Eskom is still allowed to fit public lighting that has toxic fumes and chemicals such as high intensity discharge lamps (HID) which release vapour that is harmful to humans and the environment. These kinds of lamps for public lighting that are banned in European countries, yet it seems that Eskom has not been instructed to change this at a regulatory level. The main problem associated with this is that when they expire, there is no way of disposing of these that does not cause harm to the environment. He believes that if it was incentivised for the government to install clean energy lighting in South African communities, this would be seen and acted upon as a priority.

*"European governments are banning the use of HID lamps because they know how detrimental these are to the planet but Eskom who is fully aware of the dangers of using such lamps still installs them for our citizens. But we must also remember that public lighting is something that the government puts in when it is close to election time, so it is not a priority to illuminate our communities and to do so in a sustainable way, it is just something that is done so that the government can be seen to be working and they can ask for people's votes "- Khanya*

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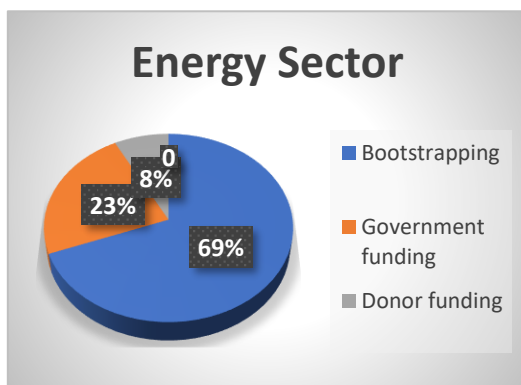


Figure 16 Source of funding

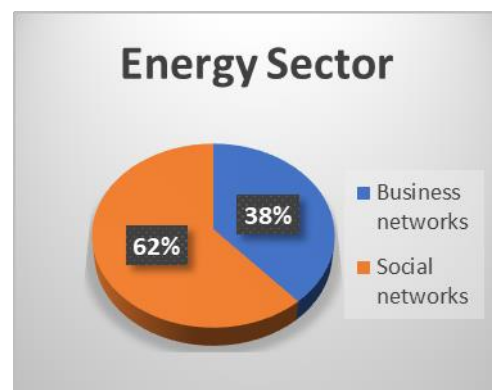


Figure 17 Type of networks

*"The government keep making promises and then they do not fulfil what they said that they would do. You can't trust them really; it is better to do work with the private sector because our government will let you down"- Khanya*

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### *Case study 1.2 Maggie (a white female in the energy sector)*

K Projects is one of the South African-based social enterprises in solar energy in rural communities has navigated the challenges associated with a complex developing country setting. Established 20 years ago to help the victims of apartheid regain their dignity and build better futures through the promotion of participation of disadvantaged groups, this enterprise has had to contest not only political opposition but also racial discrimination. As an organisation that is headed by a white female, building a rapport with the government has been a challenge because of the historical events of apartheid. As a result, obtaining financial support from the government has been difficult, and a higher reliance has been placed on international donor funding to conduct the activity of installation of solar energy units in homes in rural communities. When asked about why this enterprise received ‘very little government support’, the company director said:

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*“We are not politically affiliated because we accommodate victims who have been produced in the resistance to apartheid through many different ways. And because of that, I think that is the fundamental reason we do not get help from the government because we are not politically aligned to the ruling party basically. And the ruling party continues to judge us with suspicion, whereas my sense is that this is really what the country needs because it’s about building and building trust across political divisions, across social divisions, building social cohesion, and we always get called to the social cohesion summits. I have also applied for funding from all the state-owned enterprises, and they don’t understand, and my sense is that possibly the biggest disadvantage for us is because I am still a white face... Because of the mistrust that the government has toward what we are trying to do as there are some political associations, we incur higher risk and need to rely heavily on donor funding to do what we do” - Maggie.*

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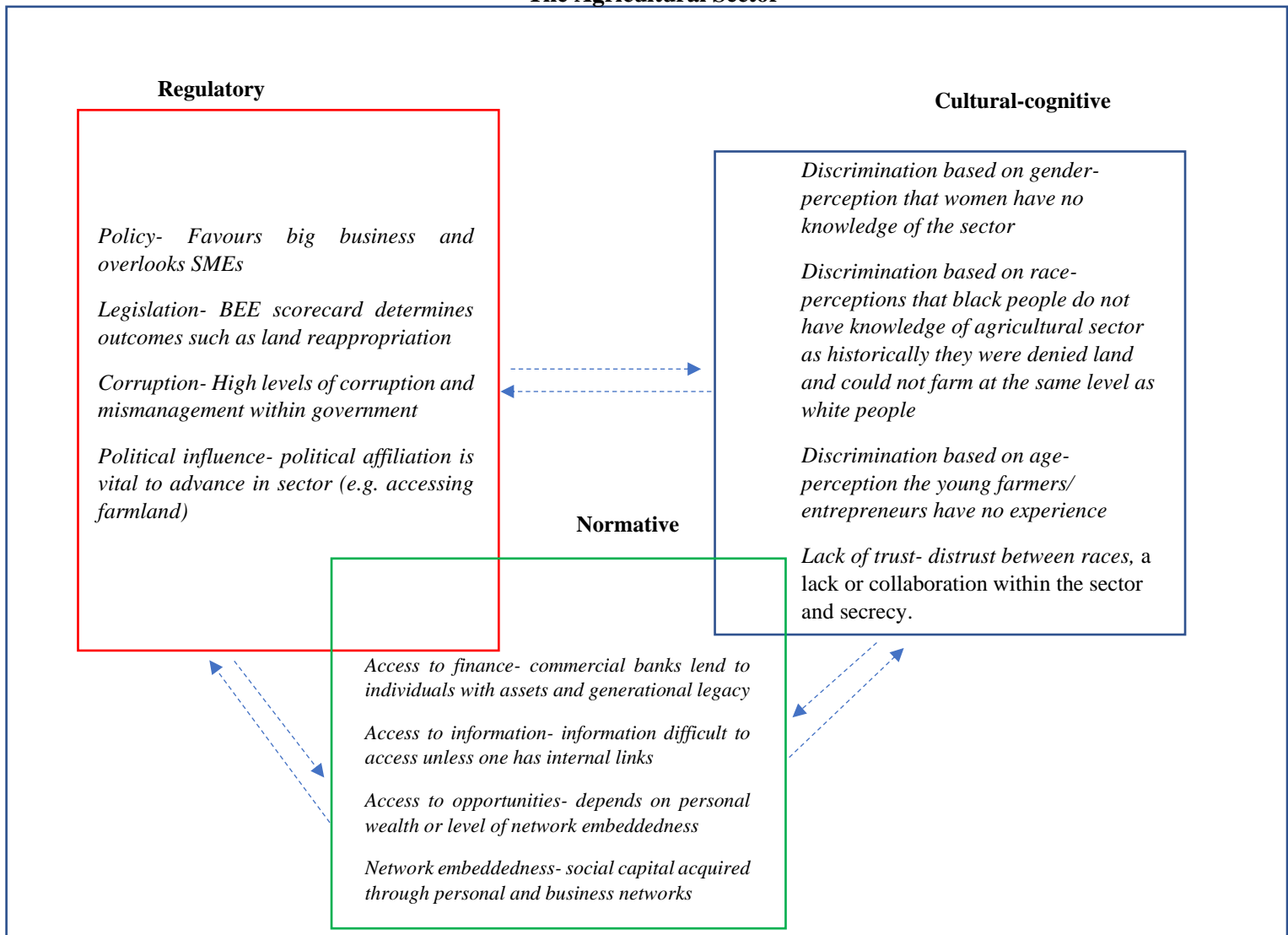
Yet, despite the lack of government support, Maggie was able to use her own social networks within the United Nations Development Programme to obtain international donor support and continue social innovation projects for K Projects. Therefore, despite the odds being against them due to her status as a white female with a different political affiliation, Maggie has managed to make use of her social capital and embeddedness through her role as an activist and academic to help generate the financial support needed for K Projects. From the work that she has been able to do, the government have approached her to sit on a panel, and one of the bigger municipalities has requested to collaborate with her on future projects. Had it not been for Maggie relying on her managerial discretion to build and leverage her business and personal networks, K Projects would not have advanced as it has. As an individual with a strong internal locus of control, Maggie was able to navigate being discriminated against because she is a woman and white. She was also able to utilise her entrepreneurial orientation



by leveraging her academic networks to access contacts in international donor circles and secure the funding needed to help her run the community solar development programmes. Maggie’s company caters to the victims of apartheid; the government promised would receive compensation for the sacrifices they made in the fight for freedom, and now they have gone back on the commitment and do not even support social entrepreneurs like Maggie in helping fulfil the obligations that they made to those victims of apartheid.

*Case study 2: The Agricultural sector of South Africa*

**The Agricultural Sector**



**Context**

The land debate has overshadowed the agricultural sector of South Africa since the turn of democracy, with many people denied land, the agricultural sector is dominated by big businesses and large-scale commercial farmers who do not use environmentally sustainable practices and a lack of support from the government for entrepreneurs, small holder famers and cooperatives in the sector. Furthermore, amidst the backdrop of participants speculating that this department is bankrupt, assistance from government is very difficult to obtain with farm applicants waiting over three years for a farm with little progress made on their applications.

**Industries**

Commercial farming, small holder farming, cooperatives, urban farming, livestock farming, wine farming, organic farming

### *Case study 2.1 Samo (a black female entrepreneur in the agricultural sector)*

In 2013, Samo recognised that there were opportunities in agriculture having come from a family where her mother and grandmother sold vegetables door-to-door in the local community of Soweto. She saw the importance of the informal economy for agriculture and sought ways that she could start a business for herself. Having come from a background where she did not have the land to start a physical farm, she looked for other alternatives online and came across a white farmer in the poultry business. Samo states accessing information in the sector is extremely difficult as it appears that black farmers that have information are unwilling to share it and white farmers are unwilling to help black farmers unless it is within their best interest to share knowledge. As a result of this dynamic, Samo paid the white poultry farmer to give her a workshop on how to do poultry farming. After receiving advice, Samo used her savings to start her business, after having approached the department of agriculture to apply for farmland and receiving no support (after waiting for a long period to receive an outcome). Through bootstrapping her venture, she raised enough capital to start her own poultry farm, however, due to not having enough knowledge and skills with such a business, all of her poultry died, and she lost her investment.

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*“The problem with black farmers is that they don’t want to share information and white farmers who have the knowledge and the skills because they have farming in their blood as they have had farms for generations whereas, we are just starting out. And they have the skills that we need but they just don’t want us black people in their space. Do you know that for some white farmers, they won’t even allow their black workers into the rooms where they do some parts of production such as with mixing their feed? And we don’t even have any black farmers that know how to make their own feed even now!” - Samo*

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Samo started again and raised the funds she needed through selling vegetables in the informal economy while she taught herself the skills that she needs to start another poultry business which eventually started to generate income. She also used her discretion and decided to organise a workshop for women in the poultry industry and sold tickets and was astounded at the turnout, which confirmed her perception that there is not enough access to information in the sector. After the success of the event, she created a platform for women in poultry farming that meets regularly to share knowledge and support each other because there is a lack of government support in the sector.

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*“More and more women were approaching me to ask how they could just start; they had no idea where to begin or what they need. So, I decided that since it was so hard for me, I would help other women like me not go through what I went through and I would help bring women together to support each other in the agricultural sector.” -Samo*

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Samo also decided that as a young female agricultural entrepreneur, she needed to utilise her entrepreneurial orientation and find creative ways to market herself, therefore, she started a television show for young agriculturalists and also increased her network in the informal community. She also explored the option of selling in the big retailers but soon realised that access to market in the sector is extremely challenging because the big retailers are effectively taking advantage of small farmers by squeezing their margins. Only those that have the backing of a commercial bank (who will also only back you on the basis of having a purchase agreement with a big retailer) can a business reach a point of being profitable. Big retailers are able to do this because regulation is on their side as they contribute significantly to national GDP. Further to this, the big retailers only make payment to small businesses after 30 days, being fully aware that these are cash-strapped businesses.

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*“As a black farmer, just know that the retailers are definitely going to squeeze your margins, because they know that they can get away with it”- Samo*

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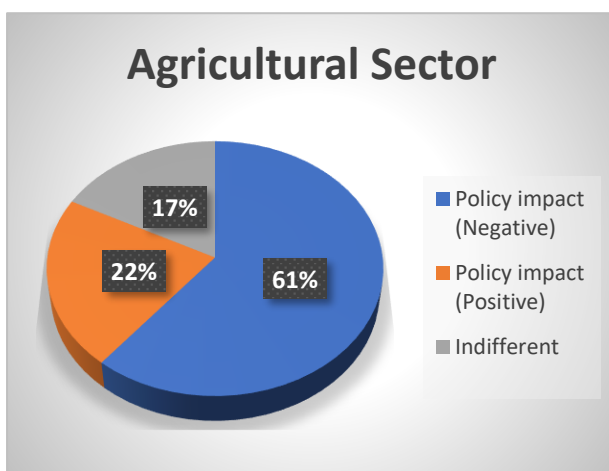


Figure 19 Impact of policy in agricultural sector

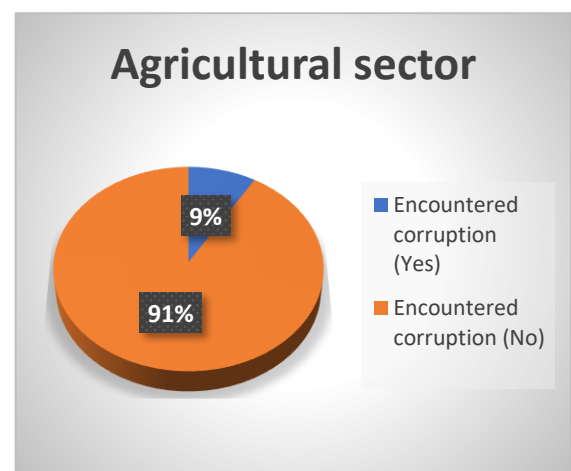


Figure 18 Impact of corruption in agricultural sector

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*“It is very unfortunate that, as a black farming community, we do not support each other the same way that our white counterparts do. It is almost as though we do not want to see each other succeed. People in this sector tend to withhold information instead of openly sharing it so that we can all win. White people do not trust us black farmers, and we need them because they have the knowledge of this sector as they have been in farming for generations, whereas we black people are only just learning how to do it. Even if you approach the department and ask for a plot of land where you can farm, you will not be helped. Unless you come from a well-off background, you really have to find ways to make it on your own in this sector, which is very sad.”- Samo*

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Samo states that the extension officers that the Department of Agriculture have in place to support farmers, unfortunately have their eye on farms and tenders to give to their friends and family and farmers like her have been waiting for a farm for almost three years. She further states that even if farmers try to make suggestions in the department about what could be done to build a more efficient sector, they are not taken seriously.

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*“I have tried numerous times to give ideas to the department. I send them videos and pictures of my chickens and my vegetables so that they can see that I have the skills for this, but nothing comes of it. Sometimes I feel discouraged and think that I will just have to die with my ideas because it makes no difference.”- Samo*

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Samo emphasised that the greatest barrier that is being faced by women in her sector is access to finance as obtaining commercial financing through the banks is quite an undertaking and the regulations that come with purchasing one’s own farm is also too expensive as farmers have to get an environmental impact assessment which costs ZAR300 000. (approx. USD 16600).

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*“As a black farmer who doesn’t enjoy the privilege of generational wealth, where will I get R300 000? And it’s not like if I try and pay for it myself, the government will offer me any support or pay for a portion on that, which is really the best way that they could help us. We are helping to feed the country so we can’t be given such a difficult time with all these costs.”- Samo*

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### *Case study 2.2 Larry (a black male hydroponic farmer)*

After graduating from university with a bachelor's degree and not finding any work employment opportunities, Larry began to seek where he could start his own business. After watching a documentary on urban farms in the US, Larry decided that he would learn about how to become an urban farmer in South Africa. He began to do research and found a training programme that taught hydroponic farming and was successful in being selected. This training programme was run through an international organisation, and he received farming skills and business training through this programme and then applied to have his own urban farm. He then decided on his crop of choice (hops) because he discovered that all of the hops that were used in South Africa were grown in one region (the Western Cape) by big companies who had breeder's rights to these hops. Using his discretion, he decided that if he grew hops hydroponically, then he would also be able to supply this crop in the market without the threat of big companies blocking him out of the market. Larry began to experiment with different methods of growing hops and finally found a method that worked, which allowed him to progress producing enough efficiencies to break even, however, his business has yet to turn a profit. Although Larry is a hydroponic farmer implementing environmentally sustainable methods of crop growing, he has not received any support from the department of agriculture as a small business owner; he has struggled with things such as equipment and the costs of water. Electricity shortages also severely impact his operation, and he has been unsuccessful in obtaining any support from the department to help him run his urban farm. Due to the lack of governmental support, Larry decided that he would enter UN competitions in order to raise the funds he needed. After being successful in winning a few international awards, Larry received international exposure and began to tell his story of being a young black farmer with a hydroponic farm in Johannesburg's inner city, selling a story of transformation and hope. His increase in exposure led to a growth in his business and personal networks, with investors seeking to back him to scale up his operation. Larry has relied on his entrepreneurial orientation to gain himself international recognition and exposure.

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*“Hydroponic farming is relatively new in South Africa, so direct competitors are few, but the big companies like SAB pose a huge threat as the regulation is in their favour, so they have created great barriers for people like me in the sector. So the barriers and things like plant breeders' rights, which the old monolithic companies own, like patents on and*

*licenses that smallholder farmers wouldn't ordinarily be able to afford, but I worked around that because I was involved in entering a lot of international sustainability competitions that got me recognition and made approaching investors easier because I won a couple of them and that opened other doors for my business" – Larry*

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It is a popular perception that in order to get ahead in the agricultural sector, entrepreneurs need to be able to appeal to white farmers as having them as a part of one's network, allows them to gain access to information and skills that are normally withheld. One way of appealing to this group is by having the ability to speak their language (i.e., Afrikaans).

*"I can walk through doors most people who look like me cannot because I know how to speak the language. And I can play to their humour too. But if you speak with a black accent, it's not likely you will get far with them"- Larry*

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When asked about how he sees South Africa's progress towards moving to a greener and more sustainable economy, Larry stated that if the government does not have enough knowledge about farming practices because they are actually directed by big companies who train government officers on the kinds of products and processes that suit them and do not emphasise environmental impact issues such as soil integrity. Therefore, if the government does not have enough knowledge on what is needed to build a sustainable environment, big companies will get away with environmentally harmful practices for the foreseeable future.

*"I don't think our government know much about urban farming and so the urgency of me applying for a grant to buy a generator is not met with much interest as they think that a farm doesn't need electricity really, it just needs water, or I might be wrong. Also having an urban farm in a country that doesn't have enough electricity means that less people will be inclined to get into hydroponic farming which is ironically what South Africa needs because this is a water scarce country at the end of the day" -Larry*

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### Case Study 3: The Water and Sanitation Sector of South Africa

#### Water and Sanitation Sector

##### Regulatory

*Policy- There is no policy for social enterprises specifically resulting in high tax and no gains from operating as a social enterprise*

*Legislation- BEE scorecard determines outcomes such as tender awards*

*Corruption- Presence of corruption (i.e. irregular tender specifications)*

*Political influence- political affiliation is vital to advance in sector (e.g. an entrepreneur must have a contact within a department to champion solution)*

##### Cultural-Cognitive

*Discrimination based on gender- perception that women have no knowledge of the sector*

*Discrimination based on race- perception that race impacts one's ability to access funding from government/ private sector*

*Discrimination based on age- perception the young entrepreneurs have no experience*

*Lack of trust- distrust between races and a lack of collaboration within the sector.*

##### Normative

*Access to finance- commercial banks closed off to lending entrepreneurs as business models lack ROI*

*Access to skills- Competing with bigger organisations for scarce skills needed in the sector (e.g. engineering skills, sales skills etc)*

*Network embeddedness- social capital acquired through personal and business networks*

##### Context

The water and sanitation sector is an intricate sector because national government owns South Africa's water and everything beneath the surface and if an entrepreneur builds a plant and wants to work with government, the chances are very low that the project will go through because national government has to coordinate with provincial government and municipalities and also with districts (who have their own priorities). Therefore, entrepreneurs in this sector cannot work with government but must work with private companies which limits their scale of operation so they cannot do anything big enough for a community.

##### Industries

Sustainable ecology, water purification, acid mine draining (AMD), sanitation solutions

### *Case study 3.1 Dumi (a black male in the water and sanitation sector)*

Dumi has a background in chemical engineering, worked as a metallurgist and worked in a number of mines prior to becoming an entrepreneur. Whilst working at the mines (in the gold sector), he observed that the problem with acid mine drainage was causing severe environmental and community damage, and he then approached one of the big universities to see if they could try solving this acid mine drainage problem. The results proved that he did have a case, and he could create an invention that could treat the water to a potable stage. He received support from the City of Johannesburg to build a prototype. Dumi's business is solving the AMD problem with a sustainable and innovative solution of using waste material. Recognising that he did not have the necessary resources to undergo the patent registration for his new invention, Dumi used his discretion and decided that it would be best for the university to be the intellectual property owner and licence it to himself as the inventor. He did this to safeguard his invention as big companies with vast resources threatened to hijack his invention as he was regarded as a small player that threatened to disrupt the industry. He states that in the sector, there are great risks of the IP being stolen and that big businesses can find cheaper solutions to such challenges. The regulatory environment does not offer protection to small businesses or give support for knowledge to be acquired about the IP process as a new entrant. Furthermore, the maintenance of the patent itself is expensive and hard to maintain for entrepreneurs with limited resources. Although his project is well supported in terms of R&D, uptake from the industry has not been forthcoming.

He also received funds from other government agencies in order to expand the operation. His invention has proven that it can solve the acid mine drainage problem in the gold and coal industries. He has also proven that the business is sustainable; however, he is still trying to commercialise the business. The project has taken five years to develop; and currently, Dumi is struggling to get a letter of intent from the big mines as they do not see the urgency in sustainability, and their priority is on profits. Dumi observes that in the industry, there is a lack of confidence in SMEs, and thus obtaining a letter of intent can be extremely difficult. Dumi is utilising his entrepreneurial orientation and managerial discretion to make use of his connections with heads of the relevant government departments, but it is proving to be a challenge due to politicians wanting a personal stake for themselves in projects as opposed to considering the social good or the case for economic development. He also states that his race



has an impact on whether or not he is taken seriously and perceives that if he was a white man, he would have made more headway in the sector by now.

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“Things have changed; people are interested in tenders. They are looking for quick successes. Things that take time to be done, politicians are not interested in them...” - Dumi

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Dumi perceives that in the sector his race impacts whether he is taken seriously or not because he states that historically, black people have been seen as lacking skills and technical ability and that a black person’s ability to do the job will always be questioned just because he/she is black in a highly technical space.

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“If I, as a black man in the water sector, walk into a room and a white man walks into the same room, the white man would be taken seriously, whereas I have had many years of technical experience. This backward way of thinking is deeply ingrained in the mindsets of our people, especially the older generation which occupies the higher levels within these sectors. This mentality is disturbing and I don’t know when things will change”-Dumi

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### **Case study 3.2 Rendi (a black male in the water and sanitation sector)**

Rendi worked within the water sector for over eight years and recognised the great need that was present for remote communities that did not have access to a clean water supply. He invested in R&D and developed an innovative solution to this problem that is both environmentally friendly and sustainable. By using the macadamia nutshell as a water filter, he was able to receive acceptance into a government incubator, where he was one of the few within the sector to receive access to funds and networks through the association of being housed within this incubator. During the lockdown of 2020, his business was kept afloat by the financial support accessed through this incubator, and he could focus on scaling up without having to worry about the financial implications of the lockdown restrictions. He developed several pilot projects within the water sector, however, found that these projects could not go past the pilot stage due to the regulatory environment around water in South Africa. He discovered that a significant challenge that he was encountering was the lack of access to

skilled workers in the sector. Due to the highly technical nature of his business, he found himself competing with big and well-resourced businesses that could afford to pay large salaries for scarce skills such as engineering. Rendi believes that if such skills were incentivised by the government, then South Africa would have more candidates to work in this sector, and it would place small businesses like his on equal footing with big companies so that those individuals with the right skills are able to focus on the social mission because they would receive adequate financial compensation. This lack of technical skills in the sector inhibits innovation as Rendi has to spend a lot of his time training staff, which adds a further burden on him as a small business owner who has to oversee so many other parts of the business. Rendi also reveals that as a social enterprise, he has to register as a PTY (LTD) and an NPC because there is no such entity as a social enterprise in South Africa's business registration classification system, and as a result, his business incurs heavy tax burdens to the extent that in 2021, his business paid enough tax to pay two people. This is not sustainable or conducive for a social enterprise. Rendi believes that if there was a specific policy to cater for start-ups and social enterprises, South Africa's green economy would be much further along. Another major challenge that Rendi encounters is being viewed as a threat and competition by municipalities. The technology that Rendi has developed enables him to access hard-to-reach rural communities that municipalities cannot reach, and instead of the municipalities working with him to better serve communities, municipalities see him as competition. A lack of trust and understanding of the green economy by government officials is said to play a contributing role to this perception that municipalities have about entrepreneurs like Rendi.

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“Some municipalities see us as competition and not as a complementary service which they need as they do not have the capacity to reach the communities that we can. I think our government officials still have a great deal to learn about sustainability and the green economy because they don't seem to get it, and that makes our job as green entrepreneurs all the more difficult because we have to overcome our own leadership in order to serve our country”- Rendi

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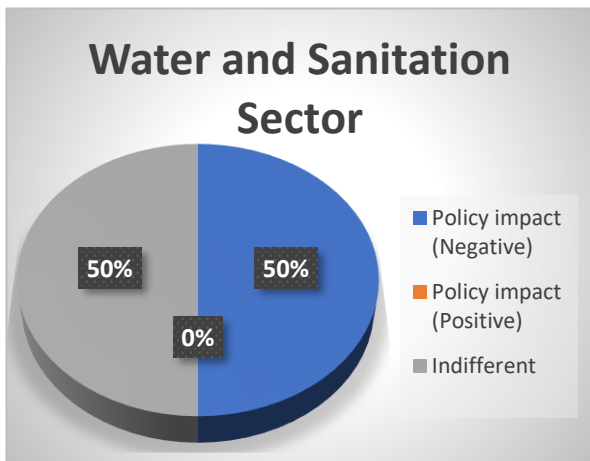


Figure 24 The impact of policy in the water and sanitation sector

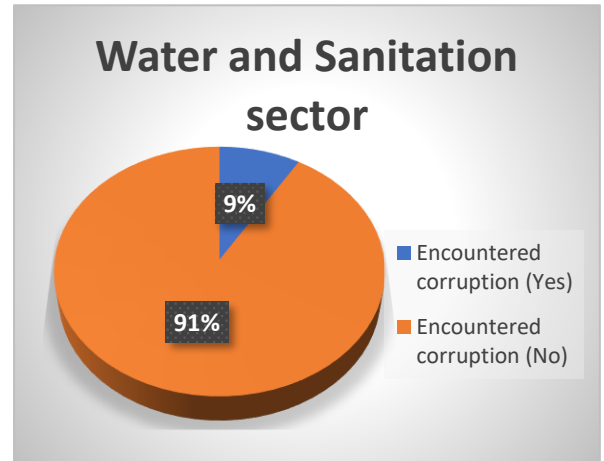


Figure 25 The impact of corruption in the water and sanitation sector

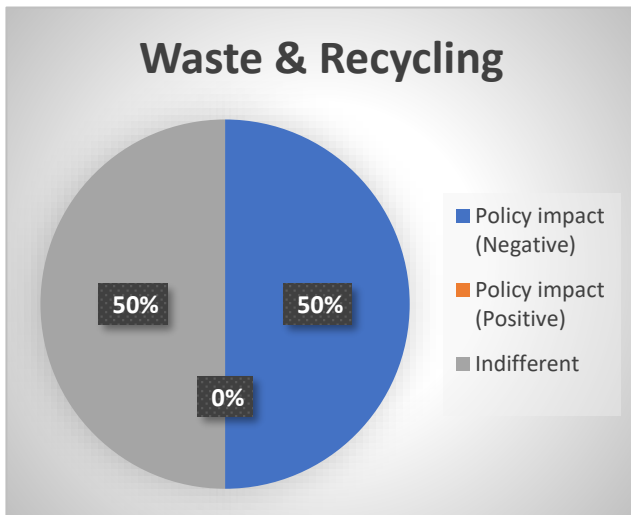


Figure 23 The impact of policy in the waste and recycling sector

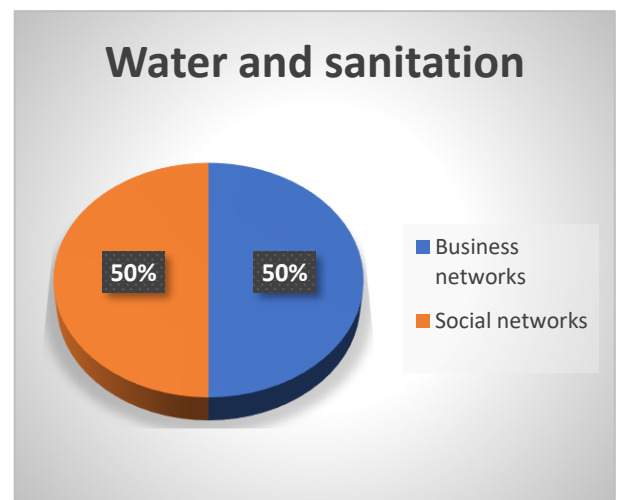


Figure 22 Type of business network accessed in the water and sanitation sector

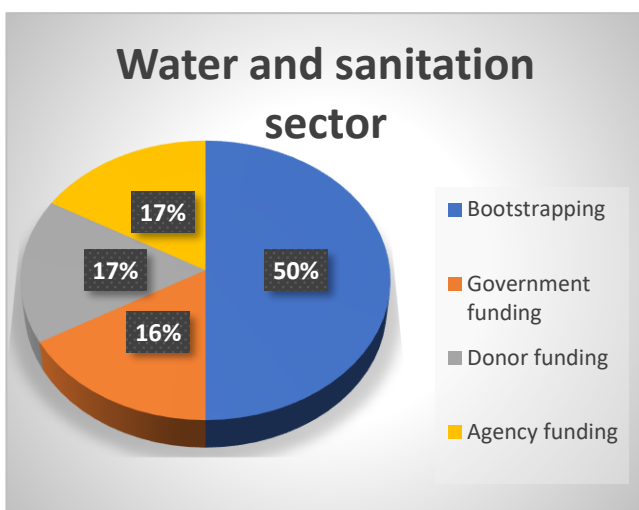


Figure 21 Source of funds in water and sanitation sector

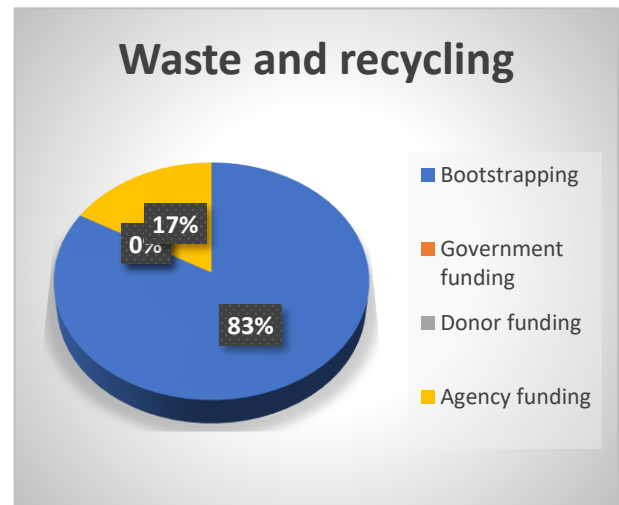


Figure 20 Source of funds in waste and recycling sector

Case study 4: The Waste and Recycling Sector of South Africa

**Waste and Recycling Sector**

**Regulatory**

*Policy- Holds big businesses responsible for recycling their own products*

*Legislation- BEE scorecard determines outcomes such as tender awards*

*Corruption- Presence of corruption*

*Political influence- political affiliation is vital to advance in sector (e.g. an entrepreneur must have a contact within a department to champion solution)*

**Cultural-Cognitive**

*Discrimination based on gender- perception that women have no knowledge of the sector*

*Discrimination based on race- perception that race impacts one's ability to access funding from government*

*Discrimination based on age- perception the young entrepreneurs have no experience*

*Lack of trust- distrust between races and a lack of collaboration within the sector.*

**Normative**

*Access to finance- commercial banks closed off to lending entrepreneurs as business models lack ROI*

*Network embeddedness- social capital acquired through personal and business networks*

**Context**

The waste and recycling sector of South Africa is largely informal, making use of informal waste collectors who collect waste and sell to landfills who on-sell to the companies that produce those products such as SAB. Due to the sector being informal, accessing financing from commercial banks is difficult for entrepreneurs and they must rely on their own resources to operate these businesses. Furthermore, because the sector is largely informal, municipalities are unaware of how much waste is produced in their area and play a small role in the recycling of waste. This sector relies heavily on entrepreneurs and informal waste collectors.

**Industries**

Recycling services, sustainable manufacturing, waste-to-energy

#### *Case study 4.1 Ruth (a white female in the waste and recycling sector)*

In 2017, Ruth recognised that there was a great need to help empower women in her local community. She wanted to start a business that would help women from disadvantaged backgrounds learn a new skill and provide them with a means of employment so that they could support their families. Ruth developed a few ideas and showed them to a friend who was in a position to make the first financial investment into her business. She used this to acquire premises and hire a few women who would make products out of recycled waste. She tried to approach various government departments for funding to expand her operation but found that she couldn't make any headway with this due to her race and gender. She then applied her discretion and decided to develop relationships at international trade shows and sold her products at flea markets. After some time, her recycled products gained some interest in Europe, and she decided to create an online platform for distribution since the international market showed promise; Ruth started to export her products internationally. Ruth stated that the international community had more of an appreciation for what her vision was and were willing to support the social mission behind the venture. She stated that there was a lack of interest from the government in what her business was doing or how it was helping uplift the community and helping curb pollution. Unfortunately, when the pandemic started, she was forced to suspend her operations like many other businesses, and when she applied for the small business relief packages that the South African government was issuing for SMEs, she did not receive any funds. This meant that she had to gradually let go of her valued workers, who were women in vulnerable situations and would be left in destitute circumstances. It is the perception of Ruth that the government do not care about the environment unless it suits them, and they also are not open to recognising that white entrepreneurs are capable of helping local communities.

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*“Does the fact that I am white mean that there is nothing good that I can bring to the country? It's like being white automatically means that I am an evil person, and my business doesn't deserve help. Meanwhile, I hire women who are in situations of domestic abuse, and I train them in a skill where they can create a better life for themselves and none of that is recognised.”- Ruth*

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She believes that businesses like hers need to focus on export channels because her race does not matter overseas. Ruth has also decided that for her dealings within South Africa, she

will enlist a new CEO who is a black female so that she can meet the requirements of a BEE scorecard and that way, she may stand a better chance at accessing funding from the government.

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*"I think one of the issues I'm dealing with is the fact that I'm a white woman in South Africa working with different races of different cultures of women. And if I was a black face, I probably would get a lot. And that's the sad, sad thing, that hits home very strongly when I was there. And it is very sad, very sad. I don't think it helped the business, me having the colour scheme that I have. I also had another challenge with some of the ladies that I tried to hire, bearing in mind that I was offering them an opportunity to learn a new skill, and they were concerned about things like holiday pay, so I decided that attitude was an issue that I would have to navigate. The ladies don't get it. I think they've been so used to being propped up a little bit. And it's not good. They need to stand on their own two feet"- Ruth*

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#### **Case study 4.2 Charles (a black male in the waste and recycling sector)**

Upon completing his degree in 2019, Charles and a former classmate (Molefe) decided to start a business together. The innovative start-up in waste collection utilises a business model where they hire informal waste pickers, provide them with tricycles to collect the waste and pay them decent wages. Charles and Molefe realised that there was a big problem with waste in the city of Cape Town and also that informal waste collectors were helping curb this problem yet were not recognised for their efforts. By turning the informal waste collectors into formal employees and giving them tricycles so that they can collect waste more efficiently, they would be able to create a business model where they get communities to pay for the waste collection service and then on-sell the recyclable waste back to the manufacturing companies.

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*"If you have noticed, the informal waste guys are very hard workers and we thought that if we give them tricycles, they could work more efficiently and get our brand out there at the same time. Plus, we are paying them a wage, so they also have a stable income stream now. This is quite an innovative model for South Africa, and it does work."- Charles*

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The pair bootstrapped for the venture, selling their vehicles and using their savings to get the business started. They then proceeded to engage with the government and seek support to scale up the operation. They were advised to make applications for one of the big

programmes that were to be rolled out by the Department of Public Works, and after spending a great deal of time, effort and money, even flying Molefe to Pretoria for this process, it proved to be fruitless. Furthermore, a few months later, Charles and Molefe discovered that a programme that almost replicated their business model had been rolled out by the same department, and now they found themselves in a position where they had to compete with the government. Charles perceives that the government is actually working against small businesses like his instead of with them. As a result, Charles and Molefe used their discretion and entrepreneurial orientation to create a two-business model system with varied pricing so that they could remain competitive. Charles believes that the biggest barrier to entrepreneurship in the waste and recycling sector is the lack of collaboration with the SMEs in the sector and the government not consulting with small businesses as to what they need and how they can support them. Fortunately for Charles and Molefe, they have secured contracts with affluent neighbourhoods for waste collection and recycling services and are able to keep their business going.

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*"So, there have been various calls that the government has created which we have responded to. We would apply. We don't always get feedback as to what happened in this sometimes-long process of time wasting. So, we've not been successful with raising any significant funding through the government. There was one significant one which we applied for, and it was quite a big task. It was called the Recycling Enterprise Support Program...we did everything. We had two flights to Pretoria, you know, all these processes and it costs money to do all these things, we shipped documents all over the place. Yeah, it's a nightmare process. And at the end of the day, the outcome was no outcome. So, in trying to respond to a government call, we lost more time and money. Also, the government needs to create an inclusive environment that works with us instead of against us. If the regulatory level would work better with what's existing in the industry because the government doesn't feel like a collaborator, they feel like a competitor"- Charles*

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## **6.0 Findings and Discussion.**

### **6.1 Findings**

According to the data gathered in this study, the institutional environment plays a major role in determining entrepreneurial outcomes in South Africa's green economy, more especially the regulatory environment which appears to have unintended consequences that are working against its intended goals. Although certain aspects of it are functional, the overall impact is negatively affecting the entrepreneurs it is intended to support. These findings contribute to the calls to study a variety of institutions to understand entrepreneurship (McMullen et al.,2008; Estrin et al.,2020) and a need for a more detailed analysis of institutional context (see Estrin et al., 2013; Audretsch et al.,2021). Furthermore, the findings also reveal that South Africa's regulatory environment is not equipped to facilitate the development of social entrepreneurship, which many of the entrepreneurs in the green economy identify their business ventures as belonging within this category. Research on entrepreneurship has drawn on institutional theory to explain why and how individuals start new business ventures and what factors contribute to their long-term success (Bruton et al., 2010). This literature has assumed that the systems of cultural values, norms of behaviour and legally enforced regulations of a given environment are as much important to the entrepreneurial activity as the resources available to the entrepreneurs themselves (Baumol, 1996; Sambharya & Musteen, 2014).

The institutional forces that influence both individual and organisational behaviour have often been described as falling into three categories- regulatory, normative and cognitive (Scott, 2007). In brief, the regulatory pillar of the institutional environment has been defined as a formal system of rules and regulations that constrains or promotes certain behaviour. The normative pillar of the institutional environment refers to more informal, socially driven models of acceptable behaviour, while the cognitive pillar relates to the culturally constructed rules and meanings that shape human behaviour (Bruton et al., 2010). The following figure summarises the key themes that have emerged from data collection, and each of them will be further discussed as they pertain to this study.



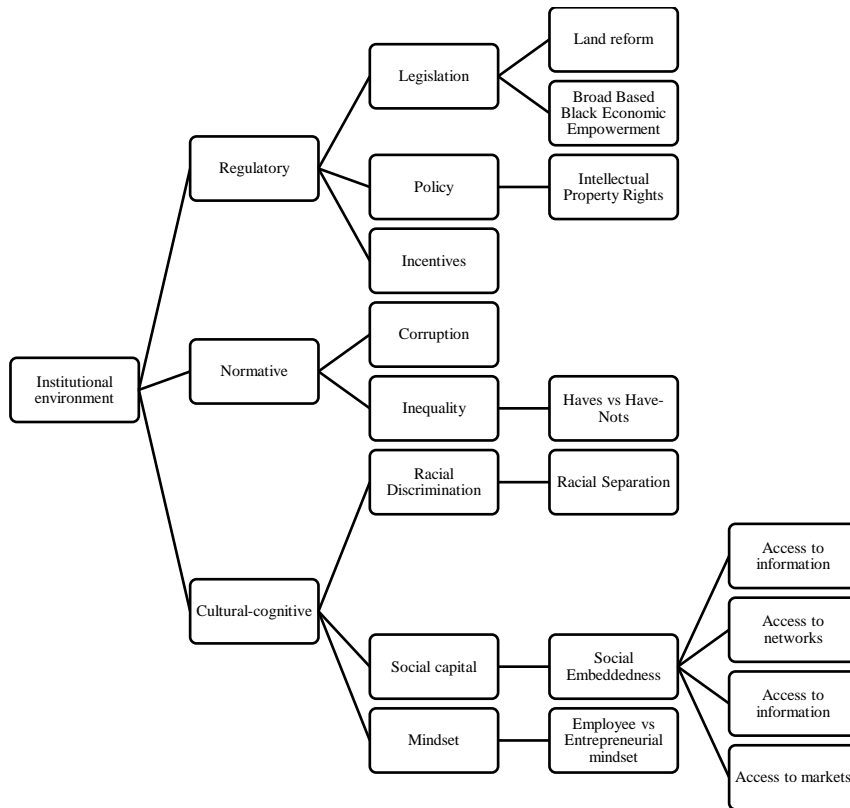


Figure 26 Emergent themes from interviews

Research Proposition	Result
P1 If the institutional environment has high levels of stringent regulation, then entrepreneurial orientation levels will be higher	Supported
P2 If the normative and cultural-cognitive dimensions of the institutional environment lead to government mistrust, then levels of innovation activity will be lower	Supported
P3 If the institutional environment has weak policy, then higher levels of managerial discretion will be employed by entrepreneurs	Supported
P4 If the institutional environment contains incoherent policy, then levels of managerial discretion will be higher	Supported
RP5 If the institutional environment is weak in terms of high levels of corruption, then entrepreneurs will display high levels of EO and use their social embeddedness to create social capital for entrepreneurial and innovation activities	Supported
P6 If entrepreneurs mistrust processes and policies with government then this will create separation among entrepreneurs of different groups and lead to lower levels of innovation activity.	Supported

Table 8 Reserach Propositions and Results

Table 8 above presents a summary of the research propositions and the results of the study.

### *6.1.1 The Institutional Environment and its Role in Shaping Entrepreneurial Orientation and Managerial Discretion*

It is well understood that institutional environments are heterogeneous and unique with respect to their various contexts, and thus, so too are their impacts on entrepreneurship (Granovetter, 1985; Aidis et al.,2012; Bennet, 2020, Audretsch et al.,2022). So, it can be expected that the nature and type of entrepreneurship outcomes and activities that occur will differ across institutional contexts (Autio et al., 2014; Acs et al.,2014; Audretsch & Belitski, 2017). The role that the institutional environment plays is multi-faceted. For instance, institutions affect entrepreneurial decision-making (Aidis et al.,2012; Autio et al.,2014; Webb et al.,2020) and incentives to embark on a business venture and engage in value-adding activities (Amorós et al.,2019) and transaction costs (Coase, 1937; Audretsch, 2022). In the context of South Africa, it was found that entrepreneurs place a strong distinction in whether they refer to themselves as social entrepreneurs or entrepreneurs. Some even went as far as calling themselves “impact entrepreneurs”. This distinction is an obvious giveaway of the motive behind the desire to start a business and subsequently also gives an indication of the direction of the decision- making that the entrepreneur will exercise. Decisions related to matters of ethics and morality would be guided by the motive behind embarking on a business idea.

There is a significant body of research that indicates that the structure, size and quality of institutions- which represent specific and hidden rules that influence economic exchange (North 1990, 2005; Williamson, 2000), shape the parameters in which entrepreneurs and organisations operate (Baumol, 1990; Scott, 1995, 2001; Elert et al., 2019; Audretsch et al., 2019). There are four levels of institutional settings, according to Williamson (2000). The first of these is embeddedness which reflects informal institutions such as customs and norms and develop spontaneously (North, 1990). Embeddedness and informal norms can shape how people think about entrepreneurs as well as how they perceive and respond to other factors such as administrative and legal factors (Anokhin & Schulze, 2009; Audretsch, 2022). An example of this as it pertains to administration is corruption and how it can be so deeply entrenched in an economy and difficult to change (Nielsen, 2003; Baumol, 1990).

Managerial discretion can be linked to entrepreneurial cognition. Entrepreneurial cognition literature has developed substantially in the area of analysis of cognitions relating to entrepreneurial decision-making (Baron, 2004; Krueger, 2000; Urban, 2014; 2016). Examining the entrepreneurial cognitions perspective helps us understand how entrepreneurs think and why they do things the way that they do (Krueger, 2000). We also recognise that the cognitive dimension reflects the knowledge and skills possessed by the people in a country as it comes to establishing and operating new businesses (Busenitz et al., 2000). One of the issues that is closely linked to the discussion regarding discretion is that of disclosure. The disclosure of information, be it mandatory or voluntary, is a common practice among SMEs to help mitigate agency and political costs and reduce information asymmetries (García-Sánchez et al., 2018). In recent decades, it has been observed that due to the increasing complexity of the business world, new reporting obligations have been created through various laws, regulations, standards, codes, guidelines and stock-market listing requirements (Frías-Aceituno et al., 2013). Managerial discretion cannot be separated from risk in environments that are characterised as having a high level of institutional voids. This is where the conflict between shareholders and managers may start to experience friction. Hambrick and Finkelstein (1987) posit that the environmental structure characteristics may impact managerial discretion. This stems from environmental conditions due to lower restrictions and greater levels of ambiguity that reinforce discretion (García-Sánchez et al., 2018).

Goll and Rasheed (2004) suggest that the extent of managerial discretion can be limited by the environment that the firm operates within, as such, discretion tends to be higher in environments that are characterised by high growth demand and/or instability (Finkelstein & Hambrick, 1990). Literature has associated managerial discretion with lower transparency in cases where managers may have personal incentives to disclose a higher quality of information (García-Sánchez et al., 2018). Therefore, they translate to the market that they are more open, informative and transparent in an effort to manage stakeholder expectations (García-Sánchez et al., 2018). On the other hand, Kim et al. (2012), found that firms are less focused on engaging in manipulative behaviour tend to be more conservative in operational decisions and provide greater transparency in areas such as financial reporting. Similarly, Shleifer (2004) argue that managerial discretion or opportunistic behaviour is less commonplace among firms with greater transparency of the information they provide. Thus, the strategic decision-making process is affected by management team incentives. Therefore, the disclosure, transparency and governance could be determined by the degree of managerial discretion. For entrepreneurs,

the art of know when and what to be open and transparent/ disclosure is vital as operating in complex environments where one competes against players on varying levels places the entrepreneur in a precarious position (García-Sánchez et al., 2018). Based on agency theory, where managerial discretion arises, it is difficult to ascertain and control managerial decisions because this is mainly based of the economies assumption that all actions are motivated by individual self-interest. In this study, it was found that some entrepreneurs have opted to not disclose certain information as they have discovered an oversight on the part of the government and have decided that they will operate as usual and if called out, will simply “plead ignorance”.

One of the commonly cited challenges in formal institutions is the presence of corruption again, which reflects the use of public funds to gain private benefit (Rose-Ackerman, 2007; Mauro, 1995). Individuals can be confronted with corruption in their daily lives as well as specifically when engaging in business-related transactions. In some country contexts, dealing with corruption may be embedded and assumed as just part of how things are done (Estrin et al., 2013; Audretsch et al., 2021). Corruption in South Africa has been said to be “endemic” (Budhram & Geldenhuys, 2018). 70% of the respondents in this study made mention of corruption within their sector and stated that it is a reality that they have to work around. This weakness in the institutional environment has created wastage of resources that could have been put to better use. Those that did not want to be a part of corruption had to use their discretion to devise new strategies to manoeuvre around the corruption, oftentimes, relying on their network embeddedness to aid them in such situations.

On top of influencing entrepreneurship directly, the network embeddedness element can also adapt to other conditions in the institutional environment. In considering embeddedness and norms, we draw on Granovetter (1985), who made the argument that social relations at the micro level are crucial incentives that act as drivers for entrepreneurship. These relationships can be important for shaping norms and shared contexts among individuals, providing paths to sharing information (Audretsch et al., 2022). It can therefore be concluded that the role of networks and relationships matters a great deal for entrepreneurship. The next level is that of the formal institutional environment, which refers to the rules of the game, including those in the bureaucracy, judiciary, and political entities (i.e. government) (Williamson, 2000). Formal institutions mandate the requirements for entrepreneurship and provide guidance on what entrepreneurs can do to achieve a specific result (Audretsch, 2022). In South Africa, it is observed that due processes are adhered to generally. However, government departments have been described as being “overly inflexible” and even “harsh”

with regards to following bureaucratic processes. This lack of flexibility has been said to act as a deterrent for innovative entrepreneurs in the green economy, especially younger entrepreneurs as they felt as though they put in a great deal of work and effort to work with departments and their efforts were in vain as they would not receive any feedback on proposals or enquiries and thus resort to walking away from dealing with government altogether. This begs the question of how can a government work with young entrepreneurs who feel unheard or feel as though they are not taken seriously by a government that they desire to partner with to better serve their communities?

Furthermore, in considering the formal institutional environment of South Africa, we delve into the policy environment and take a closer look at the role of B-BBEE policy. The National Broad-Based Economic Empowerment Act (2003) allows for South Africa's Government to issue "Codes of Good Practice" in relation to B-BBEE. The seven elements of the Codes formed the foundation for the creation of a Generic Scorecard against which company performance could be assessed (Littlewood & Holt, 2018). On the basis of their overall B-BBEE performance, companies achieve a B-BBEE status level from Level 1- Level 8 (with Level 1 the highest B-BBEE contributor level) and a corresponding procurement recognition level. Companies can claim points for their own B-BBEE scorecard by procuring from a B-BBEE compliant business, specifically, those that have achieved higher B-BBEE levels (Littlewood & Holt, 2018). Within this study, it was found that some entrepreneurs felt as though this policy was constraining and caused them to deviate from their original structures in order to access the opportunities that come from achieving a Level 1 on their Scorecard. For some this means changing their management structure and those that felt like this would be unbeneficial, looked to serve markets outside of South Africa. The idea was put across that perhaps businesses should rather be evaluated on a case-by-case basis as the green economy has many new industries that require scarce skills, adhering to strict B-BBEE criteria may not always be possible for many of the green economy businesses.

### *6.1.2 How the Institutional Environment Shapes Managerial Discretion in South Africa's Green Economy*

Managerial discretion in South Africa's green economy is structured on the concept of self-efficacy, which has been associated with opportunity recognition and risk-taking (Krueger & Dickson, 1994). Furthermore, it is the compass that directs an entrepreneur's instinct to adapt

to the environment. The institutional environment that entrepreneurs operate within requires them to respond cognitively to external stimuli. In other words, when the person-environment interaction takes place, different reasoning/ judgement processes affect the way that the entrepreneur perceives an opportunity or potential threat, these stimuli then generate a kind of entrepreneurial resilience in the identification of both opportunities and threats (Cacciolatti & Lee, 2016). Managerial discretion is the freedom to decide what should be done in a particular situation. This translates differently within different contexts. Managerial discretion in operation translates to administrative and organisation operational practices. Managerial discretion is divided into four main components: entrepreneurial behaviour, entrepreneurial learning, entrepreneurial discretion and entrepreneurial intention. Locus of control is one of the managerial characteristics that has been used to assess discretion. However, the point has been made that locus of control is a stable characteristic which does not change over time (Miller et al.,1982). The seminal definition of managerial discretion provided by Williamson (1963) is managerial objectives and motives that impact firm outcomes. Affirming that the personal and group goals of executives ultimately impact the advancement of the organisation. He states that one of the key managerial objectives is profits and emphasises the role of profits as a motive, maintaining that "profits are a source of discretion" (Williamson, 1963, p.1035) with the study investigating the effects of discretion on compensating the top executive and findings indicating that the motive for compensation widens the opportunities for managerial discretion. Contextualising this study as investigating the South African entrepreneurship and green economy landscape, it is necessary to make a distinction between profit motives vs. environmental and social impact as objectives for managerial discretion in South Africa's green economy.

*Distribution of decision-making among the team for high-risk ventures.* According to some entrepreneurs in high-risk industries like the energy sector, being part of a founding team can aid in the decision-making process by preventing sole responsibility from falling on one individual. This perspective aligns with the notion of exercising prudence in high-risk ventures, where balancing risk and caution among team members is crucial for the firm's success. Entrepreneurs that operate in high-risk environments such as the energy sector stated that being a part of a team (i.e., founding team) helped them with the decision-making process as it did not solely fall on one individual. This is in line with perceived discretion as high-risk

ventures require levels of caution and being able to balance this out among the members of the team is vital to the firm.

*R3 says, "We were fortunate enough to be five in a team, and we could share the burden of undertaking this venture. This sector and the regulatory environment around it make it extremely difficult for new players to enter into this space, and our combined professional backgrounds make decision-making more doable"- Energy sector.*

***Decision-driven actions that entrepreneurs take when there is a lack of financial backing and waiting on processes to take effect.*** Entrepreneurs' sense of personal agency, internal locus of control, and perceived discretion have motivated them to address the gaps resulting from intricate institutional settings. These actions might pertain to addressing financial deficits that arise when the business demands sacrifices or restructuring the management team to meet procurement standards for securing bids or accessing government funding. Entrepreneurs' individual power to act, locus of control and perceived discretion have led them to take action to fill in the voids created by complex institutional environments. Such actions could be related to how to deal with the financial shortfall, especially when sacrifices for the business need to be made or how to structure the composition of the management team in an effort to meet the procurement criteria for making bids or accessing state funding. Entrepreneurs aligning with preferential procurement criteria in order to get government backing is not an uncommon practice in South Africa's green economy, as reported by R5 and R22 below. As an entrepreneur outside of the preferred procurement criteria, you need to bring on someone that fits the criteria to access government support.

*R3 says, "We knew that our first point of call was the banks, so we made sure that the banks knew who we were and what we were doing, and we linked multiple sources with our combined networks ... Locally, it was challenging to get the commercial banks to back us, so we got international investors. In 2008 before we started the business, we had a friend working in Europe for a power company. We told them the plans that were happening in South Africa, and they decided to come here, but the relationships we formed with the financial institutions that we came from put us in good stead"- Energy Sector.*

*R5 says, "My hiring preference is black females in the industry, and the second would be black males; they do not do the more specialised qualifications, and I, therefore, have had to outsource to my white counterparts because of the skills gap, and this is a sector that needs highly specialised skill." - Energy Sector/  
Waste & Recycling Sector*

*R22 says, "I as CEO decided to bring in a new face of the company, a black female, who would replace me to change the business in order to manoeuvre the*

*institutional challenges in the SA environment. I knew that if I had a black female as head of the company, I would be taken seriously." - Waste & Recycling Sector*

*R23 says, "...We restructured our BEE sometime last year to better position ourselves for government engagement. But we don't have anything to show for it yet." - Waste & Recycling Sector*

*R35 says, "I took a proactive decision to find another stream of income because delayed government payments negatively impacted my business." - Water & Sanitation Sector*

***Entrepreneurs build social capital to gain network and opportunity access.*** Entrepreneurs are establishing or leveraging political relationships to have their proposals considered by the government. Such connections have been recognized as a critical element for entrepreneurs seeking to participate in major government-associated initiatives in the green economy, prompting them to cultivate social capital accordingly. Entrepreneurs are building or accessing political connections in order to get their solutions considered by the government. Political ties have been identified as being a crucial component for entrepreneurs that desire to engage in big government-affiliated projects in the green economy and are thus developing social capital to this end.

*R15 says, "I have been to a number of meetings, even with ministers even in the presidency, and nothing has come out of it yet. I have taken it to the president himself, and nothing has happened yet." - Water & Sanitation Sector.*

*R23 says, "In all the Metros, they need to know how much waste is being produced in each city. The city of Pretoria needs to know this and they don't have that data. They don't know how much waste is being produced. Our solution is able to provide that data easily. We've engaged with them. But it seems that there is something that's more important than just the solution. And that thing is politics. You know, you engage with them no matter how good your solution is. If you don't have an inside person who's going to champion your solution and really try and speak well on your behalf, it's just going to fade away. So, it appears to me that even if you just have a mediocre solution that doesn't really add much or doesn't do much good, but you have an ambassador or someone who's going to speak out on your behalf, then your solution will go through, you know, which is very unfair." - Waste & Recycling Sector.*



***Entrepreneurs attempting to hold the government accountable.*** Entrepreneurs are demonstrating their agency and initiative by urging the government to address the institutional gaps that constrain their activities. They are showcasing their managerial discretion by utilizing their personal power to effect changes they seek from the government. Entrepreneurs are exercising agency and taking action by holding the government accountable for the institutional voids that entrepreneurs are forced to operate within. Entrepreneurs are exhibiting their managerial discretion through their individual power to act and initiate the changes that they want from the government.

*R24 says, "So it's a source of great frustration. And we're not because of me. You know, I'm only one person in a sort of a lot of key stakeholders. But it is incredibly frustrating and upsetting with so many millions and tens of billions being wasted through corruption and just incompetence... I'm taking responsibility because I have been the main driver, the main champion, and the main manager of this project, so I must also take responsibility. In fact, I've actually put in a formal complaint to the city of Joburg to say that here we've got a signed contract and almost two years later, we have not had any benefit whatsoever...So, unfortunately, I think it is a reflection of the state of government competence and ability." - Agricultural Sector.*

***Entrepreneurs rely on their networks to access financing.*** Entrepreneurs who have been unsuccessful in securing commercial or government funding are demonstrating managerial discretion by exercising their personal agency and exploring alternate ways to obtain financing. They are responding to the challenges of acquiring funding by utilizing their social capital and networks to obtain the necessary resources for launching and sustaining their businesses. Entrepreneurs that have been unsuccessful in obtaining commercial or state funding have applied managerial discretion through their individual power to act and have sought alternative methods of acquiring financing. Entrepreneurs are acting in response to the difficulties in accessing financing and are making use of their social capital and networks to get the required funds to start and operate businesses.

*R25 says, "Financing is my big problem. I rely on individuals, and I have a network of individual people who I am able to have extended conversations with and understand what I'm doing and fund me. These private individuals have got some money and get what I'm trying to do, but it's private individuals- not government."- Agricultural Sector.*

*R22 says, "I had a private investor who is a friend of mine. He saw that I was struggling to get financing from the banks, so he gave me a little bit of money, which we paid it all back and then that's how (...) started."- Waste & Recycling Sector.*

***Entrepreneurs opt to exit the business because of too many challenges in the sector.*** Certain entrepreneurs have acknowledged that the regulatory hurdles they face are insurmountable and, as a result, are employing their discretion to exit from those sectors entirely. Such a course of action is not unusual in high-risk sectors where red tape is widespread. Some entrepreneurs have recognised that the barriers that they are dealing with in the regulatory environment are too high and have used their discretion to exit from those sectors altogether. This is not uncommon in high-risk sectors where bureaucracy is prevalent.

*R18 says, "I gave up with the business idea because there was just too much red tape and up and down... it was a failed attempt"- Agricultural Sector*

*R16 said that "I am tired of getting into trouble in this sector because every time I tried to bring things to light, it would end badly for me, and as a result, I have chosen to leave the industry... I opted to exit the business due to conflict at the government level."- Energy Sector.*

**Entrepreneurs opt to change their business models altogether when the barriers are too many in a sector.** Entrepreneurs have responded to institutional challenges by adapting their business models to meet market demand, rather than choosing to exit the business entirely. This has been achieved through the use of managerial discretion and individual power to act. Some entrepreneurs, rather than exiting the business altogether, have utilised managerial discretion and their individual power to act and have responded to institutional challenges by changing their business models in response to market pull and institutional push.

*R17 says, "Upon realising that we were encountering numerous challenges with getting funding to set up the plant due to the barriers to getting funding and the barriers to getting off-take agreements, we knew that it was out of our hands, so we decided that it was best to rethink our business approach. Unfortunately, arriving at the point took a long time as we moved from pillar to post only to come up short...when we realised that the problems that we were encountering were problems for everyone, we knew that we had to come up with a solution to help within the sector. Using our combined professional backgrounds and skills, we were able to develop a concept that can make an impact in the sector."- Agricultural Sector.*

*R17 says, "Investors are only interested in projects where you can control your value chain. This is difficult to do, so we had to find a business model that we had more control of the value chain..."- Agricultural Sector.*

*R37 says, "Running two models is the best approach to working in the sector and getting the business to a point where it is sustainable. You know, the previous model we started with, which is the paid recycling model, that's one. Yeah, much more comfortable. So, we're running two different models at the company, but we're very much focused on expanding the free model because that's where the growth really lies for us and for the country."- Waste & Recycling Sector.*

**Entrepreneurs are sceptical of the government and have a lack of trust in the government.** According to the entrepreneurs, their relationship with the government had deteriorated to the point where they were willing to limit their engagement to regulatory compliance only. This differs from other countries where the government is viewed as a reliable partner. Entrepreneurs stated that they felt as though their relationship with the government had broken down to the extent that they were prepared to sever ties and engage only on a regulatory compliance level. This is unlike other countries that regard the government as a trusted partner.

*R21 says, "there's definitely no government help whatsoever. And even if you approach them, they just don't help at all. In my project, we are doing two pilots right now in two communities, and the government can't even provide a cent, and they keep making promises. They have no interest at all, unfortunately, but they are very quick to want to get credits if your work is being done; they want to get brownie points. It's just, unfortunately, something that will be overcome maybe in a few years' time. And maybe things will change politically in South Africa and the rest of Africa.... We chose not to do any work with the government because, in order to be involved in government contracts, they wanted me to pay bribes, and so I decided to just focus on doing private work because I did not want to compromise my integrity"- Energy Sector.*

*R22 says that "I actually wrote to the department one day and said, "I'm really disappointed that you can't support our small businesses locally when other countries are doing it. But this did not yield any results"- Waste & Recycling Sector*

*R25 says, "I actually stopped about two years ago. I stopped even talking to the government, and I was invited to go to the United Nations after the work that I had been doing by that stage for quite a while."- Agricultural Sector.*

### 6.1.3 Entrepreneurial Orientation Applied in Response to The Institutional Environment in South Africa's Green Economy

This section explores how the dimensions of entrepreneurial orientation are translated into the entrepreneurship setting of South Africa's green economy. Literature will be discussed and linked to the findings that emerged from the study. Literature notes that SMEs have simple structures which allow them to pivot as needed, their chain of command is short, making it easier for them to employ EO to counter the adverse external circumstances such as political instability and poor regulatory quality that might discourage other firms. Thus, the greater the chances of firm survival and stronger performance (Gupta & Batra, 2016).

#### **Autonomy**

The first dimension that will be explored is autonomy. Lumpkin et al. (2009) describe autonomy as the independent spirit and freedom of action necessary to advance new venture development and a driving force of entrepreneurial value creation (Burgelman, 2001; Lumpkin et al., 2009). The exercise of autonomy by business leaders and entrepreneurs who are disengaged from organisational constraints is necessary for it affords organisational members the freedom and flexibility to develop and enact entrepreneurial initiatives. Autonomy may not be exercised in the same way when dealing with complex institutional contexts because the reality is that the entrepreneur or organisation is operating in that specific context, and the degree to which this kind of freedom can be exercised will vary. Autonomy is important to entrepreneurship and thus is considered a key dimension of entrepreneurial orientation (Lumpkin & Dess, 1996). It is agreed that autonomy encourages innovation, promotes the launching of entrepreneurial ventures, and increases the competitiveness and effectiveness of firms (Brock, 2003; Burgelman, 2001). However, this study has found that autonomy can be restricted by institutional factors, and as such, the independent spirit and freedom of the entrepreneur are compromised. Some of the factors influencing autonomy among SMEs and entrepreneurs in South Africa's green economy context are listed below.

***Influence.*** An entrepreneur's ability to exercise autonomy in certain industries depends on how much influence they have within that industry. Some of the participants in this study had a hand in creating the IRP in the energy sector and thus enjoyed higher levels of autonomy than those that did not. This also has an implication on the levels of competition as these same firms will have lower levels of competition and are thus less aggressive because of the stake they have in the industry. On the other hand, in a high corruption context, this is relevant because entrepreneurs may try to exercise influence in their entrepreneurial networks to cope with corruption. Furthermore, in high corruption contexts, entrepreneurs attempt to use their networks to get information or complete transactions without engaging with corrupt officials. They may try and set up deals that bypass the government and rather work within their trusted relationships to keep off the radar (Audretsch et al., 2022).

It was found that entrepreneurs who stated that they had some kind of level of affiliation (whether connections in government or in a municipality or other state entity) were able to manoeuvre more and enjoyed more flexibility as their influence contributed to them enjoying higher levels of autonomy than those who have no such affiliations or enjoyed such liberties. While this was not always expressed outrightly, the particular participant's position and background were discussed, and upon deeper dialogue, it would come to light that the reason why the particular participant/s enjoyed this level of autonomy was due to the influence that they had been able to generate through connections. This finding is consistent with discussions had with multiple participants (even participants that did not have this kind of influence confirmed that there are those that do enjoy this kind of position. Therefore, this finding agrees with the sentiments of Bordieu in stating that social networks can give access to resources, but the latter depends on the strength of the ties of the individual with other network members (Bordieu, 1985) and, subsequently, higher levels of autonomy.

*R2 says "We do have a board in place that help oversee the direction of the company but as CEO, I am able to take the necessary decisions and can move relatively unhindered by bureaucratic structures as I have influence in this sector now"-*

*Energy Sector*

***Lenders with a stake in the business.*** Entrepreneurs of small and medium-sized enterprises (SMEs) who had secured funding from lenders expressed a perception of reduced autonomy, as they were accountable for ensuring the security of the lenders' investments. Entrepreneurs that had enterprises (SMEs) that had grown to the level where they now had lenders stated that they felt as though they had lower levels of autonomy as they were responsible for ensuring lenders felt like their investments were secure. This finding is most relevant to the energy sector, where large investments are required in order to enter into any kind of government-run bidding programme. According to entrepreneurs, the involvement of lenders in their businesses resulted in a significant slowdown that decreased their agility. This reduced flexibility and led to delays, which sometimes resulted in missed opportunities. Hence, it can be inferred that as the number of lenders increases and the business grows, entrepreneurs may experience lower levels of autonomy and less freedom of action.

*R3 says, "The board is composed of eight people. From when we started the company, we have lost a level of agility, and now that the company has grown and has lenders that put a lot in the business, we have slowed down substantially."- Energy Sector.*

***Lower levels of pressure to pay back finances.*** Entrepreneurs who received loans from the government or were part of government agency incubators experienced reduced pressure to repay their capital loans. This resulted in higher levels of autonomy when compared to those who obtained financing from banks or investors. Although these advantageous loan terms were intended to provide entrepreneurs with enough space to concentrate on commercializing their ventures, some participants believed that it could have a negative impact on entrepreneurship, as it might promote an employee mindset rather than an entrepreneurial one. Nevertheless, favourable loan terms provided entrepreneurs with greater autonomy. Entrepreneurs that were recipients of government loans or were inducted into government agency incubators had reduced pressure to pay back capital loans received; this gives them higher levels of

autonomy than those that have sought financing from banks or investors. While these favourable loan terms from the government are meant to give the entrepreneur enough space to focus on bringing the venture to commercialisation. According to some participants, favourable loan terms that reduce pressure on entrepreneurs to repay their loans could promote an employee mindset rather than an entrepreneurial one. This could result in an outcome that is contrary to the intended effect.

*R4 says, "I had the individual power to move as I needed to relatively unconstrained because of the support that I had from the (...) project and also not having the added pressure of having to pay back the finances given to me for a longer term, and this enabled me to move as I needed to."- Water & Sanitation Sector.*

**The requirement of getting off-take agreements.** Entrepreneurs in sectors with high regulation that require off-take agreements or letters of intent from large companies may face difficulties, as the process can be time-consuming and may take several years to acquire. This can result in limited progress and reduced autonomy for entrepreneurs. Furthermore, it may lead to situations where entrepreneurs must make significant changes or abandon the venture entirely. Pursuing off-take agreements/letters of intent requires considerable time, effort, and resources that could be utilized elsewhere for business development. This is more relevant to ventures that have high risk and in sectors with a large amount of regulation constraining entrepreneurial action. Entrepreneurs that find themselves in this situation have lower levels of autonomy as this requirement is time-consuming and, in many cases, ends up fruitless, and the entrepreneur is then faced with a situation where they need to either abandon the venture altogether or make such major changes that it is almost as though they have to start all over again in a new direction. In the process of seeking out off-take agreements/ letters of intent, significant time, effort and resources are drained that could have gone towards other aspects of developing the business.

*R5 says, "Because of the requirements from the aviation industry and mines wanting me to have an off-take agreement or a letter of intent, it felt as though I kept encountering so many hurdles along the way and did not have freedom of action to carry out my venture as I would have desired."- Energy Sector.*

*R17 says, "...Also we needed off-takers as a confirmation that we have a market that is ready, and we have off-take agreements, which was a huge challenge for us to get. So, because of this, we had to revert back and re-work the idea."- Agricultural Sector.*

**A small flexible structure.** Entrepreneurs that have a small, flexible structure with the right team to work alongside enjoy higher levels of autonomy, flexibility and freedom as this small structure allows them to work in an agile manner and respond quickly to new opportunities as well as plan their own desired direction. Entrepreneurs that had larger structures encountered situations where they were slowed down by the bigger structure; thus, SMEs with small flexible structures have higher levels of autonomy. This finding is in agreement with the belief that autonomy is more suited to small team settings (Deutschman, 2004); if composed well, have the power to stimulate entrepreneurial outcomes.

*R8 says, "so far, it's just my partner and me, so we are able to move unrestricted as we have a small flexible structure."- Waste and Recycling Sector.*

*R21 says, "I take most decisions upon myself as we have a small enough structure to allow me to do so, but there is too much red tape in this sector that responding to opportunities is a very slow process"- Energy Sector*

*R22 says, "this is a flexible industry, and as the CEO, I can make decisions quickly and am not really held back by anything unless it has big financial implications"- Waste and Recycling Sector*

*R34 says, "My structure is small and flexible, so I can move as I see necessary"- Water and Sanitation Sector*

**Not owning one's own intellectual property.** Entrepreneurs who are also inventors may require the assistance of a large company to help protect their intellectual property (IP) rights. IP regulation is perceived to be complex in South Africa, and larger companies with greater resources are better equipped to manage and acquire ownership of IP. Seeking assistance from a large company may reduce the level of autonomy for entrepreneurs, as they may not have full control over their IP. Intellectual property management tends to be a contentious issue within SMEs. It has been suggested that as individual SMEs typically have fewer patents and so on, they may be less able to adopt technology-swapping mechanisms to defend their IP rights than larger companies with a wider patent portfolio (Lanjouw & Schankerman, 2003). Levels of IP activity among SMEs also vary from region to region and sector to sector; however, there is little consistent evidence of any clear association between IP activity and either SME growth or survival. Rogers et al. (2007) conducted a study with findings that concluded the view that SMEs see value in registering their innovations to acquire IP protection. Furthermore, they state that there is a general view that SMEs may be so financially disadvantaged or lacking in information about IP assets that they do not widely use these systems of protection is rejected; therefore, general awareness about the importance of IP is growing among SMEs (Love & Roper, 2015). Entrepreneurs who were also inventors are faced with a situation where they require a big company to help them protect the ownership of their IP. The IP regulation is said to be overly complicated in South Africa and is a space that is better understood by big businesses that have the resources to acquire ownership of IP. Entrepreneurs that must seek this kind of assistance do not have high levels of autonomy as they are not in full control of their IP.

*R15 says, "As an inventor and a small player, I have to protect my invention under a bigger organisation like (...), so those big players cannot steal it from me, but this also means that I am somehow restricted in this partnership."- Water and Sanitation Sector*

**Policy.** Entrepreneurs operating in an institutional environment with weak or incoherent policies may face additional challenges. According to entrepreneurs, the policy environment is often perceived as unfavourable and constraining, limiting entrepreneurial action and reducing levels of autonomy. It was also noted that policies tend to favour larger, well-resourced companies, creating a competitive disadvantage for smaller businesses without the same level of resources. However, some entrepreneurs have identified opportunities in the emerging green economy, where there is a lack of government understanding and regulation, which

may allow some entrepreneurs to take advantage of loopholes or operate under the radar. An institutional environment with weak or incoherent policy presents additional challenges for entrepreneurs. Entrepreneurs discussed how the policy environment was seldom seen as favourable and rather is regarded as a constraining environment that limits entrepreneurial action and provides for lower levels of autonomy. Added to this finding, it was also discovered that policy favours big businesses and thus, adds another layer of difficulty for small businesses that do not have the same level of resources but are also forced to compete in an arena built for big well-resourced companies. On the other hand, some entrepreneurs have stated that because the green economy is relatively new in South Africa, there is a lot that is still not understood by the government, and thus this has presented the opportunity for some entrepreneurs to "take advantage of loopholes" in policy or to act unnoticed due to regulators not really understanding how to regulate these industries. Examples of this include organic farming and essential oils within the agricultural sector.

*R16 says, "I feel as though entrepreneurial activity was stifled as a result of constraints placed by policymakers" – Energy Sector*

*R27 "Because this is a space that I understand very well, having worked in it for over 20 years, I have discovered loopholes and move more or less unrestricted"- Agricultural Sector*

*R19 says that "due to regulation around plant breeders' rights and big companies like SAB having such dominance in the market, it limits my freedom to grow hops the way that would be most optimal for achieving the numbers that I need for efficiency.- Agricultural Sector*

**Regulatory requirements of enterprise registration.** Entrepreneurs have shared their experiences regarding the challenges they encountered when setting up their businesses in South Africa's green economy. They noted that the legal requirements are too numerous and complex, making it difficult to get their businesses up and running. Furthermore, they stated that it is not possible to establish a social enterprise in South Africa, and to meet regulatory requirements, entrepreneurs must register their businesses as both a Pty (Ltd) and an NPC, which has tax implications that are not suitable for a social enterprise. The presence of these legal requirements may hinder autonomy for entrepreneurs, and therefore, stringent regulatory requirements can potentially limit autonomy in South Africa's green economy. Entrepreneurs shared their experiences regarding the difficulties that they experienced with setting up their businesses. They believe that there are far too many legal requirements in trying to get a business set up. The presence of legal requirements hinders autonomy for entrepreneurs. Therefore, stringent regulatory requirements hamper autonomy in South Africa's green economy.

*R18 says, "when I ran my own business, I found the long list of requirements to be a hindrance to operating my business"- Government Stakeholder*

*R20 says, "there is too much red tape in the way for trying to operate our business. We don't need to meet so many requirements to run an enterprise that is meant to serve the environment"- Water and Sanitation Sector.*

*R28 says, "my ability to be autonomous is constrained as one cannot act beyond the burdensome and slow government processes- Energy Sector*

*R30 says, "Autonomy is possible once you omit the government and only engage in line with compliance requirements"-  
Agricultural Sector*

Autonomous decision-making and action can provide a vital path for achieving strategic advantages and entrepreneurial outcomes (Lumpkin et al., 2009). As has been demonstrated, the factors that can affect autonomy among entrepreneurs are various, and their impacts can alter the entrepreneur's ability to exhibit high or low levels of autonomy. Autonomy is closely linked to managerial discretion in that it directly speaks to the entrepreneur's ability to make decisions (managerial discretion will be discussed in the section to follow).

### **Risk-taking**

Risk-taking involves taking bold actions by venturing into the unknown, borrowing heavily and/ or committing significant resources to ventures in uncertain environments (Lumpkin et al., 2009). According to Kisfalvi (2002), cognitive processes and biases are thought to underlie risk-taking behaviour (Busenitz & Barney, 1997; Kisfalvi, 2002). The risk-taking process is connected to the process of introspection or self-awareness, and entrepreneurs tend to exhibit higher needs for achievement, risk-taking propensity and innovative behaviour than most people in general (Stewart et al., 1999). Within the context of South Africa's institutional environment for green economy entrepreneurs, engaging in various levels of risk-taking is often required. This study has found that access to finance is the biggest barrier faced by entrepreneurs. As a result, many entrepreneurs take on large financial risks when establishing a business, often selling cars and homes and moving in with family to obtain the necessary capital. Furthermore, lack of financial support for new businesses means that many entrepreneurs take a long time before they can leave their jobs to start and run their businesses.

Entrepreneurship within the context of South Africa's institutional environment for green economy entrepreneurs certainly calls for entrepreneurs to engage in various levels of risk-taking. The main factors that have been uncovered by this study will be discussed in the section to follow.

***The regulatory environment determines the level of risk.*** In the context of entrepreneurship in South Africa's green economy, the level of risk faced by entrepreneurs is largely affected by the regulatory system. The institutional environment in South Africa presents a great deal of uncertainty, and entrepreneurs must operate within this realm of ambiguity. Some entrepreneurs are able to navigate this environment successfully, while others incur a significant amount of personal and financial risk, resulting in losses. The



energy sector is regarded as the green economy sector with the highest levels of risk for entrepreneurs, and very few are able to operate successfully in this sector. These findings are consistent with literature that highlights the impact of the regulatory environment on market-based competition, as well as societal acceptance and support for entrepreneurship. This finding is in line with literature which states that the regulatory environment creates market-based competition, along with societal acceptance and support for entrepreneurship (Manolova et al., 2008; Urban, 2018).

*R2 says, "the risk for us was low as the first energy trading company; we had to work with a regulator or regulatory system that did not know how to regulate us. So, everything is being tried on us. Some initiatives were good; some put a burden on us. Investors are also sceptical about giving us a purchase agreement for an extended period of time because they are not sure if we will still be around in 2 years' time." -Energy Sector.*

*R28 says, "if you are an entrepreneur and not having any other source of income is going to be a problem, you must have other businesses that you do that will bring cash flow. Otherwise, if you are only focusing on those programs, it's a problem. You'd rather invest later in the project, not in the beginning, but when everything is being finalized, when they have already announced the entity as a preferred bidder, but in the early stage of development its too risky..." -Energy Sector.*

However, entrepreneurs who have participated in policy drafting may have greater access to funding, as they may have established a relationship with the government and may be more likely to be successful in securing bids within the energy sector. As a result, these entrepreneurs may face lower levels of financial risk. Those that were a part of drafting policies have lower levels of financial risk as accessing funds is easier for them because they had a hand in developing those policies, therefore, they have established a rapport with the government and are almost guaranteed to be successful when entering into bids within the energy sector in particular.

*R33 says, "I would say we have low risk as accessing funds has always been easy since we were a part of drafting the policy" -Energy sector*

***Forming strategic partnerships help mitigate risk.*** When operating in high-risk ventures in unpredictable institutional environments, entrepreneurs may form strategic partnerships to reduce the risks associated with such ventures. These alliances can relieve entrepreneurs of some of the burden, freeing up their time and resources to concentrate on other aspects of the business. Strategic alliances, according to Gulati (1998), refer to "voluntary arrangements between firms involving exchange, sharing, or co-development of products, technologies, financial capital, or services. In instances of high-risk ventures in uncertain and turbulent institutional environments, forming strategic partnerships can aid entrepreneurs in mitigating the risks that are incurred in such ventures. This helps take the burden off the entrepreneur, allowing them time and resources to focus on other components of the business. This finding is in line with Hausman's (2005) argument that partnerships influence not only the innovativeness of small business but also assist them in decreasing the level of risk that is incurred by small firms.

*R3 says, "It was very expensive to take part in bids, we as the founding members had to invest a lot of our own money and time, but that is the point of being an entrepreneur. As an entrepreneur, it is necessary to get into partnerships that will help you not bear the full burden of such a venture; we are talking about large-scale renewable projects. One project is in the size of ZAR 1 billion, so you do need partnerships to make this work"-Energy Sector.*

*R15 says, "I first started this venture on my own but after encountering challenge after challenge, I realised that I could not do everything on my own, so I linked up with some individuals who shared a similar vision, and we joined our minds and resources together. We have been able to pool finances together and this has been helpful considering we have been unsuccessful in acquiring finance from external sources for the business."- Agricultural Sector*

**Access to funding and favourable payback terms.** According to the World Bank (2011), the aggregate economic performance is a factor improved by increasing access to financial resources and capital. Access to finance, including impact investors can promote SME success (Creech et al., 2014). Entrepreneurs may benefit from receiving funding with favourable payback terms, as it can alleviate financial pressures and allow them to focus on developing their businesses. In a complex institutional environment with various hidden nuances, such favourable repayment terms can provide entrepreneurs with flexibility, enabling them to avoid accumulating significant debt and ensuring they can meet personal financial obligations while running their business. Some entrepreneurs have reported that obtaining loans with favourable repayment terms from the government has been helpful in this regard. Providing entrepreneurs with funds at favourable payback terms can ease the pressure off them and help them to focus on bringing the business to commercialisation. Entrepreneurs stated that in the midst of having to run a business in a complicated institutional environment that is filled with many hidden nuances, it eased the burden on them to have received favourable repayment terms on loans acquired from the government. This flexibility enabled them not to incur vast amounts of debt and have a level of security and surety that they could meet their own personal financial obligations while running the business. Haung et al. (2011) claimed that entrepreneurs associated with higher risk-taking levels are more willing to accept considerable risk when asking for external financial capital.

*R8 says, "Personal risk-taking was low for me as I did receive favourable payback terms from the government, and so this took the pressure off me"-Water and Sanitation Sector.*

*R7 says, "Since we as a government agency and incubator provide seed funding to entrepreneurs, the risk element is reduced for entrepreneurs; this has helped some entrepreneurs, but not all of them are focused full-time on the businesses."- Government Agency Stakeholder*

**Lack of funding.** The majority of participants in the study identified a shortage of funding as the most significant risk factor they encountered. In response to this challenge, entrepreneurs had to consider various options to overcome the shortfall. As a result, many of them took on personal financial risk and made significant sacrifices to keep their businesses running. In light of being faced with a lack of funding, entrepreneurs were faced with decisions on what actions they could take to overcome this shortfall. This has translated to many of them incurring personal financial risk and making sacrifices to keep businesses afloat. Some of the participants in this study had not even been able to pay themselves a salary in the past two years. Ghimire and Abo (2013) presented the argument

that the decisions made on capital sources and SME's access to debt are subject to the strategic abilities of the firms relying on entrepreneurial characteristics. Similarly, entrepreneurial skills enhance better and adequate access to financial resources (Mohammed & Obeleagunzelibe, 2014). Furthermore, Hussain et al. (2006) indicated that access to finance is considered a key driving force in creating an enabling economic environment and growth.

*R5 says, "Getting land was a hurdle; it took me one year just to buy the land, and no one was willing to help fund me, and I invested heavily in just trying to get land for the plant... The risk falls on me, and it is extremely demotivating; I felt like my race and gender were the reasons for the lack of support"- Energy/ Waste and Recycling Sector.*

*R13 says, "many eco-entrepreneurs in South Africa are self-funded to a large extent..."- Government Agency Stakeholder*

*R17 says, "We had to pay for coders out of our own pockets, and we did an evaluation of our system, and we had to spend half a million on development, and then we used our own skill, and that has saved us millions. This money came from both savings and personal loans. Furthermore, there are also opportunity costs to consider, and there were other opportunities we could have spent the money on like buying a franchise, but we believed in the solution we have, and we have to back this vision". - Agricultural Sector*

*R19 says that "I underwent a lot of financial risks. So, I entered the sustainability and climate change program competition through the UN. And I actually won that competition. They had about fifty thousand applicants, and I was one of the top three winners. And so, through that also I was doing that just to pay rent because I didn't have income coming in, but I needed rent money." - Agricultural Sector.*

*R21 says, "We just bootstrap everything ourselves. You are all on your own in SA. Unfortunately, I lost everything. I lost my place. It took a long time to recover but I did not give up"- Energy Sector.*

*R23 says, "I encountered all types of risks. I mean, when we started, I resigned in 2020. So a few weeks just before our first locked down, I resigned so that security was gone. And it didn't make sense. I was the only research engineer in the whole group. So, I mean it logically speaking, how did it make sense for me to do it? But then another risk that I was taking is to sell my car so we could have some form of finance to push the business through...."-Waste and Recycling Sector.*

*R24 says, "It has been a passion. If I didn't have the passion and commitment, I would have given up a long time ago. They've been huge challenges in terms of raising funding, in terms of a whole lot of different issues of working with the community...."-Agricultural Sector.*

*R31 says, "I don't pay myself a salary. We started in 2019, so it's two years now." -Agricultural Sector.*

*R37 says, "High levels of risk, I sold my car, and we took out the money from our savings to start a business"- Waste and Recycling*

*R38 says, "During the lockdown, in terms of government support, we were not granted any SARS even though we did apply. As I said, we only employ a few people, but we decided that our first prize in terms of survival was to look after our team. And then obviously put enormous pressure on cash flow and revenue in terms of payments to suppliers and creditors. However, I can tell you that in a good working relationship, we've been able to maintain all and, in some instances, had to offset those expenses slowly, with our suppliers. But our modus operandi and our commitment were that we would look after the team first. So, I have not taken a salary now for 19 months."- Agricultural Sector*

***Big companies find cheaper alternatives, while small entrepreneurs cannot compete at the same prices.*** Entrepreneurs in South Africa's green economy face competition from established companies that have extensive networks, government ties, and resources. This can pose a challenge for entrepreneurs seeking to penetrate these established markets. Intellectual property (IP) can also be a significant risk factor for entrepreneurs, as the IP process is complex and costly. To manage these risks, entrepreneurs may seek partnerships with larger companies that can offer protection, although this often means relinquishing ownership of their IP. While firms may strive to develop internal environments that are conducive to innovation It has been observed that in hypercompetitive environments, innovation is considered to be a key dimension to a firm's competitive position (Teece et al., 1997). and at the same time try to cultivate and make the most of external sources, smaller firms will still face significant challenges when going head-head with big businesses. Stinchcombe (1965) suggested that young firms are particularly vulnerable to the "liability of newness" and, therefore, must take steps to establish legitimacy and power relative to suppliers, customers, and other competitors. Because new ventures are much more likely to fail than established businesses, many scholars have argued that an aggressive stance and intense competition are critical to the survival and success of new entrants (Lumpkin & Dess, 1996). Entrepreneurs in South Africa's green economy are competing in spaces that have been long dominated by old monolithic companies that have well-established networks, government links and resources, and many of these see these entrepreneurs as a threat. In instances where there is IP involved, the risks for the entrepreneur are substantial as the IP process is a complicated and expensive process to undertake. In efforts to mitigate these risks, entrepreneurs seek out other big companies that might be able to offer protection; however, they are forced to have these bigger companies as IP owners in order to be better able to protect ownership of their IP.

*R15 says, "We have bigger companies that have tried to solve this problem, and we have tried to come up with an innovative solution in order to treat acid mine drainage to a potable state. The innovative idea was us using waste material in order to treat acid mine drainage to the drinking stage. The risks are bigger companies can find cheaper solutions, and I am just a small player. Bigger companies have tried to hijack the idea; hence we decided to have (...) as IP owner as this puts us in a safer position than if we were on our own trying to protect our idea by ourselves..." - Water & Sanitation Sector*

***Long processes filled with red tape.*** In the context of South Africa, it has been found that entrepreneurs may face the risk of losing their entire investment while waiting for regulatory approvals. This discovery is especially pertinent to the energy sector, particularly in the case of IPP bidding projects, which require significant investments and are highly sensitive to the regulatory environment. The bidding process can be lengthy and demanding, and even after fulfilling all required criteria and checks, there is no guarantee of success. As a result, many entrepreneurs in this sector have experienced fruitless risk-taking. The damaging effects of political instability and regulatory hindrances are especially problematic for SMEs because they lack the financial or managerial resources to defend themselves against serious political shocks or navigate through bureaucratic red tape (Gupta & Batra, 2016). Baumol et al. (2008) add that in the successful entrepreneurial economy, it must be relatively easy to form a business without expensive and time-consuming bureaucratic red tape. In the South African context, it was discovered that an entrepreneur can lose their entire

investment waiting for regulatory approvals. This finding is most relevant to the energy sector, particularly in the IPP bidding process, as these are heavy investment projects that are sensitive to the regulatory environment. The process is long and laborious, and there are no guarantees that once an entrepreneur or an IPP has fulfilled all of the criteria and checks that are required to enter into a bid that it will go through.

*R3 says, "it has to go through the Treasury processes, which is a long process on the ESKOM route. They go through the IPP processes in the municipality. They go through the Treasury processes where they do a technical review and approval." - Energy Sector.*

*R28 says, "So, the project we developed it, we got financing. It was even difficult for me to get that financing. We had eight per cent shareholding, and we had to pay close to ZAR 2,7 million, which is eight per cent so that we could pay like a deposit to the funder so that they can fund us 15 million for our eight per cent. So, we raised that equity when it was time to do the construction; the main shareholder pulled out of the project. So that project is no longer there; after eight years of project development, your time, and your money, to be able to recoup our two point seven million Rands was impossible. We lost it all..." - Energy Sector*

**Political interference.** The impact of political interference appears to be more prevalent in how it affects risk-taking as well as autonomy in EO. It has been observed that entrepreneurs with political affiliations may face lower levels of risk, as these connections often lead to circumstances that are favourable to their endeavours. In the South African institutional context, network embeddedness and social capital play an important role in offsetting the institutional voids that exist. Entrepreneurs that have some kind of political affiliation are likely to incur less risk as these associations normally mean that circumstances align in their favour. Network embeddedness and social capital, therefore, play a critical role in compensating for the institutional voids that dominate the South African institutional context. Political and personal links amongst people and fuelled by personal loyalty are recognised more than conventional merit-based processes (Kshetri, 2011; Tangri, 1999). However, those entrepreneurs that do not have these kinds of affiliations will have higher levels of risk to deal with as there is more uncertainty and ambiguity that will be encountered. These entrepreneurs distrust the government and experience greater difficulty in conducting entrepreneurial activities. Entrepreneurs have discussed the influence of politics on business operations in certain sectors. For those entrepreneurs who encounter such circumstances, it can hinder their autonomy as they have to navigate around them. However, politics can also work in favour of some entrepreneurs who have political ties, and in these cases, politics can enhance their autonomy. Entrepreneurs have also discussed that politics seems to play a prominent role in the operation of a business in certain sectors. Entrepreneurs who encounter this circumstance find themselves in a position where they have to manoeuvre around this circumstance, and thus autonomy is hindered in such cases. On the other hand, politics can also enhance autonomy for those entrepreneurs that are fortunate enough to have these political ties and can sway circumstances in their favour. This is not an uncommon practice, and those that find themselves in this position are able to exhibit higher levels of autonomy. It has been stated that political affiliation becomes critical for a firm to obtain preferential treatment (Toyonon, 2012).

R29 says, "... I mean, all the rhetoric for years was wait for us, we the ANC government; we will bring it to you. That is the worst kind of approach you could ever imagine because of the disrespect of people. And I mean, people survive against the odds anyway, so why not respect what they are capable of doing for themselves and build on that? And that's where we've started with our programmes. We empower the people that have been disempowered by their own government." - Energy Sector.

R32 says, "In my capacity as CEO, I can make decisions as I see fit, but there is too much political interference in this sector that it becomes too uncertain and ambiguous to decide on next steps.." - Energy/ Agricultural Sector

R29 says, "Because of the mistrust that the government has toward what we are trying to do as there are some political associations, we incur higher risk and need to rely heavily on donor funding to do what we do..." - Energy Sector

R5 says, "there are a lot of hindrances and a lot of hoops that I have had to go through and some I did not even manage to go through... In terms of policy, I haven't had any help. Besides that, there is a lack of understanding about green energy and how to sustain it, and nobody is there to listen, and why it is beneficial for the country, people at the top are more worried about how they will benefit from it instead of how society is going to benefit from it...Finance is also of the big barriers because you have to have proof of concept... the number one barrier is race, and the second is skills... Corruption is another barrier, but it is married with legacy; some government heads are concerned about the legacy they have, so that is why they want to place their daughter in the project or a piece of the pie because they know that their political career will come to an end so they must gather all that they can for themselves." - Energy/ Waste and Recycling Sector.

R23 says, "We've engaged with the government. But it seems to be something that there is so something more important than just the solution. And that thing is politics. You know, you engage with them no matter how good your solution is. If you don't have an inside person who's going to champion your solution and really try and speak well on your behalf, it's just going to fade away. So, it appears to me that even if you just have a mediocre solution that doesn't really add much or doesn't do much good, but you have an ambassador or someone who's going to speak out on your behalf, then your solution will go through, you know, which is very unfair." - Waste & Recycling Sector

**A lack of thought for the well-being of the entrepreneur.** Entrepreneurs face a significant level of personal risk, even those who have successfully secured funding. Even those who have participated in government agency-run incubator programs and received financial support to carry out business activities may still face challenges in adequately caring for themselves, such as obtaining medical aid, as they may need to allocate all available resources to their business. Personal risk is high for entrepreneurs, even those who have successfully accessed funds. Entrepreneurs who had been successful in undergoing a government agency-run incubator program and had received financial support to conduct business activities still experienced the challenge of not being in a position of adequate care for themselves as they had to place all resources into the business, this is counterproductive because funding agencies do not realise that there can be no business without the entrepreneur and this means that the entrepreneur has to prioritise their personal care in order to move the business forward.

R34 says, "one of the biggest challenges that all entrepreneurs face is things such as medical aid, these companies and agencies that support us SMEs, they want to audit to see how you spend the money and see that you don't spend on personal things. If you spend the money on medical aid, they don't care. They don't care that if you are not alive, there's no company,

*don't care if you die, as long as the investment went into buying a piece of equipment it's OK for them..." - Water & Sanitation Sector.*

**Electricity shortages.** The absence of electricity poses substantial risks to all sectors of the economy, including entrepreneurship in agriculture. As previously mentioned, South Africa experiences frequent power cuts, also known as "load-shedding," which has a detrimental effect on national productivity and can cause losses and damages to small and medium-sized enterprises (SMEs) with limited resources due to the impact on their products caused by the lack of electricity. A lack of electricity presents significant risks for all sectors of the economy, but especially for entrepreneurs in agriculture, particularly hydroponic farming. This is a pertinent threat because 'load-shedding', obstructs national efficiency, but it also means that SMEs with limited resources stand to incur loss and damage due to products being impacted by a lack of electricity. Eskom, the state owned- enterprise that is responsible for the production of South African electricity has been unable to supply the country with the power it needs, while the regulatory environment only allowed for 2 percent of South African electricity to be produced by private companies (Pegels, 2010). This has had a direct impact on all sectors of the South Africa economy, however, of particular interest to this study is its impact on the agricultural sector as hydroponic farmers rely on electricity and farmers who had applied for funds through the government to obtain generators have been unsuccessful, their businesses are directly impacted by the consequence of the regulatory environment that has supported Eskom monopolising the electricity production of the country.

*R26 says, "My farm does not have the same kind of risks that a normal farm would have because the biggest risk is the lack of electricity as this is a hydroponic farm."-Agricultural Sector*

## **Innovativeness**

Innovativeness is the predisposition or tendency to engage in creativity and experimentation through the introduction of new products/ services as well as technological leadership via R&D in new processes (Lumpkin et al., 2009). The section to follow will discuss the factors that were discovered that have an impact on innovativeness in South Africa's green economy. South Africa's green economy has been described as being "relatively new", this implies that there is potential for room for innovation across all four sectors but also, due to the reality that most sectors are dominated by big businesses that have been in the market for a long time, innovativeness is crucial for green firms to differentiate themselves if they desire to stand a chance to be competitive.

**Business model innovation in the form of offering shortened guarantees (energy sector).** In South Africa, the energy sector is recognized as a high-risk environment characterized by significant uncertainty. Consequently, small and medium-sized enterprises (SMEs) that offer energy cannot provide the same level of guarantees as comparable firms operating in more stable and predictable regulatory environments. As a solution, some energy-providing SMEs have opted for business model innovation by offering shorter

guarantees to alleviate investor concerns. The recognition that the energy sector in South Africa is a high-risk environment that is filled with uncertainty means that SMEs that offer energy cannot have the same types of guarantees that are offered by similar types of companies that operate in more stable and predictable regulatory environments, therefore, as a solution, the business models that some of these energy providing SMEs have opted to do business model innovation through offering shorter guarantees so as to set investor minds at ease. The regulatory environment of South Africa is unstable and evokes a great deal of uncertainty for the entrepreneurs (Urban, 2018), SMEs that offer an easy exit for investors stand a higher chance of receiving financial backing.

*R2 says, "We accept what we are not and deal with what we are. We are not an SoE with big reserves; we are a small company with small reserves. We offered shortened guarantees for 6-12 months payment guarantees, and this brought comfort to the investor because they knew that they could always exit if they needed to if the relationship did not work out." - Energy Sector.*

***Business model innovation in the form of creating a diversified portfolio.*** Entrepreneurs operating in the green economy have opted to adopt multiple business models as a means of mitigating the risks associated with operating in South Africa's complex and turbulent institutional environment. Some entrepreneurs have established other business divisions, such as consultancy, while others have pursued the approach of running two or more business models to capitalize on new opportunities. Entrepreneurs within the green economy have decided that they will focus on multiple business models to mitigate the risks of operating in South Africa's complex and turbulent institutional environment. For some, this has taken the form of branching out and creating other divisions of the business, and for others, it is running two or more business models to respond to new opportunities.

*R3 says, "We created a diversified portfolio and created new divisions over an 11-year period. Even though we have been in operation, for over 11 years, we still consider ourselves to be a start-up because of the constant changes in regulation." - Energy Sector.*

*R37 says, "running two models is the best approach to working in the sector and getting the business to a point where it is sustainable. You know, the previous model we started with, which is the paid recycling model, that's one and it is more comfortable. So, we're running two different models at the company, but we're very much focused on expanding the free model because that's where the growth really lies for us and for the country." - Waste and Recycling Sector.*

*R6 says, "With the covid pandemic, this has affected businesses, and many have suffered, but those that are able to adapt and add a new process or products are the ones that have been able to survive." - Environmental Agency Representative.*

***Forming strategic partnerships improve innovation.*** Collaboration is considered essential for the success and continuity of the green economy in South Africa, as it enables entrepreneurs to conserve resources, achieve efficiencies, and foster growth across various sectors to the benefit of the economy. The formation of alliances between firms is one of the key strategic decisions undertaken by firms. Gulati (1998) defines strategic alliances as "voluntary arrangements between firms involving exchange, sharing, or co-development of products, technologies or services. They can happen as a result of a wide range of motives and goals, take a variety



of forms and occur across vertical and horizontal boundaries. Firms in collaborative relationships can access complementary knowledge bases and thus increase innovation outcomes in exchange relationships (Grant & Baden-Fuller, 2004). The extant literature has revealed that there are different types of interfirm collaboration arrangements and ways of facilitating knowledge sharing and innovation (Carayannopoulos & Auster, 2010; Tsai, 2009). Collaboration is vital to the success and continuity of the green economy in South Africa and helps entrepreneurs preserve resources, achieve efficiencies and grow the various sectors to the benefit of the economy.

*R4 says, “Being affiliated with partners like (...) gave us access to their network, and this has opened opportunities for us to expand our reach and the work that we do. We were also able to access their institutional memory, and we have had access to what they do, and this has improved our innovation as an organisation. As a result, we also created an AI platform for African start-ups in green sectors. -Water and Sanitation Sector*

*R36 says, “We need to share knowledge and transfer skills in the agricultural sector; that is the only way we can advance the sector if we work together.”-Agricultural Sector*

**Product innovation through the use of a circular economy.** Entrepreneurs operating in the green economy are exploring various approaches to promote environmental and social sustainability, including the creation of employment opportunities, utilization of sustainable materials, and the extension of products' lifecycle. These priorities rank high among entrepreneurs in this sector. The circular economy is a model of production and consumption which involves sharing, reusing, refurbishing and recycling existing materials and products for as long as possible in order to extend the life cycle of the product (European Parliament, 2022). Entrepreneurs in the green economy are finding ways to bring in multiple solutions to aid environmental and social sustainability. The creation of employment, use of sustainable materials and extension of the created products is one of the top priorities for entrepreneurs.

*R5 says, “We are turning waste into diesel, so we use the waste recycling plant to buy waste from hawkers but also, I use the waste and turn it into oil and biomass. So, I married the clean energy and waste plant. Also, with the moringa plant, there are many bi-products that we can sell, such as pulp, glycerine, plastic and so on, so there is a lot that we can use, and the bi-products are sustainable, and the community can use the bi-products to generate income for themselves.”- Energy/ Waste and recycling sector.*

*R22 says, “I designed the ‘click - click box’ made from recycled plastic boxes. My idea was to employ women. I’m going to give them jobs, I’m going to develop them in their skills, and I’m going to sell this product all over the world”- Waste and recycling sector.*

**Product innovation that can help solve sector problems.** Product innovation refers to a firm's attempts to experiment with and create new products to address current or future market demands. Entrepreneurs operating in various green economy sectors appear to encounter similar challenges. As a result, some entrepreneurs have recognized that taking a unified approach could help address sectoral issues and empower small players within the sector. Product innovation represents a firm's efforts to experiment with and develop new products designed to meet current or future market demands. Entrepreneurs in the various green economy sectors appear

to share the same problems, and so some have identified that taking a unified approach will help solve sectoral problems and empower the small players in the sector.

*R17 says, "The platform is quite an important innovation in the sector as it can potentially solve the problems of many farmers in the sector by providing access to market but also collects and displays the trend data within the sector and provides each farmer with track record or analytics that can be used to show to potential funders. - Agricultural Sector*

*R24 says, "I found out how food insecure we were as a city through some institutional contacts and saw that not much was being done to change this. It was a result of that information that triggered me to start looking at alternative models, and in 2003, I first came across the idea of urban food gardens" in the Agricultural Sector.*

*R21 says, "we basically design technology in the green space and bring innovation to help people fix common problems. So, we're focusing on the people as opposed to just pure capitalists making money. We just focus on how you create sustainable solutions to the problems that people are experiencing."- Energy/ Agricultural Sector.*

***Innovation requires trial and error.*** Some entrepreneurs have expressed the opinion that South Africa does not provide adequate encouragement or spaces for innovation to be developed, hindering entrepreneurial experimentation. Entrepreneurial experimentation is considered vital for developing entrepreneurship and implementing new innovations to address social and economic problems in South Africa. If the government were to encourage and support more entrepreneurial experimentation, entrepreneurs would not have to invest their resources in the search for feasible solutions, mitigating potential losses. Participants made the example of setting up living labs to support entrepreneurial experimentation. Entrepreneurs have stated that they felt as though South Africa does not encourage entrepreneurs to experiment and does not have spaces where innovation can be developed. It was discovered that this experimentation is what is necessary for entrepreneurship to be developed and for new innovations to solve social and economic problems in South Africa. If more entrepreneurial experimentation was encouraged and supported at government level, then entrepreneurs would not be placed in a position where they themselves have to invest resources into finding something that works and not lose out while trying to find feasible and workable solutions.

*R19 says, "I was growing such a unique crop, whereas as people that went through the same similar program as me or ended up doing lettuce, spinach, etc., just like conventional green herbs. My crops would grow and die, then grow and die again until I found a method that works. "- Agricultural Sector*

*R33 says, "And the concept of living labs is something that is not very commonplace but is needed in South Africa because you are co-creating solutions for the communities. If, for instance, if we had a living lab some ten years back, we would not have invested in that container full of solar cookers because it was not the solution the people needed, but we can only learn in hindsight now..."- Energy/ Agricultural Sector.*

*R26 says, "I have learnt how to grow vegetables hydroponically; I have also started to experiment with other types of vegetables that are native to other parts of Africa"- Agricultural Sector*

*R38 says, "with more capital; we could focus more on innovation and improving our craft"- Agricultural Sector*

## Proactiveness

Proactiveness is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand (Lumpkin et al., 2009). In terms of what was learnt about the South African green economy, access to information, networks, and finances is very difficult to come by unless an entrepreneur has inside links with relevant parties; thus, proactiveness becomes vital to the survival of entrepreneurs in South Africa's green economy.

***The threat of multinationals.*** Entrepreneurs operating in the energy and agricultural sectors face a significant threat from multinationals. Due to the high levels of competition in these industries, entrepreneurs are required to be highly proactive to survive. Transparency and visibility of upcoming bids can help SMEs prepare in advance and remain proactive, as they are made aware of what they need to have in place to compete effectively. Entrepreneurs require high levels of proactivity as the threat of multinationals is high in the energy and agricultural sectors. Competing in the same industries as big companies and multinationals place entrepreneurs in a position that requires high levels of proactivity in order to survive the high levels of competition. Transparency and visibility of upcoming bids make proactivity in preparation possible for SMEs as they are aware in advance of what they need to have in place.

*R2 says, "In a country that has power shortages and has to transform and being managed by municipalities that are not efficient. And multinationals that are moving in this direction, we are moving towards what will be needed before it is actually needed." -Energy Sector.*

*R3 says, "The last big bidding window was in 2015-2016. The nice part about our bidding programmes is that you have quite a lot of visibility in terms of when they are coming, so you can prepare your board well ahead of time about when they are coming..." - Energy Sector*

***A lack of financial backing from institutions and government makes entrepreneurs more proactive.*** Entrepreneurs have identified access to funding as a significant challenge. They are actively seeking alternative funding sources, such as competitions, international donors, crowd funding and other options. Being proactive in finding these funding opportunities is important for entrepreneurs to overcome this challenge. Entrepreneurs stated that access to funding was one of the greatest challenges that they had encountered. Proactivity in seeking alternative funding support is vital for firm survival in the South African green economy.

*R17 says that "when we observed that we were not making any progress with getting financial backing from the (...) or government, we sat down and reassessed our position, being mindful of our current skills and found a new approach which has worked. We noticed that we were making the dominant players in agriculture uncomfortable and saw them trying to copy our model, so we acted with haste and registered our trademark to protect our platform..." - Agricultural Sector.*

*R19 says, "I was involved in entering a lot of international sustainability competitions that got me recognition and made approaching investors easier because I won a couple of them, and that opened other doors for my business" - Agricultural Sector*

*R21 says, “We decided to seek funds internationally and sought opportunities in the States. We were able to gain some finance in the US, in Silicon Valley, and that helped because we won a number of awards.” - Energy Sector.*

*R24 says, “One needs high levels of proactivity to find funding as there is a lack of government support” - Agricultural Sector*

*R38 says, “the wine industry in the Cape is made up of a small enough network to be quite agile, and we generally work together, especially since we had no assistance from the government during the lockdown.” - Agricultural Sector*

***Proactivity in seeking out new market opportunities when barriers are too high.*** Entrepreneurs are exploring new market opportunities in response to the challenges posed by the institutional environment of South Africa. These opportunities may involve exploring export models or developing new channels to access the market. Entrepreneurs are opting to seek out new market opportunities in light of the complications of the institutional environment of South Africa.

*R20 says, “We have had to change our business model and now focus on an export model as our local market has far too many barriers”- Water and Sanitation Sector*

*R22 says, “We needed high levels of proactivity to find funding as there is a lack of government support, and we decided to go the private route.”- Waste and Recycling Sector*

*R26 says, “I have been approaching high-end restaurants and selling door-to-door with individual customers because big farmers keep a lot of doors closed to small players like me” - Agricultural sector*

***The use of personal networks and one’s social embeddedness can help boost proactivity.*** Entrepreneurs who have access to well-connected networks and privileged information can exhibit greater proactivity. Social embeddedness, therefore, can enhance an entrepreneur's ability to be proactive. The imbalances created by the apartheid system, and the institutional corruption that its heritage fuels have led to a limited resource pool for today’s entrepreneurs to access. Network embeddedness and social capital, play a critical role in compensating for the institutional voids that dominate the South African institutional context (Granovetter, 1985). Entrepreneurs that have access to networks that are well connected and are privy to information that can be accessed through one’s personal connections are able to demonstrate higher levels of proactivity. Therefore, social embeddedness enhances an entrepreneur’s ability to be proactive.

*R32 says, “I would say that I use high levels of proactivity and must use personal networks to get information”- Energy/ Agricultural Sector*

*R33 says, “High levels of proactivity are needed in the energy sector, and one must use personal networks to get information in order to respond to opportunities quickly”- Energy Sector*

*R34 says, “High levels of proactivity are needed, although, I find that I encounter a lot of information as I came from a government agency incubator”- Water and Sanitation Sector*

## Competitive aggressiveness

Competitive aggressiveness is defined as “the intensity of a firm’s efforts to outperform rivals and is characterised by a strong offensive posture or aggressive responses to actions of competitors” (Lumpkin & Dess, 1996).

***State-owned enterprises act as a customer and a competitor.*** Entrepreneurs reported that they operate in sectors that face competition and are regulated by state-owned enterprises, such as Eskom, in the energy sector. Entrepreneurs stated that they operate in sectors which they are competing against, as well as being regulated by state-owned enterprises such as Eskom in the case of the energy sector. One of the participants actually made the reference to Eskom as “a player and the referee”. This makes competition in the sector extremely high and high risk. In such instances, harnessing a competitive advantage becomes vital as there needs to be a definitive element that enables firms to stand out from the rest of the competition.

*R2 says, “We are more or less operating on our own, but Eskom is our customer as well as our competition, and so are the IPPs because ultimately, everyone wants to supply power. So, we are competing, but they are not structured like us.”- Energy Sector.*

*R28 says, “for entrepreneurs like me in the energy sector, Eskom is our referee and a player at the same time, so we are controlled by them and then forced to compete with them”- Energy Sector*

***Big players in the sector make competition extremely aggressive for entrepreneurs.*** Entrepreneurs in various sectors often face strong competition from large corporations that dominate the industry. Despite their limited resources, entrepreneurs are perceived as a threat and may encounter hostility from larger players. The competitive environment can be intense, as large corporations typically have greater resources and can more easily dominate the market. Entrepreneurs operate in the same arena as big companies that dominate those spaces. Their presence, though small, is often seen as a threat, and they are met with hostility from the big players who have the resources to go unchallenged. The threat of big players makes competition extremely aggressive.

*R3 says, “Competition is extremely high now. When we were going in, no one knew about it, and now it is so super publicised, and the big players are here. At that time, other people, who are usually the normal players, were not looking at this market. This is the power business, the players in it are ENEL green power, EDF, etc. all these companies have revenues of billions of dollars, and you are competing with them. This is a big boy’s game.”- Energy Sector.*

*R5 says, “I would say that when it comes to the price of buying waste from hawkers, the price is very competitive because other plant owners can pay slightly higher per waste item, and we compete to be supplied by hawkers with the waste that we go on to sell to bigger companies such as SAB” -Waste and recycling Sector.*

*R15 says, “the competition is the bigger businesses that are already established; DoWS has someone doing acid mine drainage, but we are solving acid mine drainage by using an innovative solution that uses waste products, and it produces drinking water”-Water and Sanitation Sector.*

***Institutional funders only take on 80% of small businesses making accessing finding very competitive.*** Entrepreneurs in the green economy of South Africa face challenges related to accessing funding. Most institutional funders and agencies supporting SMEs only accept up to 80% of applicants, which makes the competitive landscape more challenging. The role of government grants, private R&D and other funds have different impacts on innovation. Hong et al. (2016) state that government funding has a significant positive effect on promoting innovation. However, the effects of government funding do differ according to industry. Access to funding has been cited as one of the key challenges that face entrepreneurs in the green economy of South Africa. This challenge is further heightened considering that most institutional funders and agencies supporting SMEs are not able to take on all of the applicants due to their own resource limitations, making the competitive landscape more difficult.

*R6 says, “Per year, we take on 200 projects, and of that, 80% of that are small businesses, so it is very competitive in general to get our funding.”- Government agency.*

*R7 says, “Competition for the incubator’s resources is quite high as we do have limited resources in regard to funding and infrastructure.”-Government agency.*

***Supplying a sustainable green solution is a competitive advantage.*** Entrepreneurs in the green economy have acknowledged the need to establish and sustain a competitive advantage. Some have already identified their unique selling points while others are benefiting from being in nascent industries, such as the essential oil sector in agriculture, which is not yet fully comprehended by regulators and therefore does not face significant challenges from established players. Entrepreneurs in the green economy have stated that they recognise that they need to create and maintain a sustainable competitive advantage. While some have a definitive element that they have, others are faring well in the competitive landscape due to being in industries that are so new to South Africa that they are not understood well enough by regulators and can progress unchallenged, this has enabled such SMEs to operate almost completely unchallenged.

*R17 says, “We have been fortunate enough to create a platform that is unlike any other in the South African market right now, and we have also registered it as a trademark to prevent it from being copied. We are giving preferential treatment to black farmers and are helping them have access to a market, making their barriers to entry lower. – Agricultural Sector*

*R31 says, “as a relatively new sector that is not fully understood yet; there is little competition for us at this time “-  
Agricultural Sector*

***Regulation favouring big businesses makes it hard for entrepreneurs to compete in the market.*** Regulators in South Africa have a focus on the contribution of companies towards GDP and may prioritize larger businesses that have the potential to make significant contributions. This dynamic can make it more challenging for small businesses and entrepreneurs to compete in sectors that are heavily regulated. South African regulators are concerned with companies’ ability to contribute to GDP and thus tend to favour big businesses that are able to make the kind of significant contributions that they seek. This makes it more difficult for small

businesses and entrepreneurs to compete as regulation is in their favour. Therefore, SMEs find themselves operating on an uneven playing field from the onset.

*R19 says, “Hydroponic farming is relatively new in South Africa, so direct competitors are few, but the big companies like SAB pose a huge threat as the regulation is in their favour, so they have created great barriers for people like me in the sector.” - Agricultural sector*

*R25 says that entrepreneurs in agriculture are competing with the State who supports big farmers, so the odds are always against them”. - Agricultural Sector*

*R26 says, “I am competing with big farmers who try to block small farmers like me and cooperatives from accessing the market”. - Agricultural Sector*

*R30 says, “So South Africa is not a very entrepreneurship-friendly economy in the macro context; all the major cities are dominated by the big four. We are very much a monopolised or a carte- like economy.”- Agricultural Sector.*

***Municipalities see entrepreneurs as competitors and not collaborators.*** Some municipalities have not yet recognized the benefits of working with entrepreneurs. These municipalities may lack capacity to meet all the needs of the surrounding communities. Instead of collaborating with entrepreneurs who are better suited to reach communities, some municipalities may view them as competition, thus increasing competition in the sector. Certain municipalities have yet to realise that working with entrepreneurs is to their benefit. Municipalities that view entrepreneurs as a threat place all stakeholders involved at a severe disadvantage.

*R34 says, “some municipalities see us as competition and not as a complimentary service which they need as they do not have the capacity to reach the communities that we can”- Water and Sanitation Sector*

***The government creating programmes that compete with entrepreneurs makes competition more aggressive.*** Entrepreneurs have expressed concerns regarding government initiatives, indicating that they feel their efforts are being replicated and then competed against within the same sector, thus exacerbating competition. Entrepreneurs expressed concerns that they observed that the government was replicating initiatives that they were doing and then competing against them in the same sector, which further heightened competition in the sector.

*R37 says “, I won’t say aggressive, but you know, these options are available so people can choose from the like. Also, there is also now government’s Think Twice service. That’s also a threat and a competitor because they can just take over our market share which we have taken more than 2 years to try and establish.”- Waste and Recycling Sector*

#### ***6.1.4 The Impact of Corruption in The Institutional Environment on SMEs in South Africa’s Green Economy***

Entrepreneurs in South Africa's green economy have reported concerns regarding corruption within their sector. The presence of corruption poses a significant risk for entrepreneurs as it requires them to pay bribes, which depletes essential financial resources that could be allocated elsewhere in their business. Furthermore, corruption prevents the most qualified candidates from getting hired, thus hindering the development and utilization of competitive advantages. Consequently, some entrepreneurs in South Africa's green economy have either left the sector entirely or decided to exclusively work with the private sector instead of the government. Corruption is constituted by “unsanctioned or unscheduled use of public resources for private ends” (Lodge, 1998; p. 158). There are various forms of corruption but the definitions that are most relevant to the green economy of South Africa is the “mis-performance or neglect of a recognised duty or the unwarranted exercise of power, with the motive of gaining some advantage more or less directly personal” (Lodge, 1998; p.158). Corruption has a detrimental effect on South Africa’s economy. It has been stated that corruption could affect people who are interested in starting a business directly by shaping how they assess potential profits and risk (Brooks, 1970; Audretsch et al., 2022). This also has the impact of diminishing trust, which makes engaging with the government viewed as risky. Entrepreneurs that operate in highly corrupt contexts might be inclined to pay bribes if that is the norm of that environment, and thus the cost of doing business increases, and they also lose trust in formal institutions and may turn their attention to trying to manage uncertainty due to the increased cost of doing business (Chadee & Roxas, 2013; Audretsch et al., 2022). To look at the bigger picture, a high level of corruption means that funds that were meant to become public sector resources are instead diverted privately, and this may lead to restrictions on resources that could limit entrepreneurial activities and opportunities, further discouraging entrepreneurs (Audretsch et al., 2022). Corruption is costly to the entrepreneur, and its consequences are that time and effort are spent on negotiating bribes and managing relationships with bureaucrats, and this time and effort could have been better spent on engaging in value creation and business activity.

However, it should be noted that if a bribe can be used to achieve or facilitate an outcome, this can be considered an enabler for entrepreneurial activity and therefore, the stated rules are not the only way of conducting business. On the other hand, this also suggests that corruption can expose entrepreneurs to a risk of ongoing future exploitation (Audretsch et al., 2021). Some entrepreneurs may view corruption as being useful, especially if their competitors are also participating in paying bribes and not doing so appears to be holding up one’s business. In this study, it was learnt that out of the four sectors that were examined, participants from the energy, agriculture and water & sanitation sectors spoke of instances where either they themselves were asked for bribes or revealed that the system at play involved some kind of level of corruption such as irregularities with tender awards, nepotism or bribery. Some entrepreneurs who were focused on the social mission of the ventures utilised their discretion and did not participate in corruption, but rather disengaged from government engagement altogether and focused on working with the private sector because there is a greater level of transparency.



Research has uncovered that governments sometimes hinder entrepreneurial activity through burdensome regulatory environments (Chowdhury et al.,2019), weak formal institutions and dysfunctional or corrupt administrative systems (Amoros et al., 2019; Ault & Spicer, 2014; Tonoyan et al.,2010). Furthermore, the presence of unchecked corruption and lack of accountability has also been identified as a prominent factor adversely affecting entrepreneurial activity (e.g. Chowdhury et al.,2019; Tonoyan et al., 2010; Audretch et al., 2021). Therefore, literature notes that governments can facilitate or impede entrepreneurial activity depending on the strength of their institutions, the favourability of their policies toward entrepreneurs as well as the efficiency of their administrative practices. Entrepreneurs in South Africa’s green economy expressed concerns that they were aware of or had been directly impacted by the presence of corruption within their sector. Corruption presents high levels of risk for entrepreneurs as it means that they must pay bribes, utilising vital financial resources that they need to serve the business elsewhere. On top of this, the presence of corruption also means that the best man for the job does not get the job and therefore, entrepreneurs need not focus on the development and harnessing of competitive advantage. The presence of corruption has forced some entrepreneurs in South Africa’s green economy to exit the sector altogether or to opt-out of working with the government by rather working with the private sector exclusively.

*R5 says, “Corruption is another barrier, but it is married with legacy; some government heads are concerned about the legacy they have, so that is why they want to place their daughter in the project or they want a piece of the pie because they know that their political career will come to an end so they must gather all that they can for themselves.”- Energy/ Waste and Recycling Sector.*

*R21 says, “In Africa, the government don’t give a damn about solving social issues. They don’t really care, especially in South Africa. So, you have to be on your own. We haven’t worked on any government contracts because the ones that I could have done, they wanted me to pay bribes. So, I just do private sector work...”- Energy Sector.*

Relative to this study, entrepreneurs that have received international recognition from the United Nations Development Programme (UNDP) and have acquired investment from Silicon Valley are the ones who are choosing not to do work with the government in South Africa. It can be concluded that corruption in the institutional environment of South Africa has a negative impact from the perspective of acting as a deterrent to promising entrepreneurs who would be able to make a positive and impactful societal and environmental change to the South African economy. However, in an effort to not be a part of this system, they choose to disengage. The government is not trusted by entrepreneurs; therefore, collaborating with SMEs who are able to reach communities that big businesses cannot is less possible because of the presence of corruption. However, the argument can also be presented that corruption can be an enabler as well because entrepreneurs whose businesses will make positive environmental and social change who have participated in corrupt acts are helping advance the green economy agenda. Overall, it appears that the key impact is a loss of entrepreneurial talent that could be harnessed for the green transition. Therefore, from this perspective, the argument is that corruption impedes entrepreneurial activity and innovation activity (e.g. Chowdhury et al.,2019; Tonoyan et al., 2010). It should also be stated that some participants appeared uncomfortable when discussing matters around corruption, starting conversations like “I

don't want to speculate but...". Some participants even went as far as reiterating that they would like to remain anonymous before sharing information to do with corruption, while others, avoided the subject altogether.

#### *6.1.5 The Impact of Network, Social Embeddedness and Social Capital On The Institutional Environment Of South Africa's Green Economy*

In South Africa's green economy, some companies may have an advantage over others by utilizing social capital and network embeddedness, which can result in facing less competition. Social network embeddedness can also lead to a preference for relying on information from trustworthy sources with whom one has previously interacted. Trust built from past interactions can motivate individuals to seek further dealings with those they consider reliable, fostering continued economic relationships based on mutual trust. Granovetter's (1995) work on the vitality of social relationships in shaping economic decisions highlights social, and business networks and their function in helping entrepreneurs find the resources that they need for business creation (Aidis et al.,2008,2012) as well as through social learning (Minniti et al.,2005). The kinds of opportunities that can be opened up and made available to entrepreneurs are information and resource sharing and pathways for programs for financing (Belitski & Desai, 2019). Entrepreneurs may tap into their networks to explore the entrepreneurial ecosystem (Audretsch & Belitski, 2017) and access networks to gain information about specifics such as technical information and market opportunities that are relevant to their industry, and this may prove invaluable to entrepreneurs that are facing confusing and complicated institutional environments. Furthermore, entrepreneurs that desire to expand or see new opportunities may seek out partnerships among their networks, and so it may prove to the detriment of an entrepreneur to be left outside of a network, especially in a complex institutional environment.

Relative to South Africa's green economy, companies that are able to leverage social capital and network embeddedness enjoy less competition. Social network embeddedness also implies that actors have a preference to rely on trusted information from their own past dealings (Kogut, 1984). Trust coming from the experience of previous interactions prompts people to seek information and dealings from those who are deemed trustworthy (Khanna, 1997), thus reciprocating a preference for a continuing relationship based on economic motivations and stabilised by trust (Granovetter, 1985). Socially embedded individuals also manage to acquire social capital by expanding their network by virtue of the trust placed in them by the social network.

*R2 says, "during my time working at NERSA, I came to be aware that South Africa would be undergoing a change in the energy sector and heard of a new energy trading company that was forming and was approached to apply for the CEO position. In the energy sector, it is quite hard to hear of new opportunities unless you are an insider or have close links with people on the inside". – Energy Sector*

*R33 says, "even though the sector is highly competitive, we as a company have a stable position in the market due to having links with helping formulate policy"- Energy Sector*

### *6.1.6 How the Institutional Environment Shapes Innovation in South Africa's Green Economy*

Some individuals have suggested that South Africa's government could create opportunities for innovation and experimentation among young entrepreneurs, which could lead to the discovery of new areas of potential for development. Such collaboration between young entrepreneurs and the government could result in long-lasting impact. Economic structure and institutions have been stated as the two dimensions of national innovation systems. Wherein the importance of knowledge and learning have been emphasised as being fundamental to the creation of a national system of innovation (Lundvall, 2007). This bears the implication that a society that does not share knowledge or learning will not thrive in the same way as one that practices knowledge sharing and learning. Furthermore, Ussman et al. (2001) discuss that positive associations between innovation and decentralised structures had been found (Hage & Aiken, 1970; Thompson, 1967) and between innovation and informal structures (Cohn, 1981; Rosner, 1968). These studies support the notion that more simple structures seem to support innovation, whereas generally, bureaucratic structures in larger companies have a tendency to inhibit innovative activities.

As the green economy in South Africa is relatively new, this should have the potential for innovation to thrive among green economy sector firms; however, due to the institutional environment and how it dictates for firms to organise themselves, much of this innovation potential is lost or goes unharnessed. The findings of this study point to the institutional environment overall being a hampering force to innovation activity among SMEs. Product innovations have been described as new products or services introduced to meet an external user or market need, while process innovations represent new elements introduced into an organisation's production or service operations (Damanpour & Gopalakrishnan, 2001). It was found that in terms of product innovation among SMEs in South Africa's green economy, individual entrepreneurs who required patents for inventions of new products firstly lacked an understanding of the patent registration process and, therefore, opted to gain the support of bigger organisations who either in the form of working within a governmental agency incubator who could handle this process for them or transferring IP ownership over to an academic institution who has the ability to challenge big companies and protect the entrepreneur, however, the entrepreneur will not have any control over their own IP. Chadee and Roxas (2013) argue that well-developed and functioning formal institutions provide the necessary environment for innovation to take place, which positively increases firm competitiveness. The formal institutional environment provides support for the establishment and development of a country's innovation system (Metcalf, 1995).

Economic structure and institutions have been stated as the two dimensions of national innovation systems. Wherein the importance of knowledge and learning have been emphasised as being fundamental to the creation of a national system of innovation (Lundvall, 2007). This bears the implication that a society that does not share knowledge or learning will not thrive in the same way as one that practices knowledge sharing and learning. Furthermore, Ussman et al. (2001) discuss that positive associations between innovation and decentralised structures had been found (Hage & Aiken, 1970; Thompson, 1967) and between innovation and informal structures (Cohn, 1981; Rosner, 1968). These studies support the notion that more simple structures seem to support innovation, whereas generally, bureaucratic structures in larger companies have a tendency to inhibit innovative activities.

*R15 says "Around the intellectual property, as a new business owner and entrepreneur in SA, our policy around IP does not give you enough protection. I can give you an example in 2017, the (...) as an institution wanted 80% of this IP and the (...) had to take on the (...) and it was two big institutions taking each other on but if they just had to take me on, they would have won the battle because I am just a technical guy, I don't know anything IP related or the legislation around IP. Also, the protection, maintenance of the IP is expensive and as someone who isn't making money on a new business, it would be too expensive to maintain for me.*

*R23 says "It's very, very sad. I mean, we have engaged with the (...) here in South Africa, an agency from a governmental point of view that is meant to be pushing innovation forward in this country. But then you realise that some of the people that sit behind these innovation funds, they don't understand what the word innovation should mean when you speak about a block chain or whatever, they don't get it. So, from a government point of view, I think the struggle is that the people that are running some of these departments have no clue whatsoever how it's like to be an entrepreneur. They have no clue or a good understanding of what it is that innovation means... So, it appears to me that even if you just have a mediocre solution that doesn't really add much value or doesn't do much good, but you have an ambassador or someone who's going to speak out on your behalf, then your solution will go through, you know, which is very unfair, so politics takes priority over real solutions."*

It was further mentioned that if South Africa's government creates real spaces for innovation for entrepreneurs and afforded young entrepreneurs the opportunity to experiment, the country will discover new areas of potential that can be developed where young entrepreneurs and the government could work together to create lasting impact.

#### *6.1.7 The Measurement of Entrepreneurial Orientation Within the Context of South Africa's Green Economy*

The question of whether entrepreneurial orientation can be measured in SMEs within a complex institutional environmental context is one of the pertinent outcomes of this study. The immediate answer is that measuring EO in such contexts is null and void as an entrepreneur that operates in such an environment automatically requires high levels of all dimensions of EO as firm survival without this will be close to impossible. As this study examines EO, thus, the matter of measurement was necessary to

cover. However, it was concluded that using the Miller/Covin and Slevin (1989) instrument is inappropriate for developing country contexts such as South Africa because of the high levels of complexity that exist in the environment. Under the Miller/Covin and Slevin (1989) conceptualisation of EO, a firm is entrepreneurial because it engages in a coexisting display of innovative, proactive and risk-taking strategic behaviours; that is, a firm that possesses high levels of EO is expected to also demonstrate high levels of innovativeness, proactiveness and willingness to take risks (Covin and Wales, 2012). The findings of this study fall more in line with the thinking of Gupta and Batra (2016) who noted that the direction and strength of EO- performance relationship in emerging economies as the institutional contexts in emerging economies question critical assumptions which originated in the developed economy of the United States (Bruton et al., 2008; Gupta and Batra, 2016) This thinking around whether such an instrument can be confirmed in the case of South Africa's green economy is inconclusive because the institutional environment has shaped the business setting in such a way that it is more about who an entrepreneur knows that determines what kind of access and opportunities they have rather than EO helping an entrepreneur access and capture opportunities. Elements of EO are applicable in most cases but certainly not all because the most innovative entrepreneurs have been run out of business, simply because they do not have the right contacts or resources. The entrepreneurial ecosystem for SMEs in South Africa does not allow them to manoeuvre in the same way as SMEs in perhaps more developed contexts. The use of this specific scale might only be applicable for big businesses rather than SMEs in this particular case.

Moreover, it is the belief of the researcher that in order to apply the EO Covin/ Slevin (1989) scale in the measurement of EO in the South Africa green economy, one has to do so to opportunity- driven entrepreneurship rather than necessity- driven entrepreneurship. Entrepreneurship research has focused on opportunity-driven entrepreneurship, which often leads to high potential and high growth ventures responsible for most job creation, innovation, and wealth creation in general (Block & Wagner, 2007). Less of a focus has been placed on necessity-driven entrepreneurial activities, particularly in the context of developing and emerging countries with sizeable informal economies (Khanin et al., 2012). Both types of entrepreneurial activities are vital and share some common qualities; however, they are different in other aspects. (Valliere and Peterson, 2009). Both of these types of entrepreneurial activities have different motivations that drive entrepreneurs to start new ventures; opportunity-driven entrepreneurship often involves more intensive creation processes, while on the other hand, necessity-driven entrepreneurship often relies on the imitation of well-known and understood business models. Within the case of entrepreneurs in South Africa's green economy setting, many of them identify as social entrepreneurs who are motivated by the necessity of the social mission and thus, adapt accordingly in the pursuit of this, meaning that they create unique business models that are fit for their purpose and cannot necessarily be replicated.

It has been argued that opportunity-driven entrepreneurial activities have higher levels of uncertainty and higher levels of risk and that necessity-driven entrepreneurial activities require less financial and human capital (Thurik et al., 2008) than opportunity-

driven entrepreneurship (Sambharya & Musteen, 2014). The findings from this study reveal that entrepreneurs within South Africa's green economy space tend to be necessity-driven entrepreneurs within the waste and recycling as well as water and sanitation sectors, while in the agricultural business and energy sectors, entrepreneurs tend to be more on the opportunity-driven side. This is because of the resources that come with these sectors. Within agricultural business, there is the possibility that an entrepreneur could be allocated a farm (provided they have the right connections). Whilst the size of the investments within the energy sector provide the possibility of high returns, they are accompanied by the possibility of equally high risk. All in all, the Miller/Covin EO scale cannot be applied to this setting and its overall relevance to emerging/ developing country contexts remains debatable.

#### 6.1.8 The Impact of the Regulatory Pillar of the Institutional Environment of South Africa's Green Economy

*The regulatory environment is a barrier and an enabler at the same time.* The regulatory pillar of the institutional environment gives explicit regulatory processes for firms to abide by, i.e. rule setting, monitoring and sanctioning of activities. In this conception, regulatory processes involve the capacity to establish rules, i.e., legislation, inspect others' conformity to them and, as a necessary issue of rewards and punishments- in an attempt to influence behaviour (North, 1990). Scott (2014) suggests that regulatory systems are those that display high values on each of the dimensions of obligation, precision and delegation, while normative systems display lower values. South Africa's regulatory system stems from its political history and, in many ways, still favours big businesses, making it difficult for SMEs to compete on the same basis. Big businesses in South Africa have the advantage of possessing the ability to make sizable contributions to GDP, and so regulation tends to favour them. Furthermore, in sectors such as agriculture, big business possess more technical know-how than the government and are routinely asked to come into the Departments to give training, and these companies subsequently share information regarding standards and products that suit their own interest, such as prescribing heavy pesticides that will compromise soil health because they are able to benefit from economies of scale. They do not actually share solutions that are in the best interest of the environment or the population, but because they have this direct access to the government, they can swing things in their direction whereas an individual entrepreneur who would provide the best option for the environment is seldom provided with this kind of audience with government, regardless of their level of expertise.

*R6 says, "in certain sectors, it is very difficult for our entrepreneurs to compete. The rise of China coincided with the end of apartheid and with China looking for new markets and us wanting to open up the economy after having been through economic sanctions during apartheid worked against our favour. Regulations help and hinder at the same time." – Government Agency Stakeholder.*

*The regulatory system favours big companies and is very difficult for entrepreneurs to navigate.* Some entrepreneurs have expressed their concerns that larger companies with more significant financial resources are benefiting from a regulatory system that

is biased in their favour. As these companies contribute a significant proportion to the national GDP, regulations often favour them, allowing them to dominate most sectors, making it challenging for small and medium-sized enterprises (SMEs) to compete. Entrepreneurs expressed that big companies that have greater resource reserves were benefitting from the regulatory system that was skewed in their favour. Desbordes and Vauday (2007) state that large firms are likely to attempt to shape government policies their favour as the profitability of firm affiliates largely depend on the business environment in which they operate. The advantages that are enjoyed by MNEs over SMEs are often a consequence of two effects. The first has been stated to be their expected contribution to growth, MNEs hold enough bargaining power to negotiate favourable entry conditions with the government, in terms of regulatory concessions and lower taxes. Second, MNEs are able to garner sufficient political power to influence any government regulation that may affect their business operations (Desbordes & Vauday, 2007).

*R1 says, “Due to the previous Single Buyer Model that made Eskom (SoE) the only customer for energy, many IPPs took on heavy financial risk and tried to enter bids and lost out when Eskom changed its mind thus heavily resourced companies are preferred for tender bids in energy”- Energy Sector.*

*R19 says that “So the barriers and things like plant breeders’ rights, which the old monolithic companies own, like patents and licenses that smallholder farmers, wouldn’t ordinarily be able to afford things like those”-Agricultural Sector*

**Government makes decisions without consulting SMEs.** Some entrepreneurs feel that the government does not listen to their concerns and makes decisions that affect them without consulting them. This has led to a perception that the government is not working with SMEs to create a more supportive environment, but rather working against them. Participants have stated that policy revisions affecting their operations are often made without consideration for how they may impact SMEs within these sectors. Such decisions can place heavier burdens on small businesses, necessitating reorganization and potentially compromising their operational agility. There is a feeling among entrepreneurs that the government does not hear them and takes decisions that impact them without any consultation; therefore, it is perceived that the government is not working with SMEs to create a more enabling environment but is rather perceived to be working against SMEs. Participants stated that revisions in policies that affect their operations are taken by government without understanding how these impact SMEs that operate within these sectors. Often, these decisions create heavier burdens on small business and mean that they will have to reorganise themselves and lose agility in their operations.

*R38 says, “we don’t understand the government, their conclusions and the findings that nobody can actually really understand that it’s because it was a decision taken and they stuck by it. In terms of our government interaction, it hasn’t been positive. It is as if it is all about race, as far as our government is concerned, which is desperately sad. And I think that they could have been geniuses in terms of looking after their nation during covid, you know, instead of from hand to mouth. But I don’t believe that that was the intent. I mean, we know that within the South African government, not one person, dropped salaries, not one. There was no notification like all government employees’ salaries to be reduced by 50 per cent like most companies had to do to survive. But our own government has not taken that stance of example and led its people to believe that they were on our side- Agricultural Sector*

***SMEs that entered at the right time were able to and still can access opportunities (i.e. bids).*** Entrepreneurs and firms that entered the market during its early stages, before policy had fully developed, were able to establish a presence in the sector and gain access to opportunities. As a result of their prior success and established credibility and connections, they are often favoured in bid selection processes. Entrepreneurs and firms that entered the market at its infancy stage or when it was just commencing and policy had not yet caught up, solidified their presence in that sector and enjoyed access to opportunities as they have pre-established presence in that sector and they are almost always guaranteed that they will be selected in bids due to the credibility that they have established and the links that they had created. These entrepreneurs were able to create human capital because of their experience and thus created social capital through external ties (Granovetter, 1985; Li & Zhang, 2007; Augier & Teece, 2009; Chung & Kuo, 2018).

*R2 says, "we had a pilot project, so it was allowed to do certain things. Acquiring an energy trading licence was relatively easy for us because energy trading was not yet understood when we started out in 2007. But now, getting a licence will be a struggle for new players trying to get in because you are required to have certain agreements with infrastructure operators like Eskom. The regulatory system is an enabler and a barrier at the same time." – Energy Sector.*

*R33 says, "renewable energy generation was starting to gain momentum when we started the company, and that gave more traction. So, we had to see how we could fit ourselves into the IRP; we were initial contributors to the integrated resource plan and worked towards drafting the policy. So, I think we were pioneers in the sector. At that time, we had a very good, strong interest in knowing which direction the country should go in terms of energy policy. We have also been able to enter most bidding rounds successfully because of our contribution to drafting the policy."- Energy Sector.*

***Private bids are more accessible and easier to navigate than state-run bids.*** According to some entrepreneurs, state-run bids are often associated with greater levels of bureaucracy, slower decision-making processes, and ambiguity. They suggest that private bid processes are generally more efficient, making working with private businesses more attractive to entrepreneurs, particularly due to the complications associated with regulatory requirements. Entrepreneurs stated that state-run bids had a great deal more red tape and slower and ambiguous processes. They stated that private bid processes were run in a more efficient way and so working with private businesses was more ideal for entrepreneurs, given the complications with regulatory requirement processes.

*R3 says, "the first bids happened in 2011. You need a minimum of 3 months to prepare for a bid. We have bid on all of the REIPPP programmes. We have been involved in 7 bids that are aligned to state entities, but we have bid in a lot more in private."- Energy Sector.*

***Policy revisions slow entrepreneurial activity and force entrepreneurs to seek alternatives.*** According to some entrepreneurs, regular revisions to policies such as the integrated resource plan can hinder their ability to conduct entrepreneurial activities. They liken this situation to the goalpost being constantly shifted, making it challenging for them to attain everything they need to progress. As a result, policy changes can restrict progress in entrepreneurial activities. Some entrepreneurs feel as though regular revisions to policies such as the integrated resource plan hinder their ability to conduct entrepreneurial activities as this is likened to the goalpost being shifted, and they are not able to get into a position where they have everything they need, and thus, progress is restricted by changes in policy.



*R5 says, "the IRP would be the policy that would impact my operations, and with all the revisions that are being made, it does slow some of the things that I would like to do, and therefore, I opted to diversify and move into the waste and recycling and waste to energy side."- Energy/ Waste and Recycling Sector.*

***The regulation around IP is hostile to entrepreneurs and is thus a barrier to innovation.*** According to some observations, entrepreneurs in South Africa may face significant challenges in navigating the country's intellectual property policy. In addition, individuals involved in the agricultural sector have noted that plant breeder's rights are primarily granted to larger businesses, which can restrict the variety of crops that smaller farmers and entrepreneurs can cultivate and market. Intellectual property management tends to be a contentious issue within SMEs. It has been suggested that as individual SMEs typically have fewer patents and so on, they may be less able to adopt technology-swapping mechanisms to defend their IP rights than larger companies with a wider patent portfolio (Lanjouw & Schankerman, 2003). The IP policy in South Africa has been said to be too difficult for entrepreneurs to tackle on their own. Furthermore, within the setting of the agricultural sector, entrepreneurs/ farmers observe that plant breeder's right are given to big businesses and limit the scope of what they can grow and sell. A plant breeders' right is a form of intellectual property right granted to breeders of new plant varieties for protection of their varieties against exploitation without their permission (South African Government, 2022). This would severely stifle innovation within the agricultural sector, not to mention that the policy around plant breeder's rights was last updated in 1976.

*R15 says, "Around the IP, as a new business owner or entrepreneur in South Africa, our policy around IP does not give you enough protection. I can give you an example in 2017, the (...) as an institution wanted 80% of this IP and (...) had to take on the (...), and it was two big institutions taking each other on, but if they just had to take me on, they would have won the battle because I am just a technical guy, I don't know anything IP related or the legislation around IP. The protection, maintenance of the IP is expensive, and as someone who isn't making money on a new business, it would be too expensive to maintain."- Water and Sanitation Sector.*

***The criteria-based approach is a barrier to entrepreneurs.*** Entrepreneurs have voiced their concerns regarding the BEE criteria, as they feel that it may hinder their progress since it is not solely based on merit. While there is recognition of the need to correct past injustices, some entrepreneurs believe that this policy does not produce the desired results and can even discourage those who are capable and willing to start businesses. Additionally, some entrepreneurs have noted the absence of clear guidance or feedback from the government when making applications or seeking support. Despite dedicating time and resources to government proposals, they claim to receive no updates on progress or feedback. These entrepreneurs expressed that they felt as though the criteria (i.e. BEE) was a barrier as it was not based on merit. While there is an appreciation for the injustices of the past to be rectified, it was felt that the effort is not achieving the desired outcome but instead is discouraging willing and able entrepreneurs from going ahead with ventures, this further exacerbates entrepreneurs.

*R17 says, "The government's current criteria-based approach is causing problems for entrepreneurs and also impacting the economy as we are losing out on a lot of potential that could help the economy."- Agricultural Sector*

*R18 says, "There is a great deal of red tape that exists within regulation. Many revisions in policy need to be made in order to help entrepreneurial ventures thrive."- Agricultural Sector.*

*R20 says, "it is very challenging to get governmental support. Their requirements are extensive, and a strong BEE component is required. And as a white female, I feel disqualified after seven years of trying..."- Water and Sanitation Sector.*

*R37 says, "So there have been various calls, you know, you apply. You don't always get feedback as to what happened in this sometimes-long process of time wasting. So, we've not been successful with raising any significant funding through the government. There was one significant one which we applied for, which was just quite the big task. It was called the Recycling Enterprise Support Programme. And yeah, we did everything. You know, we had two flights from Cape Town to Pretoria, you know, all these processes and it costs money to do all these things. Shipping documents all over the place. Yeah, it's a nightmare process. And at the end of the day, the outcome was no outcome. Also, the government needs to create an inclusive environment that works with us instead of against us if the regulatory level would work better with what's existing."- Waste and Recycling Sector.*

***The regulatory environment has no specific registration process for social enterprises.*** South Africa's regulation has yet to recognise social enterprises within its business registration process, and this means that a social enterprise needs to register both as a Proprietary Limited (Pty Ltd) and a Not for Profit (NPC), which bears significant tax implications on the firm and thus, defeats the purpose of operating as a social enterprise. Therefore, it can be concluded that South Africa's regulatory system at present favours capitalistic paradigms and the focus is not on social entrepreneurship, which many of the green economy entrepreneurs happen to be operating as. According to some entrepreneurs, social enterprise does not exist as a legal entity in the country. Consequently, their organization is registered as both a PTY (LTD) and an NPC to comply with regulations. Their organizations incur substantial tax costs and does not receive the benefits that a social enterprise in America would enjoy for example. Some entrepreneurs argue that the tax burden is too high and unjustified, given that they could pay enough tax to support two people in a single year. They believe that it is not reasonable for a social enterprise to bear such high tax costs.

*R34 says, "we are a social enterprise. But there's no such thing as a social enterprise in this country. And from a regulatory point of view, so we then have to register both as a PTY (LTD) and then as an NPC. We pay a lot of money in tax. As a result, we don't get any of the gains of being a social enterprise that one would get in America. We shouldn't be paying this much tax. And it doesn't make sense. We paid enough tax to pay two people last year, and it doesn't make sense that we should be paying that kind of tax as a social enterprise "- Water and Sanitation Sector.*

***The government is perceived to not understand the green economy and entrepreneurs do not feel like they are a priority.*** As the green economy is a relatively new concept in South Africa, the government may not have a complete understanding of it. Green entrepreneurs are responsible for promoting innovation, while the government may be influenced by larger businesses that have significant contributions to the national GDP. According to some green entrepreneurs, they feel undervalued or not taken seriously by the government, who may not fully grasp their ideas or how they could contribute to the country's economic development. Due to the relative newness of the concept of the green economy in South Africa, it has yet to be fully understood by the government. Green entrepreneurs are driving innovation, and the government are only moving as directed by big businesses, given that they possess

certain leverage in that they contribute significantly to the national GDP. Some green entrepreneurs feel as though the government does not take them seriously, or they do not understand what they are trying to do and how it will help the development of the economy.

*R33 says, "if you come as a green entrepreneur and you have a plan, you have approached a government employee, you know, to some great extent, some of these fantastic ideas, they think it's just a dream, and you won't be taken seriously. Because some people in government, in these jobs- it's just about ticking the boxes, and you know, we can have the policies in place, but the next policy review is just to tick another set of boxes. So, it becomes a very long process, especially in terms of testing the viability of some of these wonderful ideas that can create, you know, the necessary jobs and opportunities." - Energy Sector*

*R25 says "for instance, in the department of Agriculture, the only expertise that they have is the training manuals, modules that they've been given by the commercial entities that benefit from commercial farming and things like soil health suffer because these big entities only divulge information to their benefit. So, in sum, the government is being used by big businesses." - Agricultural Sector.*

*R27 says, "There's a lot of regulatory barriers. I don't know where to start. I mean, there's a lot, you know, some of which are valid. You know, you've got to obviously have red meat- health and safety in place, some of which are dictated by the desire to export. OK, export meat. And so they're meeting a European standard that actually is not relevant for our context and is a barrier for communal farmers... also with government engagement, they are open and willing to listen, but then when it comes down to actually executing, there's you know, something happens, then there is silence." - Agricultural Sector.*

### **6.1.9 The Impact of the Normative Pillar of the Institutional Environment on the South African Green Economy**

The immediate business environment works in conjunction with the macroeconomic environment in affecting the levels of entrepreneurial activity in a country, but more specifically enduring national characteristics have been anticipated to have an impact on entrepreneurship (Bygrave & Minniti, 2000; Urban, 2014; 2016). If entrepreneurship is not valued in the culture of a particular country, then not only will it be associated with criminality and corruption, but also other forms of economic encouragement will prove unproductive (Baumol, 1990; Urban, 2016). Normative rules introduce a prescriptive, evaluative and obligatory dimension to social life. Normative systems include both values and norms. Values are the conceptions of the preferred or the desirable together with the construction of standards to which existing structures of behaviours can be compared and assessed. Norms place specificity on how things should be done; they define legitimate means to pursue valued ends (Scott, 2014).

***The regulatory system favours big companies and not the entrepreneur.*** South Africa is a capitalist society, which tends to favour larger businesses that make significant contributions to the national GDP due to their extensive resources. As a result, SMEs and entrepreneurs may not receive sufficient recognition or appreciation for their potential contributions to the economy. Some believe that the government may not prioritize small players as they may not be able to contribute at the same level as larger businesses. This

can also extend to the green economy agenda, where big companies may have a greater impact on pollution and unsustainable practices. As a capitalistic society, South Africa tends to lean toward favouring big businesses that have vast resources and make significant contributions to the national GDP. This bears the implication that SMEs and entrepreneurs are overlooked and undervalued in terms of their potential contribution to the economy. The government is seen to not be prioritising small players because they cannot contribute at the same level of big players, and this also spills over into the green economy agenda as big companies are greater contributors to pollution and unsustainable processes.

*R1 says that "it is customary to assign contracts to bigger players because the system favours large companies with resources" - Energy Sector.*

*R21 says, "within energy projects, what ends up happening with those is that all the big companies end up getting those contracts, and these foreign companies get those contracts is what we'll be seeing nationally as well." "In fact, the big IPPs that you find here are not even local companies." - Energy Sector*

*R25 says, "so social impact is not something that's taken into consideration. I'm just thinking of issues of when we go through periods of drought and obviously small-scale farmers would be relying on the rainfall for their harvests, and in those in the absence of being able to, you know, carry on those smaller transactions, they then would rely on government relief. So, it's just how it almost sounds as though there's a lack of interest in developing the small-scale farmer and the cooperative because it can't be monetised at the level that the government wants it to be. So, the importance of the green economy is not recognised." - Agricultural Sector.*

*R27 says, "I don't think that our policymakers know the intricacies for what is needed to create the kind of green economy that they say they want. Our policies to a large extent work against us small businesses, so what is the point?" - Agricultural Sector.*

*R28 says, "...It looks like government seems to have forgotten about their small project that was meant to empower small entities." - Energy Sector*

*R17 says, "our government efficiency is terrible when it comes to policies and processes to actually alleviating poverty, and the criteria they want is a great barrier to businesses. You can go to them with an innovative idea that will help grow the economy, add to GDP etc. and even show them data to show them that what they are doing is too expensive and unbeneficial to the country long-term and we only needed 10% of the current spend, and we can help them stimulate the economy locally. We discovered that there was no appetite for that at all." - Agricultural Sector.*

***Slow progress in state-run programmes and processes.*** Some entrepreneurs have observed that there has been progress in improving processes, although they suggest that the changes are not happening quickly enough. They also note that the requirements for bidding processes are continually being adjusted, and even experienced companies may have to start anew each time. This shifting of the "goal post" can be frustrating for those involved in the process. Some entrepreneurs expressed an appreciation for the gradual changes that have been made in efforts to improve processes but did feel that these changes came too slowly. Furthermore, processes keep getting adjusted that even companies that have been involved in bidding processes for many years have to "start again" each time as the requirements are re-adjusted and, in some ways, the "goal post is shifted".

*R3 says, “Bidding is like shooting in the dark in the beginning because you have to put up a bid bond, and that means that if you make any sort of material mistakes in the bid, you can lose a lot monetarily. I would have thought that round by round, the bidding process would have gotten easier, but because the process gets adjusted round by round, every new bid is like a fresh bid.”- Energy Sector.*

***Employee mindset vs entrepreneurial mindset created from state-supported programmes.*** South Africa's historical legacy is rooted in oppression and disadvantage, leading many to view jobs and salaries as essential for survival. Some suggest that this mindset still prevails, particularly in state-supported or run entrepreneurship programs that offer entrepreneurs a monthly salary. These programs may discourage the development of scalable business ideas, with some entrepreneurs viewing the venture solely as a means of earning a regular salary. However, entrepreneurs in private incubators or those who receive commercial loans may be more motivated to develop their ideas into commercially viable products or services due to the pressure to repay their loans. Scholars suggest the role of government support as critical for the enhancement of SME performance (Lu et al., 2010; Doh & Kim, 2014; Tambunan, 2008; Kang & Park, 2012; Lorenzoni & Lipparini, 1999; Dries & Swinnen, 2010; Wang et al., 2015). However, a number of studies have reported a negative effect (e.g. Tang, 2011; Hong et al., 2016; Bouncken & Kraus, 2013; Wathne & Heide, 2000). Interestingly, this study has discovered both effects. Due to South Africa’s cultural-cognitive mind frames that have been fashioned through the transition from apartheid to a democratic society, government financial support does not always bring about the expected positive outcome. In exploring entrepreneurial mindset frames, we examine entrepreneurial cognition. Cognition scripts are mental maps that support commitment to venturing and include actionable thoughts around opportunity seeking (Kruegar, 2000). Willingness scripts that focus on opportunity seeking are concerned with openness, innovation and drive toward seeking out new situations and possibilities as well as experimentation and trying new things (Urban, 2016). Willingness scripts allow entrepreneurs to experience less risk than non-entrepreneurs because these scripts reduce uncertainty (Kruegar, 2000). The historical legacy that South Africa stems from is one of oppressed, disadvantaged groups to the extent that having a job and earning a salary was all the people opted for as that determined their ultimate survival. It has been said that the “employee mindset” is still prevalent and, especially within state-supported/ run entrepreneurship programmes that have an allowance for the entrepreneur to receive a monthly salary, end up treating the venture as a means to earn a monthly salary and never bring the business idea to a scalable state. However, entrepreneurs that are involved in private incubators or are recipients of commercial loans were more entrepreneurial and brought their ideas to a commercial-ready state because of the pressure to repay the loans.

*R4 says, “when you know that you are not under pressure to pay back a loan, it frees you up to focus on developing your business. However, it also creates an employee mindset as opposed to an entrepreneurial mindset because it conditions you to work towards a salary as opposed to running an entrepreneurial venture that creates real value.” – Government Agency Stakeholder.*

***Corruption is interfering with entrepreneurship.*** Corruption can be deeply rooted in the economy and difficult to change (Nielsen, 2003; Baumol, 1990). Corruption differs across countries in its prevalence and effects, and reflects the use of public office in gaining private benefits (Rose- Ackerman, 2007; Murro, 1995), individuals can face corruption in their daily lives as well as when specifically taking part in business- related transactions. Literature notes that for entrepreneurs in some countries, dealing with corruption may be embedded and assumed (e.g. Estrin et al., 2013; Audretsch et al., 2021). The findings in this study are in agreement with the above and the presence of corruption placed entrepreneurs in situations where they had to exercise discretion and choose to either perpetuate a system or to distance themselves from this and conduct business where they would not be put in a compromising position. Corruption affects individuals who are interested in starting a business directly by shaping how they assess potential profits and risk (Audretsch et al., 2022). This also has the impact of diminishing trust, which makes engaging with the government viewed as risky. Entrepreneurs that operate in highly corrupt contexts might be inclined to pay bribes if that is the norm of that environment, and thus the cost of doing business increases, and they also lose trust in formal institutions and may turn their attention to trying to manage uncertainty due to the increased cost of doing business (Audretsch et al., 2022). And to look at the bigger picture, a high level of corruption means that funds that were meant to become public sector resources are instead diverted privately, and this may lead to restrictions on resources that could limit entrepreneurial activities and opportunities, further discouraging entrepreneurs (Audretsch et al., 2022).

*R5 says, “there is a lack of understanding about green energy among the policymakers themselves and when you try to convince them that this is the way to go, they are not willing to listen because they are concerned about what they will get out of it and not how it can benefit society. Our department heads are only concerned about what they will benefit from projects and how soon”- Energy/ Waste and recycling Sector.*

*R30 says “corruption is rife within government departments.”- Agricultural Sector*

*R31 says “corruption is a major problem. “So, there have been a lot of corrupt incubators taking money. I don’t understand. I mean, like, I had to plead in order to get funding from the (...), and these people would get like five million Rands to start one hectare of the in like no infrastructure, just like an established one. I mean, they wouldn’t even establish one hectare, and then they wouldn’t even have to explain themselves. Like, there’s no repercussions if you don’t follow through with what you said you would do.” - Agricultural Sector.*

***Black-owned businesses are prioritised above others.*** The preferential treatment of black-owned businesses in South Africa has significant implications for entrepreneurial and innovation activity. Some entrepreneurs view BEE (Black Economic Empowerment) as unfair and are distancing themselves from working with the government. This policy may have the unintended consequence of excluding the most innovative ventures that could help transform the economy if they do not meet the required criteria. The preferential treatment of black-owned businesses bears significant implications for entrepreneurial activity and innovation activity. Entrepreneurs feel like BEE is unfair and are distancing themselves from working with the government. This policy condition

may come with the consequence that the most innovative ventures that could help transform the economy are missed because they may not meet or fall in line with the criteria requirements.

*R20 says, "We no longer want to engage with the government because of BEE regulation that only benefits a select few, i.e. black people"-Water and Sanitation Sector*

*R7 says, "Black-owned businesses are preferred and encouraged to apply, but we do not disqualify you if your business does not fully meet the requirements. The statistics we have are companies are 61% black-owned, 26% white-owned, 8% Indian and 5% coloured owned with the incubator."- Government Agency Stakeholder*

*R38 says, "I'm so passionate about South Africa. I mean, I was created here. Yes, I live here, and I'm going to stay here, but it's just it's demoralising me as a female; owning a winery and running a winery with predominantly females is subjected to an onslaught of individuals that just decide to literally close the doors, never mind the families that are feeding people or children that have got to be schooled. It's just devastating."- Agricultural Sector*

***Entrepreneurs no longer believe in the state of South Africa.*** This finding was discovered during the mass looting and rioting that took place in June 2021. Some entrepreneurs expressed concerns about the future of the country and the government's ability to manage the economy. There is a sense of hopelessness among them, and some are questioning their willingness to remain in the country or continue with their ventures. The government's ability to organize the economy is viewed with a general sense of mistrust. There was a sense of hopelessness in the country's government, and future and some entrepreneurs questioned whether they would remain in the country and if they wanted to continue with the ventures that they were running. This has adverse effects on entrepreneurship.

*R31 says, "...Welcome to South Africa. My husband and I have been talking a lot, obviously, because we have a son. He's going to be a white man. Can you imagine in like 17 years when he's 20? Like, there will be no opportunities for him in this country. So do we stay, or do we go somewhere else where he might have a chance at a life with equal opportunities..."- Agricultural Sector.*

*R32 says, "... we're a failed state. There's a lot of anger at the moment into the recent stuff (i.e. mass riots and looting in June 2021) ... Underscored by the crumbling infrastructure and turning on the taps, and it comes out green. The money that was taken out of these state-owned enterprises is starting to have an impact on the actual infrastructural breakdown. So, there's this great disappointment in the country and the government."- Energy/ Agricultural Sector*

### ***6.1.10 The Impact of the Cultural-Cognitive Pillar of the Institutional Environment on the Green Economy of South Africa***

Cultural systems work on multiple levels. Scott (2014) provides an overview of these various levels from the shared definition of local situations to the common frames and patterns of belief that comprise an organisation's culture, to the organising logics that give structure to organisational fields, to the assumptions that are shared and ideologies that define preferred political and economic

systems at national and transnational levels (Scott, 2014). The cultural cognitive institutional environment relates to the subjectively held values and beliefs that limit behaviour and tend to operate on the level of culture and language (Bruton et al., 2010). Hofstede (1980) defines culture as a collective programming of the mind, and this definition has been typically viewed as a major component of the cognitive institutional environment as it influences the way that entrepreneurs are viewed and affects personal attitudes toward risk-taking, independent thinking, and taking initiative (Hayton et al., 2002). While some cultures recognise and reward entrepreneurial behaviour, other cultures actually constrain it by viewing it as a violation of the status quo. There is a vast body of research that has shown that national culture has a significant impact on entrepreneurial behaviours (Kreiser et al., 2010; Stephan & Uhlaner, 2010; Wennberg et al., 2013; Wennekers et al., 2007), including backing new ideas (Shane, 1994) and proactiveness (Kreiser et al., 2010), and also it affects personal traits of individuals that are deemed as important to entrepreneurship. These include locus of control and risk-taking propensity, among others (Thomas & Muller, 2000). South Africa's institutional environment presents a paradox as the National Development Plan (NDP) highlights entrepreneurship as a national priority however, the regulatory system that is meant to provide enabling conditions actually paints a very different picture to the extent that one could presume that entrepreneurship is in fact not valued.

*There is a distrust that black entrepreneurs have the capabilities to be awarded certain contracts.* In the context of entrepreneurship in South Africa, credibility is viewed as a complex and multifaceted concept. Some entrepreneurs associate credibility with having significant financial resources or having access to networks with influential figures who can support them. In some cases, this perception is linked to an individual's race or gender. Credibility appears to be a multi-faceted construct within entrepreneurship in South Africa. Some equate an entrepreneur being deemed credible if they have vast financial resources behind them or access to networks with powerful authority figures who can back them, and, in some instances, this relates to one's race or gender. R1 presents an interesting example that is all too typical of the South African context. She exhibits a distrust in black entrepreneurs' capabilities despite her being a successful black woman.

*R1 says, "The success rate for independent black entrepreneurs in the energy sector is very low because they are not seen as credible. If the entrepreneur had a white expert or international partner onboard, I would consider the proposal as being more credible"- Government Agency Stakeholder.*

*R15 says, "there is a lack of confidence, especially in the SMMEs. And as a result, no one wants to take us seriously, even if the solution you have is feasible; trying to establish a meeting with both the Department of Mineral Resources (DMR) and the Department of Water and Sanitation (DWS) to get them to back our technology as this is something that will help both departments but if you go to DWS, they say that the mines are under DMR, if you go to DMR, they say that this is a water issue, go back to DWS, so you end up going around in circles, and you are sent from pillar to post, and the meetings also keep getting postponed."- Water and Sanitation Sector.*

**Despite the government's desire for local procurement, the requirements are too high for SMEs.** An observation is made that there seems to be a mismatch between the national development agenda for entrepreneurship in South Africa and the mechanisms



in place to achieve it. The requirements set for some economic activities may be too stringent, limiting the participation of some willing and able entrepreneurs. The energy sector, in particular, requires significant financial resources that may not be obtainable for individuals without the backing of commercial banks or access to investors with substantial capital. Consequently, it appears that only individuals with access to generational wealth can participate in certain bids or projects. This mismatch between the national development agenda for entrepreneurship and the mechanisms that have been set in place to help achieve this has resulted in the exclusion of entrepreneurs from some economic activities..

*R2 says, "The fact of the matter is that this is not for smaller companies. Bidding requirements are too high; bidding rounds are dominated by multinationals that could show that they are well-oiled machines, and it is close to impossible for small players to enter and win these bids. This boils down to money and who has the most in order to win bids.- Energy Sector*

*R3 says, "we live in what should be a developmental state; we must always be pushing the envelope of if we are to procure so much power, why shouldn't it be taken locally, so I have taken appreciation of the changes fully.... We were the first company to be funded by banks outside of a project, and it took many years to convince them; after everything we had done, it still took them over a decade to fund us"- Energy Sector.*

***Racial, age and gender barriers act as barriers to entrepreneurial activity.*** Entrepreneurs indicated that they felt certain opportunities were not available to them due to their age, race, or gender. They believed that this was sometimes an unspoken barrier, but they could identify it as the main reason why they were unable to advance in specific opportunities. The entrepreneurial ecosystem of South Africa is riddled with multiple layers of complexity, such as systemic corruption, racial discrimination, gender discrimination, and political affiliations that lead to decisions based on cronyism, influence peddling, and lobbying (Scott, Dolan, Johnstone-Louis, Sugden, & Wu, 2012), thus posing barriers to entry for those entrepreneurs who are not embedded in the right circles. Entrepreneurs expressed that they perceived that certain access to opportunities had been withheld from them based on their age, race or gender. They expressed that in many cases, this was an unstated barrier, but they could trace it back to being the key determinant of why they were not able to progress in certain opportunities.

*R5 says, "There is a racial barrier because I am a black woman and I emphasise 'black woman' and there are not many of us who understand the business, the technology or the finance so when I speak up, a lot of times they will listen, but they take it with a pinch of salt. So much so that my partner and I are considering involving more white partners into the business so that we can break some doors... this is a white man's playing field, and yes, I am considering involving my white counterparts"- Energy/ Waste and Recycling Sector.*

*R15 says, "Things have changed; people are interested in tenders. They are looking for quick successes. Things that take time to be done, politicians are not interested in them. If I, as a black man in the water sector, walk into a room and a white man also walks into the room, the white man would be taken seriously, whereas I have had many years of technical experience, it is deeply ingrained in the mindsets of our people, especially the older generation which occupies, the higher levels within these sectors" – Water and Sanitation Sector.*

*R17 says, "Race plays a role, unfortunately. When you try to approach funding agencies like the (...), they want you to have collateral, and as a black entrepreneur from an average background, where are you going to get collateral? They see you as 'high risk'. We don't have assets, but other races have surety because, over the years, they accumulated assets that give them*

*that privilege. Also, in the industry that we are in, we have now touched the nerve of the 'other dominant side of agriculture (Afrikaners), so there are several apps that exist, but they don't operate at the co-system level ours does. Therefore, we are now being spied on, but since we are in IT, we can trace where it came from to the extent that it forced us to go and get a trademark because their interest was in seeing if they could hi-jack our platform. We are also unapologetically "pro-black" as white people have historically enjoyed privileges that black people have been locked out of, so to us, white people come last!"-Agricultural Sector.*

*R32 says, "because they are political forces that don't want to see it happen. Why? Why then don't they want to see it happen? Because there is a DA woman. Because I'm Jewish. It doesn't come up to my face. But I understand from my colleagues and friends that it matters because there is some sort of like whispering. That's right. And I guess because I don't see that in my own eyes, I don't go in looking at people like... oh Xhosa or Zulu, that is, you know, that's not how I function. And then again, it came up when there was this announcement almost like it is going ahead, and then someone said, no, we've got to shut it down. All of a sudden"- Energy/ Agricultural Sector*

*R37 says, "We weren't successful and were like, What's wrong? We have this great process, all these things. We've got someone else to do it. Someone who's a bit more street than we are. But it takes a certain person who can kind of bridge two worlds, you know, reach that informal world, but also be able to and, you know, connected with our more formal world."- Agricultural sector.*

*R38 says, "You know, every person in South Africa that has a white skin is still considered 20 years down the line; still, evil, still seen as privileged. So, seeing is as chosen for democracy as Nelson Mandela identified to create a nation was to work together, not to create a wall. Yes. The sadness is as I, as female and white, am bastardised by the mere fact of the colour of my skin. Now what I don't understand is if we were working together for democracy, we would be in an inclusive environment. We want to make it work so we can employ people and help this country. We don't want to leave this country. But the DNA of our current stance is that we are unwelcome. We're a family organisation, but we are told that you can't sell to this person because you're not a black empowerment partner. Now, how do I take my family business that I've sweated tooth and nail for? We have eight great employees. We are farmers. But because I don't have a black partner, I'm de-listed."- Agricultural Sector.*

***Entrepreneurs have to use network/ social embeddedness in order to access opportunities for entrepreneurial activity.*** Entrepreneurs are forced to act informally and leverage their social capital (Bourdieu, 1985) and their network (Granovetter, 1985). Network embeddedness and social capital, therefore, play a critical role in compensating for the institutional voids that dominate the South African institutional context. Socially embedded individuals also manage to acquire social capital by expanding their network by virtue of the trust posed in them by the social network. The ties they build contribute to their social capital, i.e. Gaining access to information and financing. The embeddedness argument stresses the role of concrete personal relations and structures (or 'networks') that generate trust (Gulati, 2012) and foster a preference for transacting with individuals of known reputation. This suggests a lower reliance on institutional arrangements; thus, this mechanism becomes essential to survive and thrive in environments characterised by institutional voids (Granovetter, 1985).

*R19 says, "...I understand the communication of the white male and I can't say whether the same privileges that come with me will be exactly the same for everyone else. I mean, I understand the language that, quote-unquote, white male South*

*Africans, which is the predominantly white male-dominated industry. So, I understand the language of the white male. I know how to speak to them, which opens certain doors for me as a young black man..."- Agricultural Sector*

*R21 says, " There are some specific barriers in place because of my pigmentation. I am a black man, and that has implications. I need to work harder to create the relationships that will gain me access..."- Energy Sector.*

*R22 says, "I think one of the issues I'm dealing with is the fact that I'm a white woman in South Africa working with different races of different cultures of women. And if I was a black face, I probably would get a lot. And that's the sad, sad thing, that it's home very strongly when I was there. And it is very sad but I don't think it helped the business, me having the colour scheme that I have..."- Waste and Recycling Sector.*

*R23 says, "I haven't had any luck with government at all and I am a young black South African, to be more precise. And isn't this what governments want? Because that's what the government needs. You know, young people who are against all odds charting the way forward..."- Waste and Recycling Sector.*

*R24 says, "because of my position at the university initially and I want to be quite honest, because of the fact that I have a title and some credibility, my access to government and senior people is a lot easier than someone who is just starting out in terms of accessing, you know, funding from donors or corporates...I have a title; I am a Dr..."- Agricultural Sector.*

*R36 says, "It's not easy. It's not easy. I have hidden challenges. I have had challenges or instances where I walk into a crowd of farmers, and I'll be instantly asked, what are you doing here and all that? And as soon as I start talking about what I'm doing and who am I and start talking about farming cattle? It is amazing how quickly the mindset of the Western farmers changed, and they just start coming on very close to you and then they open up and then they share. So, you always get that first initial resistance, and then once you show that capacity you have, then they become more open as it stands now. I am in the council of the Master Breeders Society, which is dominantly white and Afrikaner, and I'm the only black person there as well, and where I am working now, I'm the only one, the only black manager."- Agricultural Sector.*

***A lack of collaboration among entrepreneurs.*** Collaboration efforts with other firms has been stated to have a positive impact on entrepreneurship as firms are able to pool their resources and capabilities together in an effort to achieve both mutual and individual goals (Levy et al., 2003; Gnyawali and Park, 2009; Kang & Park, 2012). If we consider the resource challenges that SMEs face, it can be expected that through collaborating with other firms, and SME is positioned to gain access to resources that they would have to spend a length of time to obtain which could have the effect of enhanced performance (Zulu- Chisanga et al., 2021). "Strong ties" are said to reflect the amount of time and reciprocal services between individuals. They are typically associated with high levels of trust and the flow of fine-grained information (Nahapiet & Ghoshal, 1998). Being embedded in a network can give rise to a form of trust (i.e. relational trust) which is developed over time and is based on continual reciprocity (Rousseau et al., 1998). There is a lack of trust among entrepreneurs in South Africa's green economy that can be traced back to the historical legacy that South Africa comes from. This lack of trust has led to a lack of collaboration which is hindering the advancement of the green economy. This study discovered that this deep distrust can be linked back to apartheid and the subsequent divisions that this legacy brought with it.

*R28 says, "I think as a community, we also work together against each other. And I'm always telling my daughter what I've seen with the new generation of us as black entrepreneurs, you rather do the thing alone and fail and or rather invite others to be part of this development and raise more money so that you can all prosper and get something out of this. I think we're becoming selfish as black entrepreneurs."- Energy Sector.*

*R36 says, "the skills are sitting with the Western culture, the skills are sitting with the white farmers, the white farmers have been farming for a long time, and they've mastered stuff that we've tried to. And they have had the privilege of starting ahead of us, and they have generational knowledge that they are carrying. And after studying my main source, my main place way out of land and the hugest amount of knowledge in farming, right across, for animals and hold it is from the white farmers and through doing...the mentors we need, which are predominantly of the western culture. And we take those skills, and we transfer them to our people. But because of the mistrust between races, this is not happening. We need to work together, not against one another."- Agricultural Sector*

## **6.2 Discussion**

SMEs in developing economies are receiving more attention from scholars, policy makers and the general public with regards to how their environment shapes their strategies and how they perform (Zulu-Chisanga et al., 2021). It has therefore become more important to understand factors that enhance as well as hinder these firms. Various studies have attempted to establish a connection between government support mechanisms, inter-firm collaboration, and managerial ties; however, findings have yielded conflicting views which means that we observe such phenomena on a case-by-case basis. This study finds that while government has been stated to have a positive impact, it also has a negative impact at the same time in some instances and this is by and large a consequence of South Africa's institutional environment. Moreover, the role that is played by social network embeddedness plays a significant role in the SME ecosystem of South Africa for the very same reason. This thesis extends current views of the institutional- entrepreneurship relationship by explaining how the pillars of the institutional environment (regulatory, normative and cultural- cognitive) predict the dimensions of entrepreneurial orientation (Urban, 2019), in an emerging country context. Bruton et al., (2010) state that the implications of institutional theory have a limited view of the wide-ranging implications of entrepreneurship research. Therefore, producing a specific context and examining multiple layers of an institutional environment allows us to gain an understanding of the reality of institutional forces at play and how entrepreneurs in a specific context manoeuvre around this. Traditional concerns related to institutional theory expose how various groups and organisations better secure their positions and legitimacy by conforming to the rules and norms of the institutional environment (Meyer & Rowan, 1991; Scott, 2007). The findings in this study paint a picture of what is taking place from the players within South Africa's green economy. We gain not only the perspective of the entrepreneur/SME owner, but we also see the "rules" that large companies involved in the green economy ascribe to, as well as the government. It has clearly been revealed that the rules are different, and entrepreneurs have no choice but to utilise high levels of all dimensions of EO to navigate the arena.

As previously mentioned in the original contributions to knowledge, this study has linked the role of entrepreneurial cognitive perception to the institutional environment and subsequent entrepreneurial action that stems from this perception. In other words, the social reality of the entrepreneur determines how they interpret their stance in the institutional environment and directs how they utilise managerial discretion and subsequent entrepreneurial orientation to create entrepreneurial output. Now that an understanding

of how the institutional environment impacts EO and managerial discretion in South Africa’s green economy has been established, it is necessary to discuss the key findings that emerged from data analysis about the role of the institutional environment as a barrier or an enabler to entrepreneurial activity and innovation activity in South Africa’s green economy. Interestingly, the findings in this study indicate, institutional voids have the power to undermine a nations effort for economic and social progress in a profound way. The section to follow provides a deeper look at how this overarching finding transpires in South Africa’s green economy context.

Anderson (2011) states that public policy is a goal-directed course of action followed by an actor or set of actors in dealing with a problem or matters of concern and is made up of courses of action or patterns of actions developed and implemented by the public officials to achieve particular goals. Wilson (2013) suggests that policies are “authoritative statements or actions of government which reflect the decisions, values, or goals of policymakers”. Although the role of policy should be to create an enabling environment for entrepreneurship to thrive, it has been observed that in the case of South Africa, very few SMEs in the green economy are experiencing policy as an enabling mechanism. From the sample or participants, it can be observed that policy impacts SMEs negatively, especially in the energy and agricultural sectors, while the water & sanitation and waste & recycling sectors either report a negative impact or an indifference to policy, suggesting that policy in those sectors has little value. A key finding around policy impact in the sectors of energy and agriculture is that policy was reported to have a positive impact on entrepreneurs who either played a part in policy development in the sector or those who had commercialised.

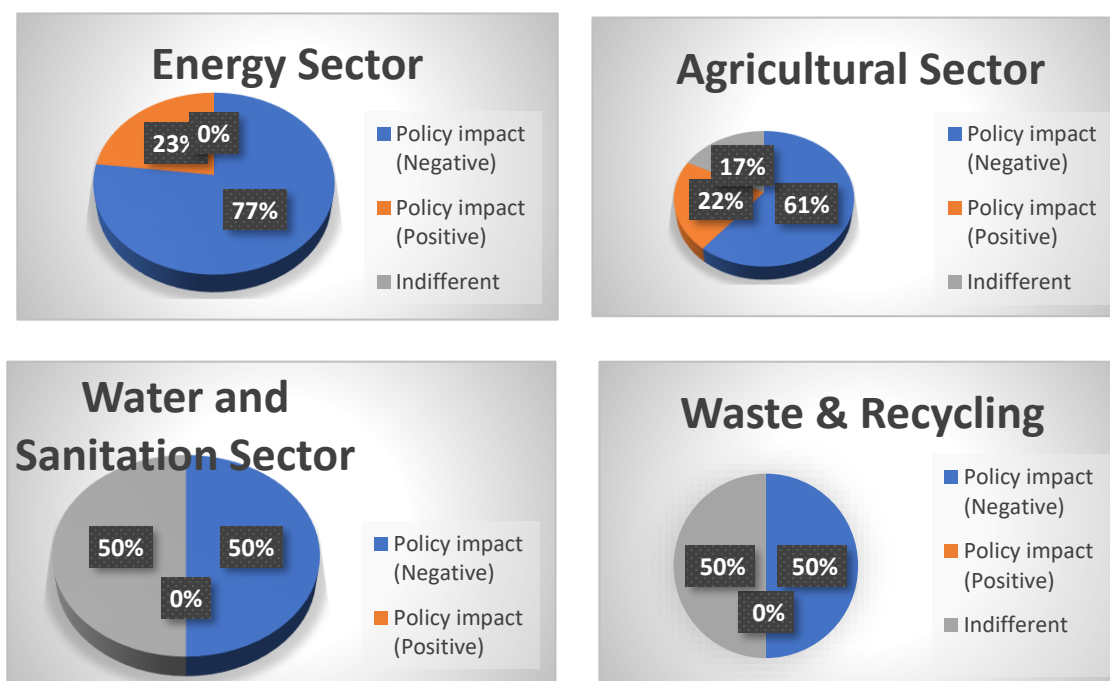


Figure 27 The Impact of policy in the various green economy sectors

Corruption can be deeply rooted in the economy and difficult to change (Nielsen, 2003; Baumol, 1990). South Africa’s green economy is no exception to this rule. The theme of corruption emerged multiple times in this study, with entrepreneurs stating how difficult it is to operate outside of corruption and many choosing not to engage on the topic at all due to personal reasons. Of the four sectors, the energy sector appears to have the highest prevalence of corruption and is almost unavoidable in this sector; this means that managerial discretion is heightened as the entrepreneur may be put in a position whereby, they must decide whether or not to engage in acts such as bribery in order to advance their business. “If a bribe can be used to achieve or facilitate an outcome, this reflects that stated rules are not the only way business is being conducted. This also means that corruption can expose entrepreneurs to a risk of continued future exploitation” (Audretsch et al., 2022). When corruption is high, some entrepreneurs may consider that corruption might be useful; for instance, they may face short-term difficulties if their competitors pay bribes to reduce costs or gain access to resources and opportunities. The only sector in which entrepreneurs that participated in this study did not state that they had directly come into contact with a situation involving corruption was the waste and recycling sector; however, it was still stated that in order to get one’s business idea through to government, the entrepreneur had to have a political connection to “champion” the idea in the department indicating that there is no equal footing for entrepreneurs to conduct business within the green economy of South Africa.

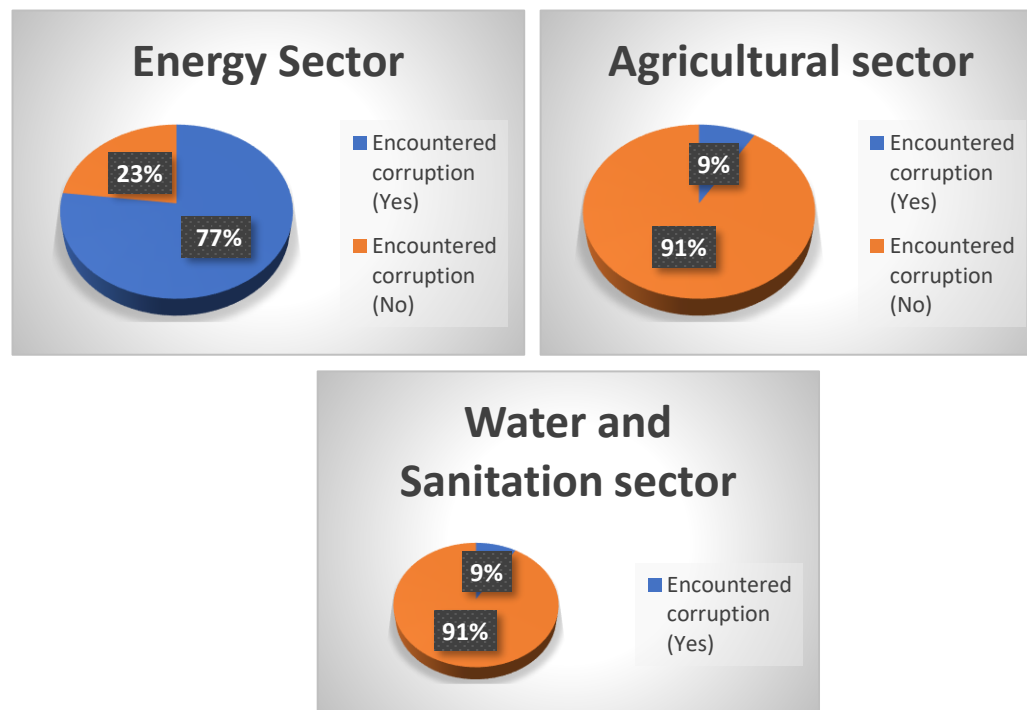


Figure 28 The prevalence of corruption

In light of these findings, the knowledge of entrepreneurship in a complex institutional environment and how managerial discretion and entrepreneurial orientation can be applied in helping navigate such environments to undertake entrepreneurial activity and innovation activity has been presented as a contribution to the field.

### ***6.3 Historical Legacy of South Africa and its Impact on the Institutional Environment***

This study aimed to understand in what ways the institutional environment acts as a barrier or an enabler to entrepreneurial activity and innovation activity in South Africa's green economy. Noting this, one cannot separate the origins of South Africa's institutional environment from its current entrepreneurial ecosystem. The race discussion was a prominent part of the interviews as each participant seemed to have the perception of race, gender or age impacting their ability to advance their business in certain ways. Interestingly enough, regardless of race, age or gender, all of the entrepreneurs shared the very same challenges. Black participants would cite their race as a reason for not receiving funding (despite being at the top of the preferential procurement hierarchy), and white participants would also cite their race for the very same lack of funding support (despite being regarded as being more knowledgeable and capable than black people). As this study adopted a constructivist ontological position, we accept the perspective of each participant's reality. We can only conclude that, indeed, that race is a factor when it comes to the type of access one has. Access itself is more determined by network embeddedness in the South African context. This spans over access to information, access to networks, access to markets and access to finance.

Each interview presented some similarities in terms of how the entrepreneur may have encountered corruption or the negative effects of policy, but all of the cases were unique in the various motivations of the entrepreneurs to go into business in the first place. Using the institutional environment as the backdrop for each dialogue, participants would unpack how they used their entrepreneurial orientation and managerial discretion to navigate the challenges that they encountered. Actions such as changing the management composition of the business to achieve a better rating on a BEE scorecard as a white female, bringing onboard one's male white counterparts as a black female or walking away from engaging with government engagement altogether to oppose corruption were taken by the entrepreneurs. Using their entrepreneurial orientation to chart the way forward in light of the discretionary actions taken would yield the entrepreneurial activity and innovation activity outcomes of these green enterprises. The section to follow will look at the notable barriers for entrepreneurs in green economy sectors with subsequent policy implications to follow.

#### ***6.4 The Link Between Social Network Embeddedness and Access to Funding, Networks, Opportunities, Information, Skills and Collaboration.***

This study has concluded that in the South African institutional context, there is a definite link between social network embeddedness and access to finances, networks and skills, which subsequently unlock access to opportunities (i.e., entrepreneurial activities and innovation activities). Social network embeddedness also implies that actors have a preference to rely on trusted information from their own past dealings (Kogut, 1984). Trust coming from the experience of previous interactions prompts people to seek information and dealings from those who are deemed trustworthy (Khanna & Palepu, 1997), thus reciprocating a preference for a continuing relationship based on economic motivations and stabilised by trust (Granovetter, 1985). Therefore, socially embedded individuals also manage to acquire social capital by expanding their network by virtue of the trust posed in them by the social network (Gulati, 1998).

An assessment of South Africa's SME landscape (2018) revealed that only 6% of SMEs surveyed received government funding and only 9% have sourced funding from private sources. In addition to this, the majority of private equity funding has largely been focused on mature businesses, with around 90 per cent of funding going to businesses that are more than five years old (The Impact of Venture Capital & Private Equity in South Africa, SAVCA, 2020). Entrepreneurs expressed that the type of financial support that they need is dynamic as there are times when there are months that SMEs need financial assistance and require cash on hand; other times, the need would be for physical equipment and other physical components (e.g. a generator, seeds etc). Furthermore, entrepreneurs expressed that if you do not have access to the right networks, then it is possible to be locked out of the industry altogether. Access to networks is vital in the green economy sectors as entrepreneurs often need help with gaining introductions to specific customers; considering the small size of these sectors as a whole acquiring access to networks has much to do with creating trust and leveraging one's social capital through network embeddedness (Granovetter, 1985). Access to skills, on the other hand, has a great deal to do with incentives and trust. From an incentive perspective, many of the green economy SMEs are highly technical and require highly skilled workers who are in short supply in the country. Moreover, small businesses are competing with big businesses for this limited supply of skilled workers, and they do not have the resources to stand on equal footing as these big businesses.

Government incentives for green economy jobs could create a bigger pool of workers, and those interested in the social mission can work in SMEs because the monetary requirements that they need are fulfilled by the government. From a trust perspective, certain groups possess skills and knowledge that others do not and are only willing to transfer or share this knowledge to individuals that they trust. For example, within the agricultural sector, white Afrikaans farmers hold a great deal of knowledge that they have harnessed over generations and withhold this information because they do not trust black people. This is partially to do with the apartheid legacy but also has to do with wanting to remain competitive through withholding this knowledge. Black entrepreneurs that wish to gain



access to this knowledge must be willing to pay for this knowledge transfer or must have built enough of a rapport with them to be considered “trust-worthy”. Building this trust is extremely difficult as many black people still harbour feelings of resentment because of apartheid and vice versa. This holds true in the case of access to networks as the type of social network one belongs to (whether business or personal) will also determine what kind of information they gain access to as well as the type of opportunities that they are involved in. Opportunities can take the form of access to new markets in many cases. Moreover, social network embeddedness also determines the kind of collaborations that entrepreneurs within the green economy can participate in because establishing trust and access to the right types of strategic partnerships is difficult, especially when crossing over the racial divide.

### ***6.5 The Importance of The Informal Economy for Innovation and The Advancement of South Africa’s Green Economy***

This study has thus far highlighted several inefficiencies that exist that hinder progress, as well as the enablers that are aiding the green economy of South Africa. A number of significant insights were gained from experts within the various sectors of the green economy. A pertinent finding that requires deeper discussion is that of addressing the role that is currently being played by the informal economy within the green economy that seldom is spoken of but has immense potential to transform these sectors if they were provided with the dignity that they deserve.

The impact that apartheid has had on South African society runs so deep that it can be seen on almost every street corner one turns in. There are extreme levels of excess and lavishness and extreme desperation and dire poverty existing all at the same time. South Africa, to date, is known as one of the most unequal countries in the world, reporting a per-capita expenditure Gini coefficient of 0,67 in 2006, dropping to 0,65 in 2015. This is according to the Inequality Trends in South Africa report (Stats SA, 2022). The gap between the “haves” and the “have-nots” is so wide; however, there are elements of South Africa’s informal economy that are being overlooked that could solve societal problems such as food security and waste management. This section will discuss the two most significant innovations that were discovered in this study and highlight the contribution that could potentially be made by the humble yet significant innovations.

***Informal Waste Collectors (“Abo Magereza”)***. Informal waste collectors, also locally known as “Abo Magereza” or “Trolley Pushers”, which means “a person that makes a plan” when translated, are found all over the big cities and towns of South Africa. These are mostly men who drag homemade trollies with large bags, collecting recyclable waste to sell to make a daily living. “Abo Magereza” are extremely hard-working individuals who can be thought of as entrepreneurs in their own right. They are predominantly

responsible for why the suburban locations of big cities are litter free, yet the conditions that they work under are extremely tough. Besides the health and safety risks that these individuals go through, there is also a stigma attached to this kind of work. These are people from already disadvantaged circumstances, and they are disrespected by ordinary citizens and not treated with the dignity that they deserve, yet they do so much for the country and especially for the manufacturers of recyclable waste products (such as SAB-Miller). The product manufacturer has an obligation to meet the regulatory requirement of collecting and recycling their products and pay “Abo Magereza” minimal prices per item. For example, a carton will cost about 31cents a kilogram; a glass bottle will cost approximately R1 a kilogram (Greater Good, 2020). Therefore, the only way that these individuals can make enough money to buy food for the day is to fill these large bags and drag them around while walking on foot for miles. Suppose we consider that these individuals’ work- day and sometimes night, paying them this much is appalling. However, big companies are able to do this because the government has overlooked these individuals and is not protecting them despite the service they do for the country.



*Artefact 1 Image of a trolley pusher (i.e Magereza) pushing waste to be recycled (Photo credit Anna Zieminski via Getty Images)*

It is the belief of the researcher that this should be made into formalised employment. One of the SMEs that participated in this study is already using this type of business model that is working well. They have hired “Abo Magereza” and provided them with tricycles to work more efficiently. Government can partner with SMEs such as this one to scale up their operations and create better working conditions for “Abo Magereza” because this would be a key mechanism to deal with the severe poverty and crime challenges that the country is facing.

According to the Recycling of Waste and Scrap in South Africa report (2021), South Africa generates 108 million tons of waste on an annual basis, and of this, 90% ends up in the country's landfills. Slow progress in recycling and "wasteful habits" have resulted in the government creating the National Waste Management Strategy 2020. This strategy has introduced the obligation being placed on producers and manufacturers to recycle their products and packaging at the end of their life cycle. The landfills in South Africa are expected to be full in the coming years, of which the province of Gauteng accounts for 45% of the country's municipal waste. The increasing population and growth of informal settlements where fewer ratepayers finance waste management services have created a major challenge for the country (Businesswire, 2021). The National Waste Management Strategy (NWM) (2020) outlines opportunities that address waste-related challenges and is supposed to reinforce the country's response to global climate issues and create opportunities for collaboration of all stakeholders in finding solutions in waste management and implementing a circular economy. Integrating “Abo Magereza” into the formal economy could address this challenge as well as create more jobs within this sector.

***Indigenous Knowledge Systems for Food Security.*** Food insecurity is a serious problem that has received poor recognition from the government. The rising levels of poverty and unemployment, severe inequalities and fragmented geographies trap poor people in remote settlements with inadequate and few job opportunities (City of Joburg Food Security Survey Report, 2017). The subsequent inability of the urban poor to access adequate food has severe consequences in the long and short term. Food security also triggers public health systems and malnutrition and is said to undermine South Africa’s economy, costing as much as 16 % of GDP. This study discovered that focusing on the agricultural sector as the primary source for dealing with food security, as detailed by South Africa’s NDP, is not the best means to tackle this problem. There is a great variety of native plants that have great nutritional value that historically was consumed in South Africa and formed part of a healthy diet. Unfortunately, knowledge of these native foods resides with the older generation, who mostly dwell in rural areas. Furthermore, South Africa’s desire to accommodate big companies that make sizable contributions to GDP has also seen to the lack of knowledge transfer of such foods. These indigenous/native plants are also said to require less water to grow than those conventional plants, yet, no effort is being made to grow and cultivate these types of plants. One of the participants in this study stated that, in the agricultural sector, which was conducting a study on innovation in food security, South Africa has enough native plant sources to offer the necessary nutrition that its people need, but these plants are being ignored. It was also said repeatedly that South Africa needs to look within itself for solutions to problems rather than following Eurocentric rhetoric because cost-effective solutions to national problems are there, but the government is not finding

these solutions and implementing them for the benefit of the people. This is not to say that doing away with Eurocentric thinking is the answer; however, there is a balance that can be struck between seeking outside solutions as well as effectively utilising internal solutions. Due to the cultural- cognitive perceptions associated with native/ indigenous foods or technologies such as mud ovens, the thinking is that innovation needs the latest technological advancement when as a matter of fact, some of the most applicable and effective innovations have worked for hundreds of years and can still benefit society today because the reality is that the socio-economic challenge in South Africa is creating a great chasm between the people of the nation. Below is an excerpt from a key informant within the agricultural sector whose work on indigenous food systems in South Africa has been integrated into international food security dialogues. He states:

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*"We have found that the best option for a low-income country like SA is to revert back to indigenous feed systems, as big commercial farming does not work well enough for us here... So, when you go to Mama Temba's fire, she's cooking, and they've got this different sort of process where they feed fire into an oven that holds heat like you can't believe, and they can bake for an hour in that mud oven. I present that, and I'm seen as the guy who invented the mud oven. This has been happening for hundreds of years. You know, we've had people in Africa for thousands of years. They must have been eating something. You know, because it wasn't me to release the innovation we've got. Innovation is important. And yes, we do come up with some clever ideas, I think. But most importantly, it's taking the time to understand, get the chip off our shoulders that we don't have to be on the leading edge of technology and flying rockets off to Mars like Musk is to be celebrated when there's some stuff that's been done for thousands of years that are brilliant, and it works. And it shouldn't be frowned on...."*

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## **6.6 Contribution of Green Economy SMEs to Economic, Social and Environmental Impact in South Africa**

Through the data gathered in this study and an analysis of case studies, it has been determined that indeed, green economy enterprises are achieving triple bottom line impacts for the country. On the social impacts, it has been observed that green economy enterprises help create employment, provide training and skills development, increase access to food and encourage women entrepreneurship and gender equality. Economic impacts observed are that they help promote local business development through micro-entrepreneurship and introduce innovative value chains. Moreover, on the environmental impacts side, green economy SMEs help to enhance environmental awareness amongst communities, adopt sustainable practices (i.e., organic farming and conservation) and reduce waste (Slavova et al., 2015). There is an ever-increasing worldwide interest in entrepreneurship as a means to addressing social challenges while also creating economic wealth (Alvarez and Barney, 2014; Bruton et al., 2013; Dacin & Tracey, 2011; Markman et al., 2016; McMullen, 2011; Shepherd, 2015). Specifically, social entrepreneurship has been recognised by both scholars and practitioners as a powerful mechanism to address poverty (Battilana & Dorado, 2010; Cobb et al., 2016), reduce unemployment

(Pache & Santos, 2013; Tracey et al., 2011), combat climate change (Jay, 2013), empower women (Zhao and Wry, 2016) and the like. Suited to this promise, social ventures have sprouted around the world especially in emerging and underdeveloped economies where many of the world's most difficult problems persist (Battilana and Lee, 2014; Bruton et al., 2015; Zahra et al., 2014).

Despite the spread of social ventures around the world, success stories are still exceptions and most social ventures face a range of operating challenges, battle with the trade-offs of balancing financial and social objectives and are susceptible to organisational decline (Lounsbury and Strang, 2009; Pache and Santos, 2013; Tracey et al., 2011). They are also under increasing pressure to commercialize and scale up in order to increase their social outreach and empower the large population at the bottom of the pyramid (Prahalad, 2010). Additionally, social ventures are encouraged to become financially self-sustainable so as to reduce their reliance on governmental support or subsidies that are often limited and unstable (Hoff and Stiglitz, 1990). These financial obligations require social ventures to acquire resources, especially financial capital, through a variety of channels (Cobb et al., 2016). There are especially severe pressures to go beyond public funding and tap into commercial sources, such as capital markets and loans from private corporations and financial institutions (Sapundzhieva, 2011). The role of resource acquisition has become an area of increased focus in social entrepreneurship literature. Social entrepreneurship scholars have started to examine various enablers and constraints that social entrepreneurs face in gathering resources. This emerging literature has typically taken the social entrepreneurs' perspective and examined how they can successfully persuade external stakeholders to provide them with essential resources for survival and prosperity (Zhao et al., 2016). Various characteristics and capabilities of social entrepreneurs have been considered critical in resource acquisition such as social capital (Maguire et al., 2004) and storytelling (Lounsbury & Glynn, 2001; Zott & Huy, 2007) among others. Relying largely on case studies, this literature tends to concentrate on individual success stories grounded in peculiar empirical contexts (Dacin et al., 2011). If we consider the potential an individual SME has in terms of alleviating poverty by providing employment for individual community members by assuming that the average size of a household is 3- 10 dependents (Bloomberg, 2022; StatsSA, 2022). Some of the businesses that are included in this study, though small, undergo periods where they hire as many as 70 people (such as one of the organic wine farm businesses located in Stellenbosch, Western Cape). This would mean that this one business in certain periods supports approximately between 280 people- 700 people (within households).



*Artefact 2 A group of harvesters working in a vineyard in the Western Cape (Stella Khaya.com)*

This business, like so many others does not receive any form of government assistance, still incurs heavy tax burdens and as a result of market saturation in the wine industry of South Africa, has opted to adopt an export model, focusing its efforts on business outside of South Africa's borders. It could be speculated that if the powers that be were aware of the kind of impact such businesses have and the difficulties that they endure, there would be a significant change in the policy and regulatory environment that helps these businesses. However, this particular wine farm is owned by a white female who perceives that the obstacles that she faces have more to do with her race and she feels "shut out" from the economy even though she does so much social good.

This study also profiled SMEs that work in remote communities, addressing some of the challenges that they are struggling with such as rape, crime and a lack of education. One of the entrepreneurs in the energy sector, started the business with the motivation to help a community in KwaZulu-Natal tackle rape in the community by providing solar streetlights that could illuminate the area at night and women returning from their places of employment would feel safer as now, they would be able to see any potential attackers at night. After successfully piloting this project which he had to bootstrap for, he realised that he could also help tackle the problem

of a lack of education in the area through the provision of wi-fi packages so that school children can access online learning resources as well as jobseekers who could find employment online. This particular entrepreneur demonstrated a level of tenaciousness that saw him receive funding from Silicon Valley to get such projects to a level where they can be independently sustainable. It is tragic that such individuals are not being supported by the country's own government and their contributions to overall economic and social development are not recognised. However, it cannot be denied that if such entrepreneurs did not exist, the country would be worse off.

The socio-economic challenges that South Africa faces are immense and sadly, the presence of institutional voids requires individual entrepreneurs to stand up and take action because the situation is too great for any one government carrying the legacy that the current government carries to tackle on its own. It is unfortunate that entrepreneurs are not regarded and treated like partners that can help the government meet the needs of local communities and that they are not supported, incentivised and encouraged to pursue such ventures. Instead, many of them are treated with suspicion and overlooked for reasons that if one looks at the bigger picture, pales in comparison.



*Artefact 3 Young installers making an installation in a local household (Supplied by participant)*



*Artefact 4 Young installers installing solar panels for streetlights in local community (Supplied by participant)*

In summary, let us imagine what would happen if the 47 SMEs that participated in this study, providing employment of 15 people on average, all playing a role in the social development and upliftment within their respective communities while utilising environmentally sustainable innovations, received support both from government and the private sector. They would be able to make significant impact on socio-economic development. Now, let's imagine what would happen if all of South Africa's SMEs within the green economy received the same? Indeed, the country would achieve the transformation it seeks.

### ***6.7 Assessing the Feasibility of a Just Transition for South Africa's Green Economy Agenda.'***

This study has examined the experiences of SMEs operating in green enterprises within local communities and has found that despite the national objective to prioritize this sector, the implementation has resulted in undesirable outcomes for businesses involved in energy, agriculture, water and sanitation, and waste and recycling. Additionally, the current electricity crises in South Africa make it improbable for the country to entirely move away from coal as the primary energy source due to insufficient renewable energy alternatives. While the energy sector requires immediate attention, it is essential to acknowledge that other areas of the green economy may not receive sufficient attention and priority. Prioritizing accessible opportunities in other sectors beyond energy may offer socio-



economic benefits to address critical needs, such as unemployment, poverty, crime, and food insecurity. Partnering with entrepreneurs and enhancing the performance of small and medium-sized enterprises may be a more effective approach for the South African government than implementing large-scale programs that may result in mismanagement of resources. The establishment of monitoring mechanisms to track progress and ensure accountability can also contribute to achieving progress. As the 13th biggest greenhouse gas emitter globally, South Africa needs to invest over USD 250 billion in the next 30 years to phase out coal-fired power plants and replace them with green energy. (Sguazzin, 2022). Added to this, closing these coal-fired plants and replacing them with wind and solar power plants, more finance is needed to spend on compensating coal-dependent communities whose livelihoods are threatened by the change, moreover, this finance will have to come from the country's private sector as the institutional voids that exist in the country, mean that the government cannot be responsible for producing this finance (Sguazzin, 2022). One can assume that the private sector might do this based on two conditions. The first being, if it was mandated by regulation and the second being, if indeed international competitiveness was threatened as more countries globally make this shift, it might threaten South Africa's position. Either way, the likelihood that this will occur is questionable as it appears to the researcher, that this realisation came far too late for the country and these investments should have started right at the beginning when the Paris Agreement was set in motion. To do something of this magnitude, South Africa requires a level of commitment and coordination that unfortunately has not yet been achieved if one considers that the National Development Plan has targets set for 2020 and we are now in 2022 and nowhere close to where the nation had aspirations of being.

However, should this go ahead, researchers state that most of the USD250 billion for this Just Energy Transition that will be privately funded would create 5000 jobs a year over the next decade and will offer economic opportunities for the nation (Bloomberg, 2022). It is the opinion of the researcher that setting an expectation of an energy programme of this scale to be financed by the private sector in South Africa and the rest of the world sets a negative precedent of the country looking to solve its problems by relying on others and will contribute to the widening of the inequality gap that has already demonstrated to have an adverse effect on the country. In the meantime, the other sectors of the green economy will continue to remain overlooked and under prioritised. The energy sector of South Africa is riddled with complexity, while it is urgent, the country's current position has to be considered and perhaps focusing on the low hanging fruit of the other sectors outside of energy will reap socio-economic benefits for the country that are needed to solve the immediate needs of unemployment, poverty, crime and food insecurity. To conclude, South Africa's government must partner with its entrepreneurs. The focus has to shift from rolling out big programmes that lead to resources being mismanaged to equipping SMEs to do what they are currently doing well at a higher level and put in place mechanisms for tracking and monitoring progress so that all stakeholders are held accountable, and progress can be achieved.

## 7.0 Conclusions and Implications

In conclusion, literature on small business strategy has been observed to have limited coverage on how government support and inter-firm relationships influence performance, with rare studies on developing economies. Consequently, questions remain unanswered regarding the effects of government support and inter-firm collaboration on performance, as well as the mechanisms through which these effects occur. This study aims to address this gap in scholarly work on the performance outcomes of institutional support and inter-firm relationships by incorporating insights from institutional theory. Specifically, the study explores how institutional support can either hinder or improve SME performance at different levels. Additionally, the study investigates how firm resources mediate the relationships between government support, inter-firm collaboration, institutional ties, managerial discretion, and firm performance. To reiterate the key contributions made by this study, this investigation has linked the role of entrepreneurial cognitive perception to the institutional environment and subsequent entrepreneurial action that stems from this perception. In other words, the social reality of the entrepreneur determines how they interpret their stance in the institutional environment and directs how they utilise managerial discretion and subsequent entrepreneurial orientation to create entrepreneurial output. This study contributes to knowledge on the South African institutional environment by adding to understanding of the phenomenon of eco-inclusive entrepreneurship in South Africa. It provides insights on the dynamic interplay between eco-inclusive entrepreneurship and the institutional environment in South Africa with implications for wider marketing scholarship. Moreover, this study extends current views of the institutional- entrepreneurship relationship by explaining how the pillars of the institutional environment (regulatory, normative, and cultural- cognitive) predict the dimensions of entrepreneurial orientation (Urban, 2019), in an emerging country context. Moreover, the role of resource acquisition has become an area of increased focus in social entrepreneurship literature. Social entrepreneurship scholars have started to examine various enablers and constraints that social entrepreneurs face in gathering resources. This emerging literature has typically taken the social entrepreneurs' perspective and examined how they can successfully persuade external stakeholders to provide them with essential resources for survival and prosperity (Zhao et al., 2016). It has been noted that existing small business strategy literature does not comprehensively provide for mechanisms through which government support and inter-firm relationships affect performance and studies investigating this in developing economies are rare in literature. Thus, questions of how government support systems an inter-firm collaboration affect performance and mechanisms through which these effects are channelled still remain unanswered. Accordingly, this study attempts to address the apparent lack of scholarly work on the performance outcomes of institutional support and inter-firm relationships by drawing on sights from institutional theory to explore on what levels institutional support hinders or improves SME performance. Moreover, this study examines how firm resources mediate the relationships between government support; interfirm collaboration; institutional ties, managerial discretion and firm performance.

The green economy is described as an economy in which economic growth works hand-in-hand with environmental responsibility in a mutually beneficial style while supporting progress on social development together with improving human well-being and social equity, and reducing environmental risks and ecological scarcities (UNEP, 2010; Wooders et al., 2011). However, upon an in-depth investigation on SMEs within South Africa's green economy, it has been discovered that very little mutual benefit is being created on the fronts of social development, social equality and the actual reduction of harm to the environment. This can be traced back to the institutional environment of South Africa. This study integrates for policy makers the findings of eight case studies in South Africa. Understanding of progress towards business, social and environmental impact were derived from qualitative data analysis. Evidence indicates that green economy SMEs (i.e. social and environmental enterprises that apply green and inclusive business models) can play a significant role in addressing challenges on the ground as well as help achieve sustainable development. Therefore, it is crucial for policy makers to understand the impact of these enterprises and how their scale-up can be promoted through policy interventions (Slavova et al., 2015). The green economy in South Africa has been identified as being driven by the entrepreneurs that work within these sectors rather than being driven by the government. Committed individuals are taking risks and creating these businesses, filling voids in communities left by an inefficient regulatory system. SMEs play a critical role in job creation and growth; protecting and enabling SMEs during this period of economic turbulence is important, not least because their survival and recovery help stimulate the economy (McKinsey, 2020).

The role played by the covid pandemic has had a detrimental effect on the advancement of all economies, and South Africa has been particularly hard hit. This has presented the opportunity to highlight that the country cannot return to the business-as-usual mode of operation, and there is a clear call for a just transition and for an economy that is inclusive and respectful of biodiversity. SMEs in South Africa's green economy operate and create opportunities across a wide range of geographic locations. They employ different labour force groups, including low-skilled workers and provide skills development opportunities, reaching areas that big businesses cannot (or will not). However, they have had to face structural burdens, including difficult access to funding, skills, lack of access to markets and an uncompetitive regulatory framework. Entrepreneurs in South Africa's green economy are investing in local communities and have been able to create the jobs that are required on the ground while self-financing to a large extent, persevering to keep their businesses operational. SMEs, entrepreneurs, the youth and cooperatives have been acknowledged to have a contribution to make to South Africa's economy that is positive (NDP, 2020), and so the need is to ensure that the country builds partnerships and strengthens relationships moving forward.

Below is a reiteration of the research questions that this study endeavoured to answer;

***RQ1. In what ways does the institutional environment of South Africa act as a barrier or an enabler to entrepreneurial and innovation activities within SMEs?***

**RQ2.** How are SMEs and entrepreneurs in South Africa's green economy supported for entrepreneurial and innovation activities?

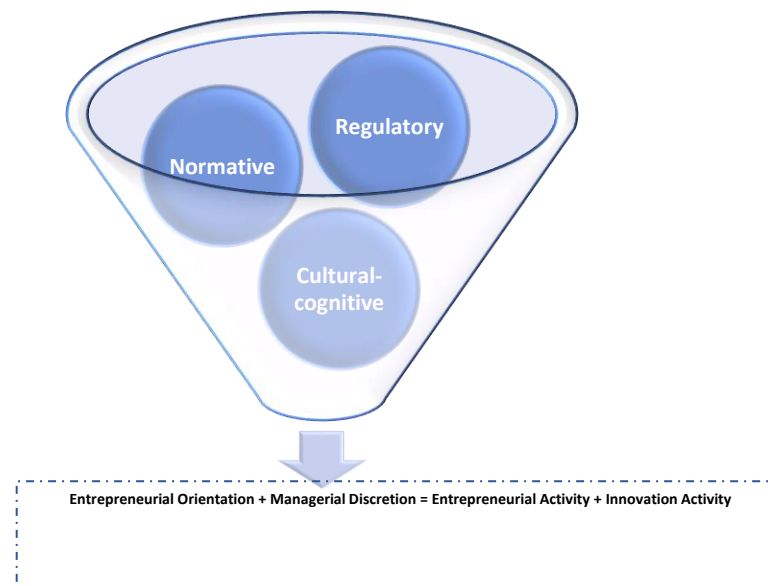
**RQ3.** How does entrepreneurial orientation enable entrepreneurs in South Africa's context to navigate the institutional environment?

**RQ4.** How does entrepreneurial orientation affect managerial discretion for entrepreneurial activity and innovation activity within firms?

**RQ5.** Are there differences in institutional support mechanisms among various SMEs within the green economy sector of South Africa?

These questions have been answered through the collection and interpretation of qualitative data that has been used to build embedded case studies that give a picture of the experiences of South Africa's green economy entrepreneurs and reveal that the environment is hostile and inconducive to build a viable and sustainable green economy.

Artefact 5 below presents a visual reiteration of the factors discussed in this study by presenting the institutional environment as a funnel with its three dimensions working in conjunction to create the output of entrepreneurial and innovation activity. Table 12 presents an overview of the key findings that are recommended actions that can be implemented to solve the challenge. Each finding is contextualised within the institutional pillar that it falls within.



*Artefact 5 The Institutional Environment And its Impact on Entrepreneurial and Innovation Activity (Author herself)*

To reiterate the key contributions of this study:

1. This study contributes to research that examines entrepreneurship and innovation from an emerging economy perspective. It highlights that scholars tend to focus on mature economies and overlook the unique institutional constraints and voids that shape entrepreneurship in emerging economies. The study aims to identify which institutional factors facilitate entrepreneurial and innovation activity in emerging economies. Existing literature suggests that entrepreneurship in emerging economy firms has distinct characteristics, and scholars need to study entrepreneurship in varied contexts as insights from developed economies may not be suitable for emerging economies. The study seeks to contribute to the knowledge gap in this area.
2. This study makes a theoretical contribution to entrepreneurship literature that applies institutional theory. The application of institutional theory has been found to be beneficial for entrepreneurial research. Its use in entrepreneurship has been highly advantageous, to the extent that there is a perceived necessity to establish a more precise comprehension of its broad implications for research in this field. Institutional theory has proven to be a popular theoretical foundation for exploring various topics in different domains ranging from institutional economics and political science to organisational theory (DiMaggio & Powell, 1991). Applying institutional theory has proven to be especially helpful to entrepreneurial research. Institutional theory has proven highly useful in entrepreneurship. Its use has reached a point that suggests a need to establish a clearer understanding of its wide-ranging implications for entrepreneurship research (Bruton, Ahlstrom, & Li, 2010).
3. This study contributes to studies that investigate the suitability of using the Miller/Covin and Slevin (1989) scale as a reflective measurement model to investigate small and medium-sized enterprise (SME) entrepreneurship in the context of South Africa's green economy. It suggests that while this scale is acknowledged as important in measuring entrepreneurial orientation (EO), researchers may not have adequately explored alternative measures in this regard. The study aims to evaluate the applicability of measuring EO using this scale in complex institutional environments where entrepreneurs require high levels of EO to function effectively. The study raises questions about the value of using this scale in such settings. Overall, the study emphasises the need to evaluate alternative measures for measuring EO in the context of SME entrepreneurship in complex institutional environments.
4. This study investigates the institutional context in South Africa and aims to contribute to the field of marketing by enhancing our understanding of how entrepreneurs navigate challenging institutional environments. The study examines entrepreneurial actions in the context of a specific institutional environment, which is considered a distinctive methodological approach that contrasts with confirmation and a researcher's personal orientation. The study provides emergent generalisations that encompass a range of aspects commonly observed in such settings, including descriptive facts, cultural artifacts, structural arrangements, social processes, beliefs, and belief systems. Overall, the study emphasises the importance of understanding

how entrepreneurs operate within specific institutional contexts and highlights the unique methodological approach taken in this study.

5. Another fundamental contribution that this study provides is insights into barriers and enablers for SME development with the focus on eco-inclusive enterprises, especially from an angle of public support and impact. The importance of education, entrepreneurship, innovation, human capital and the overall institutional framework conditions that are provided by the public sector, such as macroeconomic stability, openness and competition and a working social and economic system, has been stressed as being vital for SMEs to thrive (Cornett, 2009).
6. This study provides a contribution to the field of marketing by addressing the need for research that investigates the underlying institution-based barriers that limit innovation potential in SMEs. In some developing countries, the institutional environment is perceived as hostile to entrepreneurs, and further research is needed to understand how to strengthen institutions that support markets and are friendly to entrepreneurs. The study emphasises the importance of exploring strategies to unleash the innovation potential in SMEs by creating more supportive institutional environments.
7. This study points out the potential shortcomings of utilizing Eurocentric approaches to economic development in developing country contexts. Transitional economies such as South Africa face significant social challenges due to their colonialist legacy, and the adoption of developmental approaches used by more advanced countries may not address these issues effectively. Instead, these approaches can create further inequality by empowering large businesses, resulting in economic systems that offer minimal benefits to the local population. The study suggests that developing countries should not rely solely on Western solutions to address internal struggles, but rather seek and invest in internal solutions to empower their local inhabitants and build a stronger economy. This approach can help these countries scale up local solutions and compete more effectively in the global arena.
8. Finally, this study contributes to existing small business strategy literature as it does not provide enough for a comprehensive understanding of how government support and inter-firm relationships affect performance, particularly in developing economies. This study aims to address this gap by using institutional theory to investigate the impact of institutional support on SME performance and how firm resources mediate the relationships between government support, inter-firm collaboration, institutional ties, managerial discretion and firm performance. SMEs are important for creating employment, enhancing business competitiveness, providing innovative products and services, and contributing to economic growth.

The following table summarises the findings of this study and links the findings to policy implications.

<b>Findings</b>	<b>Institutional Environment Dimension</b>	<b>Recommendations</b>
Developing competitive and differentiated products and strategies is a challenge for SMEs in light of competing with big, well-resourced businesses	Normative	<ul style="list-style-type: none"> <li>- Intervention from the Department of Small Business Development and SEDA to assist green SMEs in supporting the development of innovation and marketing skills</li> </ul>
SMEs face significant challenges with accessing markets and establishing commercial partnerships (e.g. commercial retailers)	Normative	<ul style="list-style-type: none"> <li>- Intervention from the Department of Environmental Affairs and Land Reform to lower barriers to entry for small holder farmers and cooperatives through incentivising commercial retailers to support local small businesses.</li> <li>- The provision of incentives for big businesses to engage over and above CSR initiatives with small businesses by government.</li> <li>- Providing access to information on market opportunities for SMEs through a central hub with each of the relevant government departments overseeing a sector.</li> </ul>
Access to finance is a challenge for SMEs who end up having to rely on international donors as not all of them qualify for grants from government agencies (i.e. exclusion from BEE criteria)	Cultural-cognitive	<ul style="list-style-type: none"> <li>- Facilitate business mentorship for all businesses to help them generate revenue and create sustainable business models.</li> <li>- Improve access to government agency grants for all business with a high social and environmental focus to contribute towards national economic and social development.</li> </ul>
SMEs struggle in registering their entities as social enterprises with which they can operate both as for-profit and non-profit activities	Regulatory	<ul style="list-style-type: none"> <li>- Improve 2008 Companies Act to include social enterprises and provide them with an enabling legal framework</li> <li>- Provide mentorship and programmes that provide information on the New Companies Act of 2008, giving a masterclass on the various options that are available for start-ups in South Africa.</li> <li>- Place a Start-up Act in South Africa</li> </ul>
Green economy enterprises face heavy tax burdens which present a further barrier to operating as a socially responsible business	Regulatory	<ul style="list-style-type: none"> <li>- Revise tax system to include social enterprises for the community upliftment motives by lifting the tax burden.</li> </ul>
Local government and local community are direct beneficiaries of the operations of green economy businesses	Regulatory	<ul style="list-style-type: none"> <li>- Encourage local government and communities to incubate and support green economy projects (SEED, 2015)</li> </ul>

Competing with big businesses for talent and scarce skills	Regulatory	<ul style="list-style-type: none"> <li>- Government to incentivise scarce skills and assist SMEs to pay competitive salaries to make the social mission more attractive.</li> </ul>
Competing government programmes	Regulatory	<ul style="list-style-type: none"> <li>- Government departments to interact with SMEs in respective sectors to understand what they are doing and how they can support them rather than creating programmes that take business away from SMEs.</li> </ul>
Weaknesses in business model	Normative	<ul style="list-style-type: none"> <li>- Offering business model mentorship and training for SMEs seeking venture capital to be in a position to demonstrate viability of a business model.</li> </ul>
A lack of trust and collaboration	Cultural-cognitive	<ul style="list-style-type: none"> <li>- Incentivising collaboration between SMEs in the same sectors to work together as government resources are limited, therefore if SMEs apply for grants in teams, it might increase their chances of receiving funding.</li> </ul>
Gaps in policy	Regulatory	<ul style="list-style-type: none"> <li>- Reviewing current policy to identify if new industries are catered for and understood such as the essential oil and organics market.</li> </ul>
A lack of female participation in the green economy	Cultural-cognitive	<ul style="list-style-type: none"> <li>- Introducing more sector specific incentives for the participation of female entrepreneurs in the form of grants and funds for female led initiatives with social impact</li> <li>- Encouraging more females to study scarce skills at tertiary level and provide accompanying scholarships</li> </ul>
Young people not considering green entrepreneurship as a viable career option	Normative	<ul style="list-style-type: none"> <li>- Create awareness campaigns of entrepreneurship options in the green economy</li> <li>- Create mentorship and internship programmes for school leavers to explore green economy sectors and provide certificates of completion that count towards professional experience</li> </ul>
SME inclusion in amendments to policy	Regulatory	<ul style="list-style-type: none"> <li>- SMEs to be notified and invited to policy amendment meeting so that they can share their perspective on new directions to be taken by government concerning their sector.</li> </ul>

Table 9 Summary of Findings and Recommendations



This study notes that there are a number of initiatives and programmes that have been created in order to stimulate entrepreneurship in the green economy in South Africa.

However, as much as they do exist, it is observed that there are obstacles surrounding these programmes in terms of who has access to them. It cannot be argued that, ultimately, these are to be considered the key enablers of the green economy; however, the institutional environment adds a layer of complexity when assessing their effectiveness and impact on the transition and advancement of the green economy. According to the study, a number of small and medium-sized enterprises (SMEs) in the green economy have adopted business models that involve offering their products or services for free. The reason behind this decision is that these SMEs recognize that the communities they are trying to serve may not have the means to pay for these products or services, despite their urgent need for them. However, this approach often results in businesses that are unable to break even, let alone turn a profit. Without government support, these ventures may not be sustainable in the long term, unless the entrepreneurs can secure alternative sources of funding, such as international donor funding or crowdfunding. This raises questions about the feasibility of developing a sustainable green economy to help the country achieve its targets.

***Purchase Power Agreements in Energy Sector.*** Within the energy sector, specific to IPPs, there are high regulatory barriers in the form of PPAs with Eskom. This means that the SoE, Eskom has the ability to act as a customer and as a referee (as stated by one participant). The power that Eskom possess is destabilizing for entrepreneurs in the sector as commercial banks also look at what Eskom is doing before considering financing entrepreneurs. While that is the cautious action to take from a regulatory perspective, the green economy development agenda is undermined because it means that at this rate, not enough IPPs supplying renewable energy are being established, and this means that the country still has a heavy reliance on coal and an is no closer to achieving its NDC goals (it should be stated that due to the severity of the recent spike in load-shedding, regulation is being revised and this might create more favourable conditions for more local IPPs to be established in the country). It is therefore presented that changes to the energy policy would bring about a positive impact in this sector because it will lower the risk associated with establishing an energy business in South Africa.

***Risk capital.*** One of the biggest barriers is risk capital within the energy sector (i.e. renewables), and it is not advisable for young people to enter this sector because the government does not have the necessary support mechanisms in place. Suppose we compare South Africa's programmes which were created by looking at other countries' renewable programmes, such as India, China, and South Korea, who developed their programmes and their governments made sure that their own citizens could participate by assisting them with a wide range of packages that were required to be able to compete. Therefore, the state is not aligned in terms of

its support mechanisms, the Department of Energy and Mineral Resources, however, is said to do a commendable job in terms of initiating this process, but as participants have stated, when one looks at the funding support for businesses, it does not come through. This leaves the sector open to big business, which has an adverse effect in terms of procuring local content and developing local entrepreneurs in the sector.

***State-run incubators.*** Government-owned incubators that were created with the mandate to help develop green entrepreneurs have been said to not be as effective as those that are private sector owned. There is a lack of cooperation between the government and the private sector, which could be rectified to make more effective use of the government's resources and the skills that the private sector has, to create incubators that produce more conducive results for the advancement of the green economy. Furthermore, with the devastation caused by the recent pandemic and a weak economy, this could be an ideal time to create these partnerships between the government and the private sector.

***Governmental Institutional Support.*** Governmental, institutional support is described as the extent to which administrative institutions (including the central or local government departments) provide support (e.g., policies and programs) to firms in a nation or region in order to promote the firm's innovation activities (Li & Atuahene-Gima, 2001; Martin & Scott, 2000; Sheng, Zhou and Li, 2011). It goes without saying that the inequalities in economic and institutional reforms that exist in most developing countries and governmental and institutional support differ across nations, as well as regions and areas within a given country (Sheng et al., 2011). It was discovered that although South Africa's government have various programmes that have been established to assist SMEs with growth and develop entrepreneurship, the institutional environment still acted as a stumbling block for many of the very same firms and entrepreneurs that had received support in that firstly, some entrepreneurs may have received financial assistance/ funding. However, there was a lack of support in the other areas, such as business management skills which entrepreneurs also needed in order to be in a position to run a well-functioning business and thus, these entrepreneurs had to seek those complimentary skills elsewhere. Therefore, in this, we observe that it is not enough for the government to issue financial support if there are additional needs that need to accompany the financial support, and so one of the study participants who was a recipient of funding stated that this business would have benefitted from receiving mentorship (perhaps from the private sector) to understand how a business can be scaled up because it was seen as almost a waste if funds are given to entrepreneurs who do not understand how to use them to scale a business up and thus situations whereby entrepreneurs then misuse funds arise. This is not always the case, but such instances are not uncommon in South Africa's context.

***Living Labs.*** One of the key findings of this study has been that very few entrepreneurs in the green economy have received funding or some kind of financial assistance to start a business. The rest that has not been so fortunate have had to self-fund and still

need to test their concepts. This led to financial resources being drained and entrepreneurs struggling financially. Participants in the energy and agricultural sectors pointed to a possible solution that would have helped them avoid financial distress as having living labs that government and the private sector partner in to create for entrepreneurs with the support of academia. Mastelic et al. (2015) have stated that living labs as spaces for innovation and participative research, development and activity deployment, making use of multidisciplinary methods and approaches and bringing people together in contexts around a variety of themes. The value of living labs has been stated to be in their ability to improve the research and development phase through public-private partners and its focus on SMEs. Living labs emerged in Europe and North America at the convergence of various forms of research and practices, including social learning, collaborative consumption, open innovation and participative methods, among others. (Mastelic et al., 2015). Respondents stated that they felt that the government needed to create a kind of ‘test lab’ where they could test an idea and partner with academics, and investigate whether ideas are feasible. However, participants also felt as though the mentality of the government was more focused on box ticking in terms of the criteria, and if you don’t meet the criteria, they are not interested in hearing from entrepreneurs.

Furthermore, they expressed that the criteria they use are not reliable, and the policy is too rigid. It appears as though they overlook how much an industry brings in and how much is spent on imports and seek ways to bring that money back into the country. Because of these criteria, the government has been accused of losing out on a great deal of potential. Furthermore, there are no partnerships with academia to investigate solutions. Institutionally, there is no substantial innovation fund supported by a government that is a risk fund and brings together innovators from around the country and a mindset on the part of government that seeks to open the gates slightly and encourages experimentation and trying out something new as is the spirit of innovation. Participants expressed that it appears that there is too much fear and caution, but what is needed is for government to support innovation in a meaningful and impactful way. To do this, the private sector support with government’s resources by working together to encourage an innovation ecosystem that would have an impact on the economy of South Africa.

***Intellectual property.*** IP management tends to be a contentious issue within SMEs. It has been suggested that as individual SMEs typically have fewer patents and so on, they may be less able to adopt technology-swapping mechanisms to defend their IP rights than larger companies with a wider patent portfolio (Lanjouw & Schankerman, 2003). Levels of IP activity among SMEs also vary from region to region and sector to sector; however, there is little consistent evidence of any clear association between IP activity and either SME growth or survival. Developing countries are said to express scepticism about the relevance of IP management for development. Although, South Africa has been highlighted as possessing IP rights that can be leveraged in the service of inclusion and public policy objectives and demonstrate that a concerted long-term approach is required to transform innovation systems (WIPO, 2022). However, as per the input of interview participants, they expressed that they felt that South Africa’s IP policy framework is

centred around big businesses that have financial reserves that are able to maintain market dominance with the use of patents. Moreover, entrepreneurs did not feel that they could tackle the IP process (especially as an inventor) unless they had the backing of a bigger organisation that could help them navigate this process.

The IP environment is considered to be a barrier because “old monolithic companies” own patents and licenses that entrepreneurs would not ordinarily be in a position to afford. IP policy in South Africa requires revising to better enable entrepreneurs to be in a position to own their own patents and open up the market so that big companies cannot block entrepreneurs outside of the market. Governments play a critical role in innovation, and globally, we observe that governmental interest in promoting innovation is observed through the provision of nationwide incentive policies and programs (Shu et al., 2015). Patenting behaviours are defined as firm activities that are involved in the process of applying for patents. This includes deliberations over whether or not to apply and where, when, with whom, or how to apply for a patent (Shu et al., 2015). Statistics on IP in South Africa reveal that the trend between 2011 and 2020 has seen a decline in the number of patents that are being applied for in the country, and the top applicants or patents are big companies and universities (WIPO, 2022). This implies that small firms and individual entrepreneurs may not have the kind of access that these big companies and universities have in terms of their ability to apply for patents. This may also point to the IP environment being hostile for SMEs and entrepreneurs.

***Start-Up Act in South Africa.*** The Act, which is still in the pipeline, is a call to the head of state to unleash the growth and innovation embedded in South Africa’s entrepreneurs by exempting new enterprises from the limitations of existing policies and red tape that constrain their growth and ability to contribute to job creation and by doing this, accelerate the social and economic spill-over of start-ups to the rest of the country (South Africa Start Up act Position Paper, 2021). Stimulating the creation of new enterprises has surfaced as a vital development policy in reshaping economic activity in many countries around the world (Klenow & Li, 2020). Globally, there is a move to improve entrepreneurship ecosystems and boost the collective network of players and interventions that enable the functioning of start-ups. Having a start-up act in place is said to make improvements such as increasing access to capital for early-stage ventures, easing the regulatory burden on small enterprises and creating a more cooperative labour regime that will ensure that start-ups have access to the required talent and skills (South Africa Start Up Act Position Paper, 2021). Should South Africa put such an act in place, it would mean that potentially there would be an improvement in the legal systems (including laws and regulations that influence the formation and expansion of start-up businesses). Interventions of this nature aim to introduce and enhance the laws that address the legislative, policy and regulatory prerequisites (South Africa Start Up Act Position Paper, 2021).

***Platforms for entrepreneurs to engage with the government on policy development.*** The findings of this study uncovered that there are no platforms for start-ups like those typical of the green economy for entrepreneurs to engage with the government on

policy development that can help them. Start-ups are left on the outside and must find their own way through. Respondents stated that in their perception, entrepreneurship from a government point of view is something that is still seen and treated as something that requires a program to be created and is not a priority. It has even been stated by interview participants that as an entrepreneur, they did not know where they could even begin if they desired to participate in policy development for their respective sectors and, moreover, for them to even be in a position to understand the policies that are currently in place. Taking the respondent's insights into consideration, it has been highlighted for an environment like South Africa, a suitable place to engage with young entrepreneurs would be in high schools, colleges and universities. This is ideal for government to begin the policy formulation process around entrepreneurship and encourage policy creation participation from the youth/ young people so that the current misalignment between the government's perception of what they believe young entrepreneurs need and what their true needs are decreased. At present, according to the entrepreneurs themselves, they believe that policy is being formulated by stakeholders that have no entrepreneurial experience themselves, and, in many cases, its end use obscured because the individuals that the policy is intended to serve are not present when the policies are created.

***Government improving trust with entrepreneurs by being accountable and transparent.*** It has been established that the support of government is vital for the entrepreneurial ecosystem to function effectively. One important element of this is entrepreneurs being able to trust the government, and the key to this is accountability and transparency. This study found that many of the entrepreneurs that had approached the government for support had an experience where they were promised support only not to hear back from the government, or they had discovered that the government had gone back on their word altogether (i.e. government renege as per the study variables), placing the entrepreneur in a precarious situation as some would commit resources in anticipation of government fulfilling that promise. Consequently, entrepreneurs expressed that they no longer believed in or trusted government as they felt as though the word of government did not hold true when the time for it to be fulfilled arrived. Entrepreneurs told of their experiences when they had a visit by government officials and as impressed, they were with the operation of the entrepreneur, but they still did not give the entrepreneur the requested finances leaving the entrepreneur in a state of confusion as to why. Some entrepreneurs have had multiple visits from various government representatives who commended the work that was being done. However, nothing concrete materialised from those interactions with the government. Participants used some very strong comments when describing their experiences with government, such as “... *it's a combination of incompetence or poor management and corruption*” and “...*from a national point of view, it's been unbelievably upsettingly disappointing. I don't know what other choice of words I can use... It's been an incredibly frustrating journey.*” Statements such as these do not present a picture of a conducive, healthy, stable and functioning relationship between South Africa's government and its entrepreneurs. This is a matter that requires urgent attention if the country is to move forward in a progressive direction. There was also the notion that the South African government is not actually interested in the green economy or its development. Participants stated that beyond having government

representatives attend meetings, there was a lack of interest in carrying any of the work forward, and more and more entrepreneurs are feeling less inclined to work with the government, creating their own external partnerships and engaging in vital external/international dialogues that could help the country that the government is not a part of.

***Late payments from the government.*** SMEs lack the financial, operational and strategic structures that are usually present in larger businesses. This hinders them from making the best use of available capital to scale their operations. One of the reasons for this is that they have limited cash flow and are highly dependent on clients paying invoices on time (Mckinsey, 2020). The late payments that are made by the government have a negative impact on small businesses as they are kept waiting for two to three months to receive payments, and this means that they need to be kept operational in the interim while awaiting these payments. SMEs who do business with the state could benefit from having quicker payment terms established between them and government clients. If government administrative processes were run more efficiently, late payments would cease to be an occurrence for SMEs. The success rate of SMEs that secure government contracts is low, and those that have secured contracts wait for an extended period for payment; in the interim, they still have a business and personal expenses that they must pay while waiting on the payments from governments. Subsequently, debt is common among SMEs in the green economy as commercial banks agree to lend firms finances on the basis that they have a contract in place with the government, but these payback terms are not favourable, placing additional pressure on entrepreneurs.

***Competing with government programmes.*** This study established that the government is creating programmes that compete with entrepreneurs in the green economy rather than support the SMEs that are already running such business models and are serving local communities. For example, in the city of Cape Town, the government have a programme called Think Twice Recycling Collection Service, which is a known government recycling service that's free mainly in upper-income communities. At times, when they expand that service, there's no insight given to the private companies that operate there. Therefore, overnight, a small business in this sector can lose all of its business without knowing. It was stated that it appears as though an official makes a decision at the top without obtaining any knowledge of what is happening on the ground; therefore, it is recommended that more inclusive decision-making should occur between government and SMEs working within these sectors.

***International donor funding.*** The international community plays a major role in the development of the green economy in South Africa. Multiple participants highlighted that receiving support from the international community assisted them in developing their businesses. Some of these participants even went as far as to state that the help that they received from the international donor community was more than that received from local government. Some of the cited donors within the green economy of South Africa

include; the GIZ (who carry out work in South Africa on behalf of the German Development Ministry -BMZ), the United Nations Environment Programme, the United Nations Development Programme, the Flaunders government, Norwegian government, the Danish government, USAID etc. Needless to say, these international donors have their own motives for issuing aid to South African green enterprises; nevertheless, their aid plays a vital role in the development of South Africa.

***A more diversified education system.*** It has been stated by participants that they observe a shortfall in South Africa's education system. It is the perception of some of the participants that entrepreneurship education should be included as part of the educational curriculum from the primary education stage as it is clear that the labour market does not have enough jobs to support the levels of unemployment that South Africa is facing. Therefore, equipping school leavers with the knowledge on how to start one's own business in the likelihood of not finding formal employment after completing school should be on the country's top priority list for economic development. Additionally, climate education should be ramped up in the country with awareness campaigns on how individuals can help work towards national targets through supporting local green economy enterprises so that these kinds of businesses that have been profiled in the case studies receive support while creating positive social change. Furthermore, improving the general awareness for biodiversity, environmental and social sustainability and climate action should be initiated in government departments with each department understanding how their function contributes towards this.

## ***7.1 Future Research***

**Opportunities for Entrepreneurship in Green Economy Through Indegenous Knowledge Systems.** Sustainability in an African context is a concept under ongoing exploration. It has been stated that, particularly in Sub-Saharan Africa, an authentic developmental take-off has yet to have occur. Some of the reasons for this include that the developmental paradigm which both aid agencies and governments have adhered to has been a western paradigm (Breidlid, 2009). Western knowledge and science have played a dominant role in the developmental efforts in South Africa, whereas indigenous knowledge has been characterised as inefficient, old-fashioned and not scientific and treated overall as insignificant. Silitoe (2000) stated that indigenous knowledge and techniques have been discredited and replaced with scientifically informed and controlled technology. Although, it is recognise that modern science and knowledge have their place, the value of indigenous knowledge should not be underestimated in developmental contexts. Literature notes varying definitions of indigenous. Crossman and Devisch (2002) define this concept as holistic and organic, non-dominating, non-mechanical (social and people- centred and relational). On the other hand, Odora Hoppers and Makhale-Mahlangu (2002), refer to this as the combination of knowledge systems encompassing technology, social, economic and philosophical learning or education. It is knowledge relating to the technological, social, institutional and developmental.

The lack of respect for local or indigenous knowledge and the assumption by many Western scientists about the superiority of Western worldviews and scientific knowledge has proven to be a serious obstacle for sustainable development in the African context because it has proven that there has been a failure to meet human development needs and at the same time, to protect nature and the eco-system (Breidlid, 2009). Indigenous culture and knowledge systems are almost completely absent from the discourse on sustainability. Within certain scientific circles in the West, there is however, a growing recognition that African context have something to teach the West and that indigenous knowledge may be able to increase scientific understanding of natural phenomena which may be important for sustainable development. This does not mean that the South African government does not take the matter of indigenous knowledge systems seriously. In the policy documents “Indigenous Knowledge Systems” that was issued by the South African Department of Science and Technology (2004) the efforts to affirm South Africa’s indigenous knowledge systems are affirmed with mention of interventions that affirm African cultural values. The policy document also underlines the importance of creating incentive mechanisms to make African indigenous knowledge systems more geared towards economic growth. Moreover, the policy also addresses the sustainability or indigenous knowledge in many communities in South Africa as playing a key part in the country-wide sustainability agenda (The Department of Science and Technology, 2004). This policy presents an opportunity for entrepreneurship to play a role in addressing this matter as there is a specific incentive structure that has been developed to support it. It remains unknown, what the level of uptake has been on this specific policy, however, it remains worth exploring how this incentive and other similar incentives have worked to support the sustainability agenda which feeds into the green economy agenda.

From the data gathered in this study, one of the proposed solutions to addressing South Africa’s socio-economic challenges such as poverty and food insecurity is to revert back to indigenous knowledge systems on food sources. According to one particular participant who is a specialist on this topic, so much so, that he represents South Africa on global forums on food security, there are a number of indigenous vegetables that grow in a number of areas that the general population are unaware can provide a nutritious food source with a number of health benefits. Since these plants are native to South Africa, they have adapted over time and require less water to grow, this is advantageous because South Africa is water scarce, as previously mentioned. Investigating what potential opportunities could lie in cultivating such plants for the purpose of micro entrepreneurship in township communities and rural areas could yield an interesting contribution to the discourse of South Africa’s green economy. The green economy can only effectively work if all have the chance to participate in it in some or other way. If individuals, irrespective of what walk of life they come from, are provided the chance to participate and make even a small or minor contribution to a greener economy in South Africa, this would spark a domino effect that could see the level of change that would bring true impact to South Africa.

***Living labs for innovation in South Africa’s green economy.*** As a first point of reference for an area of future research that came out of this study, the concept of living labs can be explored to find out how these could be implemented in developing country



contexts such as that of South Africa as a possible solution of exploring viable options to rollout the green economy agenda that has been laid out by national government that addresses the economic and social needs of the country. Bearing in mind that there are various forms of living labs, exploring the “best fit” should be the focus of such a study. During the interview stage of this study, South Africa’s institutional environment was described as hostile to entrepreneurship. Moreover, it was also highlighted that there is no appetite for experimentation which is a vital component of innovation. Therefore, the researcher deems that this concept of living labs requires further research into how these could be effectively established within the South African context and, more specifically, how the youth can be integrated into participating in these labs so that entrepreneurial experimentation and learning can take place from a young age and more green entrepreneurs can be created. This is not to say that older people cannot participate. This opportunity should be open to all interested, however, since youth development is a key focus area of the NDP, this is one way to help address this. One of the key findings of this study has been that very few entrepreneurs in the green economy have received funding or some kind of financial assistance to start a business. The rest that have not been so fortunate have had to self-fund and still need to test their concepts. This led to financial resources being drained and entrepreneurs struggling financially. Participants in the energy and agricultural sectors pointed to a possible solution that would have helped them avoid financial distress as having living labs that government and the private sector partner in to create for entrepreneurs with the support of academia. As it has become increasingly recognised that achieving sustainability is not a matter of gathering more data, creating technical fixes or establishing the right institutions (Voytenko et al., 2016).

Changes are necessary in the ways in which systems of provision and services are designed, organised and delivered and to respond to these challenges, living labs that form experimental governance, whereby stakeholders develop new technologies, products, services and ways of living to produce innovative solutions to climate change, resilience and sustainability (Bulkely and Castán Broto, 2013). It is worth noting that living labs are described as being not just focused on technologies by also on consumption, behaviour and lifestyles. Globally, it is being observed that funding bodies and governments are promoting living labs because they offer a way to encourage countries to adopt innovative solutions. Living labs for sustainability have various ways of working as well as goals. They are initiated by different actors, and they form different types of partnerships. There is no uniform definition of living labs (Schliwa, 2013; Ståhlbröst, 2008; Hillgren, 2013). Some scholars define them as partnerships between sectors (often between public, private and people) (Börjeson, 2008; Rösch & Kaltschmitt, 1999; EC, 2015; ENoLL, 2015) where universities play a key role (Evans & Karvonen, 2010), while others look at living labs more in the light of pilot and demonstration projects which function as supportive tools for private actors and industry, assisting them to reach the point where they can commercialise their services, products and technology (Kommonen & Botero, 2013; Hellström et al., 2012). Living labs can be thought of both as a geographically or bounded space or as an approach for intentional collaborative experimentation of researchers, citizens, companies and local governments (Schliwa, 2013).

During the data collection phase of this study, interview participants highlighted that they felt as though they were constricted when it came to performing innovation. They stated that besides the resource limitations that they are facing, they have added that they were not able to perform the right level of experimentation that they needed to perform in order to produce the kind of products and services that could best address the needs to their local communities as they felt that whatever they currently had in place would have to do because of the difficulties associated with resource acquisition. Many of the participants admitted that although they were overall satisfied with the products/ services that they were providing the market, they could do so much more, given the opportunity to invest in R&D and experimentation through a structured living lab type of arrangement. Research that focuses on how living labs could be implemented in the developing country context such as South Africa's would introduce additional policy insights that could lead to viable solutions being produced that could assist in national development agendas. One practical method that such a study could be conducted would also use the SME as a unit of analysis and follow SME owners/ entrepreneurs who participate in joint collaborations that are funded by the government or through private-public partnerships. Each of the formats of living labs can be explored to find out which is best suited to developing country contexts that lead to the right level of innovation and entrepreneurial activity that provides mutual benefit for the sustainability agenda for SMEs, the national developmental agenda and the fight against the adverse impact of climate change.

## ***7.2 Limitations***

This study, although detailed, encountered a few limitations. As this is a qualitative study, the usual challenges that are associated with the analysis of this type of data were encountered. It should be highlighted that the institutional environment of South Africa is vast and highly nuanced and so much more still needs to be understood. The first limitation was that of access to participants from other racial groups because, from a cultural-cognitive perspective, entrepreneurs would be inclined to access other forms of assistance to help establish businesses in the green economy because it was discovered that different races with use their social network embeddedness in different ways and the social capital that they have access to would ultimately assist them in finding the relevant resources and opportunities that they require. The second limitation is that the researcher encountered that, on some occasions, participants lacked trust and had some discomfort when it came to discussing matters such as corruption. The researcher had to search for the hidden queues in responses because participants did not want to outrightly admit to having participated in corruption but would rather paint a picture of what was occurring in the sector, and the researcher then had to interpret if the participant was indirectly stating that they may have paid a bribe or not or even that they may have been awarded a tender because they had connections within government. The third limitation was that not enough of the participants had received government funding, so it is difficult to gauge

the role of the government in facilitating innovation in the green economy because the green economy is driven by the entrepreneurs themselves, rather than the government being the driver.

Another significant limitation experienced in this study is unavailable data. Due to the exploratory nature of this study, each participant told their story in the manner that they felt most comfortable. This led to some speaking for longer than the time allocation and not discussing some of the points that were needed in this study. Although this did occur from time to time, it is believed that this did not take away from the depth of the study and consensus was still achieved to make the findings of this study yield a significant enough contribution to the overall field. Another notable limitation is the timescale of this study. This study commenced in 2018 and was finalised in 2022. Several significant changes occurred during this time such as the world undergoing a global pandemic, restructuring within the SMEs themselves as entrepreneurs experienced personal and business losses, changes in energy regulation (though inconsequential at present) and reopening of the borders. This played a significant impact on the study as overall, there was stagnation in the development of the green economy and therefore, examining the post-pandemic green economy of South Africa may bring forth interesting new insights.

Finally, it was desired that this study would reach a point where the contribution of the SMEs in the green economy could be quantified in terms of their overall approximate contribution to the economy. However, this could not be achieved as the number of businesses that fall within this classification are unknown, therefore, in light of not being able to show the size of the contribution, it was rather opted for showing the impact on socio-economic development and how if this were scaled-up, this would make a sizeable economic contribution for the country.

## 8.0 Appendices

### Appendix A - Data analysis

According to Natow (2020), researchers may employ multiple data analysis techniques. This can be performed by utilizing multiple approaches for analysing data. Qualitative researchers has been prescribed to take approaches to data analysis that are both inductive (drawing findings and concepts out of data) and deductive (using data to test existing theories and concepts). As was the case in this study, as a starting point, the researcher began with an inductive analysis by analysing themes emerging from data, and then conduct a deductive analysis to locate additional data either by supporting or refuting emerging propositions (Creswell & Poth, 2018; Merriam & Tisdell, 2016). Leech and Onwuegbuzi (2007) describe seven distinct qualitative data analysis procedures, these are; constant comparison, key-words-in context, word count, classical content analysis, domain analysis, taxonomic analysis, and componential analysis' - which may be used in conjunction with one another. The authors note that there are other forms of qualitative data analysis in addition to these (Leech & Onwuegbuzi, 2007). Following the example of a qualitative study produced by Lingelbach (2015), whose study on the development of venture capital when institutions change was guided by Plowman et al. (2007) and Eisenhardt (1989), the analysis of this study sought to connect empirical reality to theory development. Specifically, I, as the researcher, sought to tell the story of how the institutional environment of South Africa enabled or hindered entrepreneurial activity and innovation activity in the green economy based on an analysis of themes (Dutton & Dukerich, 1991). This theme analysis followed steps described in Miles and Huberman (1994) and implemented by Plowman et al. (2007). The following steps outline the process followed in conducting the data analysis of this study.

*Step 1: Using a contact summary sheet.* The researcher used a contact summary sheet (Miles and Huberman, 1994) to record the themes and issues from each interview. The researcher then cross-checked the summary sheet with the transcripts to confirm the identification of significant themes. Lingelbach (2015) describes a theme as a recurring topic of discussion that captures an interview's main or core ideas (Dutton & Dukerich, 1991; Plowman et al., 2007; Lingelbach, 2015).

*Step 2: Creating a complete theme list.* The process implemented to complete the contact summary sheets resulted in a list of unique themes for each of the 55 interviews. Through the examination of previous similar studies, I was aware that I required uniqueness of the themes that I identified within each of the interviews by making allowance for commonly identified themes over

the 55 interviews. I then proceeded to code each of the themes that had been identified for the purpose of analysis. After this, I then proceeded to consolidate the list of themes of the overall 55 interviews. Examples of these are: 'race', 'government', 'access' and 'knowledge'.

Step 3: *Narrative analysis*. For each of the four cases, narrative accounts of the experiences of entrepreneurs in the green economy were developed. Narrative analysis is useful for organising longitudinal data (Lingelbach, 2015), especially in instances when there is a wide range of information available (Langley, 1999). Each case recorded a 'story' of what the entrepreneur has encountered relative to engaging with the institutional environment when running a sustainable business venture using theme analysis. As each narrative was analysed, patterns began to emerge within the data.

Step 4: *Coding interview data*. I reviewed each interview transcript and extracted all of the quotations that were associated with each of the themes and coded the quotations into broad categories using definitions derived from literature. 180 quotations were included in this study.

Step 5: *Visual mapping*. As recommended by Lingelbach (2015), I made use of a graphic approach to represent the coded interview data. While a visual map to display a network cannot necessarily reveal causal relationships, this method was used to improve data organisation so that the collation of the embedded case studies would be performed more efficiently.

Step 6: *Validity checks*. As advised by Lingelbach (2015), I relied on triangulation of data wherever possible to check the validity of the study. I triangulated data from interviews, observations and secondary sources. My reporting includes only data substantiated from information sources. I triangulated data using multiple methods such as narrative analysis and visual mapping.

## **Quantitative Data**

Several significant coefficients are noted in this study. Pearson correlation coefficient was selected as a method for examining relationships between variables; this assisted with the coefficients being identified as being positive or negative- indicating the direction of the relationship. This is an interdependence technique that has the primary purpose to define the underlying structure among variables in the analysis where the researcher strives for correlation among variables, and as the variables become correlated, the researcher is then tasked with managing these variables by grouping the highly correlated variables together. The highly intercorrelated variables have been grouped into distinct sets, and these sets can provide a depth of information about the interrelationships of the variables. The researcher deemed it appropriate to apply this technique as it

has been suggested that this analytical technique can be applied to achieve the purpose of adopting an exploring perspective as this technique is considered by many researchers to be useful in searching for structure among a set of variables. Adopting this perspective means that we "take what the data gives us" and do not set any pre-existing constraints on the estimation of components and the number of components to be extracted (Hair et al., 2011). In this study, the researcher did have some preconceived thoughts on the actual structure of the data based on prior research and aimed to test the research propositions to explore which were the most significant relationships. In this instance, I required that factor analysis adopt a confirmatory approach that is to assess the degree to which the data meet the expected structure.

By adopting a method for data summarisation to seek insight into the interrelationships among variables and the underlying structure of the data, the research has gained a clear understanding of which variables may act together and how many variables may actually be expected to bear an impact on the analysis. Variables that have been determined to be highly correlated members of the same factor are expected to have similar profiles of differences across groups. In this study, only 13% of variables correlate with each other, so this has yielded some interesting inter-relationships that can be explored. As prescribed by Hair et al. (2011), the sample size is comprised of more than 40 observations (47 in this case), and I have endeavoured to maximise the number of observations per variable. Below are the results generated from transforming the dataset in SPSS, and each of the variables will be discussed in the section to follow.

## Pearson Correlation Coefficient Matrix

The variables that have been included in this study to explore links between relationships were the issues that emerged from the coding process can be found in Appendix A. The dataset used to generate the correlation table will be explained in the section to follow. Below is the correlation table which shows that 13% of variables are highly correlated. This indicates that multicollinearity has been avoided. The significant relationships will be discussed in the section to follow.

	sectorGE	raceBW	genderNum	ageGroup	education	activity	outcome	social networks	funds source	policy impact	government renage	criteria	abandon gov engagement	access funds	access information	access networks	criteria complicated	tech ability	policy Incoherent	corruption impact	discriminati on race	discriminati on gender	discriminati on age	competing with gov	lack inter gov coordinatio n	incoherent progs	electricity cuts	crime impact
sectorGE	--																											
raceBW	-0.043 --	--																										
genderNum	0.053	-0.114 --	--																									
ageGroup	-0.338*	-0.351*	0.064 --	--																								
educationLvl	-0.141	-0.410**	0.046	0.321**	--																							
activityYears	-0.481**	-0.146	-0.002	0.652**		--																						
ventureO	-0.396**	0.187	0.159	0.039	-0.036	0.334**	--																					
socialNetworks	0.144	-0.010	-0.080	-0.338*	-0.179	-0.134	-0.009 --	--																				
fundsSource	0.005	-0.167	-0.002	0.211	0.196	0.014	-0.002	-0.328**	--																			
policyImpact	0.084	0.101	0.148	-0.079	-0.009	0.075	0.423**	-0.106	0.019 --																			
governmentRen	-0.071	-0.166	0.021	0.310*	0.244	0.323*	-0.222	-0.123	0.087	0.139 --																		
criteria	0.019	0.899**	-0.127	-0.466**	-0.483**	-0.238	0.132	0.098	-0.274	0.052	-0.120 --																	
abandonGovEng	0.192	-0.259	0.045	0.059	0.017	-0.268	-0.432**	-0.006	-0.338*	-0.092	-0.136	-0.257 --																
accessToFunds	0.066	-0.066	-0.313*	-0.044	0.179	0.035	-0.184	0.202	0.004	0.071	-0.111	0.049 --																
accessInformatio	0.034	-0.087	-0.180	0.040	0.264	0.134	-0.075	-0.312*	0.168	0.095	0.158	-0.147	-0.027	0.759**	--													
accessNetworks	0.090	-0.136	-0.192	-0.019	0.237	0.028	-0.039	-0.290*	0.233	0.264	0.191	-0.200	0.142	0.582**	0.815**	--												
criteriaComplicat	0.049	-0.035	-0.169	-0.085	0.191	0.041	-0.199	-0.051	0.074	0.029	0.125	-0.091	-0.114	0.725**	0.699**	0.524**	--											
techAbility	-0.161	0.088	0.007	-0.177	0.254	0.123	0.124	0.043	0.004	0.175	0.118	0.004	-0.179	0.394**	0.519**	0.427**	0.622**	--										
policyIncoherent	0.272	-0.184	0.060	-0.112	-0.210	-0.209	-0.379**	-0.007	0.007	-0.066	0.101	-0.063	0.217	0.207	0.273	0.372**	0.363*	-0.007 --										
corruptionImpact	0.045	0.112	-0.043	0.000	-0.046	0.010	-0.152	0.073	-0.004	0.025	-0.048	0.173	-0.013	0.264	0.107	0.074	0.344*	-0.017	0.409**	--								
discriminationRa	0.039	0.183	-0.113	-0.187	-0.451*	-0.169	-0.235	0.240	-0.212	-0.195	-0.170	0.265	-0.024	-0.115	-0.060	-0.060	-0.061	-0.018	0.286	0.285 --								
discriminationGe	0.124	0.119	0.015	0.030	-0.364*	-0.125	-0.210	0.010	-0.090	-0.148	0.029	0.168	0.063	-0.172	-0.227	-0.270	-0.292*	-0.187	0.085	0.094	0.501**	--						
discriminationAg	-0.066	-0.172	-0.005	0.261	0.068	-0.021	-0.160	-0.183	0.307*	-0.382**	-0.071	-0.116	-0.154	0.016	0.021	-0.041	-0.027	-0.289*	0.110	0.065	0.011	0.172 --						
competingWithG	-0.157	-0.029	-0.101	0.198	0.218	0.303*	0.174	-0.244	0.002	0.126	-0.007	0.011	-0.136	0.217	0.158	0.191	0.125	0.118	-0.021	0.204	0.069	-0.168	0.221 --					
lackInterGovCool	-0.096	-0.074	-0.122	0.232	0.309*	0.114	-0.244	0.051	0.000	-0.064	0.009	-0.117	0.018	0.205	0.219	0.168	0.170	0.244	0.025	-0.043	-0.130	-0.144	0.027	0.409**	--			
IncoherentProgs	0.113	0.119	-0.085	-0.078	-0.174	-0.125	-0.177	-0.088	0.365*	-0.230	-0.108	0.168	-0.330*	0.185	0.087	0.035	0.253	-0.088	0.383*	0.208	-0.087	0.530**	0.166	-0.036 --				
electricityCuts	-0.054	-0.045	-0.157	-0.096	0.096	0.000	0.012	-0.004	-0.068	0.060	-0.011	0.017	-0.070	0.111	0.147	0.006	-0.013	0.278	-0.032	-0.173	0.014	0.045	-0.225	0.011	0.013	-0.275 --		
crimesImpact	0.256	0.037	0.260	-0.019	-0.096	-0.104	-0.050	-0.019	-0.084	0.086	-0.052	0.081	-0.002	-0.275	-0.247	-0.196	-0.183	-0.128	0.070	0.107	0.173	0.087	0.011	0.100	-0.059	0.211	-0.081 --	
distressFromDel	-0.134	0.123	0.041	-0.072	0.046	-0.133	-0.240	-0.245	0.053	0.023	0.208	0.137	0.023	-0.148	-0.082	-0.061	-0.105	-0.032	-0.041	-0.151	0.004	0.118	-0.110	-0.088	-0.130	-0.123	-0.137	0.165

Table 10 Correlation table

## Extrapolation of Data of South African Green Economy

Based on interviews and observations, the researcher created a dataset and used a Pearson bivariate correlation analysis to identify/ build a picture of the South African green economy based on the actual primary data collected. I will use the categories shown in Table 7 to explain the South African status quo. This will provide the contextual basis for further analysis. The above correlation table summarises the data. 13% of variables are highly correlated. In this case, this is a good outcome as this means that potential multi-collinearity can be ruled out. This indicates that the measures are differentiated enough, indicating that if there are two variables, that are highly correlated, one variable measures the other. The results generated from the correlation table present an interesting story of South Africa's green economy. The following section will describe the significant relationships that have been highlighted in red. Pearson correlation tables have been used throughout this chapter to explore the relationships that exist within certain variables in order to build the justification for the recommendations located within the conclusions and implications chapter of this dissertation.

Sector GE (representing the sector of the green economy) and AgeGroup (representing the age group of the participants) is ( $\rho = -.338$ ,  $p < .05$ ) indicating that older people are found in the energy and agricultural sectors of the green economy and younger people are found in the waste & recycling as well as water & sanitation sectors of the green economy. Table 2 below represents the frequency of participants by sector.

Sector GE (representing the sector of the green economy) and Activity Years (representing the number of years that the business had been operating) has a correlation of ( $\rho = -.481$ ,  $p < .05$ ). This is significant and represents that younger companies are also found in the same sectors as discussed above.

Venture Outcome (representing the outcome of the business ranging failure to success) and Sector GE (representing the sector of the green economy) has a correlation of ( $\rho = -.396$ ,  $p < .05$ ). This represents that failure is higher in energy and agricultural sectors. This is possibly to do with the fact that high barriers to entry are higher in these two sectors. This could also imply that these sectors have the greatest risk for entrepreneurs, which we can also assume is a major contributor to the fact that entrepreneurs (especially younger ones) experience difficulty with access to finances.

RaceBW (race black or white) and AgeGroup (age group) has a correlation of ( $\rho = -.35$ ,  $p < .05$ ). This indicates that younger participants in this study are black. RaceBW (race black or white) and EducationLvL (education level) has a correlation of ( $\rho = -.410$ ,  $p < .05$ ). This indicates that in this case, black people are less educated than white people from this particular sample.

RaceBW (race black or white) and Criteria (Governments BEE scorecard criteria) has a positive correlation of ( $\rho = .899$ ,  $p < .05$ ). indicating that the white people interviewed as part of this study have businesses that do not meet the government's BEE scorecard



criteria and cite this as one of the reasons that they do not have access to funds. GenderNum (gender male or female) and AccessFunds (Access to funds) has a negative correlation of ( $\rho=-.313$ ,  $p<.05$ ). This indicates that the females in this study have lower levels of access to funding than males from the data. AgeGroup (age group) and EducationLvL (Education level) has a positive relationship of ( $\rho=.321$ ) indicating that out of this sample group, older people have higher education levels than younger people.

AgeGroup (Age group) ActivityYears (number of years in business) has a positive relationship of ( $\rho=.652$ ,  $p<.05$ ). This indicates that older people have been in business longer from this sample group.

GovRen (government renege i.e., the government has gone back on a promise of commitment of support) and age group (age group) has a positive relationship of ( $\rho=.310$ ,  $p<.05$ ). This indicates that from the sample of participants, the older participants had experienced situations where the government went back on their word to provide financial support to these entrepreneurs. We can assume that entrepreneurs that have encountered this would have lower levels of trust in the government and utilise their managerial discretion more in regards to seeking and securing alternative sources of funding through personal or business networks.

AgeGroup (age group) and Criteria (government's criteria i.e BEE scorecard) is a negative relationship at ( $\rho=-.466$ ,  $p<.05$ ). representing that the older entrepreneurs in the sample of this study meet the criteria more than the younger participants.

ActivityYears (number of years in business) and Education Lvl (education level) represents a positive relationship of ( $\rho=.321$ ,  $p<.05$ ). indicating that, from this same of participants, older people have a higher level of education.

Education and Activity Years has a correlation of ( $\rho=.334$ ,  $p<.05$ ). This indicates that from these participants, more highly educated participants have more experience in business. Education and criteria (government's eligibility criteria i.e. BEE) is at ( $\rho=-.483$ ,  $p<.05$ ). indicating that from this sample, more educated people meet the criteria less than those who were less educated.

Education and DiscriminationRace (discrimination on the basis of race) reveals a negative relationship at ( $\rho=-.451$ ,  $p<.05$ ). This indicates that according to this sample, more educated entrepreneurs experience less discrimination than those that have less education.

Education and DiscriminationGender (discrimination based on gender) is a negative relationship at ( $\rho=-.364$ ,  $p<.05$ ), indicating that from this sample, the participants that have higher levels of education experience less gender discrimination.

InCoherentPrograms (government programmes aimed at SMEs) and DiscriminationAge (discrimination based on age) is a strong positive relationship at ( $\rho=.530$ ,  $p<.05$ ). This indicates that young entrepreneurs within the green economy who feel that they are discriminated against on the basis of their age, also perceive that the government run programmes in their sector are incoherent and they benefit little to nothing from them.

The section to follow discusses the correlations and relationships that have emerged with interpretations

Table 11 explores the relationship that exists between the sector of the green economy and the age groups of participants. The relationship is significant at 0.05 and highlights a negative correlation indicating that the younger participants in this study are located in the right tail of the green economy sectors (i.e. waste and recycling). This also means that the older participants are located in the other sectors which could imply that the barriers to entry in the waste and recycling sector are the lowest for younger entrepreneurs and that the barriers to entry in the energy, agriculture and water & sanitation sectors are higher for younger people. In considering this finding, one of the possible reasons for this is that heavy financial resources are required to enter into the energy sector and generally older and more established entrepreneurs are able to operate in this sector. Furthermore, within the agricultural sector, access to land presents the greatest barrier and older entrepreneurs also have more access to this and finally within the water & sanitation sector, IP requirements need entrepreneurs to have the backing of bigger and more powerful organisations to protect them from big companies with vast resources and staff dedicated to

Table 11 Age group and access to funds

		sectorGE	ageGroup
sectorGE	Pearson Correlation	1	-.361*
	Sig. (2-tailed)		.013
	N	47	47
ageGroup	Pearson Correlation	-.361*	1
	Sig. (2-tailed)	.013	
	N	47	47

\*. Correlation is significant at the 0.05 level (2-tailed)

overseeing the legalities of IP for them. Therefore, the sector with the lowest barriers to entry for younger entrepreneurs or SMEs with limited capital appears to be the waste & recycling sector.

Table 12 explores the relationship that exists between age group and access to funds. However, this correlation is not significant. As can be seen, there is negative relationship between age group and access to funds, implying that as an entrepreneur's age increases, the more likely they are to have access to funds. This may be because older entrepreneurs have more experience and have more established networks that they are embedded in, thus have more access to funding, this does not however mean that the reverse cannot be true but according to the data, younger entrepreneurs in the green economy may have less access to funding. We might link this back to the pillars of the institutional environment, particularly the cultural cognitive environment that has perceptions of age linked to credibility and experience, and a lack of social capital in younger entrepreneurs. On the other hand, young entrepreneurs who possess the right level of network embeddedness and social capital are able to overcome the barriers to obtaining access to funding.

**Correlations**

		ageGroup	accessToFunds
ageGroup	Pearson Correlation	1	-.045
	Sig. (2-tailed)		.764
	N	47	47
accessToFunds	Pearson Correlation	-.045	1
	Sig. (2-tailed)	.764	
	N	47	47

*Table 12 Correlation between access to funds and age group*

**Correlations**

		accessToFunds	accessInformation
accessToFunds	Pearson Correlation	1	.759**
	Sig. (2-tailed)		<.001
	N	47	47
accessInformation	Pearson Correlation	.759**	1
	Sig. (2-tailed)	<.001	
	N	47	47

\*\* . Correlation is significant at the 0.01 level (2-tailed).

*Table 13 Access to funds and access to information*

Table 13 explores the relationship between access to funds and access to information. This is a significant correlation with a positive relationship meaning that entrepreneurs that have access to funds will also have access to information according to the data. We can assume that this is because entrepreneurs that have financial resources are able to do more research when seeking out opportunities. An example of this that is specific to the energy sector in South Africa is that most of the entrepreneurs that bid for tenders with the department of energy and mineral resources will know months before the bid is out in the public domain and organise themselves before the official bid is out. Further to this, acquiring the tender document alone from the department costs ZAR 20 00 (approx. 1170 USD). This means that to acquire access to information about tender bids, an entrepreneur needs to have financial capital in place above and beyond the cost of doing business itself. Another assumption that can be derived is that entrepreneurs who have access to funding may also have a professional track record that commercial banks and lending institutions can look into when deciding on the suitability of an applicant and

therefore, may have backgrounds that qualify them to access to funding.

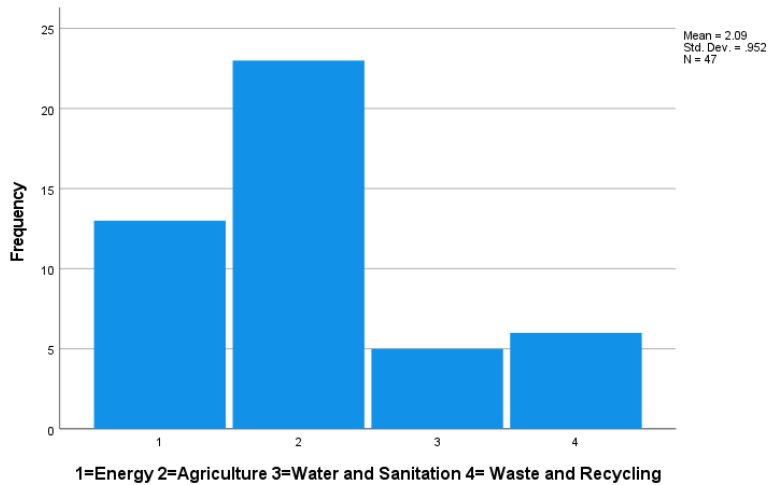


Figure 29 depicts the number of participants by sector. Most participants came from the agricultural and energy sectors. The variable description also indicates that younger people are

Figure 29 Participants by green economy sector

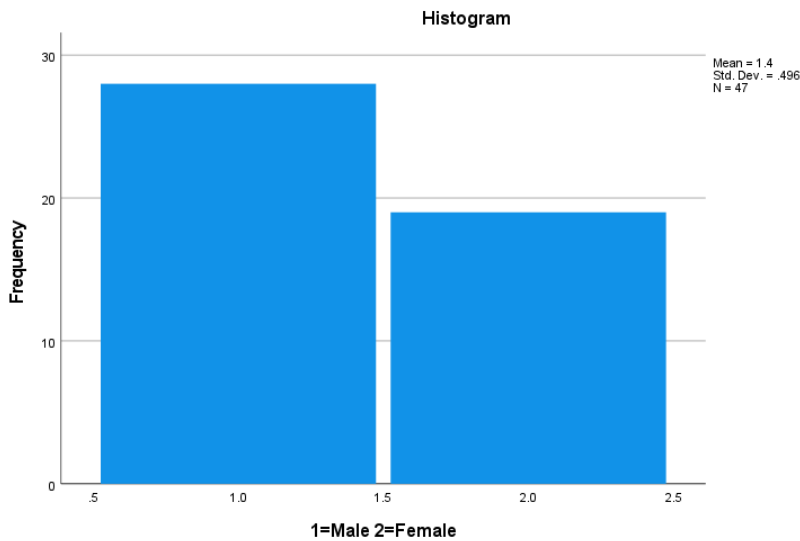


Figure 30 depicts the gender split between male and female participants. There were more male participants than females in this study. (It should be noted that one of the key stakeholders who provided insight for this study stated that there was a shortage of women in general participating in the green economy in South Africa.)

Figure 30 Racial split of participants

Figure 31 The split of participants by gender

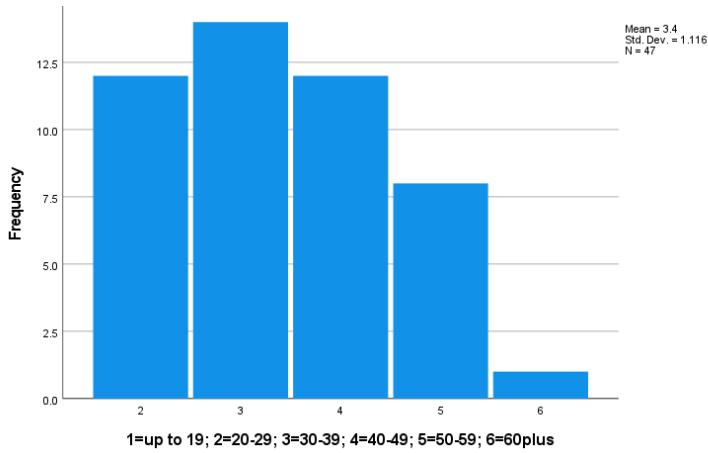


Figure 32 depicts the age split among participants with the biggest segment found between the ages of 20-29.

Figure 32 Age group split of participants

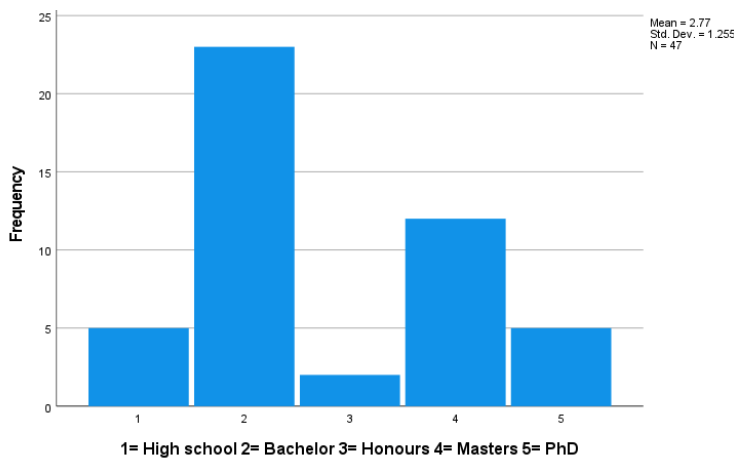


Figure 33 depicts the education levels of the participants with most of the participants holding a bachelor's degree.

Figure 33 Education level split among participants

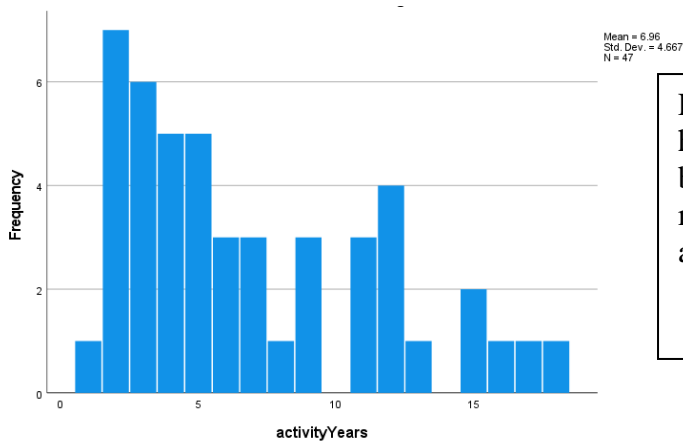


Figure 34 depicts the number of years that participants have been in business. Most of the participants have been in business for 2 years. This could indicate that most businesses within South Africa's green economy are relatively new businesses.

Figure 34 Number of years in business

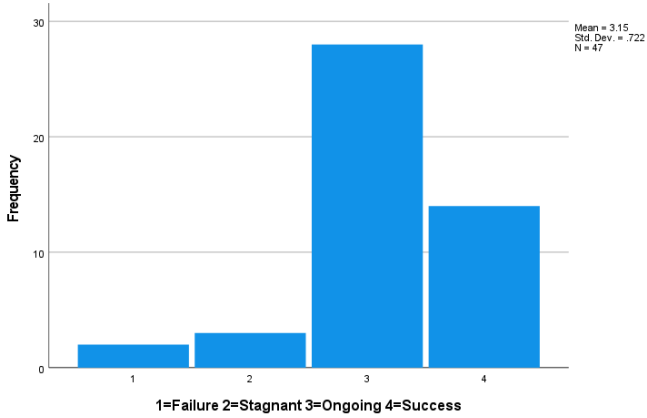


Figure 35 depicts how the participant's business ventures are faring thus far. The businesses located under the failure and stagnant categories are all from the energy sector, citing regulatory constraints as being the primary reason for the business not progressing or the entrepreneur deciding to exit the business altogether. Surprisingly, the businesses located in the success category also come from the energy sector as well, meaning that this is indeed a lucrative sector however, there are specific determinants of an entrepreneur's potential success.

Figure 35 Status of business operation (venture outcome)

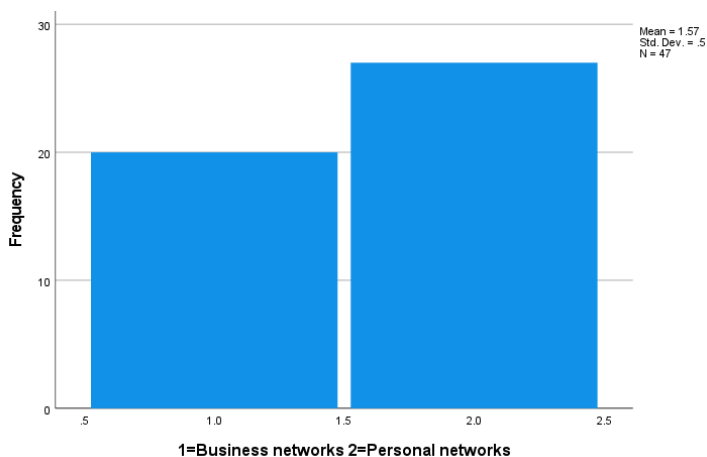


Figure 36 Sources of participant access to business opportunities

Figure 36 depicts where participants were able to obtain access to business opportunities. It was found that most of the participants gained access to business opportunities from their personal networks (i.e., network embeddedness and social capital).

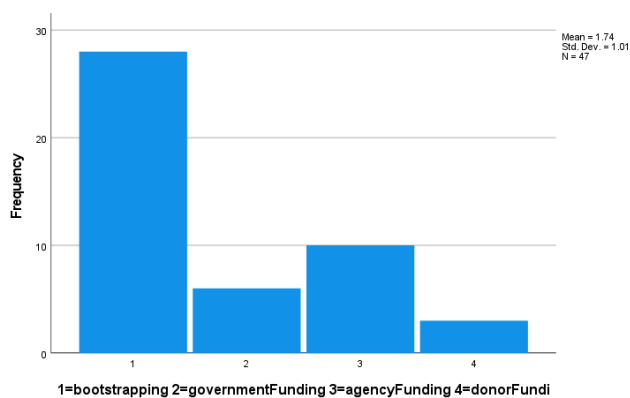


Figure 37 Participant source of business finance

Figure 16 depicts where participants were able to access finances for starting their businesses. It shows that most of the interviewed participants had to raise finances independently. The study revealed that these entrepreneurs have to resort to raising finance by themselves as they were unable to acquire funding from the government or commercial banks.



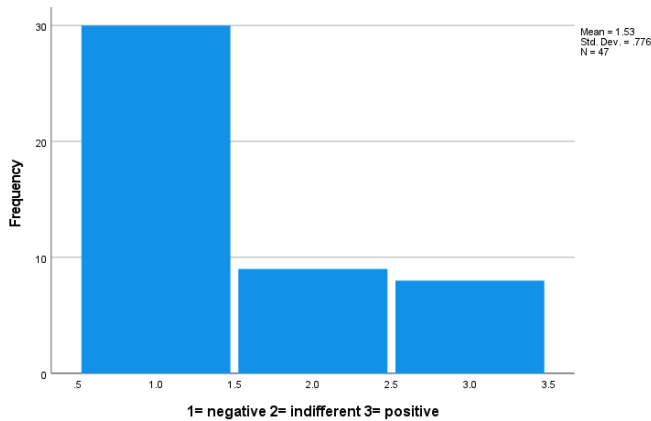


Figure 38 Participant perceptions of the impact of policy on their businesses

Figure 38 depicts the impact that policy plays on entrepreneurial activity and innovation activity. As can be seen, most of the participants stated that they were experiencing negative impacts from policy that acted as a barrier to the entrepreneurial activity and innovation activity of their businesses. A key finding that emerged is that entrepreneurs within the energy sector especially that had a chance to input in the drafting of the IRP, subsequently, encounter far less barriers when entering state bids as they had built a long-standing rapport with government and did not encounter the same struggles as businesses “on the outside.”

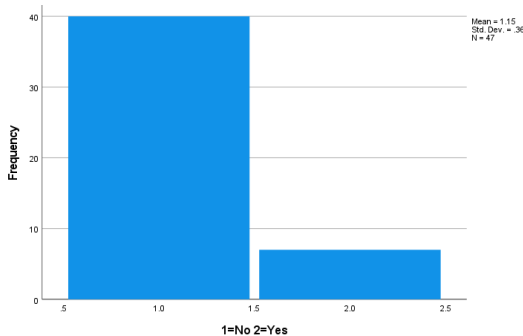


Figure 39 Participant experiences with government renege

Figure 39 depicts the experiences of participants that encountered renege on the part of government, where they had been promised resources and support from government for their businesses, however, after committing their own business resources in lieu of government delivering on its commitment of support, the government went back on their word and left the entrepreneur in a disadvantageous position. 7 of the entrepreneurs interviewed experienced this from across all sectors. Such experiences have led to damaged trust between entrepreneurs and government.

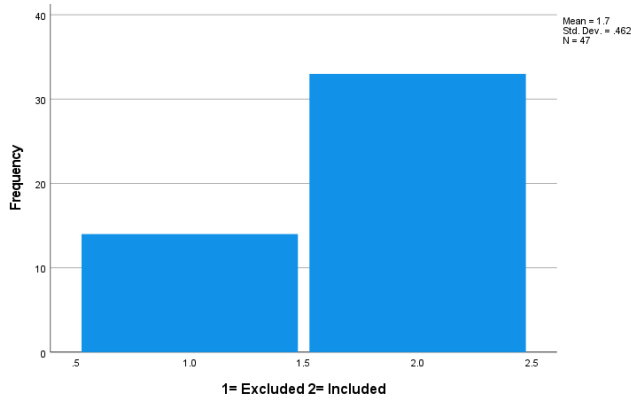


Figure 40 Criteria inclusion

Figure 40 depicts the split between participants who acknowledge that they meet the eligibility criteria of a BEE scorecard, allowing them easier access to government support and resources.

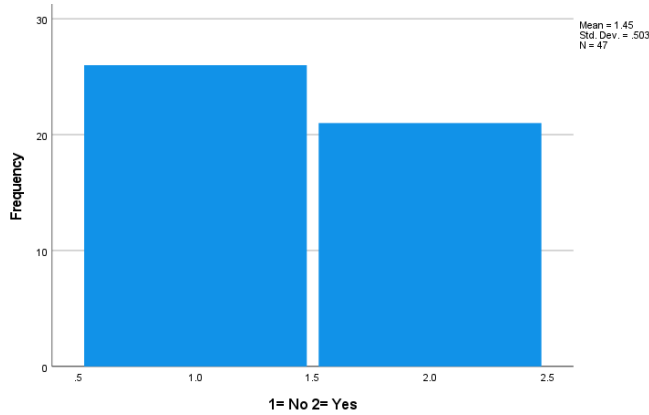


Figure 41 Participants that abandoned government engagement.

Figure 41 depicts the number of participants that opted to abandon government engagement altogether due to experiencing a lack of success with acquiring government support or after failed attempts to access revisions on constraining policy. Some of these companies made the decision to focus on markets outside of South Africa after feeling ignored by government.

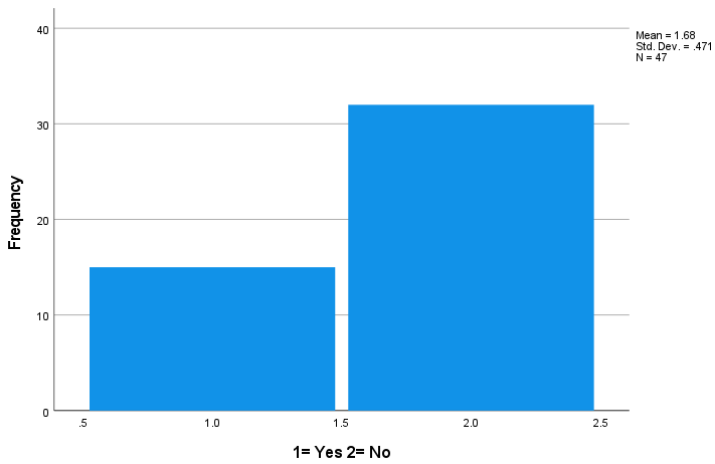


Figure 42 Access to funding

Figure 42 depicts the perceptions of participants of whether they had access to finance or not. This question was phrased as if their business had been able to access funding from either a commercial bank or an agency and most of the respondents said that access to finance remained their greatest barrier.

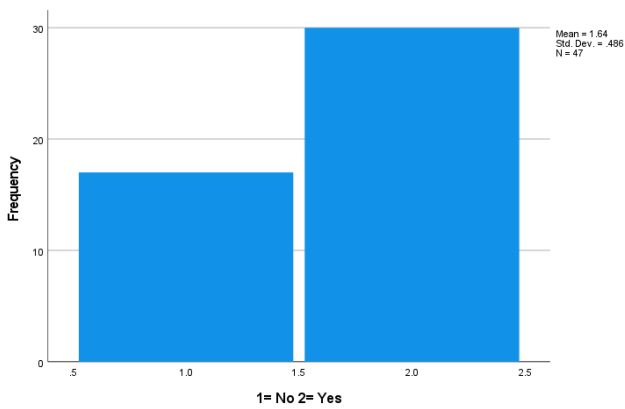


Figure 43 Access to information

Figure 43 depicts the number of participants that had access to information. The respondents that stated that had easy access to information stated that this came from their personal and business networks, while those that said they did not have ease of access to information cited not having “the right connections” as the primary reason for this.

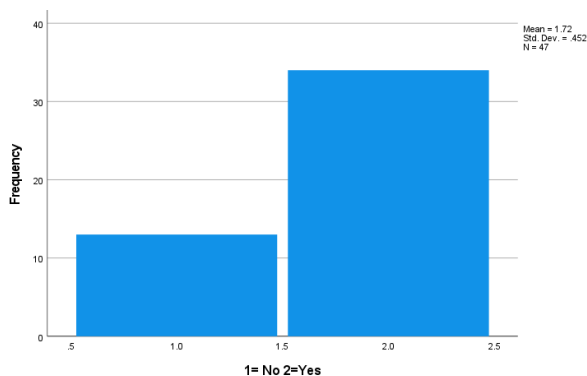


Figure 44 Access to networks

Figure 44 depicts the number of participants that believed that they had access to networks. These networks either allowed them access to markets, opportunities, or access to finance. Political affiliation was one of the significant sources of access to funding and information.

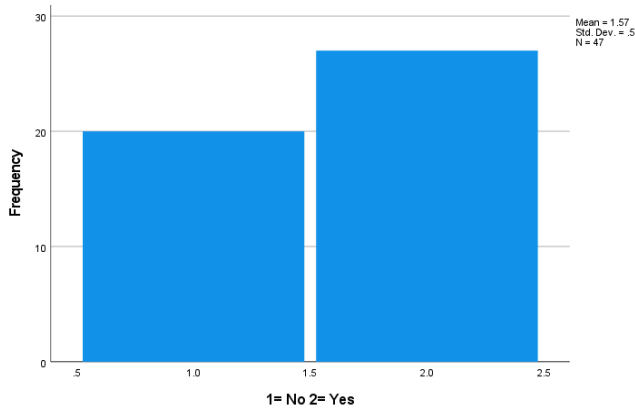


Figure 46 depicts the number of participants that perceive that the criteria for application of certain opportunities through government institutions is too complicated and this complicated criterion acts as a barrier to these participants.

Figure 46 Participants who think that criteria is complicated

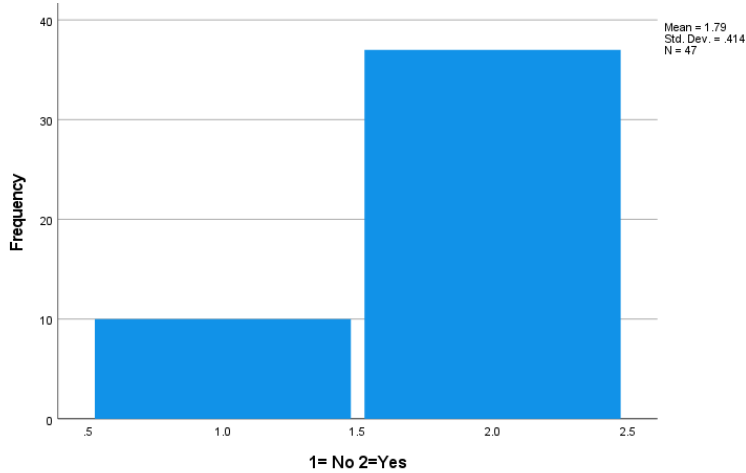


Figure 47 depicts the number of participants that felt as though there is a lack of technical ability within their sectors. This impacts the innovation capability and output that the enterprise has. This also means that extra time and resources have to be put towards training and this places a further financial burden on the business.

Figure 47 Participants who think there is a lack of technical ability in their sector

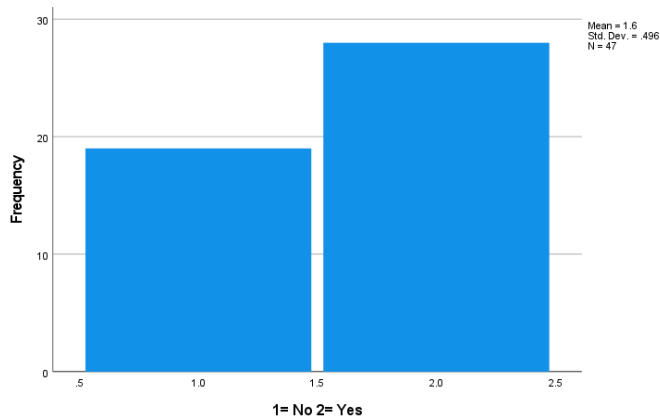


Figure 26 represents the number of participants that believe that the presiding policy over their sector is incoherent or contradicts itself. In these instances, managerial discretion is triggered as entrepreneurs seek ways to manoeuvre around the policies they deem to be incoherent.

Figure 48 Participants who believe that policy is incoherent

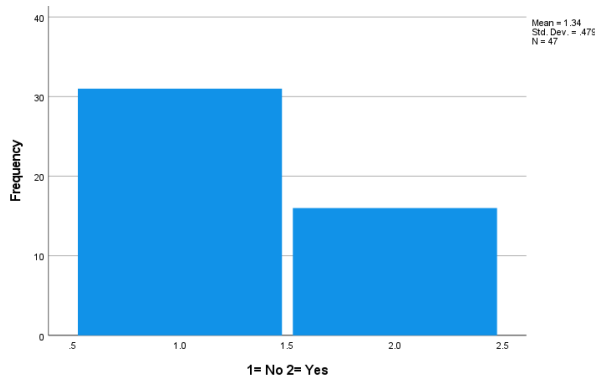


Figure 49 depicts the number of participants that had an experience with corruption at government level that affected their business operation. Some participants stated that they had been approached by government officials to pay a bribe in order to be granted government support.

Figure 49 Corruption Impact

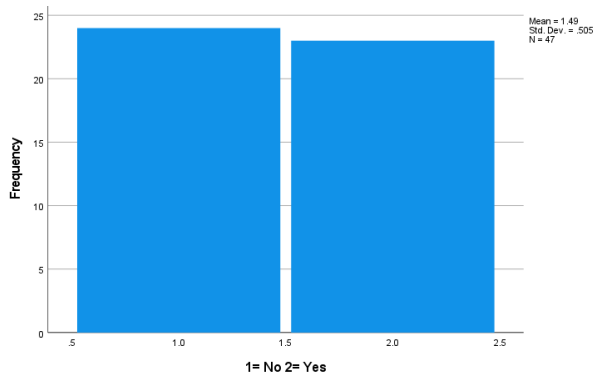


Figure 50 represents the participants that perceived that they had experienced feeling discriminated against on the basis of race when either trying to make an application through a government department for funding support or when trying to access certain opportunities within the different sectors of the green economy. As can be seen from the graph, those that perceived that they had encountered racial discrimination are slightly less than those that had not.

Figure 50 Discrimination based on race

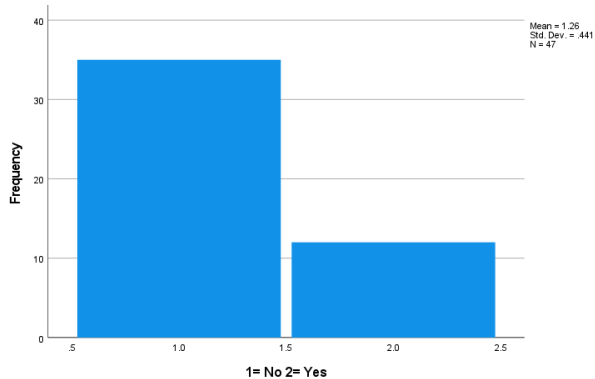


Figure 51 depicts the participants that perceived that they had experienced being discriminated against on the basis of gender and were unable to gain access to various opportunities because of their gender.

Figure 51 Discrimination based on gender

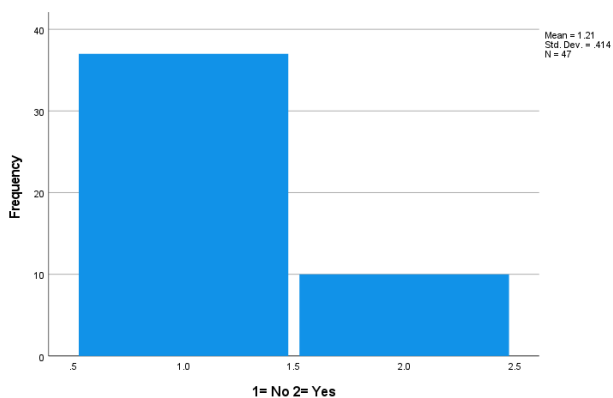


Figure 52 depicts the participants that perceived that they had experienced being discriminated against on the basis of age and were unable to gain access to various opportunities because of their age.

Figure 52 Discrimination based on age

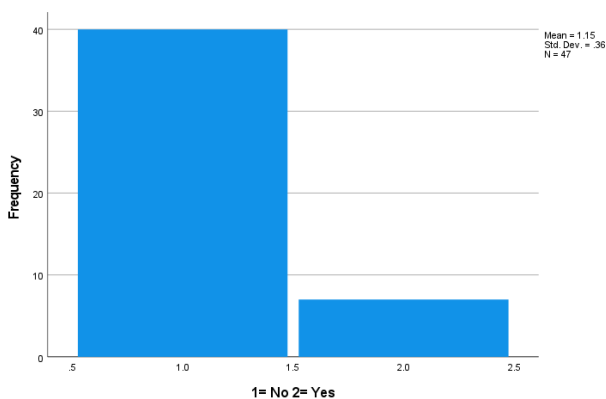


Figure 53 represents the number of participants that had encountered experiences with government implementing programmes that are similar to the service provided by the entrepreneur and thus the entrepreneurs feels that they are competing with government. They believe that government could be working with them as entrepreneurs but their current method is putting their businesses at a disadvantage

Figure 53 Participants that perceived that they were competing with government programmes

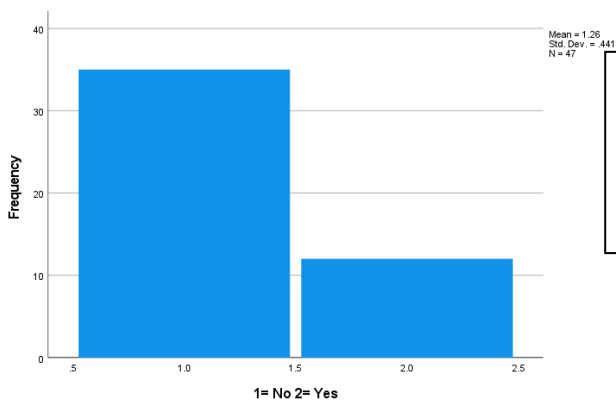


Figure 55 represents the number of participants that believed that the programme in their sector is incoherent and therefore, decision-making is impacted, and managerial discretion and locus of control is heightened.

Figure 54 Participants that believe that government programmes is incoherent

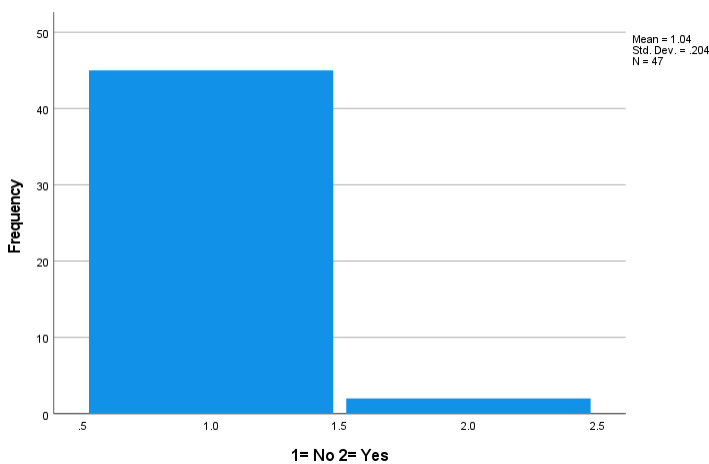


Figure 56 represents participants who have had contracts with the government and stated that they had experienced delayed payments from the government. These payment delays had a negative impact on the cashflow of the business as small business have limited financial resources (Cacciolatti and Lee, 2016).

Figure 55 Participants that experienced delayed payments from government

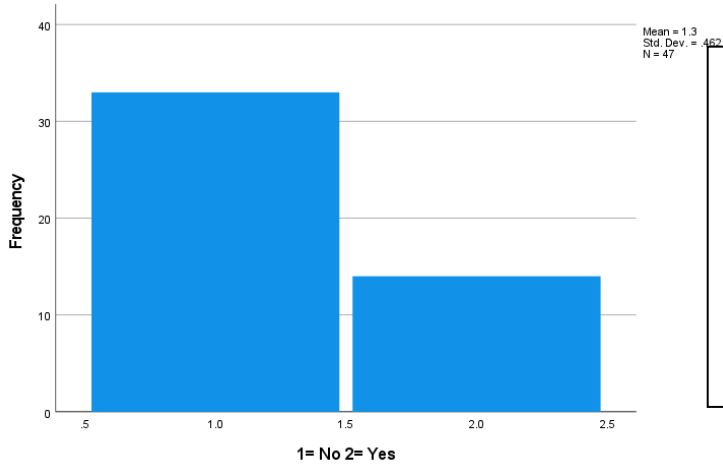


Figure 57 represents the participants whose businesses had been negatively impacted by loadshedding. The respondents that stated that this severely impacted their businesses were from the agricultural sector as they could not conduct hydroponic farming. This finding implies that the infrastructural challenges that South Africa is facing are also impacting the country's ability to transform the economy.

Figure 56 Impact of loadshedding

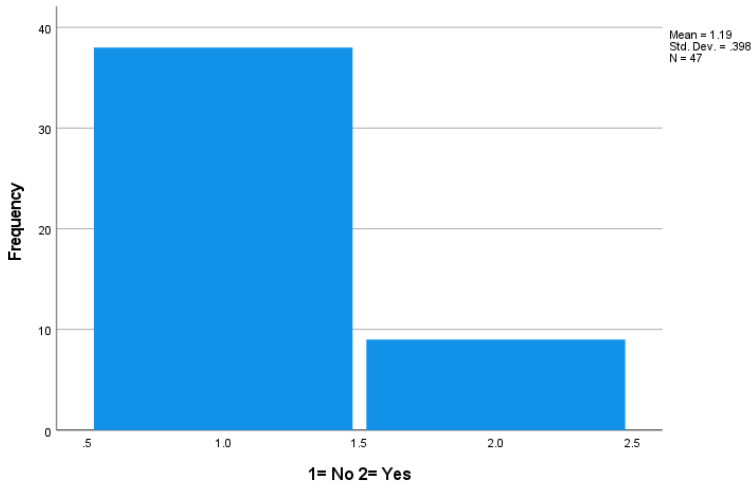


Figure 36 represents participants that had been negatively impacted by crime such as theft within their businesses.

Figure 57 Participants that had been negatively impacted by crime





## Description of Analysis

As discussed in the research design of this study, a Pearson correlation matrix has been created that visually assesses the strength and direction of the relationships. The following table has been pulled from the data of SPSS into Excel, and conditional formatting has been used to show the strength of the relationships. The rule used is the darker the blue, the stronger and more positive the relationship and the darker the red, the more negative and the closer to white, the less of a relationship between the two variables. The most significant relationships will be discussed in the section to follow.

	sectorGE	raceBW	genderNum	ageGrowth	educationLvl	activityYears	ventureO	socialNetworks	fundsSource	policyImpact	governmentRen	criteria	abandonGovEng	accessToFunds	accessInformation	accessNetworks	criteriaComplicated	techAbility	policyIncoherent	corruptionImpact	discriminationRace	discriminationGender	discriminationAge	competitngWithGov	lackInfrGovOrdination	
sectorGE	Pearson Correlation																									
raceBW	-0.051																									
genderNum	0.064	-0.114																								
ageGrowth	-0.361	-0.360	0.052																							
educationLvl	-0.147	-0.425	0.051	0.364																						
activityYears	-0.445	-0.132	-0.021	0.659	0.344																					
ventureO	-0.272	0.190	0.132	0.005	-0.033	0.357																				
socialNetworks	0.215	-0.010	-0.080	-0.308	-0.197	-0.148	-0.001																			
fundsSource	-0.045	-0.198	0.037	0.190	0.295	-0.002	0.053	-0.308																		
policyImpact	-0.004	0.151	0.107	-0.028	-0.026	0.132	0.438	-0.132	-0.045																	
governmentRen	-0.101	-0.166	0.021	0.334	0.271	0.327	-0.255	-0.123	0.047	0.099																
criteria	0.009	0.893	-0.127	-0.478	-0.498	-0.228	0.136	0.098	-0.306	0.088	-0.120															
abandonGovEng	0.237	-0.259	0.045	0.059	-0.003	-0.298	-0.427	-0.006	-0.284	-0.121	-0.136	-0.257														
accessToFunds	0.102	-0.066	-0.313	-0.045	0.195	0.063	-0.110	-0.132	0.179	-0.046	0.071	-0.111	0.049													
accessInformation	0.062	-0.087	-0.180	0.044	0.275	0.172	-0.049	-0.312	0.145	0.058	0.158	-0.147	-0.027	0.759												
accessNetworks	0.115	-0.136	-0.192	-0.005	0.250	0.070	-0.029	-0.290	0.206	0.233	0.191	-0.200	0.142	0.582	0.815											
criteriaComplicated	0.106	-0.035	-0.169	-0.075	0.190	0.087	-0.137	-0.051	0.032	-0.005	0.125	-0.091	-0.114	0.725	0.699	0.524										
techAbility	-0.105	0.088	0.007	-0.153	0.254	0.160	0.119	0.043	-0.005	0.148	0.118	0.004	-0.179	0.394	0.519	0.427	0.622									
policyIncoherent	0.305	-0.184	0.060	-0.130	-0.225	-0.195	-0.375	-0.007	-0.037	-0.107	0.101	-0.063	0.217	0.207	0.273	0.372	0.363	-0.007								
corruptionImpact	0.078	0.112	-0.043	-0.019	-0.082	0.026	-0.087	0.073	-0.041	0.029	-0.048	0.173	-0.013	0.264	0.107	0.074	0.344	-0.017	0.409							
discriminationRace	0.047	0.183	-0.113	-0.204	-0.467	-0.175	-0.264	0.240	-0.218	-0.179	-0.170	0.265	-0.024	-0.115	-0.060	-0.060	-0.061	-0.018	0.286	0.285						
discriminationGender	0.051	0.119	0.015	0.007	-0.361	-0.132	-0.190	0.010	-0.095	-0.151	0.029	0.168	0.063	-0.172	-0.227	-0.270	-0.292	-0.187	0.085	0.094	0.501					
discriminationAge	-0.102	-0.172	-0.005	0.233	0.098	0.027	-0.181	-0.183	0.289	-0.360	-0.071	-0.116	-0.154	0.016	0.021	-0.041	-0.027	-0.289	0.110	0.065	0.011	0.172				
competitngWithGov	-0.165	-0.029	-0.101	0.172	0.223	0.289	0.080	-0.244	-0.013	0.177	-0.007	0.011	-0.136	0.217	0.158	0.191	0.125	0.118	-0.021	0.204	0.069	-0.108	0.221			
lackInfrGovOrdination	-0.106	-0.074	-0.122	0.247	0.308	0.315	0.071	0.051	0.015	-0.057	0.009	-0.117	0.018	0.205	0.219	0.168	0.170	0.244	0.025	-0.043	-0.130	-0.144	0.027	0.409		
inherentProg	0.103	0.119	-0.085	-0.082	-0.165	-0.005	-0.122	-0.088	0.296	-0.215	-0.108	0.168	-0.330	0.185	0.087	0.035	0.253	-0.088	0.383	0.506	0.208	-0.007	0.530	0.166	-0.007	
electricityCuts	-0.059	-0.045	-0.157	-0.112	0.085	-0.065	-0.006	-0.004	-0.066	0.034	-0.011	0.017	0.070	0.111	0.147	0.006	-0.013	0.278	-0.032	-0.173	0.014	0.045	-0.225	-0.011	0.007	
crimeImpact	0.301	0.037	0.260	-0.031	-0.126	-0.054	-0.102	-0.019	-0.092	0.085	-0.052	0.081	-0.002	-0.275	-0.247	-0.196	-0.183	-0.128	0.070	0.107	0.173	0.087	0.011	0.100	-0.007	
distressFromDelayedGovPay		0.123	0.041	-0.077	0.040	-0.135	-0.339	-0.245	0.054	-0.009	0.208	0.137	0.023	-0.148	-0.082	-0.061	-0.105	-0.032	-0.041	-0.151	0.004	0.118	-0.110	-0.088	-0.107	

Table 14 Pearson r Correlation Matrix

## *Interpretation of the Quantitative Data*

### *The Relationship Between Race and Meeting Government Criteria.*

This correlation had the strongest positive relationship of ( $\rho=0.899$ ,  $p<.001$ ) revealing that from this study, white participants did not meet the eligibility criteria that is required for a BEE scorecard (achieving a level one) that companies must meet, especially in instances of doing business with the state. From the entrepreneurs that were interviewed, they found this requirement to be restricting, much so that some of the participants who had innovative environmental solutions had chosen to exit the South African market altogether. We can assume that white entrepreneurs that perceive themselves to be excluded on the basis of their race would seek service markets where they could get a more “equal footing”. This means that some of the country’s possibly most innovative and entrepreneurially active in the green economy are not servicing the country to their full capability as the management or entrepreneurs that run them do not meet the criteria. Therefore, in such an instance, the institutional environment is indeed a barrier to innovation and entrepreneurial activity. A possible policy implication of this is making adjustments to the BEE criteria and evaluating whether the current method of implementation is producing the desired results of uplifting disadvantaged groups or is it deterring innovative entrepreneurs of all races from meaningful economic participation.

### *The Impact of Access to Funds on Obtaining Access to Information.*

This is a significant correlation with a positive relationship of ( $\rho=.582$ ,  $p<.001$ ) meaning that entrepreneurs that have access to funds will also have access to information according to the data. We can assume that this is because entrepreneurs that have financial resources are able to do more research when seeking out opportunities. An example of this that is specific to the energy sector in South Africa is that most of the entrepreneurs that bid for tenders with the Department of Energy and Mineral Resources will know months before the bid is out in the public domain and organise themselves before the official bid is out. Further to this, acquiring the tender document alone from the department costs ZAR 20 00 (approx. 1170 USD). This means that to acquire access to information about tender bids, an entrepreneur needs to have financial capital in place above and beyond the cost of doing business itself.

Another assumption that can be derived is that entrepreneurs who have access to funding may also have a professional track record that commercial banks and lending institutions can look into when deciding on the suitability of an applicant and, therefore, may have backgrounds that qualify them to access to funding (This relationship was also looked at in Table 10).

*The Relationship Between Access to Funds on the Perception of the Criteria Being Viewed as Complicated.*

This is a significant positive relationship at ( $\rho=0.757$ ,  $p<.001$ ) meaning the participants within this that had access to funds perceived that meeting the criteria requirements for setting up that venture was too complicated. This effectively tells us access to funding is indeed a barrier, but there are other hurdles as well. Some of the participant examples were in the form of the entrepreneur needing to get an off-take agreement in order to get the venture running, and an off-take agreement would not be possible as private companies would want to see that the entrepreneur has an off-take agreement from their competitor before committing to the solution or proposition. Obtaining a single off-take agreement can take years, and in cases where the entrepreneur is an inventor and needs to go through IP processes as well as all the other business registration processes, this becomes daunting for the entrepreneur. The fundamental finding of this result is that if the government endorsed and supported innovative entrepreneurs, then private businesses would be more inclined to provide off-take agreements to these entrepreneurs.

*The Relationship of Access to Networks on Acquiring Access to Information.*

This is a significant positive relationship at ( $\rho=0.815$ ,  $p=.001$ ). Therefore, this is a strong relationship. Access to networks is vital for entrepreneurs in South Africa's green economy as these networks play the role of filling the institutional voids present when it comes to the acquisition of finances to start a business. Entrepreneurs were able to gain skills, knowledge and finances to help them get their ventures underway while awaiting outcomes from the government or to move forward in light of a failure to obtain support from the government. Many of the entrepreneurs in this study have to bootstrap finances, accessing information and resources from relatives and friends. Access to networks is thus one of the key

enablers of the green economy in South Africa. Social networks can give access to resources, but the latter depends on the strength of the ties of the individual with other network members (Bourdieu, 1985). It should be noted, though, that Portes (1998) maintains that social networks are not a given and need to be built through investment strategies oriented to the institutionalisation of group relations, operating as a reliable source of other benefits, for instance obtaining information about upcoming opportunities that are not yet open to everyone else. In accordance with Bourdieu's (1985) definition of social capital, it comprises two main elements: the first is the social relationship itself that allows individuals to claim access to resources possessed by their associates, and the second is the amount and quality of those resources. Consequently, through social capital, actors can gain direct access to economic resources, such as subsidised loans and investment tips. As such, an entrepreneur has access to networks. It can be assumed that entrepreneurs that have access to the right social networks will also be able to obtain access to information. Granovetter (1985) states the importance of social relationships in shaping economic decisions. Social networks, and business networks, in particular, can help entrepreneurs find the resources required for business creation (Aidis et al., 2008, 2012) as well as via social learning (Minniti et al., 2005). Having networks with other entrepreneurs can open up opportunities to share information and learn about resources, processes and shared questions of interest, and pathways of programs for financing (Belitski & Desai, 2019). Access to networks is especially important for entrepreneurs facing confusing or difficult institutional contexts (Audretsch et al., 2022)

*The Relationship Between the Perception of Criteria Being Complicated and Technical Ability.*

This is a strong positive relationship at ( $\rho=0.622$ ,  $p<.005$ ) This tells us that from this sample, entrepreneurs that perceive that the criteria are complicated also experience a lack of technical ability. From the interviews, entrepreneurs expressed that they had encountered that this lack of technical ability was on the part of government departments that they dealt with as some of their business models were more advanced than the level of technical ability within the department. Another way that this lack of technical ability surfaced from interviews was within the teams that entrepreneurs had within their companies; this translated to the entrepreneur needing to spend more time and resources on the training of employees because of the skills deficit. This slows that process of innovation and stagnates entrepreneurial activity. In some cases, the entrepreneur would opt to take over that duty or role themselves, which

would also waste time as they cannot focus on other aspects of the business. Audretsch et al. (2022) conclude that a government may not have the capability of staff to monitor and manage certain programmes, and in such instances, government acts as a type of knowledge filter for entrepreneurial ideas (Audretsch & Keilbach, 2008), thus acting as a barrier to innovation and limiting entrepreneurial action.

### *The Relationship Between Corruption and Policy Incoherence.*

The relationship explored with these variables has yielded an interesting result. Although not a very strong relationship at ( $\rho=0.409$ ,  $p<.00$ ), it is positive, and we observe that there is indeed a link between the impact of corruption and policy that is perceived as being incoherent. From the interviews conducted in this study, this link manifested in entrepreneurs who have experiences being requested by government departments to make tender bids in their local communities and, upon doing so, discovered that what the department did was open up a tender with the illusion of transparency while all the while liaising with their own friends and relatives to make entries into the same bids and from the legitimate bids in the community, look at the budget section and inform their friends or relatives to present a bid in the middle of the lowest and highest bids. Alternatively, they inform their friends or relatives to make their bid entry the lowest and then inflate the quote to get a share for themselves. This practice undermines the policy goal of fair and ethical practice in making tender bids. Corruption can be deeply rooted in the economy and difficult to change (Nielsen, 2003; Baumol, 1990). Corruption varies across countries in its prevalence and effects and reflects the use of a public office in gaining a private benefit (Rose-Ackerman, 2007; Murro, 1995; Audretsch et al., 2022). Individuals can be presented with corruption in their daily lives as well as when participating in business-related transactions. Furthermore, for some entrepreneurs in some countries, dealing with corruption may be embedded and assumed (Estrin et al., 2013; Audretsch et al., 2021). Corruption diverts time and effort, redirecting the entrepreneur to negotiating bribes and managing relationships with bureaucrats instead of engaging in value creation and business activity (Audretsch et al., 2022).

### **The Relationship Between a Lack of Intergovernmental Coordination and Entrepreneurs That Perceived That They Are Competing with Government Programmes**

This relationship is a strong positive relationship at ( $\rho=0.501$ ,  $p<.001$ ). This is an interesting link as it shows that when governments do not coordinate efforts to the same end, there is an increased chance that departments will create conflicting programmes that can even compete with small businesses and effectively force entrepreneurs to change their business models. This finding emerged in the waste and recycling sector. Entrepreneurs shared their experiences, stating that because the government does not engage them as companies in the sector, they are creating programmes that entrepreneurs have to compete against rather than working with the small businesses and more effectively coordinating efforts and resources. If the government explored what is already currently taking place in communities and rather offered assistance to small businesses, there would be a more coordinated pull in the same direction, working with small businesses as opposed to against them.

The section to follow will explore case studies that will illustrate how the results generated from data collection look in real life scenarios with eight entrepreneurs representing the four sectors that are being examined.

## Appendix B: Explanation of Variables That Emerged from Coding Process

Label	Definition	Categories	Measure
SectorGE	The sector of the green economy that the entrepreneur operates in	Energy, water and sanitation, agriculture and waste and recycling	Nominal
RaceBW	Race group that entrepreneur belongs to	Black, white	Nominal
GenderNum	Which gender classification entrepreneur belongs to	Male, Female	Nominal
AgeGroup	Which age group entrepreneur belongs to	20-25, 25-30, 30-35, 35-40, 40-45, 45-50, 50-55, 55-60, 60-65	Categorical
EducationLvl	What education level entrepreneur has achieved	Bachelors, Honours, Masters, PhD	Categorical
ActivityYears	How many years the business venture has been in operation	Number of years in business	Nominal
VentureO	What is the outcome of the business venture	Venture outcome: Success, ongoing, stagnant, failure	Nominal
SocialNetworks	Where has the entrepreneur been able to access social networks	Business networks, Personal networks	Nominal
FundSource	Where has the entrepreneur received funding/ capital to start venture	Bootstrapping, government funding, agency funding	Nominal
PolicyImpact	How has policy impacted the entrepreneur's business venture	Positive, negative, indifferent	Nominal
GovernmentRen	The government has committed to providing support and reneges on that commitment, placing entrepreneur at a disadvantage	Yes, no	Nominal

Criteria	Meeting criteria such as that of BEE or exclusion from criteria	Included, excluded	Nominal
AbandonGovEng	The entrepreneur decided to abandon government engagement altogether	Yes, no	Ordinal
AccessFunds	Does the entrepreneur have access to funds	Yes, no	Nominal
AccessInformation	Does the entrepreneur have access to information	Yes, no	Nominal
AccessNetworks	Does the entrepreneur have access to networks	Yes, no	Ordinal
CriteriaComplicated	Does the entrepreneur perceive the qualifying criteria to be complicated	Yes, no	Ordinal
Techability	Technical ability of entrepreneur	Yes, no	Ordinal
PolicyIncoherent	Does the entrepreneur find the policy prevailing over sector to be incoherent	Yes, no	Ordinal
CorruptionImpact	Does the entrepreneur perceive corruption to be impacting their business operation	Yes, no	Ordinal
DiscriminationRace	Does the entrepreneur perceive racial discrimination as impacting their business operation	Yes, no	Nominal
DiscriminationGender	Does the entrepreneur perceive gender discrimination as impacting their business operation	Yes, no	Nominal
DiscriminationAge	Does the entrepreneur perceive age discrimination as impacting their business operation	Yes, no	Nominal
CompetingWithGov	Does the entrepreneur think that they are competing against the government	Yes, no	Ordinal
LackInterGovernmentalC oordination	Does the entrepreneur think that there is a lack of inter-governmental coordination in their sector	Yes, no	Ordinal
IncoherentProgs	Does the entrepreneur think that the government programmes in their sector are incoherent	Yes, no	Ordinal
ElectricityCuts	Does the entrepreneur think that electricity cuts (loadshedding) is impacting their business operations	Yes, no	Ordinal
CrimeImpact	Does the entrepreneur think that crime is impacting their business operations	Yes, no	Ordinal
FinancialDistressFromDel ayedGovPay	Has the entrepreneur experienced financial distress from a delay in government payments	Yes, no	Ordinal

## Appendix C: Participant Invitation

### Participant Introductory Email

Dear Sir/ Madam

I hope you are safe and sound under the current circumstances. My name is Sindile Dlamini. I am a doctoral researcher at the University of Westminster. I would like to kindly invite you to participate in my PhD research on Entrepreneurship and Innovation in South Africa. I write to you to request your assistance in a PhD study about entrepreneurship and innovation activity in South Africa.



The study aims to:

1. Understand how the institutional environment of South Africa acts as a barrier or an enabler to entrepreneurial and innovation activities within SMEs
2. Understand how SMEs in South Africa's green economy are being supported and the entrepreneurial and managerial decisions for entrepreneurial activity and innovation activity within firms are made

May I please have your consent to include your insights into this study? Data collected for this study will be treated with the utmost sensitivity and participant information will be anonymised.

Should you wish to be a participant, an email will be sent to you to set up a 30-minute interview will be sent to you so that you may indicate your availability. Furthermore, upon your request, I will be able to provide you with the results and a certification of participation to this research.

Upon request you will be able to provide them with the results and a certification of participation to this research.

Your assistance would be most appreciated.

## Appendix D: Interview Guide Used for Participants

### **Discussion Guide**

#### **Research Background**

This research project aims to understand entrepreneurial activity and innovation activity within small and medium-sized enterprises within South Africa's unique institutional environment. Entrepreneurship and government engagement for firms that are successful in navigating the regulatory environment of South Africa and those that succeed in procurement processes most often would need to make use of various combinations of strategic orientations. This project will examine one of those orientations namely: entrepreneurial orientation which is made up of five dimensions; autonomy, risk-taking, proactiveness, innovativeness and competitive aggressiveness.

The study aims to understand the following:

- Gain insight into the challenges that are encountered by entrepreneurs when undergoing procurement processes
- Understand the perceived barriers to entrepreneurship in South Africa

- Analyse and understand the struggles encountered by SA entrepreneurs within the institutional pillars of regulatory, normative and cognitive-cultural
- Understand how the institutional environment of South Africa acts as a barrier or an enabler to entrepreneurial and innovation activities within SMEs
- Understand how SMEs in South Africa's green economy are being supported and the entrepreneurial and managerial decisions for entrepreneurial activity and innovation activity within firms are made

### **Discussion Guide**

- Questions are in sentence case.
- Interviews should be 30min
- *Words in italics indicate the objectives, i.e. what the researcher am hoping to achieve by the question or set of questions.*

More complete and in-depth responses to fewer questions will be more useful than minimal or less in-depth responses to more questions.

- Provide non-verbal reinforcement to let the respondent know that you are listening, such as nodding your head, saying 'hmm mmm,' and saying 'okay', 'I see.'
- Encourage the respondent to provide specific examples about what he/she is thinking.

### **Section One Introductions**

*Build a rapport with respondent, get them open to up about themselves and what they do.*

- Firstly, please can you tell me a bit about yourself, your position and responsibilities within this organisation?
- How many staff work within this organisation?
- How many years have you been working/running this organisation?

### **Section Two Procurement Process and Government Engagement**

*Gain insights about working with government and the challenges/ opportunities that can be encountered by entrepreneurs*

- How easy/ difficult is it to obtain information about tenders?
- What are the common struggles that bidding organisations may encounter when trying to make a tender bid?

- Can you give any examples before or after they answer? And ask them ‘to what extent...’ for each one?
- Is the bidding process open and transparent?
- Are the requirements of tender bids obtainable for bidding firms?
- Has your organisation ever had to make concessions to make a tender bid?
- How competitive is the bidding process in your opinion?
- Please provide any additional thoughts regarding the procurement process if you any?

### **Section Three Entrepreneurial Orientation**

*Gain insight into to what extent EO will help overcome difficulties/ exploit opportunities within SA regulatory environment*

- Has your organisation ever been successful in winning a tender bid? (IF YES)
  - What would you say contributed to the success of winning this tender?
- Are you aware of any organisations that have been unsuccessful in bidding for a tender? (IF YES)
  - What would you say contributed to this organisation been unsuccessful in this bid?
- Do you think that successful firms need to demonstrate higher or lower levels of autonomy?
  - Do you think that successful firms need to demonstrate higher or lower levels of innovativeness?
- Do you think that successful firms need to demonstrate higher or lower levels of risk-taking in SA?
  - The firms or the decision makers demonstrate risk taking behaviour? (essentially are you asking the participant about themselves or the company in general?)
- Do you think that successful firms need to demonstrate higher or lower levels of competitive aggressiveness?
- Do you think that successful firms need to demonstrate higher or lower levels of proactivity?

### **Final Thoughts and Closing**

*Gain additional/new/unique insights*

If you could say anything about the procurement process in SA and how entrepreneurs are navigating this environment, what would it be? (Ask a specific question related to participant response for further detail and clarification)

\*\*\*See if participant is open to discussing corruption within the sector.

\*\*\* Ask for an overview of policy environment and how it impacts the business of the participant

\*\*\*Ask about involvement in programmes and outcomes

**\*\*\*Thank you for your participation. Your time and insights are most appreciated\*\*\***

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