

**TOWARDS A FRAMEWORK FOR A SUSTAINABLE
ECOSYSTEM FOR INFORMAL ENTREPRENEURSHIP
IN SOUTH AFRICA**

by

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ACADEMIC INTEGRITY DECLARATION

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DEDICATION AND ACKNOWLEDGEMENTS

I am honoured to have been supported by a number of individuals, who provided encouragement and shared their wisdom as I traversed this journey.

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ABSTRACT

Low economic growth and high levels of unemployment and poverty have led many South Africans to engage in survivalist activities in the informal economy, including informal entrepreneurship. Entrepreneurship is viewed as a panacea for growth and development and developing countries like South Africa can benefit from growing informal entrepreneurship within a conducive ecosystem.

Entrepreneurship ecosystems and informal entrepreneurship have been researched extensively, but separately. However, literature on informal entrepreneurship ecosystems (IEEs) is sparse and fragmented and is presently undocumented. Therefore, this research study aimed to join the pieces of the puzzle together in order to craft a framework that facilitates the creation of a sustainable IEE in South Africa.

Using the interactive qualitative analysis (IQA) research methodology, this qualitative research derived knowledge on the South African informal entrepreneurship ecosystem from the perspective of two constituencies, using IQA focus groups representing each constituency.

- Focus group 1 (informal entrepreneur constituency) comprised 15 informal traders from the eThekweni Municipality; and
- Focus group 2 (subject matter expert constituency) comprised 7 individuals from academia, business and support organisations.

Knowledge derived from the perspectives of these constituencies, who identified elements of the IEE system and relationships between these elements, is reflected in each constituency's system. Structural, theoretical and inferential interpretations and analyses of these systems uncovered new knowledge and insights to create an IEE framework.

This research introduced and defined the concept of an IEE and introduced the IEE framework containing eight dimensions, thus making a unique contribution to the extant body of literature on informal entrepreneurship and entrepreneurship ecosystems.

This research contributes to cultivating informal entrepreneurship in South Africa by understanding the IEE, uncovering the deficiencies in the current IEE and making recommendations on how to strengthen the IEE.

Using the IQA research methodology, this research enriches the understanding of IEEs and strengthens the IEE in South Africa by revealing the social realities of ecosystem agents through two underlying sub-systems supporting the IEE, namely the Macro-IEE containing distal factors and the Micro-IEE containing proximal factors.

This research views government as a primary IEE change agent whose role is to enable informal entrepreneurship by co-creating and driving proximal and distal IEE policies; improving informal business regulations and the enforcement thereof; encouraging private sector and institutional involvement in the IEE; and providing IEE support and infrastructure.

Keywords: Informal entrepreneurship ecosystem (IEE); informal entrepreneurship; informal economy; informal sector; entrepreneurship; entrepreneurship ecosystem; interactive qualitative analysis (IQA); South Africa; micro-entrepreneurship; economic activity.

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LIST OF ACRONYMS

Acronym	Explanation
ART	Affinity Relationship Table (<i>IQA terminology</i>)
ACHIB	The African Council of Hawkers and Informal Businesses
BED	Basic Education Department
BEE	Black Economic Empowerment
BOP	Bottom of the Pyramid
CDE	Centre for Development Enterprises
CIPC	Companies and Intellectual Property Commission
COP	Community of Practice
EE	Entrepreneurship Ecosystem
FFF	Porter's Five Forces Framework
FG1	Focus Group 1
FG2	Focus Group 2
GDP	Gross Domestic Product
ICT	Information, Communication and Technology
IDC	Industrial Development Corporation
IEE	Informal entrepreneurship ecosystem or the ecosystem for informal entrepreneurship.
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
IQA	Interactive Qualitative Analysis research methodology
IRD	Group Interrelationship Diagram (<i>IQA terminology</i>)
Macro-IEE	Macroeconomic sub-system within the overarching IEE. The Macro-IEE emanates from experts (FG 2)
Micro-IEE	Microeconomic sub-system within the overarching IEE. The Micro-IEE emanates from informal entrepreneurs (FG 1)
MVP	Minimum Viable Product
NDP	National Development Plan
OECD	Organization for Economic Cooperation and Development
PEST	Political, Economic, Social and Technological (PEST framework)
PSET	Post-School Education and Training

Acronym	Explanation
SA	South Africa
SAPS	South African Police Service
SCN	Supply Chain Networks
SDG	Sustainable Development Goal
SEDA	Small Enterprise Development Agency
SID	System Influence Diagram (<i>IQA terminology</i>)
SMME	Small, medium and micro-enterprises
Stats SA	Statistics South Africa
SWOT	Strengths, weaknesses, opportunities and threats (SWOT analysis)
TA	Transactional Analysis
TVET	Technical and Vocational Education and Training
UNESCO	United Nations Educational, Scientific and Cultural Organization
USA	United States of America
VAT	Value-added Tax
VC	Venture Capital
WEF	World Economic Forum

LIST OF KEY TERMINOLOGY

Terminology	Explanation
Affinities (<i>IQA terminology</i>)	Affinities represent a grouping of factors related to the phenomenon as identified by individuals in a focus group. Also presented as components/elements of a system.
Affinity Relationship Table (ART) (<i>IQA terminology</i>)	The ART presents the relationships between affinities as identified by individual focus group participants. Simple ART: An ART with no justification. Detailed ART: ART with reasons for the relationships selected.
IEE conceptual framework	Framework representing the concepts identified in the empirical literature review. Also called the Conceptual IEE.
Constituency (<i>IQA terminology</i>)	A group of people constituted based on a shared understanding of the phenomenon. A focus group is a constituency. FG1: Informal entrepreneur key informant constituency comprising informal entrepreneurs and informal sector associations. FG2: Subject matter expert constituency comprising people from academia, business and social groups.
Entrepreneurship Ecosystem	An interconnected set of factors within a self-organising system that fosters the development and growth of entrepreneurship.
Experts	Refers to subject matter experts in FG2.
Formality	Used interchangeably when referring to the formal economy, and formal sector.
Framework	A collection of elements and factors that are interrelated and not mutually exclusive, which operate in unison to create a sustainable informal entrepreneurship ecosystem.
Informality	Used interchangeably when referring to the informal economy, the informal sector.
Informal economy	The informal economy first encapsulates legal economic activities performed in either the informal or formal sectors, that are informal in nature, and secondly, the informal sector itself.

Terminology	Explanation
Informal entrepreneurship	The process of creating a new venture that is lawful in all respects, with the exception that it operates in an unregistered manner.
Informal entrepreneurship ecosystem (IEE)	An interconnected set of factors within a self-organising system that fosters the development and growth of informal entrepreneurship and micro-entrepreneurship.
Group Interrelationship Diagram (IRD) <i>(IQA terminology)</i>	The IRD is derived from consolidating individual ARTs and represents the overall relationship between affinities for the focus group.
Micro-entrepreneurship	Entrepreneurship that falls outside tax thresholds where entrepreneurial activities are registered and / or governed by by-laws and legislation in SA.
Phenomenon <i>(IQA terminology)</i>	Refers to that which is being researched. The phenomenon is “the informal entrepreneurship ecosystem in South Africa”.
Sustainability	“Meeting the needs of the present without compromising the ability of future generations to meet their needs” (Brundtland, 1987 cited by Institute of Directors South Africa, 2016, p. 16).
System Influence Diagram (SID) <i>(IQA terminology)</i>	The SID or mind map is a visual representation of the relationship between affinities. Group SID: SID of the focus group/constituency. Affinity SID: SID for each affinity.

CHAPTER 1: INTRODUCTION TO THE RESEARCH STUDY

1.1 INTRODUCTION

This chapter presents the rationale for this research and makes a case for prioritising informal entrepreneurship in South Africa in the current socio-economic context. It further presents the gaps identified in prior research and justifies the value of this research. This chapter also introduces the thesis problem statement and outlines the terminal and four secondary research objectives, as well as the supporting research questions which serve as the scope of this study. An outline showing the research flow is also presented.

1.2 BACKGROUND

1.2.1 SOUTH AFRICAN CONTEXT

High unemployment and persistent poverty accompanied by low economic growth, hampers South Africa's ability to meet its developmental and National Development Plan (NDP) outcomes, perpetuating the country's declining global competitiveness. South Africa's global competitiveness position declined from 47/138 countries in 2017 (World Economic Forum, 2018, p. 13) to 62/141 countries in 2019 (World Economic Forum, 2019b, p. xiii). The NDP outlines South Africa's growth and development aspirations and includes objectives of a 5% average growth rate up to 2030; unemployment and poverty reduction; and decreasing income inequality from a Gini coefficient (index or ratio) of 0.60 (National Planning Commission, 2011), all of which have eluded South Africa. Combined with a low annual real economic growth of 1.6% in quarter 3 of 2022 (Stats SA, 2022), South Africa is one of the most unequal countries in the world (World Economic Forum, 2018). In 2018, the difference between the highest and lowest-paid 10% of the population was 49.2% (OECD, 2018, p. 73). Low economic growth and high levels of poverty in South Africa therefore imply that there are two distinct realities that South Africans live in: one with access to resources and opportunities and the other facing economic exclusion.

South Africa relies heavily on the formal economy to drive economic growth and employment, but the private sector has generally been unable to create jobs, potentially contributing to increasing levels of unemployment. Growth and employment in South Africa emanate predominantly from the formal economy, while the informal economy remains relatively small (Stampini, Leung, Diarra and Pla, 2013). South Africa's high

unemployment rate, even during periods of favourable economic growth (IDC, 2017) is an outcome of economic rigidity and the inability of the private sector to create jobs (Loayza, 2016), or deliberately avoiding job creation (Bhorat, Naidoo, Oosthuizen and Pillay, 2016). Therefore, solutions to address unemployment need to go beyond the formal economy.

Despite the lack of more recent statistics, persistently high levels of poverty have been a feature of the South African landscape. Research suggests that poverty in South Africa rose from 16% in 2010 to 19% in 2015 as population growth outweighed economic growth, resulting in close to net-zero growth in per capita income (OECD, 2018, p. 68). Stats SA reported an estimated poverty headcount according to the upper bound poverty line (UBPL) of 55.5% in 2015, with approximately a quarter of the population (25.2%) living below the Food Poverty Line (FPL) (Stats SA, 2018, p. 3). Subjective poverty measures in 2019 report that 57.0% of South African households are classified as poor and believe that they do not earn enough income to “make ends meet” (Stats SA, 2021, p. 7). The inability to make ends meet therefore means that many South Africans are barely able to survive.

The inability of South Africa to meet the SDGs is mirrored in the poor NDP outcomes as they are inextricably linked to each other. The Sustainable Development Goals (SDGs) which are aimed at improving development outcomes by 2030, set out seventeen (17) areas of focus for countries (United Nations, 2015). In its voluntary review, South Africa highlighted the many prevailing challenges associated with achieving these SDGs, including persistent high inequality, poverty and unemployment; inequitable access to basic infrastructure, basic services and healthcare; food insecurity; poor education outcomes and gender inequality (South African National Government, 2019). Consequently, South Africa has to find more innovative, contextually relevant means of addressing its SDG and NDP goals.

Therefore, in order to improve its competitiveness and achieve the SDG and NDP targets, South Africa needs to establish more contextually relevant measures to improve its economic growth outcomes and address the challenges associated with the “triple-challenge” of poverty, unemployment and inequality.

1.2.2 THE INFORMAL ECONOMY

The informal economy refers to activities that are within social parameters, and tolerated, but beyond legal boundaries (Welter, Smallbone, Pobol and Pobo, 2015).

This research views the informal economy as encompassing the informal sector and legal economic activities performed in either the informal or formal sectors, and that are informal in nature.

The informal economy is at times incorrectly associated with the underground or illegal economy (Valentini, 2009; Capasso and Jappelli, 2013), or the shadow economy (Eilat and Zinnes, 2002; Mauleón and Sardà, 2017). It is dynamic and multi-faceted, encompassing both informal economic activities and an informal sector (Davies and Thurlow, 2010; Loayza and Rigolini, 2011; Chen, 2012).

The informal economy operates in a complementary and substitute-fashion to the formal economy. The informal economy is an integral part of a country's overall economic mix, and its agility and flexibility (Gërkhani, 2004; Bosch and Esteban-Pretel, 2012; Ganiyu, Ademola and Ani, 2018) emanates from the ease of entry and exit from this economy (Nguimkeu, 2014). During times of low economic growth (Fisher, Kuratko, Bloodgood and Hornsby, 2017; Saunoris and Sajny, 2017), the informal economy behaves counter-cyclically, emerging as an employment substitute (Loayza, 2016) whilst also enabling employment (Goldberg and Pavcnik, 2003; Chen, 2012; Williams, 2017a), thereby reducing the full adverse impact of a negative growth cycle. Therefore, the informal economy often behaves counter-cyclically and aids with development and socio-economic protection in times of low economic growth.

The mainstream view of the informal economy posits it as a legitimate space for economic activity. The Neoliberal / Post-structuralist (Mainstream) view of the informal economy sees it as competitive and housing highly entrepreneurial individuals with high levels of productivity (Saunoris, 2018). Entrepreneurship is increasingly cited as a significant driver of economic growth (Cannatelli, Smith and Sydow, 2019) and informal entrepreneurship may be a source of growth in developing countries (London and Hart, 2004; Pham, 2017). The unexplored potential of the informal economy presents it as an environment capable of enabling the formation and growth of informal entrepreneurship.

Whilst the informal economy may be an environment for business growth, there are varying perspectives on whether this context can do so. Dualist, Modernisation and Structuralist theories suggest that informal economic activities fall outside the main economy and are subservient or inferior to the formal economy (Chen, 2012), viewing the informal economy as an outcome of market failure. Therefore, informal businesses are the result of market failures emanating from industrial policy design (Rodrik, 2004), rather than entrepreneurial spirit. To this end, research argues that the informal economy is not a viable incubator for business growth, nor does it possess the catalytic potential to promote business growth (Ligthelm, 2013). An opposing perspective considers the inherent challenges associated with the informal economy, but still regards it as an ideal context for growing entrepreneurship by incubating informal businesses as a response to poverty and unemployment (Nguimkeu, 2014).

This research adopts the Post-structuralist (Mainstream) perspective where the informal economy is viewed as inherently agile, competitive and housing entrepreneurial individuals. The informal economy is therefore a mechanism for improving socio-economic inclusion and promoting the achievement of SDG and NDP targets.

1.2.3 INFORMAL ENTREPRENEURSHIP

Entrepreneurship is not solely about business formation.

“Entrepreneurship can be intuition, idea-project and strategic planning that becomes a production factor which exists before the actual concretisation of the enterprise, and only at the time the new enterprise is created can we speak of effective and specific formation of entrepreneurship” (Fumagalli, 1990 cited by Vasapollo, 1996, p. 192).

Entrepreneurship is reflected in the formation of both large and small businesses or ventures. Low-level business formation in South Africa relative to emerging market peers (OECD, 2017b) is associated with the challenges of doing business (World Bank Group, 2019a) and the low number of people that have confidence in their ability to start a business (OECD, 2019). Additionally, South Africa’s self-employment rate of 14% is small in relation to the region’s 30% (Grabrucker and Grimm, 2018). These trends are mirrored by the informal business number which declined from 2.3 million in 2001 to 1.5 million in 2013 (Stats SA, 2014, p. v). As such, South Africa’s inelastic informal economy appears

incapable of absorbing the significant number of unemployed people (OECD, 2017b) and is also unable to generate new businesses sustainably (Stats SA, 2019b). Therefore, low levels of business formation in South Africa are evident in both the formal and informal sectors.

Informal economic activities are viewed as subsistence activities born out of necessity. Informal economic activities are viewed as a function of market practices where individuals' skills are not suitable for the formal economy (Williams and Round, 2009), and are thus characterised by low-skill, low education and low-productivity businesses which are reflective of socio-economic inequality (Goubin, 2018).

“Economic theory suggests that entrepreneurship is best understood as a general human capability which contributes to survival and success” (Casson and Casson, 2014, p. 1224).

As such, informal economic activities are “a means to an end” for many individuals, and informal entrepreneurship is viewed as a human capability that enables socio-economic inclusion.

Informal entrepreneurship is therefore a viable instrument to address the challenges of inequality, poverty and unemployment in South Africa from a grassroots level, whilst contributing to the achievement of the SDG and NDP targets.

1.2.4 THE INFORMAL ENTREPRENEURSHIP ECOSYSTEM

Low levels of business formation in South Africa (OECD, 2017b) are largely associated with the multitude of obstacles facing entrepreneurship in South Africa, including limited access to resources (London and Hart, 2004; London *et al.*, 2010), complex business and regulatory environments (Mathias *et al.*, 2015; ACCA, 2017) and high barriers to entry into the formal sector (Charlot *et al.*, 2015). This has a compounded effect on informal businesses, who additionally bear the premium of a historically marginalised facet of society (Jiyane and Ocholla, 2012). These factors have therefore resulted in increased political focus on micro enterprises in the informal sector.

Leveraging the Post-structuralist/Mainstream informal economy perspective, informal entrepreneurship is a viable instrument to promote socio-economic inclusion and address

the challenges of inequality, poverty and unemployment in South Africa from a grassroots level, whilst also contributing to the achievement of the SDG and NDP targets.

However, economic activities do not occur in isolation. They are a function of the context in which they take place, also influencing and changing their context over time.

“The entrepreneur as an economic institution acts within economic-social institutions, carrying out intentional activity to put into practice his own strategic, creative and innovative decision-making processes in order to reach certain pre-established objectives, adapted to complex environmental conditions” (Vasapollo, 1996, pp. 192–3).

Therefore, it is important to fully understand the ecosystem for informal entrepreneurship in South Africa.

Ecosystems traditionally emanate from ecology and refer to the natural environment where living organisms interact with the physical environment they inhabit (Kabbaj, Hadi, Elamrani and Lemtaoui, 2016).

This research views an informal entrepreneurship ecosystem as an interconnected set of factors within a self-organising system that fosters the development and growth of informal entrepreneurship.

As such, in order to promote informal entrepreneurship in South Africa, an ecosystems approach is most appropriate.

1.3 THESIS PROBLEM STATEMENT

In the South African context of low economic growth, high unemployment and high levels of poverty, many people endure socio-economic exclusion. The informal economy accommodates many of these individuals who engage in survivalist economic activities, and one such activity is informal entrepreneurship. As entrepreneurship is increasingly associated with improved growth and development outcomes, South Africa has an opportunity to realise inclusive economic growth by cultivating entrepreneurship from a grassroots level via informal entrepreneurship.

Notwithstanding recent efforts, South Africa is yet to find a sustainable means of fostering informal entrepreneurship and determining what a sustainable ecosystem for informal entrepreneurship looks like. Even with a wealth of academic research on

entrepreneurship ecosystems, literature on informal entrepreneurship ecosystems is sparse. As such, informal entrepreneurship ecosystems are an area of research that is largely undocumented. Consequently, this research aims to fill that void by formulating a framework for a sustainable ecosystem for informal entrepreneurship in South Africa.

Therefore, the **research problem** for the purposes of this study is:

What constitutes a sustainable ecosystem for informal entrepreneurship in South Africa?

1.4 RESEARCH OBJECTIVES

The terminal objective of this research is:

To craft a framework to facilitate the creation of a sustainable informal entrepreneurship ecosystem in South Africa.

This will be achieved through the following **secondary research objectives:**

Secondary objective 1: *To identify and define the components of a sustainable informal entrepreneurship ecosystem;*

Secondary objective 2: *To assess the relationship between the components of a sustainable informal entrepreneurship ecosystem;*

Secondary objective 3: *To critically evaluate the differences between the sustainable informal entrepreneurship ecosystems identified by constituencies; and*

Secondary objective 4: *To propose a framework for a sustainable informal entrepreneurship ecosystem in South Africa.*

1.5 RESEARCH QUESTIONS

To achieve the research objective above, **the main research question is:**

What constitutes a sustainable ecosystem for informal entrepreneurship in South Africa?

This is supported by the following research questions addressing each of the secondary objectives:

Research question 1: *What are the components of a sustainable informal entrepreneurship ecosystem in South Africa?*

Research question 2: *How do the components of a sustainable informal entrepreneurship ecosystem relate to each other in a perceptual system?*

Research question 3: *How do the systems compare, in terms of components, intra-systemic relationships, and inter-systemic relationships?*

Research question 4: *What is the framework for a sustainable informal entrepreneurship ecosystem in South Africa?*

1.6 RESEARCH SCOPE

This research aimed to formulate a framework to enable the creation of a sustainable ecosystem for informal entrepreneurship in South Africa.

*The **informal entrepreneurship ecosystem (IEE)** refers to “an interconnected set of factors within a self-organising system, that fosters the development and growth of informal entrepreneurship and micro-entrepreneurship”.*

*The **framework for an IEE in South Africa** is “a collection of elements and factors that are interrelated and not mutually exclusive, which operate in unison to create a sustainable informal entrepreneurship ecosystem”.*

The scope of this study was limited to the concepts represented in the framework for a sustainable IEE in South Africa as presented in this research.

The applicability of the IEE framework is thus limited to informal entrepreneurship, or micro-entrepreneurship, in South Africa.

1.7 SIGNIFICANCE OF THIS STUDY

In addition to filling the gap identified in existing literature, this research introduces the framework for an IEE in South Africa. This investigation also pioneers the application of the IQA methodology to entrepreneurship ecosystems research.

1.7.1 GAPS IDENTIFIED IN PRIOR RESEARCH

Table 1 below is a summary of a sample of prior research in the areas of entrepreneurship ecosystems and informal entrepreneurship. Additionally, the table includes the research methodologies applied in each study.

Table 1. Prior research (methodology and focus)

Research approach	The focus of prior research
Literature reviews	<p>Informal entrepreneurship in SA</p> <ul style="list-style-type: none"> Development of a framework for South African local municipalities to mobilise entrepreneurship development in communities (Madzivhandila and Musara, 2020). <p>Informal entrepreneurship beyond SA</p> <ul style="list-style-type: none"> Identification of barriers to the development of serial entrepreneurship (Amankwah-Amoah, 2018). <p>Entrepreneurship ecosystems</p> <ul style="list-style-type: none"> Evolutionary pathway of entrepreneurial ecosystems (Cho, Ryan and Buciuni, 2022). Mapping and defining entrepreneurial ecosystems (De Brito and Leitão, 2021). A review and conceptualisation of entrepreneurial ecosystems (Brown and Mason, 2017). Development of a model of productive and unproductive entrepreneurship ecosystems, explaining the business environment (Igwe, Odunukan, Rahman, Rugara and Ochinanwata, 2020).
Case studies	<p>Informal entrepreneurship in SA</p> <ul style="list-style-type: none"> Unpacks the informal sector entrepreneurship context, how this context shapes individual entrepreneurial orientation and the emergence of entrepreneurial leadership (Musara and Nieuwenhuizen, 2020). <p>Entrepreneurship ecosystems</p> <ul style="list-style-type: none"> The case of the Zhongguancun entrepreneurship ecosystem and understanding of ecosystems as a complex adaptive system (Han, Ruan, Wang and Zhou, 2021). Case study of the 10 cultural, social and material ecosystem attributes and their relational organisation in Waterloo, Ontario and Calgary, Alberta, Canada (Spigel, 2017).
Secondary data – Quantitative study	<p>Informal entrepreneurship in SA</p> <ul style="list-style-type: none"> Identification of the binding constraints for the township economy of South Africa (Udimal and Biyase, 2021). <p>Informal entrepreneurship beyond SA</p> <ul style="list-style-type: none"> Investigation of the entrepreneurial ecosystem and start-ups in Sub-Saharan Africa, and the factors impacting early entrepreneurial activity (Court and Arikekpar, 2022).
Surveys	<p>Informal entrepreneurship in SA</p> <ul style="list-style-type: none"> Drivers to the informal sector in SA and Nigeria (Etim and Daramola, 2020). Push and pull factors influencing individuals to partake in micro-enterprise entrepreneurship (Mahadea and Khumalo, 2020a). Challenges facing spaza shop owners in South Africa (Kgaphola, Tawodzera and Tengeh, 2019). Determinants of enterprise performance for informal entrepreneurship in South Africa and the contextual factors that influence it (Urban and Ndou, 2019). Informal retailing through home-based micro-enterprises and the role of spaza shops (Ligthelm, 2005). <p>Informal entrepreneurship beyond SA</p> <ul style="list-style-type: none"> Understanding entrepreneurs' motives for operating in the informal economy and the governmental policies to enable the formalisation of informal entrepreneurship (Williams and Nadin, 2012).
Quantitative research	<p>Informal entrepreneurship in SA</p> <ul style="list-style-type: none"> Understanding the internal and external constraints to the growth of micro-entrepreneurship in a South African provincial context (Mahadea and Khumalo, 2020b). Identification of key business success indicators among black-owned informal Small, Micro and Medium Enterprises (SMMEs) in South Africa (Maduku and Kaseeram, 2021). Identification of challenges in sustaining native entrepreneurship in South African townships (Mukwarami and Tengeh, 2017). <p>Informal entrepreneurship beyond SA</p> <ul style="list-style-type: none"> Evaluation of Institutional theories of informal sector entrepreneurship in Albania (Williams and Kosta, 2019). Evaluation of country policies in relation to formal and informal entrepreneurship (Laing, van Stel and Storey, 2021). <p>Entrepreneurship ecosystems</p> <ul style="list-style-type: none"> Exploration of the effectiveness of incubators' co-opetition strategy in the entrepreneurial ecosystem in France (Theodoraki, Messeghem and Audretsch, 2022). Research on fostering entrepreneurial ecosystems through the stimulation and mentorship of new entrepreneurs (Nate, Grecu, Stavytsky and Kharlamova, 2022). Research exploring the multiple domains, dimensions and relationships of entrepreneurial ecosystems (Stephens, McLaughlin, Ryan, Catena and Bonner, 2022).

Research approach	The focus of prior research
Interviews	<p>Informal entrepreneurship in SA</p> <ul style="list-style-type: none"> • Research focusing on an informal car wash venture in Johannesburg showing the social embeddedness of informal entrepreneurship in urban South Africa (Dawson, 2021). • Identification of the challenges faced by women street vendors in Warwick Junction, Durban (Khumalo and Ntini, 2021). • Understanding the stakeholder ecosystem of women entrepreneurs in South African townships (Nambiar, Sutherland and Scheepers, 2020). <p>Informal entrepreneurship beyond SA</p> <ul style="list-style-type: none"> • A resources and capabilities perspective on informal entrepreneurship in Bangladesh (Khan, 2018). • Varieties of context and informal entrepreneurship in Ghana (Afreh, Rodgers, Vershinina and Williams, 2019). <p>Entrepreneurship ecosystems</p> <ul style="list-style-type: none"> • Design of a framework for the technology entrepreneurship ecosystem in Iran (Maysami and Elyasi, 2020). • Research on the willingness to cooperate and sustainability for innovation within the entrepreneurship ecosystem (Bărbulescu, Nicolau and Munteanu, 2021). • Entrepreneurial ecosystems created by woman entrepreneurs in Botswana (Mamabolo and Lekoko, 2021).
Mixed method research	<p>Informal entrepreneurship in SA</p> <ul style="list-style-type: none"> • Barriers to small informal business development and entrepreneurship: The case of the Emfuleni Region (Meyer, Meyer and Molefe, 2016) found that most informal entrepreneurs are necessity driven rather than opportunity driven.
Longitudinal qualitative study	<p>Entrepreneurship ecosystems</p> <ul style="list-style-type: none"> • Exploration of the varieties of entrepreneurial ecosystems: A comparative study of Tokyo and Bangalore (Kapturkiewicz, 2021).

Source: Author's construct (2022); Multiple sources

Key observations emanating from the table above are presented below.

Entrepreneurship ecosystems: Entrepreneurship ecosystems research has focused on modelling ecosystems using interviews; past research and literature; case studies on entrepreneurship ecosystems and determining drivers; outcomes and constraints of entrepreneurship ecosystems. Research in the realm of entrepreneurship ecosystems includes theoretical contributions that encompass the conceptualisation of ecosystem elements (Isenberg, 2011; Spigel, 2017) and a critique of these perspectives (Stam and Spigel, 2016; Roundy and Bayer, 2019). Research also elucidates country-specific entrepreneurship ecosystems and examples include Chile (Espinoza, Mardones, Sáez and Catalán, 2019), Finland (Nordling, 2019), Morocco (Kabbaj *et al.*, 2016) and Iran (Khyareh and Torabi, 2018).

Informal entrepreneurship: Research on informal entrepreneurship in South Africa has explored the informal entrepreneurship context; the role of municipalities in entrepreneurship development; and the constraints and determinants of informal entrepreneurship. Research on informal entrepreneurship outside South Africa further includes the various types of entrepreneurship. Informal entrepreneurship literature is broad and explores its role in the economy (Davies and Thurlow, 2010; Cannatelli *et al.*,

2019) and in the context of poverty (Shantz, Kistruck and Zietsma, 2018); its persistence and forms in many countries (Afreh *et al.*, 2019; Jha and Bag, 2019); and the incubation potential of informal businesses (Williams and Martinez, 2014).

Research methodology: Prior research on entrepreneurship ecosystems and informal entrepreneurship have largely adopted three research approaches, namely theoretical contributions emanating from the use of secondary research data (literature review or published data); qualitative research approaches using case studies and interviews; and quantitative research approaches using surveys and applying statistical analysis. This study has utilised the IQA research methodology, which has yet to be applied to informal entrepreneurship and entrepreneurship ecosystems research.

Research on informal entrepreneurship ecosystems in South Africa is an emergent field. Accredited scholarly articles on informal entrepreneurship ecosystems in South Africa and globally are limited, however general discourse on entrepreneurial ecosystems within emerging markets and in the South African SME context are evident as presented in *Table 1*. Alternative research was found, focusing on the South African Township ecosystem (ANDE, 2021), mapping the township ecosystem in Alexandra (Coetzer and Pascarel, 2022) and developing an ecosystem for SMMEs in SA (Feinstein, no date). This research therefore, adds to extant entrepreneurship ecosystem research by introducing a framework for a sustainable informal entrepreneurship ecosystem in South Africa.

1.7.2 CONTRIBUTIONS OF THIS STUDY

The theoretical, methodological, policy and business contributions emanating from this research are summarised below.

Theoretical contributions: This research makes a valuable contribution to Entrepreneurship Ecosystems theory by introducing a framework for an informal entrepreneurship ecosystem in South Africa while also strengthening existing research on entrepreneurship ecosystems by offering a variation to Isenberg's (2016a) identified domains of entrepreneurship ecosystems. This study further supports the IEE framework in South Africa with two underlying sub-systems, namely the Micro-IEE containing proximal factors representing the lived and experienced social realities of informal entrepreneurs and the Macro-IEE made up of distal factors reflecting views and perspectives of constituencies with the power to influence or change the phenomenon.

This research contributes to strengthening existing literature on the informal sector and informal entrepreneurship and offers a deeper understanding of informal entrepreneurship in South Africa. It finds that certain forms of informal entrepreneurship adhere to legislative and business registration requirements and operate with a high degree of formality. Additionally, context is an important component in an IEE and is represented by the lived experiences of informal entrepreneurs. This research also contributes to strengthening existing literature on the entrepreneurship process and finds that informal entrepreneurs deal with risk and uncertainty and have resource requirements that are specific to their context. This study also contributes to enhancing existing literature pertaining to informal entrepreneurial activity and finds that creative destruction occurs at both a Macro-IEE level and Micro-IEE level, while both innovation and action-orientated entrepreneurship co-exist within the IEE.

Methodological contributions: In light of the limited IQA resource material available, this study contributes to strengthening the application of the IQA methodology in future research. It deviates from the norm and limits the application of the IQA approach to focus groups, revealing the richness of insights that may be lost during interviews. In addition to demonstrating the value in the application of the IQA methodology, this research also makes recommendations for the IQA process, as well as naming conventions applied to IQA focus groups. As the informal sector in South Africa is increasingly a subject of research, this study contributes to improving future research involving informal sector agents and informal entrepreneurs in SA by making recommendations for engagement and the communication of research intentions and outcomes.

Policy contributions: This research makes many valuable policy contributions, including policy recommendations for strengthening the NDP, policies to address contextual issues that were identified and policies that are required to enable and strengthen the IEE. Policy recommendations further include wider policy consultation with affected stakeholders at all levels of government, as well as the role of government in the IEE. Recommendations made by this research may influence government and municipal policy in respect of informal entrepreneurship and the IEE in SA.

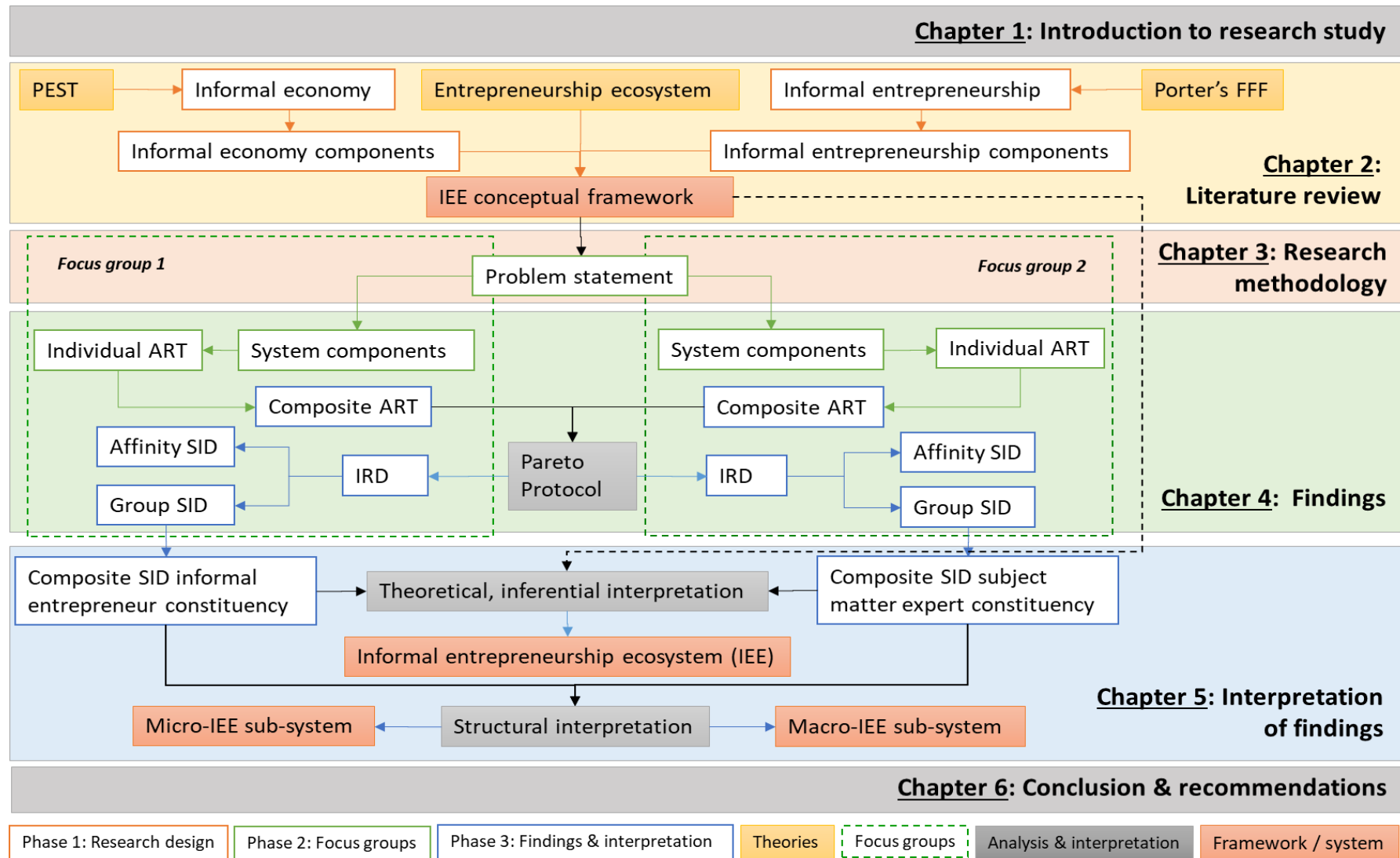
Business contributions: This study contributes to improving micro-entrepreneurship and informal entrepreneurship in South Africa by making key recommendations pertaining to business regulations and the enforcement of those regulations. Additionally, the business opportunities for the private sector, financial institutions as well as insurance

institutions in the IEE are evident in this research. The opportunity for universities to become more engaged in the IEE and fulfil their community engagement mandates is also reinforced in this research.

1.8 RESEARCH OUTLINE

The outline of this research is presented in *Figure 1* below and reflects the key outcomes of each chapter. Importantly, research findings and the interpretation of these findings are separated due to the multiple theoretical lenses utilised in the interpretation.

Figure 1. Research Outline



Source: Author's construct (2022)

Chapter 1: This chapter introduces the research study and outlines the rationale and context for the research study. It presents the background, problem statement, research outline and research objectives and questions. It further articulates the significance of the research and key definitions and terminology used in this study.

Chapter 2: The second chapter presents the empirical literature review and forms the theoretical background for the research study. It presents the Entrepreneurship Ecosystem theory and details the informal economy and informal entrepreneurship in South Africa. The IEE conceptual framework emanating from the informal economy PEST analysis and the FFF analysis of informal entrepreneurship is presented.

Chapter 3: The third chapter discusses the interactive qualitative analysis (IQA) research methodology applied in this research study and articulates deviations from the applied methodology. The research philosophy, research strategy and research praxis are presented and support the qualitative research approach. The composition of the two focus groups that represent constituencies is justified. Key ethical considerations are also presented. This chapter also details the information-gathering process and the information analysis methodologies utilised in reporting the findings.

Chapter 4: Chapter Four presents the findings emanating from the two focus groups. In line with the IQA research methodology, the findings represent the group reality of each focus group and the systems for each constituency are described as follows:

- **System elements:** The affinities identified and justified by each focus group are presented; and
- **System relationships:** The relationships between affinities as identified by each focus group are presented. Using the Pareto Protocol statistical analysis, the group system influence diagram (SID) for each constituency is presented.

Chapter 5: This chapter presents the interpretation of the findings emanating from the preceding chapter in line with the IQA research methodology. The analysis entails the following:

- **Structural interpretation:** Each focus group's SID is analysed, interpreted, compared and contrasted based on their structural and systemic properties, generating the underlying sub-systems;
- **Theoretical interpretation:** The SIDs are analysed and evaluated using theoretical lenses, encompassing the institutional perspective of informal entrepreneurship; the

resource perspective of the entrepreneurship function; the Schumpeterian perspective of the entrepreneur; and the infrastructure perspective of the ecosystem; and

- **Inferential interpretation:** Triangulation of the theoretical interpretation outcomes resulted in the presentation of a framework for an IEE in South Africa. An analysis of the roles and responsibilities in the IEE using transactional analysis theory is also presented.

Chapter 6: The final chapter presents the research overview and recommendations. It outlines the research outcomes and articulates how each research question is addressed. It further details the theoretical research implications and makes business, policy and methodological recommendations. This final chapter concludes by presenting areas for future research, the limitations of the study and contributions to the SDGs.

1.9 CONCLUSION

The aim of this chapter was to provide the context and scope of this research, justify the research study and present the intended research objectives.

This chapter presented the Post-structuralist / Mainstream perspective of the informal economy and asserted that informal entrepreneurship can promote socio-economic inclusion and address the challenges associated with inequality, poverty and unemployment in South Africa. The terminal objective of this research is thus: *“To craft a framework to facilitate the creation of a sustainable informal entrepreneurship ecosystem in South Africa”*.

This chapter detailed four secondary research objectives and research questions in support of the terminal objective, provided a justification of the research study and articulated the theoretical, business and academic contributions resulting from this research study.

The following chapter presents the literature review that forms the foundation for this research.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

The previous chapter introduced the research problem, research objectives and research questions, and presented the rationale and justification for this study. This chapter presents the theoretical framework for the research and details the empirical literature review that culminates in the presentation of an IEE conceptual framework.

The literature review that follows encompasses five sections, which are summarised below.

The theoretical framework: The theoretical framework containing the key theories utilised in the literature review is presented and forms the basis of the literature review.

Entrepreneurship ecosystem: The use of Entrepreneurship Ecosystems theory and “*the domains of the entrepreneurship ecosystem*” (Isenberg, 2016a) is justified and critiqued along with other theoretical perspectives.

The informal economy: The empirical literature review of the informal economy using the Political, Economic, Social and Technological (PEST) framework presents an understanding of the context in which informal entrepreneurship occurs.

Informal entrepreneurship: The empirical literature review of informal entrepreneurship using Porter’s Five Forces Framework (FFF) offers an understanding of the informal entrepreneurship industry in South Africa.

The IEE conceptual framework: The conceptual IEE generated by triangulating the concepts emanating from the empirical literature review of the informal economy PEST analysis and the FFF analysis of informal entrepreneurship is presented.

This chapter thus addresses the research objectives as follows:

- **Secondary objective 1:** Components of a sustainable informal entrepreneurship ecosystem are identified from literature through the PEST analysis of the informal economy and the FFF analysis of the informal entrepreneurship industry in South Africa.
- **Terminal objective:** The components identified in the analyses above are triangulated and generate the conceptual IEE framework which is later revisited against the IEE Framework.

2.2 THEORETICAL FRAMEWORK

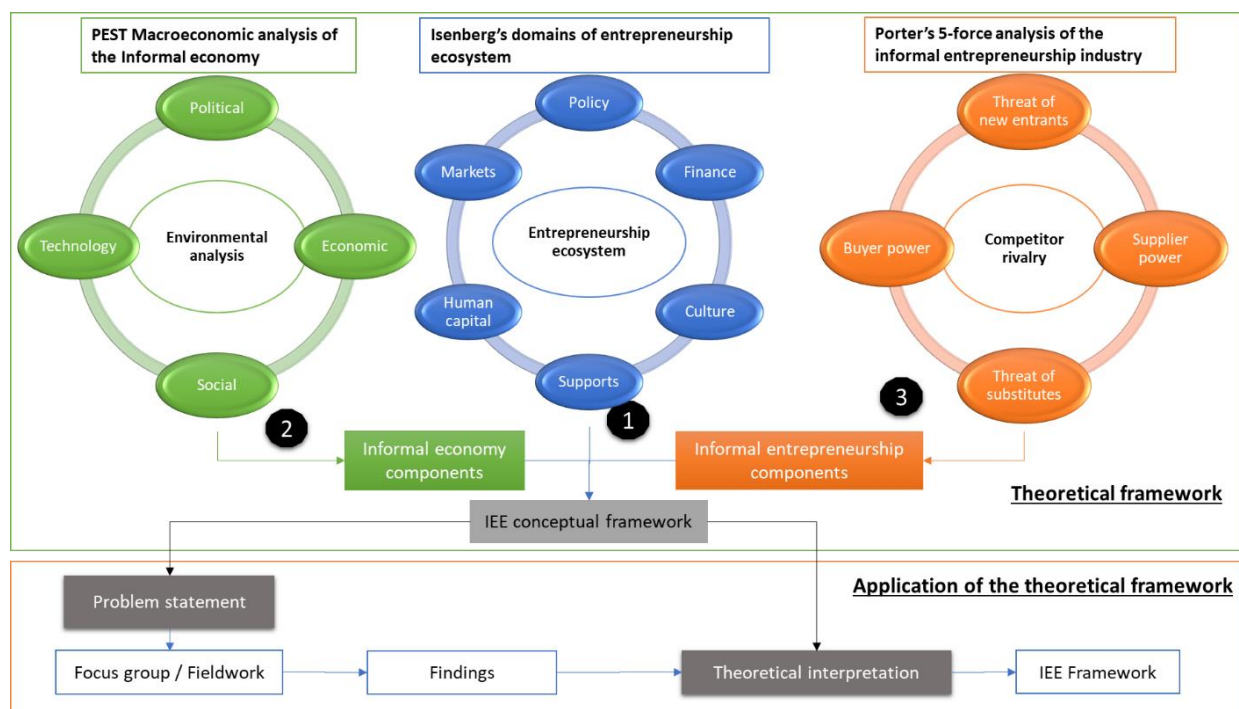
The ensuing empirical literature review is based on the theoretical framework depicted in *Figure 2* below.

Entrepreneurship Ecosystems theory is the principal theoretical base of this research. Isenberg's "*Domains of the entrepreneurship ecosystem*" (Isenberg, 2016a) is one of the most dominant frameworks pertaining to entrepreneurship ecosystems, and is therefore used as the main theoretical lens in this research.

In order to craft a similar framework for an IEE in South Africa, an **IEE conceptual framework** was generated by triangulating the concepts emanating from the empirical literature review, which entailed:

- An empirical literature review of the informal economy using the PEST framework to understand the context for informal entrepreneurship; and
- An empirical literature review of informal entrepreneurship using the FFF to understand the informal entrepreneurship industry in South Africa.

Figure 2. Theoretical Framework



Source: Author's construct (2022); Isenberg (2016a); Gupta (2013); Ho (2014); Porter (2008)

The IEE conceptual framework was used in the fieldwork to articulate the problem statement to each focus group. Additionally, the IEE conceptual framework was utilised

to compare, contrast and theoretically interpret the findings emanating from the focus groups, thus facilitating the formulation of a framework for an IEE in South Africa.

The literature review that follows drew key insights from academic literature and research publications towards understanding the informal entrepreneurship ecosystem from a theoretical perspective.

2.3 ENTREPRENEURSHIP ECOSYSTEMS

Prior research has observed that entirely economic-based research may de-contextualise entrepreneurship, thus missing key institutional, cultural and socio-economic insights (Patriotta and Siegel, 2019). Entrepreneurship therefore does not exist in isolation and is an outcome of the activities undertaken by the entrepreneur in relation to their context. Informal entrepreneurship is a distinctive form of entrepreneurship and thus interacts with its context in a unique manner. Therefore, in order to facilitate the growth and development of informal entrepreneurship in South Africa, this research sought to understand its context.

Ecosystems traditionally emanate from ecology and refer to the natural environment where living organisms interact with the physical environment they inhabit (Kabbaj *et al.*, 2016). Ecosystems not only reflect the contextual embeddedness of entrepreneurs, but also reveal the ecosystem agents and the socio-economic factors influencing entrepreneurial outcomes (Roundy and Lyons, 2022). Therefore, formulating a framework for an informal entrepreneurship ecosystem in South Africa is best supported by Ecosystems theory.

Isenberg's (2016) EE theory is the theoretical base of this research. This section defines the entrepreneurship ecosystem, articulates the domains of the entrepreneurship ecosystem and presents arguments in support of its use for this research.

2.3.1 DEFINING ENTREPRENEURSHIP ECOSYSTEMS

The **ecosystem** metaphor refers to “the existence of a largely self-organizing, self-sustaining and, to some extent, self-regulating system” (Isenberg, 2016a, p. 565). Ecosystems are “the union of localized cultural outlooks, social networks, investment capital, universities and active economic policies that create environments supportive of innovation-based ventures” (Spigel, 2017, p. 49).

“Entrepreneurship, to be self-sustaining, requires an ecosystem, and an ecosystem requires proximity, so the different domains can evolve together and become mutually reinforcing” (Isenberg, 2011, p. 11). **Entrepreneurial ecosystems** are defined “as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship within a particular territory” (Stam and Spigel, 2016, p. 1). An entrepreneurship ecosystem (EE) is “a framework that allows private sector and social actors, often with different traditions and motivations, and of different sizes and areas of influence, to act together and create wealth in a symbiotic relationship” (Prahalad, 2005 cited by Kabbaj *et al.*, 2016, pp. 1650021–1650022)

This research interprets the **entrepreneurship ecosystem** as an interconnected set of factors within a self-organising system that fosters the development and growth of entrepreneurship.

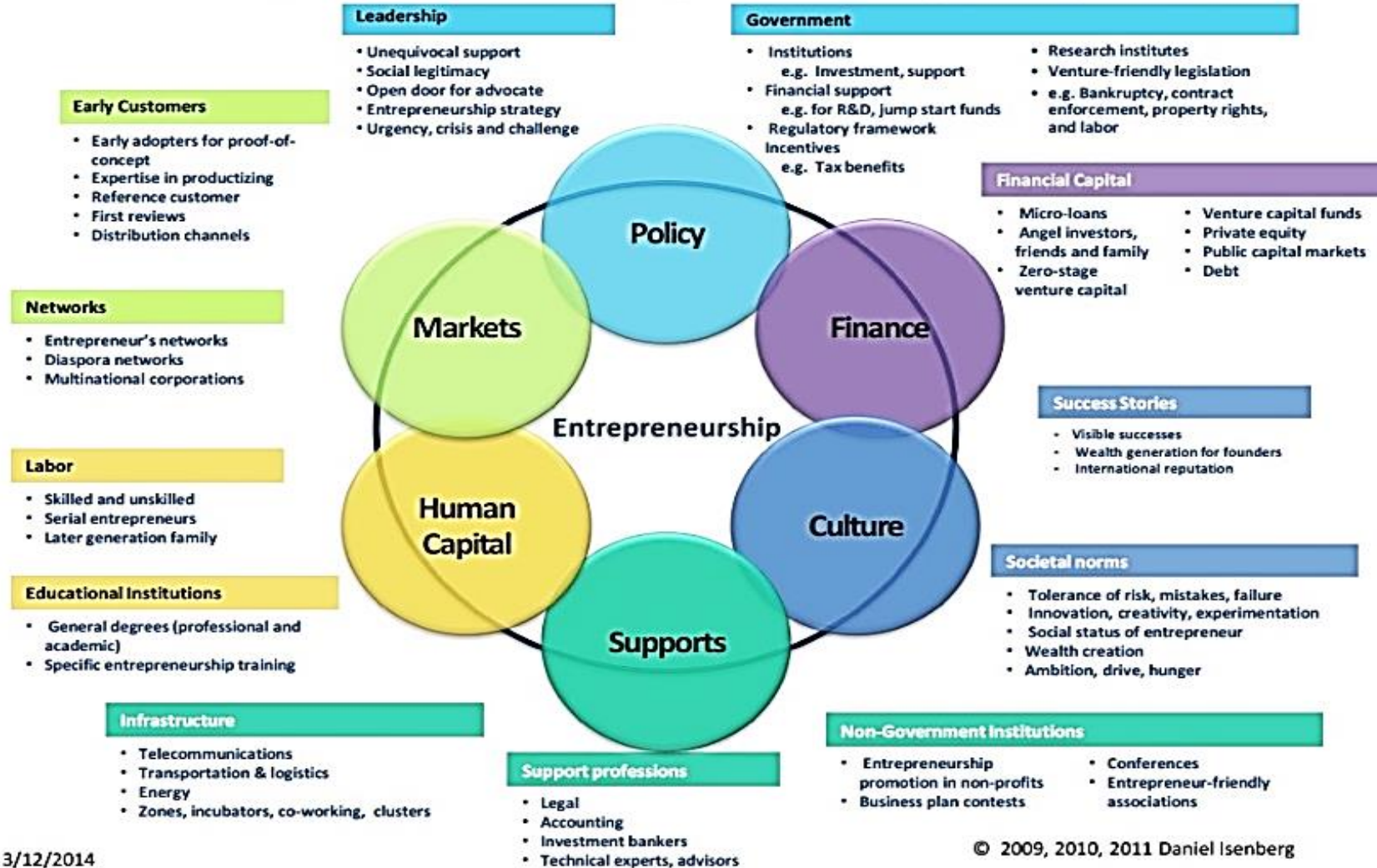
2.3.2 DOMAINS OF THE ENTREPRENEURSHIP ECOSYSTEM

Isenberg (2016) presents six domains of the entrepreneurship ecosystem, namely policy, finance, culture, supports, human capital and markets. These environmental factors reflected in the figure below advocate an enabling culture, policies and leadership; access to infrastructure; financial resources; adequately skilled human capital and markets to generate revenue; and enabling and supportive institutions (Isenberg, 2016a) for a sustainable EE. The EE contains thirteen (13) elements, namely “leadership, government, culture, successful stories, human capital, financial capital, entrepreneurial organizations, education institutions, infrastructure, economic clusters, networks, support services and early customers” (Fernández, Jiménez and Roura, 2015, p. 788).

Isenberg’s EE domains may also be categorised into framework conditions and systemic conditions. “Framework conditions include institutions, culture, infrastructure and demand, whilst systemic conditions include networks, leadership, finance, talent, knowledge and support services” (Stam and Spigel, 2016, p. 9). Ecosystems should focus both on the end as well as the means to the end. Therefore, while the rate of entrepreneurship may be important, the means or inputs (Spigel, 2017), like finance, culture, human capital, markets, policy and supports, and the development of the entrepreneurship ecosystem over time (Isenberg, 2016a) are important factors that enable entrepreneurship.

Figure 3. Domains of the Entrepreneurship Ecosystem

Domains of the Entrepreneurship Ecosystem



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Source: Isenberg (2016a, p. 572)

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2.3.2.1 POLICY

The policy domain includes **leadership and government**, whereby policy is driven by government through institutions, whilst ecosystem leadership sustains it. Key stakeholders in the EE are the national government, which is the policy maker, and creators of jobs, who are regional or local governments (Hakala, O'Shea, Farny and Luoto, 2019). Government needs to deviate from its traditional role of making policy and directly coordinating entrepreneurial networks towards supporting activities to drive venture creation in an EE via policy reform, investment and incentive planning (Lee, Lee and Kim, 2017). Government policies designed to mitigate market failures are not appropriate for all ecosystems, and frameworks should be customised to the context and needs of the EE, taking into consideration its maturity (Brown and Mawson, 2019). Therefore, EE policy must be inclusive of the ecosystems' entrepreneurs, resource providers, entrepreneurial connectors and environment (Nordling, 2019).

Government needs to adopt a more facilitative role with the entrepreneurship community, thus taking an indirect role and looking to initiatives that strengthen the EE through resources, like "public venture capital investments, building incubators or training schemes" (Spigel and Harrison, 2018). Government policies promoting entrepreneurship in Iran have focused on providing financial assistance and reducing bureaucracy; creating entrepreneurship skills; and strengthening the incentives for entrepreneurship (Khyareh and Torabi, 2018). Chile managed to grow entrepreneurship over time through public policy that filtered down to regional levels by socio-political consensus, ultimately contributing to economic growth (Espinoza *et al.*, 2019). Policies to stimulate entrepreneurship should focus on traditional enablers like financial incentives and business incubators, entrepreneurship education programmes, and an entrepreneurship-friendly climate (Espinoza *et al.*, 2019).

Visible, active leaders are important in creating and sustaining the ecosystem. Leadership directs the ecosystem and provides role models for the EE (Stam and Spigel, 2016). Moreover, the creation of a robust EE is dependent on leadership, driven by ecosystem entrepreneurs where they create interconnected networks founded on an existing culture of trust and reciprocity (Spigel and Harrison, 2018). Importantly, an ecosystem that is not centrally controlled engenders the greatest value for individual actors and the ecosystem (Isenberg, 2016a). The system is established by individual entrepreneurs who also shape

the actions and outcomes of the participants (Roundy, 2017). Social entrepreneurs can shape their EEs and influence the heterogeneity of EE members, attracting stakeholders into the ecosystem (Roundy, 2017).

2.3.2.2 FINANCE

The finance domain seeks to strengthen the EE's **access to financial capital**. Venture capital funds and angel investments are needed at the outset to ensure a sustainable ecosystem (Lee *et al.*, 2017), with research suggesting that access to financial resources enables investments in new ventures (Stam and Spigel, 2016). Research advocates expert venture scripts or knowledge structures in subsistence economies that go beyond merely funding entrepreneurs towards improving the quality of entrepreneurship (Smith, Judge, Pezeshkan and Nair, 2016). However, government-funded regional development programmes are found to facilitate more diverse interactions to create new opportunities (Nordling, 2019). In the case of Start-up-Chile, the government provided seed capital and supported the EE with enabling government policy (Espinoza *et al.*, 2019).

The critique of the finance domain is that it does not include access to other resources. Research notes that fluctuating economic contexts vary in demand for resources, warranting equally dynamic policies that support these changes (Chowdhury, Audretsch and Belitski, 2019). Additionally, different types of entrepreneurship require or need different types of resources (Chowdhury *et al.*, 2019). Importantly however, institutions created by socio-economic policy and practices limit access to resources (Narayanan and Fahey, 2005). Consequently, it is important to understand the processes and mechanisms that enable resource creation and dispersion to and within the EE (Spigel and Harrison, 2018).

Additionally, financial incentives alone do not promote a sustainable ecosystem, and research notes that small investments in businesses by inexperienced investors stimulate the growth of businesses and returns to investors (Isenberg, 2014), promoting more bottom-line-driven financial incentives. Research in India has suggested that if access to financial institutions is not made easier for informal businesses, an independent credit institution should be established to exclusively cater for informal micro and small businesses (Rajesh Raj, Sen and Kathuria, 2014). Therefore, a need exists for greater institutional alignment (Williams, Horodnic and Windebank, 2015) to enable access to

resources and opportunities, rather than potentially exposing informal businesses to a single source of finance through venture capitalism.

Once again, this domain refers to finance and venture capitalists as the same, and in the case of the IEE, it may be important to distinguish between ecosystem elements and ecosystem participants. Additionally, finances are very narrow as an IEE focus and therefore need to be expanded to encompass resources like technology, finance and other working capital requirements.

2.3.2.3 CULTURE

The domain of culture incorporates **successful stories** that show ecosystem success and the **societal norms** that support the ecosystem. Culture refers to “symbolic patterns, social discourses and narratives of different reach, while social structures define interpersonal, inter-organisational or transnational patterns of action and social positions” (Abdelnour, Hasselbladh and Kallinikos, 2017, p. 1777). The culture, which is ‘the software of the mind’, is reflected in the norms, values and social networks that people adopt (Muhammad, Yaokuang, Juan and Ali, 2017, p. 5). It also underpins the cognitive institutions that people adopt to make sense of their context (Logue, Clegg and Gray, 2016). Culture is a product of relationships between individuals and determines the shape and form of formal institutions (Muhammad *et al.*, 2017).

National culture influences relationships between entrepreneurship education and entrepreneurial activity, as well as between performance and entrepreneurship orientation. Entrepreneurship education influences entrepreneurial activities more in countries with a high level of individualism and masculinity and less uncertainty avoidance (Oo, Sahaym, Juasrikul and Lee, 2018). Elements of national culture in conjunction with political, economic and regulatory factors moderate the relationship between performance and entrepreneurship orientation, and in developing countries where uncertainty avoidance and power distance are low and where in-group collectivism and political stability are high, entrepreneurship orientation is more strongly related to firm performance (Saeed, Yousafzai and Engelen, 2014).

Informal institutions, which are an outcome of culture, are important in supporting the sustainability of the EE. The WEF highlights informal institutions as part of cultural support (Stam and Spigel, 2016). Research delving into municipality EE reveals variances in network connectivity between stakeholders in an EE, whilst also consisting of distinctive

social clusters whose boundaries are formed around the type of venture, type of support institutions and demographics like gender, race and ethnicity (Neumeyer, Santos and Morris, 2019). “Social, cultural and ideological barriers can affect entrepreneurship and eventually affect people’s willingness to participate in entrepreneurial activities” (Khyareh and Torabi, 2018, p. 8).

Whereas Isenberg’s EE culture perspective refers to the creation of a culture that is reflective of the ecosystem, creating an IEE needs to take cognisance of existing cultures already embedded in the context. Research suggests that the culture of entrepreneurship inherent in the informal economy is diverse and warrants legitimisation, thus advocating a prudent “policy approach for tackling the different kinds of informal entrepreneurship that comprise the hidden enterprise culture” (Williams and Nadin, 2012, p. 895). Later research in Canada suggests that the informal economy is founded on giving, sharing and trading, and is “an important yet undocumented part of the business ecosystem (that) was grounded in history, culture and tradition” (Swanson and Bruni-Bossio, 2019, p. 225).

Literature on the informal economy and informal entrepreneurship largely explores informal institutions rather than culture. However, culture is an important part of the identity of these businesses. Therefore, both culture and informal institutions are important. Informal businesses rely more on informal institutions like networks, norms and values and ways of doing business that are distinctly different from formal businesses. Unique country cultures do however present opportunities for new or informal businesses that can differentiate themselves from others. Inherent in the culture are the traits of the entrepreneurs that inhabit this space.

2.3.2.4 SUPPORTS

Supports include **infrastructure, support services and non-government institutions**. Strong support mechanisms strengthening the infrastructure (Lee *et al.*, 2017) and support and knowledge drawn from public and private organisations are an important source of opportunities for entrepreneurship (Stam and Spigel, 2016). Research notes that unconventional entrepreneurs rely heavily on the ongoing support of their community to develop and grow (Guercini and Cova, 2018). Additionally, support from intermediaries can enable a reduction in barriers to entry for new ventures, also reducing innovation time to market (Stam and Spigel, 2016). However, cross-sector collaborations need continued sponsorship, leadership and support in order to be sustainable, and importantly, people

with formal authority who use informal authority are desired champions (Bryson, Crosby and Stone, 2015).

Although this domain once again merges participants and ecosystem elements, infrastructure is extremely important to informal businesses. There is a need for more, relevant and sustainable investment in infrastructure to support informal businesses as they rely heavily on localised markets. Therefore, infrastructure in those areas enables their continued existence.

2.3.2.5 HUMAN CAPITAL

The human capital domain encompasses **educational institutions and labour** and includes the technical, market and entrepreneurial knowledge of the individuals in the ecosystem (Spigel and Harrison, 2018). A sustainable ecosystem relies on a pool of entrepreneurs and employees and universities play a key role in providing such talent (Stam and Spigel, 2016; Spigel and Harrison, 2018). Human capital spill-overs benefit local areas because local universities provide regions with access to a pool of educated people, thus enabling the growth of innovation-driven entrepreneurship (Zheng and Du, 2020). While the existence of serial entrepreneurs is prominent in EE theory, there are many other types of entrepreneurs in an ecosystem (Roundy, 2017).

Whereas entrepreneurship serves as a conduit for knowledge spill-overs, thus contributing to regional innovation, cluster formation and economic development, it is dependent on “knowledge bases, absorptive capacity, competition, networks of people, diversity and culture” (Qian, 2018, p. 163) in the EE. Entrepreneurship knowledge spills over on both human capital and the creativity of individuals in diverse contexts (Acs, Audretsch and Lehmann, 2013).

EE relies heavily on diverse, knowledgeable, skilled workers (Stam and Spigel, 2016) and research reveals that entrepreneurship education may increase entrepreneurial activity, irrespective of national culture (Oo *et al.*, 2018), supporting the call for entrepreneurship education to be accelerated (Lee *et al.*, 2017). Experiential learning, in the short-term, is shown to increase entrepreneurial attitudes and intention, but this relationship is moderated by individual attitudes and demographics (Klapper and Farber, 2016). Literature suggests that individuals’ ambidextrous experiences in previous work-places are associated with entrepreneurial entry and activity (Yeganegi, Laplume, Dass and Greidanus, 2018).

Despite this domain once again combining participants and ecosystem elements, informal businesses are seen to comprise low-skilled, uneducated and low-productivity human capital. There is a need for better investment in skills and education, but research notes that the more educated individuals are, the more reluctant they are to participate in the informal economy. The domain of human capability is not covered in the EE and warrants inclusion because low human capability, which is argued to exist in the informal economy, limits access to opportunities and influences individuals' choices to participate in the informal economy.

2.3.2.6 MARKETS

Markets contain **networks and early customers**. Access to regional markets and multinationals is important for EE sustainability (Lee *et al.*, 2017). The social environment that influences entrepreneurship is closely related to systemic entrepreneurship (Stam and Spigel, 2016), where value creation is an outcome of a “network of symbiotically interconnected organisations” (Basole, Park and Chao, 2019, p. 568). Networks between entrepreneurs and the ecosystem enable information, product and service flow, enabling knowledge distribution and labour and capital flows (Stam and Spigel, 2016).

2.3.3 JUSTIFICATION FOR THE USE OF EE THEORY

2.3.3.1 ADVANTAGES

EE research leverages off of traditional research theories in the domains of economic geography, entrepreneurship and regional science, which according to research in essence “apply different perspectives to approach the same issue: the connections between the entrepreneurship process and localized economic and social contexts” (Spigel and Harrison, 2018, p. 153). The amalgamation of concepts and theories associated with entrepreneurship, geography and urban economics has contributed to the emergence of concepts like the entrepreneurship ecosystem where networks, social and cultural factors and geographic and regional institutions impact the entrepreneurship process (Stam and Spigel, 2016).

The EE is a dynamic system, underpinned by processes that evolve naturally over time. EEs “are more than just high-growth and high-technology clusters, but complex adaptive systems of interdependent actors that engage in entrepreneurial activities to create economic, social, as well as environmental value” (Neumeyer and Santos, 2018, p. 4566).

EEs are also perceived as an outcome of a natural evolution of entrepreneurship, where a collection of actors, motivated by diverse and collective interests, engage in interactions that create a socio-economic system that is largely self-organizing and self-sustaining (Isenberg, 2016a).

Transformation and evolution of the EE over time in turn changes ecosystem needs and structure. Ecosystems evolve, which in turn changes ecosystem resource needs and actors (Nordling, 2019). It is therefore prudent to dawn a process-based perspective when conceptualising EEs, thus viewing “ecosystems as processes: the ways in which ecosystems are reproduced and transformed over time” (Spigel and Harrison, 2018). EE is therefore built on the “notion of co-evolution through some form of collaboration in symbiotic relationships” (Hakala *et al.*, 2019, p. 20).

The ecosystems approach to entrepreneurship focuses on the interrelationship between the entrepreneur, their macroeconomic context and the meso context they operate in. The EE narrative presents a multi-faceted view that incorporates economic, social and cultural elements in the entrepreneurship process, thus deviating from individualistic entrepreneurship and personality-based theories (Dodd and Anderson, 2007 cited by Stam and Spigel, 2016), providing “a more nuanced view of entrepreneurship as a social process embedded in broader contexts” (Stam and Spigel, 2016, p. 1). EE theory is centred around the entrepreneur (Cavallo, Ghezzi and Balocco, 2019), the start-up and the socio-economic influences relating to the entrepreneurial process, thus differing from the cluster approach which focuses on the firm (Stam and Spigel, 2016).

Research focusing on ecosystems can be instrumental in identifying innovation networks and coalitions in ecosystems (Möller and Halinen, 2017) as “EEs are vital sources of innovation and critical engines for economic growth” (Basole *et al.*, 2019, p. 568). EEs are industry-agnostic and multi-sector orientated, promoting broad knowledge dispersion and resource growth across sectors and industries (Spigel and Harrison, 2018). They are used as a framework to study interdependencies and connections between actors in complex-dynamic socio-economic systems (Neumeyer and Santos, 2018).

Whilst some research suggests that ecosystems are complex adaptive systems wherein agents interact to create sustainable outcomes understood as “emergence” (Peltoniemi, 2006), others suggest that an ecosystem is a conceptual framework on perspectives associated with entrepreneurship and geography (Spigel, 2017). These ecosystems

should be enabled by the government, using catalysts to create new business models and institutions.

An important observation of Isenberg's EE is that it refers to each of the domains and their participants as one and the same. For the IEE, it may be important to distinguish between ecosystem elements and ecosystem participants.

Entrepreneurship ecosystems comprise three (3) components, namely ecosystem participants, formal institutions and the entrepreneurship process. Organisations or participants in the ecosystem are current and future entrepreneurs and organisations that support these entrepreneurs. Institutions include regulatory, educational and financial institutions and government (Kabbaj et al., 2016).

Actors in an entrepreneurship ecosystem include “individuals, organizations, entities, local, regional and national institutions, policy-makers and stakeholders in a regional context” (Neumeyer and Santos, 2018). EE theories suggest that strong EEs enable the identification of entrepreneurship opportunities and attract and access ecosystem resources and support growth (Spigel and Harrison, 2018; Sarma and Marszalek, 2019).

2.3.3.2 DISADVANTAGES

According to research, the EE approach excludes statistical entrepreneurship indicators associated with self-employment and small businesses (Stam and Spigel, 2016). Additionally, it may be utilised as a list of factors and characteristics (Stam and Spigel, 2016), void of cause and effect associations (Spigel and Harrison, 2018). Research finds that the EE concept is conceptually ambiguous, misinterpreted and predominantly used to increase entrepreneurship (Brown and Mawson, 2019). Limitations have been noted when applying EE to rural contexts where the impact is not material and thus questions the sustainability of growing entrepreneurship outside the mainstream economy (Muñoz and Kimmitt, 2019).

EE is criticised for assuming that where there is evidence of successful entrepreneurship, the EE is strong and vice-versa (Spigel and Harrison, 2018). EEs are also criticised for assuming that dynamic economies are all similar and their emphasis is on firms that leverage innovation and technology, start-up firms and firms that are an outcome of university-led innovation (Muñoz and Kimmitt, 2019). Uncertainty prevails regarding the role of digitisation in the EE (Neumeyer et al., 2019), the level of analysis (region, country,

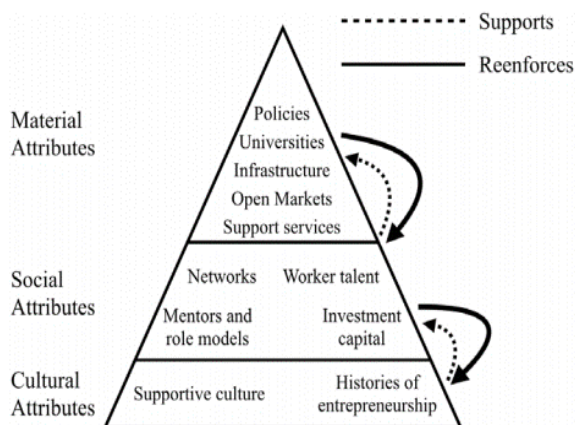
town) of the EE factors (Stam and Spiegel, 2016) and concerns that EEs may attract parasitic and rent-seeking entrepreneurs (Hakala *et al.*, 2019).

2.3.4 OTHER RELATED THEORIES

2.3.4.1 EE ATTRIBUTES

According to Spiegel (2017), EEs are a representation of the political, economic, social and cultural elements in a region that enable or disable entrepreneurship, and can be classified as cultural, social and material elements. Reflected in the figure below, cultural factors include a supportive entrepreneurial culture and entrepreneurship history; social factors incorporate human capital, financial capital, networks and mentors and role models; and material factors include policy, governance, universities, supports, infrastructure and access to markets (Spiegel, 2017).

Figure 4. Relationships amongst ecosystem attributes



Source: Spiegel (2017, p. 57)

Interestingly, Spiegel's ecosystem attributes appear to be quite similar (although dissimilar in many respects) to Maslow's Hierarchy of Needs. Maslow highlights five (5) levels of needs, each dependent on the other, where lower-order needs must be satisfied up to a threshold before higher-level needs are pursued. Level 1 or basic physiological needs include food, water, shelter and sex; Level 2 or safety needs encompass security, stability and land; Level 3 or social needs include social relations and engagement; and level 4 or esteem needs include status and social recognition (Rasmussen, 2019). In the informal economy context, this is important as certain ecosystem elements may be more important and therefore serve as necessary conditions to the others existing and operating optimally.

Although the EE attributes are not the main theoretical base for this research, they are viewed as underlying factors to the overarching EE.

2.3.4.2 BUSINESS ECOSYSTEMS

In 1993, Moore associated management ecosystems with ecological ecosystems, fashioned to enable collaboration between companies, entrepreneurs and other stakeholders while also promoting innovation (Kabbaj *et al.*, 2016; Möller and Halinen, 2017). The ecosystems perspective of business is associated with biological ecosystems comprising “a large number of loosely interconnected participants who depend on each other for their mutual effectiveness and survival” (Wulf and Butel, 2017, p. 1413). Additionally, a business ecosystem is “a group of companies and other entities including individuals, too, perhaps that interacts and shares a set of dependencies as it produces the goods, technologies and services customers need” (Zahra and Nambisan, 2012, p. 220).

Business ecosystems are generally profit and value-driven, industry or sector-focused, and leverage governance and institutions for control. Business ecosystems are underpinned by a more selfish motive whereby collaboration with stakeholders is to promote company competitiveness, and participation in the ecosystem is dependent on its success (Cavallo *et al.*, 2019; Hakala *et al.*, 2019). Business ecosystem outcomes are typically driven towards building a powerful and competitive ecosystem (Hakala *et al.*, 2019). Research suggests that participation in business ecosystems is associated with the extent of business model differentiation, sophistication and extent of change (Muegge and Mezen, 2017). Moreover, knowledge sharing and innovation in business ecosystems are related to a company’s network position and structure and the strength of the system’s governance (Wulf and Butel, 2017).

Business ecosystems are different to entrepreneurship ecosystems and the former is not used as a theory for this research. However, many synergies are evident. Whereas the business ecosystem perspective has an industry focus or is value-chain driven, EEs inherently adopt and advocate a geographic perspective (Stam and Spigel, 2016). The business ecosystems approach focuses on the dynamic interaction between the entrepreneur and the socio-economic environment that they operate in, presenting a holistic view of the key enablers of entrepreneurship (Qian, 2018). They are advantageous because they also incorporate cluster traits that enable co-learning

between participants and, in EEs, clusters also support the entrepreneurship processes including starting a business and support in respect of resources (Spigel, 2017).

Therefore, as business ecosystems have a sector, profit and corporate focus, EE theory, which incorporates a variety of sectors, is deemed more relevant for this research.

2.3.4.3 INSTITUTIONAL THEORY

Institutional theory is widely used in entrepreneurship research, both from an economic and a social domain. The entrepreneurship reform perspective suggests that because poverty emanates from social exclusion, entrepreneurship can only aid in poverty alleviation when changes are made to the institutional or social context (Sutter, Bruton and Chen, 2019). This perspective is captured best in Institutional Theory research. Institutional theory is used to motivate for reform in entrepreneurship research and to some extent, contributes to the revolution perspective where changing institutions could disrupt entrepreneurship. Institutions are a feature of the entrepreneurship ecosystem.

Institutions represent the “rules of the game” for society and include laws, rules, institutional structures and contracts (Hall, Matos, Sheehan and Silvestre, 2012; Hoff and Walsh, 2018). They encompass “laws, informal rules and conventions that give a durable structure to social interactions among the members of a population” (Bowles, 2004, cited by Teraji, 2011, p. 217). Informal institutions include behaviour, societal norms and values and networks (Steer and Sen, 2010) and are reflected in collective identity, shared norms and values and networks. “Institutions are by their very nature deeply embedded in society” (Rodrik, 2006, p. 979).

Institutions may also be classified into 3 categories where firstly, they embed a cultural context of shared values, rules and social groupings that are distinct and separate from others; secondly, they create and embed new norms and social-structural networks that channel behaviour, thereby legitimising their activities; and finally, the socio-psychological impact of institutions is where they legitimise and de-legitimise activities based on rules and conventions (Abdelnour *et al.*, 2017).

Institutions, whether formal or informal, are widely associated with entrepreneurship and economic activity. Institutional variances are related to entrepreneurship variations in economies (Pinho, 2017), where the nature and quality of institutions are associated with

levels of entrepreneurship (Thai and Turkina, 2013; Williams, Shahid and Martínez, 2016). Institutional theory also delves into the role of institutions in legitimising entrepreneurship practices and economic activity (Kistruck, Webb, Sutter and Bailey, 2015; Fisher *et al.*, 2017). Additionally, Institutional theory serves as a theoretical foundation for investigating the transition of entrepreneurs from informal to formal economies (Williams and Nadin, 2012; Dau and Cuervo-Cazurra, 2014; Sutter, Webb, Kistruck, Ketchen and Ireland, 2017).

Informal institutional drivers of entrepreneurship are also widely researched. Institutional theory is also used as a foundation in research seeking to understand the role of institutions in moderating the relationship between the socio-cognitive traits of the entrepreneur and entrepreneurial self-efficacy (Boudreaux, Nikolaev and Klein, 2019). Entrepreneurship research also reflects on the role of institutions in creating innovative entrepreneurship opportunities (Shantz *et al.*, 2018) and explaining informal economy participation (Williams *et al.*, 2015; Williams and Horodnic, 2016). Research suggests an alignment between sociology and economic institutional theories (Pacheco, York, Dean and Sarasvathy, 2010).

Using Institutional Theory for this research is not deemed appropriate because of its narrow focus on institutions. This research aimed to understand the larger ecosystem for informal entrepreneurship which goes beyond institutions. EE theory is therefore more relevant as it encompasses institutions as one of the dimensions.

2.3.4.4 CLUSTER AND NETWORK THEORIES

Cluster and Network theories are also used in entrepreneurship research. These theories encompass environmental factors outside the organisation (Glavan, 2008), similar to elements contained in entrepreneurship ecosystems (Stam and Spigel, 2016; Spigel and Harrison, 2018), also echoed in regional studies literature (Basole *et al.*, 2019; Espinoza *et al.*, 2019). Cluster theory emphasises the role of firms and industries in promoting entrepreneurship (Stam and Spigel, 2016). Clusters comprise specific resources and skills and focused knowledge. Cluster theory is “primarily concerned with the flows of technical knowledge within a particular industrial sector or between sectors that spur innovation” (Spigel and Harrison, 2018).

Cluster theory proposes that business and regional clusters have the potential to improve economic growth, innovation and social inclusion as they are not restricted by boundaries, the form of structure and legislation (Porter, 2000). Clusters are agile and dynamic and can create equitable and shared social and economic value for beneficiaries (Porter and Kramer, 2011; Dembek, Singh and Bhakoo, 2016). Institutional reform and collaborations are suggested to enhance entrepreneurship in certain contexts (Herrera, 2016) and research into BOP initiatives also uses a capabilities approach for community empowerment (Ansari, Munir and Gregg, 2012).

Stakeholder engagement enables innovation and interactions through networks and collaboration (Beal and Astakhova, 2017) where nodes and connections reflect network density (Borgatti and Halgin, 2011). Herrera (2016) finds that collaboration can drive business model design, presenting opportunities (George, McGahan and Prabhu, 2012) where entrepreneurial networks can enable access to important resources for entrepreneurial activities (Villanueva, Angeles and Revilla, 2018). Entrepreneurship research using Network theories identifies economic alternatives to conventional types of entrepreneurship and the creation of new operating and business models, given unique contexts (Sarkar and Kundu, 2018).

Critique of the cluster approach notes that it fails to recognise the unique traits and forms that smaller firms take on because it assumes that they are smaller versions of larger companies (Stam and Spigel, 2016).

As clusters and networks are represented within the domains of the EE, these theories are not considered in isolation.

2.3.5 CONCLUDING SUMMARY: ENTREPRENEURSHIP ECOSYSTEM

Ecosystems theory is associated with Systems theory, where elements of an ecosystem are interconnected and interdependent. Elaborating on these associations, research highlights the importance of acknowledging the economy as an ecosystem, interconnected with the environment (Peltoniemi, 2006). Ecosystems are enabling environments that contribute to innovation, supported by economic policies that create access to resources and investment, and local networks are associated with academic and research knowledge (Spigel, 2017). Ecosystems theories generally focus on the characteristics and traits of the ecosystem and possible configurations of the ecosystem to benefit participants (Spigel, 2017).

Having considered alternative theoretical lenses that could be utilised for this research in the discourse above, the conceptualisation of a framework for a sustainable IEE in SA is best supported by EE theory. EE theory is broad, encompassing Institutional, Network and Cluster theories within its dimensions. EE theory further supports viewing informal entrepreneurship from a contextual perspective, thus ensuring that the framework for an IEE in South Africa is relevant and considers the ecosystem agents and socio-economic factors influencing informal entrepreneurship.

2.4 THE INFORMAL ECONOMY

The informal economy represents the context in which informal entrepreneurship occurs. Thus, comprehending the informal economy is a prerequisite to understanding informal entrepreneurship. This section defines the informal economy, explores Informal Economy theories and reviews the informal economy in South Africa before applying the PEST framework to analyse the context.

2.4.1 DEFINING THE INFORMAL ECONOMY

There appears to be no single definition of the informal economy, but research reveals the use of a diversity of common traits and unique identifiers to explain it. The interrelated terminology is used to provide an all-encompassing understanding of the informal economy, which includes the informal sector, informal economic activities and informal employment.

Chen defines the **informal economy** as a “broad base of the workforce and economy, both nationally and globally” (2012, p. 8) engaged in informality. Restrepo-Echavarria (2014) defines the informal economy as “those market-based value-added-creating activities which are not taxed or registered by the government”. Whilst there is a tendency to also consider illegal activities, or the ‘renegade economy’ as part of the informal economy (Webb, Tihanyi, Ireland and Sirmon, 2009; Chen, 2012), it is generally accepted that informal activity refers to legal activities performed outside the regulated space (Webb *et al.*, 2009; Schneider, 2013; OECD, 2017c; Sutter *et al.*, 2017). The informal economy is defined as “the set of legal but illegitimate (to some large groups) activities through which actors exploit opportunities” (Cannatelli *et al.*, 2019, p. 881).

The **informal sector** refers to economic activities and employment in informal enterprises (Chen, 2012), comprising two aspects, namely “employees working in establishments that employ fewer than five employees, who do not deduct income tax from their salaries or wages; and employers, own-account workers and persons helping unpaid in their household business who are not registered for either income tax or value-added tax” (Stats SA, 2019a, p. 17).

Informal economic activities, increasingly regarded as an outcome of the modern workforce, refer to income-generating activities or employment that does not comply with labour market or business legislation. It may also denote employment in the formal or informal sectors (Davies and Thurlow, 2010) where jobs are temporary or part-time (Goldberg and Pavcnik, 2003; Chen, 2012; Williams, 2017a) or employment, whether long- or short-term, where social protection is limited or non-existent (Chen, 2012; Williams, 2017a), or informal self-employment and entrepreneurship (Chen, 2012).

Informal employment refers to the informal nature of employment and includes people “in the informal sector, employees in the formal sector and persons working in private households who are not entitled to basic benefits such as pension or medical aid contributions from their employer, and who do not have a written contract of employment” (Stats SA, 2019a, p. 17).

Therefore, the **informal economy** firstly encapsulates legal economic activities performed in either informal or formal sectors that are informal in nature and secondly, the informal sector itself.

2.4.2 INFORMAL ECONOMY THEORIES

Unlike the formal economy, the informal economy is not easily measured and varies in **composition and size** from one country to another, posing many challenges for policy-makers. The size, composition and inherent value of the informal economy remain largely estimated relative to the formal economy (Chen, 2012; Schneider and Williams, 2013). Measurement inconsistencies and the unavailability of relevant data (Restrepo-Echavarria, 2014; Sweidan, 2017) result in poor, inconclusive and unreliable research outcomes, sometimes leading to incoherent policy responses to informality. Local, regional and country differences like economic, political and social nuances further

contribute to its dissimilar composition, distribution and size (Davies and Thurlow, 2010; Williams and Nadin, 2012; Pratt, 2019).

Modernisation, Structuralist and Dualist theories suggest that informality is inferior to the formal economy, comprising low human capital and productivity and reflecting low levels of development. These theories support the hegemonic presence of the formal economy and a capitalistic approach to growth, associating informality with under-development, the mis-allocation of resources (Loayza, 2016; Medina, Jonelis and Cangul, 2016) and increased crime and fraud (OECD, 2017c). The informal economy is further subordinated to its formal counterpart (Williams and Round, 2009) and is inherently associated with lower productivity, wages and human capital (Loayza, 2016; World Bank Group, 2019b). Structuralists suggest that this economy exploits workers and limits their social protection (OECD, 2017c; World Bank Group, 2019b), while dual-sector growth models are suggested to be relevant to developing economies (Martins, 2019).

While the **Neoliberal** view suggests that informality is a choice associated with legislative and institutional avoidance, informality is criticised for declining government revenue collection and hampering formal economy growth through unfair competition. The Neoliberal view on informality asserts that informality deliberately avoids compliance with regulations (ACCA, 2017) whilst practising tax, cost and legislative avoidance (Chen, 2012; Loayza, 2016), and its extractive nature deprives the government of tax revenue (Chen, 2012; ACCA, 2017; OECD, 2017c; World Bank Group, 2019b). Increased informality is cited as an indicator of weak legislative systems designed to promote business formalisation, thus constraining formal economy business growth (Schneider and Williams, 2013) while also distorting competition and de-legitimising institutional structures (ACCA, 2017; OECD, 2017c).

The informal economy behaves **counter-cyclically** and aids with development and socio-economic protection in times of low growth and high unemployment. A growing perspective on informality presents it as a legitimate choice for individuals. The Mainstream and Neoliberal theories assert that the informal economy, once understood as a survival practice for economically excluded individuals, is a conscious choice in certain contexts (Williams and Round, 2009; Canclini, 2019). Moreover, the informal economy is integral to a country's economic structure (Gërkhani, 2004; Bosch and Esteban-Pretel, 2012; Chen, 2012; Ganiyu *et al.*, 2018), it is agile and able to expand and

contract during periods of low growth (Fisher *et al.*, 2017; Saunoris and Sajny, 2017) while also enabling employment (Goldberg and Pavcnik, 2003; Chen, 2012; Williams, 2017a).

Table 2. Informal Economy theories

Theory	References	Informal economy – explanation
Dualist Involuntarily decanted thesis	(Gërkhani, 2004; Williams, Round and Rodgers, 2006; Chen, 2012; Sallah, 2016; Ganiyu <i>et al.</i> , 2018; Acuto, Dinardi and Marx, 2019)	<ul style="list-style-type: none"> • The informal economy is residual, distinct, autonomous and unrelated to the formal economy. • The informal economy comprises marginal activities and operates on the periphery along with the formal economy. • Participation in informality is a necessity stemming from exclusion from formal employment and skills/employment mismatch. • Informality is seen as subservient to formality and represents traditional and dated activities.
Modernisation Leftover/ residue thesis	(Williams <i>et al.</i> , 2006; La Porta and Shleifer, 2014; Williams, 2015; Ganiyu <i>et al.</i> , 2018)	<ul style="list-style-type: none"> • The informal economy is residual and distinct from the formal, and because informal is incapable of contributing to economic growth, formalisation is inevitable. • As countries industrialise and modernise, the large excess labour supply will be absorbed into the formal sector, and the informal sector will decline over time. • People excluded from the formal economy seek employment in the informal economy. • “The formal capitalism realm is privileged normatively over the informal non-capitalist realm” (Williams and Nadin, 2013, p. 556).
Structuralist Reinforcement thesis	(Chen, 2012; Williams and Nadin, 2013; Colombo, Onnis and Tirelli, 2016; Sallah, 2016; Ganiyu <i>et al.</i> , 2018; Acuto <i>et al.</i> , 2019)	<ul style="list-style-type: none"> • The informal economy is a by-product of de-regulation and opening of the world economy, a feature of capitalism where employers seek to reduce costs and maximise profits. • Informal economy participation is because of exclusion from the formal labour market and government benefits. Informal employment is a survival practice and a substitute for formal employment. • Formal and informal economies coexist, and informality comprises the excess portion of labour and lower-skilled entrepreneurs.
Neoliberal Chosen alternative thesis	(Williams and Nadin, 2013; Kus, 2014; Williams, 2015; Sallah, 2016; Saunoris and Sajny, 2017; Acuto <i>et al.</i> , 2019)	<ul style="list-style-type: none"> • The informal economy is a by-product of burdensome state regulations and controls, and not because of deliberate avoidance. • Informality prevalence is because of high taxes, government corruption and government interference in the free market. • Informal and formal economies coexist, and informal businesses operate according to their own norms, values and networks. • Economic participation in informality is a choice. Informal employment is a survival practice and a substitute for formal employment.
Post-structuralist (mainstream) Chosen alternative thesis	(Gërkhani, 2004; Bosch and Esteban-Pretel, 2012; Chen, 2012; Ganiyu <i>et al.</i> , 2018)	<ul style="list-style-type: none"> • An informal economy is part of economic growth and development and contributes to economic development using informal practices through informalisation. • Informality is legitimate and prevalent operating by its own norms, values and rules. • Participation in informality is a legitimate rational choice and is a chosen alternative to the formal economy. • There is a complementary or competitive relationship where the informal economy is dependent on the formal economy.

Source: Multiple sources

Literature therefor, demonstrates the multiple paradigms of informality and the evolution of Informality theories. Additionally, the differentiation of the informal economy from the formal economy can be on the grounds of compliance with formal institutions; the scale of production; the productivity of the workforce; the extent and nature of visibility; rewards

and remuneration associated with economic activity; technology adoption; flexibility concerning work and employment practices; and the market conditions that sustain it (Sallah, 2016; Ganiyu *et al.*, 2018).

This research adopts a **mainstream or post-structuralist approach** whereby the informal economy can contribute to development and growth in a unique manner, not necessarily implying formalisation.

2.4.3 THE SOUTH AFRICAN INFORMAL ECONOMY

The **South African economy** is classified into the first, second and third economies. The *first economy* is modern and has both formal and informal elements, “operating with advanced technology, integrated with the global economy, and produces the bulk of the country’s wealth” (Ligthelm, 2006, p. 34). This economy also has a component which is recorded and unrecorded, or the observed and not-observed components, where the latter refers to informal economic activities that are not recorded for purposes of GDP reporting (European Commission, IMF, OECD, UN and World Bank, 2008). The informal economy is made up of unrecorded portions of the first economy and the *second economy*, which comprises survivalist informal businesses (Ligthelm, 2006). The *third economy* refers to the renegade economy or illegal activities (Ligthelm, 2006).

The size of the informal economy in South Africa does not appear to be in sync with developing countries and their African counterparts. Research suggests that the informal economy accounts for about 80% of the labour force in Africa (OECD, 2018, p. 171), around 75% in Sub-Saharan Africa (World Bank Group, 2019c, p. 7) and between 10%-20% in formal employment in developing countries (World Bank Group, 2019c; World Economic Forum, 2019a). In 2015, informal employment in South Africa was around 17%, comprising about 33% of total employment predominantly in the trade, transport and construction sectors (OECD, 2017a, p. 21; Grabrucker and Grimm, 2018), which is lower than the African average for informality. Researchers and economists suggest that the informal economy represents about 5%-6% of GDP (Paton, 2011 cited by Ingle, 2014). This is further supported by earlier research in 2010 which suggested that the informal economy “contributes 7.1% to South Africa’s total GDP, but generates 22.3% of total employment” (Davies and Thurlow, 2010).

The table below reflects the disparate data available on the SA informal economy. Importantly, while this research does not delve into the accuracy of this information, it is useful to observe the different perspectives that exist.

Table 3. South Africa's informal economy statistics

	1989	1991 - 1995	2000	2004	2007	2012 - 2015
GDP: Informal economy contribution to % of total GDP	12% of GDP (Loots, 1991 cited by Blaauw, 2017)	22.1% of GDP - 24.2% of GDP (Schneider, 2005) 1995: 6.9% of GDP (Charmes, 2012)	28.4% of GDP (Schneider, 2005)	26.5% (Schneider and Williams, 2013) 7% - 12% of GDP (Ligthelm, 2006) 2002: 7.1% of GDP (Davies and Thurlow, 2010)	25.2% (Schneider and Williams, 2013) 11.1% (Willis, 2009)	28% of GDP (South African LED Network, 2012 cited by Blaauw, 2017)
Informal employment as a % of total employment				2005: 34% (Willis, 2009)	30% (Willis, 2009)	2015: 33% of total employment (Grabrucker and Grimm, 2018)
Number of informal businesses			2001: 2.3 million (Stats SA, 2014).		2009: 1.1 million (Stats SA, 2014).	2013: 1.5 million (Stats SA, 2014).

Source: Multiple sources

Prior research has been critical of the Stats SA data that forms the basis for many policies and initiatives, suggesting that the informal economy is under-stated, unemployment is consequently overstated and assumptions about South African entrepreneurial skills are misinformed. In 2014, research suggested that the Stats SA numbers of about 2 million people in informality exclude about 6 million people in informal enterprises or illegal businesses (Ingle, 2014, p. 51). Research firm *Adcorp* provides alternative data on South Africa's informal economy, suggesting that with the correct measurement of the informal economy, unemployment could be as low as 8%, as opposed to the then 25% in 2014 (Ingle, 2014, p. 52). The *Adcorp* methodology considers the trends evident in the cash in circulation in the economy and uses this as a basis to justify its numbers (Ingle, 2014).

It becomes evident from the literature on the South African informal economy that there are varied perspectives on its size, depending on the statistics used. Additionally, the informal economy is very dynamic, comprising many sectors, some of which are unique to South Africa.

2.4.4 PEST FRAMEWORK

2.4.4.1 DIMENSIONS OF THE PEST FRAMEWORK

PEST refers to political, economic, social and technological externalities in the context (Gupta, 2013; Ho, 2014) and offers a 'birds-eye' view of the environment, revealing information that enables the creation of relevant business solutions (Peng and Nunes, 2007) and identifies factors influencing the way businesses operate. Aguilar's 1967 original PEST framework (Bell and Rochford, 2016) has since been varied to include macroeconomic elements like legal, ecological, ethical, demographical and regulatory factors (Sammut-Bonnici, 2014), depending on its intended use.

Political factors: Political factors consider the impact of attitudes, views of those in power and legislation.

The political dimension aids in understanding the political context that businesses operate in and incorporating policy and regulatory environments including the extent of policy-makers influence and related interventions. Political factors occur at the macro or supranational level within a global context where businesses are interconnected, at a meso, national strata or country-level through policies, incentives and environmental, taxes, trade and labour regulations and at micro or subnational levels (Sammut-Bonnici and Galea, 2014).

Economic factors: Economic factors encompass financial and resource considerations. Economic factors are central to the viability and performance of firms and economies alike and factors like policies and taxation have varying impacts on industries operating in an interconnected global economy (Sammut-Bonnici and Galea, 2014). Economics is defined as "the study of the allocation of scarce resources" (Miles, Scott and Breedon, 2013, p. 5) and resources refer to "anything used to produce goods or services or, more generally, to achieve a goal" (Baye and Prince, 2013, p. 3). Resources may include, amongst others, natural resources, human resources or financial resources (Landes, 1998; Acemoglu and Robinson, 2012; Baye and Prince, 2013; Miles *et al.*, 2013) and its allocation is largely mediated by institutions, which "define and limit the scope of economic policy" (Banerjee and Duflo, 2011, p. 462).

Social factors: Social factors include attitudes, social trends and perceptions that influence the way interaction happens (Sammut-Bonnici and Galea, 2014) and are

presented through social capital, social cohesion and societal norms and values. Social capital represents the “features of society such as the extent of interpersonal trust between citizens, norms of reciprocity, and norms of cooperation for mutual benefit” (Coleman, 1990; Putnam, 1993 cited by Pathak and Muralidharan, 2018, p. 1173) and is associated with social cohesion, which is “the linking mechanisms between citizens in a society, and to the values and structures that bind citizens in reciprocal relations” (Botterman, Hooghe and Reeskens, 2011 cited by Goubin, 2018, p. 24).

Technological factors: Technological factors consider the impact of new technology or the adoption of existing technology.

The pace that technology is changing the way the world works, necessitates a reflection on its influence on innovation, product quality and innovative distribution channels. Technology factors include innovation, product quality and innovative distribution channels (Sammut-Bonnici and Galea, 2014).

2.4.4.2 JUSTIFICATION FOR THE USE OF PEST

The PEST framework is widely utilised as a framework to understand the **macroeconomic context** and **environmental factors** that impact businesses and strategies.

Understanding the macroeconomic context is a necessary condition for relevant, sustainable research outcomes and this research study presents the informal economy as the backdrop for entrepreneurship. In strategy development, it is important to have a holistic view of the environment and the factors that influence businesses. Although the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is predominantly used for internal analysis, the PEST or PESTEL framework is more suited for environmental analysis (Pan, Ph, Chen, Ph, Zhan and Asce, 2019). A PEST analysis can aid in concretising the operating environment of a company by identifying environmental threats and opportunities (Yuksel, 2012). Weak PEST forces need to be monitored: weak positive forces could present future opportunities and weak negative forces could translate into threats and should therefore be avoided (Bell and Rochford, 2016). PEST forces that are strong and positive represent opportunities that should be taken advantage of whilst strong negative forces are threats that have to be acted on in order to mitigate risks (Bell and Rochford, 2016).

The PEST analysis of the macroeconomic context (Grundy, 2006; Bell and Rochford, 2016) where informal entrepreneurship occurs therefore considers the contextual externalities that may influence the way a business operates (Gupta, 2013; Ho, 2014). The entrepreneurial environment or context reflects the factors that influence the entrepreneurship process and reveals the relationship between the entrepreneurial process and the macroeconomic context, whether cultural, social, political or economic (Stam and Spigel, 2016).

PEST and FFF are utilised to analyse the informal sector and informal entrepreneurship respectively, thus mitigating certain model deficiencies inherent in the PEST framework. The PEST framework is criticised for being purely qualitative and lacking objectivity, presenting itself as seemingly holistic, but not considering all environmental factors. Finally, PEST elements may be weighted and prioritised differently, and often the interrelationship between the PEST elements are not considered (Yuksel, 2012).

The choice of the PEST framework over PESTEL is premised on the understanding that informal businesses operate outside the regulated environment, hence legal elements are not considered a necessary environmental factor at this stage. In addition, the environment in which informal businesses operate is encapsulated in the social context and this macroeconomic element is also not included.

The ensuing literature review of the informal economy using the PEST framework contributes towards formulating an IEE conceptual framework by identifying the environmental and contextual components of the system.

2.4.5 PEST ANALYSIS OF THE INFORMAL ECONOMY

2.4.5.1 POLITICAL FACTORS

Political factors include the policy and regulatory environment (Sammut-Bonnici and Galea, 2014), political context, government policy, laws and regulations, and formal institutions. The institutional and government factors are evaluated below.

2.4.5.1.1 INSTITUTIONS

Institutions are an outcome of **political institutions** that are created over time and inform the nature, form and quality of institutions and the economic context. Institutions are an outcome of societal structures where formal institutions include rules and government

policies while informal institutions, covered in greater detail under social factors, refer to social norms and behaviour (Acemoglu and Robinson, 2019). Political institutions are cited as originators of variations in economic institutions where inclusive political institutions create inclusive economic institutions, and vice-versa (Steer and Sen, 2010; Acemoglu and Robinson, 2019). Extractive, non-democratic political institutions reflect a “weak rule of law and the absence of private property rights” (Constantine, 2017, p. 2), creating a society deprived of basic needs embodying rent-seeking tendencies and reinforcing the powerful elite (Acemoglu and Robinson, 2019). Inclusive political institutions enable economic development and rely on a strong state (Acemoglu and Robinson, 2019) and a “broad distribution of power in society” (Carugati, Ober and Weingast, 2019, p. 21).

South Africa’s journey towards more inclusive political and economic institutions, despite improvements, is seemingly ineffective vis-a-vis the growing challenges associated with inequality and unemployment. Engerman and Sokoloff (2005) note how the varying **development pathways** of colonies are influenced by the extent of inequality, which in turn contributes to the systematic variances in institutional evolution. These sentiments are shared by research that presents the South African journey from apartheid to democracy where the creation of more inclusive political institutions post-apartheid was not supported by equally inclusive economic institutions, creating an unstable environment that consequently created momentum towards more inclusive economic institutions (Acemoglu and Robinson, 2019). However, despite this research suggesting progress towards economically inclusive institutions, growing inequality and rising unemployment in South Africa challenge this equilibrium theory.

Formal institutions bestow **legitimacy** and, consequently, activities outside their purview are deemed illegitimate or illegal. Formal institutions, by validating certain actions, consequently invalidate and de-legitimise others (Webb *et al.*, 2009), hence many informal economic activities are deemed illegal where they fall outside the boundaries and rules of formal institutions. Therefore, there is a need to have a more multidimensional institutional lens (Webb *et al.*, 2009) because “legitimacy can act as a double-edged sword within certain institutional environments” (Kistruck *et al.*, 2015, p. 437) and the costs of legitimacy through institutional compliance could result in entrepreneurs wanting to create access to opportunities often having to circumvent rules through informal institutions like the use of cooperative groups (Webb *et al.*, 2009).

Weak formal institutions are related to high levels of inequality and low levels of trust, while strong institutions are deterrents to informal entrepreneurship. Therefore, institutional alignment necessitates building **trust** in formal institutions. Income inequality, which is largely a function of formal institutions' inability to redistribute wealth and income (Pathak and Muralidharan, 2018), also erodes trust in institutions and between people, groups and countries, giving rise to populism and protectionism (OECD, 2018, p. 60). Research notes that levels of trust are related to the growing informal economy, mediating the relationship between informality and the level of regulation (Goel and Nelson, 2016). Additionally, income inequality in conjunction with poor quality institutions is cited as a contributor to the growth in informality (Chong and Gradstein, 2007). Untrustworthy or weak regulatory environments are associated with high informality (Thai and Turkina, 2013; Goel and Nelson, 2016). Since high regulatory contexts are a strong deterrent to informal entrepreneurship, initiatives promoting the formalisation of businesses should seek to build trust in formal institutions (Thai and Turkina, 2013).

2.4.5.1.2 GOVERNMENT

While the **political context** of a country is associated with the informal economy, research reflects that political factors have varying outcomes on the informal economy, either positive, negative or no effect at all. The size of the informal economy may increase under higher levels of political instability emanating from changes in the political system and during transitions to democracy, increasing levels of polarisation (Elbahnasawy, Ellis and Adom, 2016). Interestingly, research finds that higher levels of corruption and state interference have no impact on the size of the informal economy (Williams, 2017a). Additionally, politically discontent individuals resort to the informal economy as a safety net (Gërkhani, 2004).

Government needs to have **political motivation** while overcoming political bias towards poor and under-represented sectors of society to co-create policy for the informal economy. Informal sector agents are unable to influence informal economy policy because of the legal status of the informal economy and the lack of formal structures and means to mobilise and collectively collate and present their views through their networks (Tanaka, 2010). Moreover, unlike their formal sector counterparts, workers in the informal sector are not represented by trade unions and do not exert the same level of influence or power (Gërkhani, 2004). In addition to its regulatory role, the government enables

“promoting entrepreneurship, providing the social and physical infrastructure, ensuring access to education and finance, and supporting technology and innovation” (Stiglitz, 2011, p. 231). Political motivation to drive policy changes to support poor communities is challenged by the cost of driving these changes and commensurate opportunity costs, according to Tanaka (2010). Political bias towards the informal economy may emanate from the mis-alignment of values and interests (Gërkhani, 2004; Tanaka, 2010).

Government policy is at the forefront of legitimising the informal economy. Policy should reduce barriers and afford informality more prominence. Furthermore, government policy needs to take advantage of local and contextual strengths while promoting synergy and alignment between the formal and informal economies. Therefore, establishing an enabling environment driven by political will to create inclusive policy frameworks (Ganiyu *et al.*, 2018) that reduce political, economic and institutional barriers to growth (Webb *et al.*, 2009; Ganiyu *et al.*, 2018) promotes equitable linkages between the informal and formal economies and prioritises the development capability of the informal sector (Ganiyu *et al.*, 2018), simultaneously enabling informality but dis-incentivising illegality (Webb *et al.*, 2009), as well as stimulating informal sector activities and growth (Ganiyu *et al.*, 2018). Despite efforts to reduce the informal economy in many countries, it maintains its size or has grown (Sutter *et al.*, 2017; World Bank Group, 2019b).

Inclusive institutions that are aligned to the context promote informality, grow informal entrepreneurship and create an enabling environment. Research reveals that the informal economy is not passive in formal economy changes, but rather plays an active role in promoting and influencing the dynamic market economy (Saunoris, 2018). Therefore, policy that intends to reduce informality could hamper formal economic growth (Saunoris, 2018). Markets can also be created or destroyed in state-led structural transformations where the state intervenes in the economy (Constantine, 2017). Research suggests that higher informal economy employment is related to “lower levels of state intervention to protect workers from poverty” (Williams, 2017b, p. 164). In his book on the Wealth and Poverty of Nations, Sharma (2012) noted that breakout nations like China and India were able to transcend historic disadvantages through appropriate, relevant policies supported by the government’s resolve to change the status quo. Short-term policies should monitor and control the informal sector rather than eradicating or formalising it (Goel and Nelson, 2016; Loayza, 2016) and enable job creation, business registration and regulation in the informal sector (Chen, 2012).

2.4.5.1.3 SUMMARY

Political factors are considered strong and negative for the informal economy.

The following key factors are identified from literature:

Institutional forms: The nature and form of formal institutions are an outcome of political institutions and societal structures (Steer and Sen, 2010; Acemoglu and Robinson, 2019). The quality of political institutions are in turn an outcome of the development pathway of a country (Engerman and Sokoloff, 2005). Additionally, government policy drives institutional forms.

Social capital: Formal institutions bestow legitimacy, and activities outside their purview are deemed illegitimate or illegal (Webb et al., 2009). Weak institutions are also associated with high inequality and low levels of trust (Thai and Turkina, 2013; Goel and Nelson, 2016). Strong formal institutions deter informal entrepreneurship (Thai and Turkina, 2013).

Enabling environment: Government should drive the creation of inclusive institutions that promote informality by creating enabling environments (Acemoglu and Robinson, 2019) free from crime; reducing political, economic and institutional barriers to growth wherein the growth and development capability of the informal sector is in conjunction with informal/formal sector linkages. Government policy is important in creating this enabling environment.

Resources: Political bias towards the informal economy emanating from the misalignment of values and interests needs to be overcome (Gërkhani, 2004; Tanaka, 2010). Government should thus seek to grow informal businesses and enable access to markets, finances and education as a means of addressing inequality.

The policy should leverage off local and contextual strengths and promote synergy and alignment between the formal and informal economies. Policy should be co-created and legitimise the informal economy, promoting the growth of the informal economy (Webb et al., 2009; Ganiyu et al., 2018), in addition to encouraging informal employment and informal entrepreneurship whilst establishing monitoring mechanisms for informal businesses.

2.4.5.2 ECONOMIC FACTORS

Economic factors include economic policies, taxation (Sammut-Bonnici and Galea, 2014), economic growth, economic resources, human capital and human capability. Economic growth, economic institutions as well as human capital are evaluated for the informal sector.

2.4.5.2.1 ECONOMIC GROWTH

A country's **economic structure** is an important determinant of growth. Growth is cyclical in nature, changing the underlying economic structure and socio-economic context. Economic fluctuations result in the expansion or contraction of the formal economy, in turn changing employment and resource allocation patterns, as well as influencing informal economic activity (Chen, 2012; Atesagaoglu, Elgin and Oztunali, 2017; Pham, 2017); changing the economic landscape over time; impacting population dispersion and increasing urbanisation (Kuznets, 1973; Acuto *et al.*, 2019). Economic transitions that are cyclical are an unavoidable trait of a capitalistic economy (Legrand and Hagemann, 2017) where market volatility is managed by institutions (Landes, 1998; Miles *et al.*, 2013; Akbulut, Adaman and Madra, 2015).

The **informal economy is diverse, interrelated with the formal economy** and recognised as an inherent part of the overall economy, where there is growing private capital on one hand and increasing informality on the other. Traditionally, growth emanates from capitalistic businesses operating in the formal economy (Williams and Nadin, 2013) where the main drivers of globalisation are the state and corporates (Carmody, 2002). Informality, once perceived as discrete and detached from the formal economy and operating on the side-lines or periphery (Chen, 2012), is becoming increasingly connected to the formal economy (Davies and Thurlow, 2010; Ganiyu *et al.*, 2018) and has multifaceted, diverse relations with the formal economy (Davies and Thurlow, 2010). There is also recognition that poverty and inequality can be reduced by supporting the informal economy (Vanek, Chen, Carre, Heintz and Hussmanns, 2014). Research suggests that economic resilience and the ability of an economy to withstand widespread shocks depends on its conditions for doing business and the resilience of its labour and product markets (Sondermann, 2018).

Many people rely on the informal economy for their livelihoods. The informal economy is **counter-cyclical** in nature, substituting in times of low growth, and led by the formal

economy. Informality has the propensity to contribute to economic growth in developing countries. It serves as a safety net during times of economic downturn because “informal employment behaves counter-cyclically” (Loayza, 2016, p. 1503), thus reducing the full adverse impact of a negative growth cycle and supporting the view that the informal and formal economy are substitutes (Williams and Round, 2009; Di-Caro and Nicotra, 2016; Sweidan, 2017). The informal economy is nonetheless cited as an important contributor to economic growth because of its resilience and absorptive capacity (Williams and Round, 2009). Informality is “both a symptom and a consequence in the process of economic development” (Loayza, 2016, p. 1897), with growth in many developing countries emanating from informal economic activity, which accounts for a large portion of the economy (Thai and Turkina, 2014). Developing countries, often at a disadvantage in a globalised world, can generate ‘non-hegemonic globalisation’ through linkages and networks from informality (Canclini, 2019). Research proposes that more prominence be given to the informal economy, like in the case of Ukraine where the informal economy and formal economy are both legitimate choices (Williams and Round, 2009).

2.4.5.2.2 HUMAN CAPITAL

Low levels of **human capability** limit an individual’s access to opportunities and resources, also contributing to unemployment and related to growing informality. Income is an outcome of economic activity and enables access to economic resources. Income is a source of power and, as an economic resource (Sen, 1997b; Goubin, 2018), enables access to resources and freedom (Ansari *et al.*, 2012) and basic services like education and healthcare, which is an indicator of poverty (Bapuji, 2015; Goubin, 2018).

Skill-structure mismatches contribute to rising **unemployment** and consequently a growing informal economy. Murphy and Topel (2016) suggest that economic change that demands a different skills set creates greater inequality while reducing the extent of growth. Unemployment and informality are related (Charlot, Malherbet and Terra, 2015), where increased unemployment is associated with higher levels of informality. Growing informality is a function of a structure-skills mismatch (Chen, 2012; Loayza, 2016) associated with limited access to quality education (The World Bank, 2018) and workers’ inability to find formal sector employment (Loayza, 2016). Research also suggests that entrepreneurs are steered into the informal economy, and have limited access to

productive resources and formal opportunities (Fisher *et al.*, 2017; Saunoris and Sajny, 2017).

The **absorption capacity** of the informal economy emanates from exclusion from the formal economy. However, in South Africa, research finds that the informal economy has been unable to absorb the excess labour supply. The informal economy absorbs people who are unemployed and excluded from the formal economy, thus “serving as a source of income and human capital accumulation for excluded and unskilled workers” (Dell’Anno, 2016, p. 6). A larger number of women are seen in informal employment as it presents a security mechanism for those excluded from male-dominated formal workplaces (Dungy and Ndofor, 2019). The informal economy absorbs excess labour from the formal economy (Dell’Anno and Solomon, 2008) emanating from high levels of regulation of the formal economy (Kanbur, 2017), housing those with lower levels of skill (Docquier, Muller and Naval, 2017). Research in South Africa finds a seamless absorption of migrants into the informal economy (Ingle, 2013). However, the growth in informality is unable to meet the demands of the excess labour in the market (Willis, 2009).

National wealth is largely an outcome of the level of human capital, and a low level of human capital reflects a country’s development pathway. Human capital varies across countries depending on the level of development (Manuelli and Seshadri, 2014) and may be a stronger determinant of wealth generation than income or consumption inequality (The World Bank, 2018). The lingering effects of inequality in the path of development are felt in many communities where ‘natives’ are disadvantaged “in terms of human capital and legal status” (Engerman and Sokoloff, 2005, p. 1). Poor quality basic education, deficient elementary literacy and numeracy (Bernstein, 2016b), poor quality secondary education (World Economic Forum, 2018) and a higher education sector favoured over its neglected and under-resourced technical, vocational and education (TVET) counterpart exacerbate the unemployment challenges for South Africa (Bernstein, 2016b). Research asserts that physical and human capital play an important role in promoting structural change, therefore suggesting that policy enablers that promote investment in education and economic and economic infrastructure may accelerate structural change (Martins, 2019).

In a context of high inequality and low growth, government policies should address imbalances fairly and equitably, for instance through **investments in skills and education** that support human capital growth. Human capital is a product of education

and skills, and the level of schooling and literacy is related to fair access to economic opportunities because it enables “socio-economic changes conducive to growth, including higher labour productivity, more rapid technological change and higher rates of commercial and political participation” (Engerman and Sokoloff, 2005, p. 13). Increased schooling as a result of improved infrastructure, access to books and more educators have been offset by the low demand for schooling reflected in the “low propensity to acquire learning in environments where the absence of economic opportunities depress the return to education” (Rodrik, 2004, p. 4). The redistribution of income and wealth in countries like Russia, the USA and China have highlighted the importance of inclusive social and economic redistributive policies investing in education and skills creation (World Inequality Lab, 2018). Therefore, government policy for the informal economy should be inclusive, promote the development implications of this economy (Ganiyu *et al.*, 2018) and address historic inequalities associated with education and skills (Dessy and Pallage, 2003), thus balancing passive redistributive policies like income redistribution with more sustainable active redistributive initiatives that include education and re-skilling (World Economic Forum, 2018).

2.4.5.2.3 ECONOMIC INSTITUTIONS

Many economists challenge the conventional economic growth components and measurements where developing economies are at a disadvantage by having to subscribe to developed country strategies largely unsuitable for their context. It is argued that economic growth “has become a keystone of the (initially Keynesian- based) political ideology of growth, which in turn enabled and empowered state and supra-state institutions, and acted as a legitimating ideology throughout capitalist societies” (Barry, 2020, p. 18). The origins of GDP as a measure of growth are associated with political institutions dating back to 1930, but growing GDP is not in itself a response to inequality and growing unemployment (Barry, 2020). Economic growth, largely seen as a reflection of power, legitimacy and competitiveness (Miles *et al.*, 2013; Akbulut *et al.*, 2015), has over time been pursued using western-benchmarks for capitalistic growth, where institutions are the mechanisms to manage market volatility (Landes, 1998; Miles *et al.*, 2013; Akbulut *et al.*, 2015). Economic structures are increasingly associated with income distribution and the power that emanates therefrom (Sen, 1997b; Goubin, 2018; Constantine and Khemraj, 2019).

Economic policies are cited as contributors to growing informality. However, research cautions against using solutions that are not designed for informality and development. Growing informality is associated with restrictive financial policies that limit access to resources (Mathias, Lux, Crook, Autry and Zaretzki, 2015), lower levels of economic freedom (Sweidan, 2017) and greater levels of fiscal decentralisation in developing economies (Janský and Palanský, 2016). Additionally, more widespread informality is observed when economic policies impose high tax burdens associated with formalisation (Schneider and Williams, 2013) and high transaction costs (Saunoris, 2018). Income inequality is influenced by economic policy, whereas equitable access to financial resources and economic policies related to formalisation are important determinants of the size of the informal economy (Sen, 1997b).

Formalisation of the informal economy is another economic response that has received much attention, and outcomes suggest that the viability of formalisation is largely dependent on the context and conditions to sustain it. Economic policies that pursue formalisation without due consideration to context potentially increase wage inequality and unemployment (Charlot *et al.*, 2015). Formalisation may not be as effective in developing economies because appropriate conditions to derive the full value of formalisation may not exist in these countries (Dessy and Pallage, 2003). Informality reduction is associated with increased growth (World Bank Group, 2019b) and increased tax collection (Turnovsky and Basher, 2009). Additionally, informality reduces under higher levels of development (La Porta and Shleifer, 2014; Loayza, 2016), reflecting the Modernisation Informality theory.

Industrial policies that have a narrow industry focus result in disparate benefits flowing to companies and sectors. Traditional policies focused on industrial development are intended to complement market forces and improve growth whilst addressing market failure, largely driven by government (Rodrik, 2004). These policies result in disparate policy benefits to certain industries while distorting competition (Kaplan, Serafeim and Tugenhaf, 2018). Industrialisation-led transitions may perpetuate underdevelopment in some countries where the majority of the marginalised population is disadvantaged, while others thrive on this type of transformation (Akbulut *et al.*, 2015). Informality in developing countries could potentially increase as a result of the nature and distribution of industrial development during economic transitions (Chen, 2012).

2.4.5.2.4 SUMMARY

Economic factors have a strong impact on the informal economy, which can be both positive and negative.

The following key factors are identified from literature:

Economic structure: *The economic structure of a country is related to its economic growth (Chen, 2012; Atesagaoglu et al., 2017; Pham, 2017). The informal economy is diverse and intertwined with the formal economy (Davies and Thurlow, 2010; Ganiyu et al., 2018). Informality is part of a country's economic mix.*

Economic growth: *Growth is cyclical in nature and changes a country's economic structure and socio-economic context (Legrand and Hagemann, 2017). The informal economy is counter-cyclical in nature (Loayza, 2016) and contributes to economic diversity in times of low growth, where it serves as an economic substitute for the formal economy (Williams and Round, 2009; Di-Caro and Nicotra, 2016; Sweidan, 2017). Informality also has the propensity to contribute to economic growth in developing countries (Thai and Turkina, 2014). Increased economic growth is associated with reducing informality. The privatisation of capital, away from government, means that economic growth is increasingly private sector-led.*

Inclusive growth: *Alignment between formal and informal economies may create the propensity for more inclusive growth, reducing inequality and poverty and creating equitable opportunities for society (Williams and Round, 2009). Inclusive growth outcomes build trust and create equitable opportunities within the economy. The informal sector absorbs unemployed labour and can create employment.*

Formalisation policy: *Conventional economic growth models need to be re-assessed for developing economies. In developing economies, the viability of informal economy formalisation is dependent on the context and conditions to sustain it (Charlot et al., 2015). High tax burdens and transaction costs deter business formalisation, and such policies could also increase unemployment and inequality.*

Access to resources: *Low levels of human capability limit access to opportunities and resources, thus contributing to unemployment and growing informality. Informal economic activity is a source of income that enables access to economic resources*

for many people (Sen, 1997b; Goubin, 2018). Limited resources, skills and human capital inhibit the growth of businesses.

Human capital: National wealth is largely an outcome of the level of human capital. Human capital can be grown by investment in education and skills (The World Bank, 2018). However, skill-structure mismatches contribute to unemployment and growing informality (Chen, 2012; Loayza, 2016). Hence, redistributive policies related to skills and education should be prioritised (World Inequality Lab, 2018).

Policies designed to promote developed economy growth strategies are not always relevant and contribute to increased informality because they limit access to resources and formal economic opportunities. Economic policies should therefore be relevant; synergise the formal and informal economy by strengthening linkages; encompass collaboration; and be activity-focused and growth-orientated (Ganiyu et al., 2018).

2.4.5.3 SOCIAL FACTORS

Social factors include attitudes, social trends, perceptions (Sammut-Bonnici and Galea, 2014), norms and values, informal institutions, networks and culture.

2.4.5.3.1 CULTURE

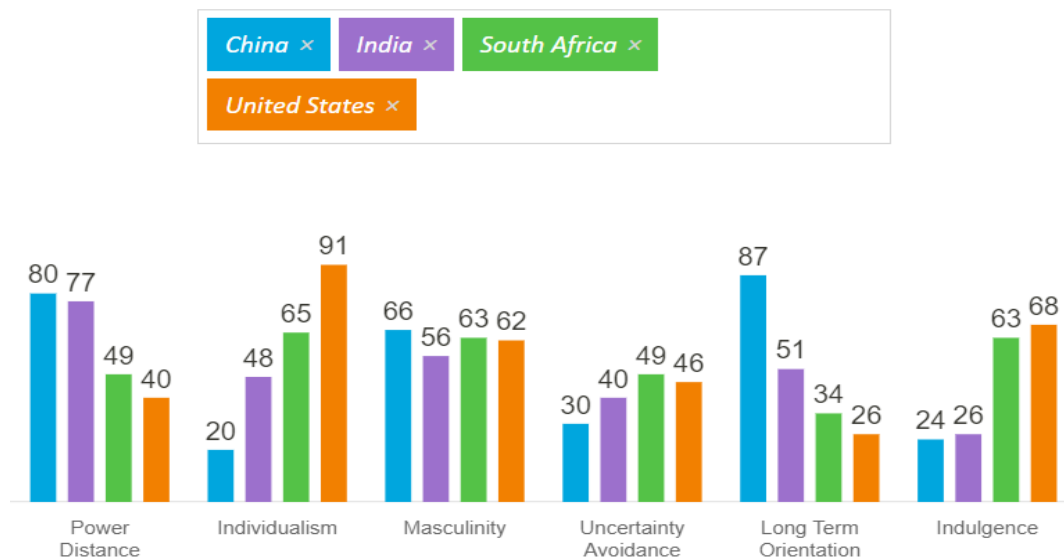
National culture is an important part of informal institutions, and the behaviour and decision-making of both individuals and firms reflect their intrinsic embeddedness in the context that they operate. National culture is cited as a moderator of both consequences and antecedents of inter-firm relationships through collectivism, power distance and uncertainty avoidance (Cao, Li, Jayaram, Liu and Lumineau, 2018). In addition to these three (3) factors, differences in the relationship between entrepreneurial orientation and firm performance are moderated by political stability, level of country development and macro-economic factors (Saeed et al., 2014). **Informal institutions**, which reflect different forms of agency, are the outcome of culture and social structures (Abdelnour et al., 2017).

Culture is reflected in the way business is conducted, as well as in the products and services offered by a business. Hofstede's cultural dimensions are used as a framework to differentiate between national cultures (Miras-Rodríguez, Carrasco-Gallego and Escobar-Pérez, 2015) and include six (6) dimensions, namely power distance, uncertainty

avoidance, individualism or collectivism, masculinity or femininity, long or short-term orientation, and indulgence versus restraint (Hofstede, 2011). Research in the informal economy in SA found that culture plays an important role in creating economic opportunities that are in the form of niche markets where businesses target different clients, thus providing varied services and products (Sustainable Livelihoods Foundation, 2015). Additionally, culture creates demand for specific beauty needs, clothing, foods and medicine (like '*muti*', otherwise known as traditional medicine) (Sustainable Livelihoods Foundation, 2015).

The figure below compares the cultural dimensions of South Africa, India, China and the USA using Hofstede's cultural dimensions. The culture of the USA and South Africa display varying degrees of similarity, as opposed to developing economy peers India and China. Power distance in South Africa and the USA is significantly lower than in India and China, implying that power in South Africa is more widely distributed, and people generally follow rules and regulations (Hofstede Insights, 2022). India and China also practice more restraint in personal gratification, whereas South Africa and the USA indulge more. Like the USA, South Africa displays a more normative than pragmatic culture, more focused on quick results than long-term prosperity (Hofstede Insights, 2022). Whereas India and China reflect a more collectivist culture, SA, like the USA (although not to the extent of the USA) is more individualistic and less community orientated. Although displaying low uncertainty avoidance, South Africa displays the highest score of the 4 countries and the society has higher levels of stress about the future (Hofstede Insights, 2022). Except for India, masculinity is dominant in other countries and reflects more structured work environments.

Figure 5. Hofstede's Cultural Dimensions: Country comparison



Source: Hofstede Insights (2022)

South African culture is therefore one where more structured work environments are preferred, and individuals prefer more immediate gratification as opposed to a more long-term orientation. Additionally, South Africans are more individualistic in nature and work environments are more male-dominated. There is however a relatively lower power distance from authority. Importantly, the informal economy and formal economy operate under varied norms and values and, by implication, their comparative cultures vary as well. Whereas the generalisability of culture may therefore not be appropriate, research suggests that informal businesses are intrinsically embedded within their contexts (Afreh *et al.*, 2019).

2.4.5.3.2 INFORMAL INSTITUTIONS

Institutions are a function of social structures and groups that represent a hierarchy in society and their imperatives. Institutions also shape the way people respond, shape behaviour and regulate access to opportunities. While institutions shape and regulate behaviour, choices and interactions of individuals and between groups (Luk'ianchikova and lamshchikova, 2018), importantly, institutions shape peoples' perceptions and are created by individuals (Hoff and Walsh, 2018). "The institutional environment structures individuals' responses to economic opportunities and shapes work norms. Individuals view the world through the lens of social identities" (Teraji, 2011, p. 219).

Informal institutions play an increasingly important role in the informal economy and are considered more important than formal institutions. In contexts of high inequality, low levels of trust are perceived. While the formal economy garners its strength from formal institutions like legislation and policies, the informal economy operates largely in accordance with informal institutions (Chong and Gradstein, 2007; Webb *et al.*, 2009; Steer and Sen, 2010). The inherent traits of informality reveal the importance of social infrastructure (Hall *et al.*, 2012; Canclini, 2019) where relationships are founded on social contracts (London and Hart, 2004) and are associated with the integrity of institutions (Canclini, 2019). Whereas economic well-being is supported by lower-income equality and higher levels of social trust (Mikucka, Sarracino and Dubrow, 2017), conversely, high inequality, perceived inequality and poverty are associated with low levels of social trust (Bapuji, 2015; Goubin, 2018).

Awareness of the **social context** and individuals' views thereof is important in building social capital and relevant solutions for the informal economy. Informal entrepreneurship "is driven by a socially-supportive culture, while a performance-based culture has a strong impact on formal entrepreneurship" (Thai and Turkina, 2014). Shared identities in groups include collective behaviour, individual internalised institutions (Teraji, 2011) and social norms like the collective features of the group (Acemoglu and Robinson, 2012). Distinct group language, culture and interactions reinforce underlying institutional structures (Gray and Kish-Gephart, 2013). Network interactions may produce sustainable solutions where mutual interest and value are derived (DiMaggio and Garip, 2012). However, social capital creation is threatened where there is over-dependency on social resources (Hackel and Zaki, 2018) and where knowledge sharing is hampered by the boundaries created by perceptions, social context and power distance (Qureshi, Sutter and Bhatt, 2018).

Informal economic activity is a **socio-economic substitute** and, in many cases, an involuntary survival practice. Informality, in addition to serving as an economic substitute, also acts as a substitute for social protection in countries with a sizeable informal economy. The informal economy passively aids development by serving as a "temporary substitute for social protection during the formal sector-led growth process" (Davies and Thurlow, 2010). The informal economy has the propensity for social protection in times of low growth, serving as an economic substitute, echoing the neoliberal and structuralist perspectives (Chen, 2012; Williams and Nadin, 2013; Sallah, 2016). Research into

Ukraine's informal sector found that it was an involuntary survival practice undertaken by disenfranchised people in society, and was more of a coping practice (Williams and Round, 2009)

Individuals who are members of social groups find commonality in **collective shared identities, behaviour and networks, and traits** like inequality and poverty are reflected in the identity of individuals engaging in informality. If the informal economy, along with all its actors, is not legitimised, it will remain subordinate to formality. "Recognition matters in and of itself because human dignity and social justice have intrinsic value" (Lamont, 2018, p. 422). De-stigmatisation, which is "the social process by which low-status individuals or groups gain recognition or cultural membership" (Lamont, 2018, p. 423), entails going beyond the inequities perpetuated by neoliberals and embracing the embedded culture, and building cultural membership (Lamont, 2018). Stigmatisation and discrimination stemming from a lack of recognition are cited as contributors to economic and social inequality, poverty and political and social influence (Lamont, 2018). However, despite the informal sector being the subject of neglect and discrimination (Ganiyu *et al.*, 2018), it continues to grow as an inherent part of developing economies.

In South Africa, there is a need to overcome the **legacy of informality** emanating from apartheid practices. Informal settlements and townships in South Africa were largely an outcome of the apartheid era where "economic activity, zoning rules and other regulations made it very difficult or impossible for Africans to establish certain sorts of businesses, and manage them successfully" (Bernstein, 2016a, p. 7), and with limited and restricted access to enabling financial and physical resources, businesses' success was limited, whilst certain township economic activities were deemed illegal (Bernstein, 2016a).

2.4.5.3.3 SUMMARY

Social factors relevant to the informal economy are generally strong and positive.

The following key factors are identified from literature:

***Culture** is reflected in the behaviour and decision-making of individuals and firms and reflects their embeddedness in their operating context (Afreh *et al.*, 2019). Batho-Pele reinforces the interconnectedness and supportive cultures embedded in the South African context. South Africans prefer more structured work environments; more immediate gratification as opposed to more long-term orientation; are more individualistic in nature; and work environments are more*

male-dominated. The relatively lower power distance from authority does present an opportunity to engage and advocate for change in policies to support informality. Culture is a driver of economic opportunities and the nature of products and services supplied by informal businesses;

Social Capital: Growing informality is associated with social exclusion, emanating from low human capability, institutional barriers and high inequality that limit access to opportunities and resources (Chen, 2012; Williams and Nadin, 2013; Sallah, 2016). Building social capital requires acknowledging informality and recognising it as being legal; separated from the stigma of apartheid business legacy; and promoting social justice and dignity for its participants. Building social capital and relevant solutions for the informal economy requires contextual knowledge;

Group Identity: Individuals who operate in the informal economy find commonality in the collective shared culture, identities, behaviour, networks and traits. Informal economic activity is a socio-economic substitute and, in many cases, an involuntary survival practice (Davies and Thurlow, 2010); and

Informal Institutions: Institutions, which are a function of social structures and groups also shape behaviour and regulate access to opportunities (Luk'ianchikova and Iamshchikova, 2018). Informal institutions are considered more important than formal institutions in the informal economy (Chong and Gradstein, 2007; Webb et al., 2009; Steer and Sen, 2010) and amidst high inequality, trust in formal institutions is low. Institutional alignment is where informal institutions are reinforced to support informal entrepreneurship by enabling access to resources and opportunities.

2.4.5.4 TECHNOLOGY FACTORS

Technology factors include innovation, product quality and innovative distribution channels (Sammut-Bonnici and Galea, 2014). Technology, in conjunction with **innovation**, is a driver of economic growth. Businesses' demand for innovation and technology informs the expansion and adoption of this capability. Government plays an important role in driving this demand, enabling access to technology resources and creating enabling environments, like clusters to support informal businesses.

Technology is cited as one of the key drivers of economic growth, enabled by large formal sector firms. Demand for technology and innovation needs to be addressed, as

opposed to access. Large firms are drivers of economic growth because they make up such a large portion of the economy. Consequently, the level of innovation and technology adoption and dispersion depends largely on their appetite (Marsiglio and Tolotti, 2018). Research notes that additional technology investment does not benefit developing and emerging countries more than developed economies (Niebel, 2018). Therefore, expanding technology, related capability and access will be ineffective if demand is not addressed (Rodrik, 2004).

The informal economy is criticised for its low **level of technology adoption** and low levels of productivity and innovation. The dualist perspective subordinates the informal economy to its formal counterpart (Williams and Round, 2009), suggesting its inherent association with lower productivity, wages and human capital (Loayza, 2016; World Bank Group, 2019b). Research purports that the informal economy is slow to change and adopt new technology, thus limiting economic industrialisation (World Bank Group, 2019b), while small ventures are associated with economic inequality and under-employment, also playing a negative role in innovation adoption and knowledge creation (Mthanti and Ojah, 2017).

Technological factors do not feature prominently in the informal economy, which could present both an opportunity or threat to informality.

The key elements identified from literature include:

***Technology** is a key driver of economic growth, driven by large formal sector firms. However, it is the demand for technology and innovation, as opposed to access, that needs to be addressed.*

***Innovation** is largely aided by information not available to competitors and is a source of competitive advantage.*

***Technology adoption:** Government should drive the demand for technology and innovation. The informal economy is criticised for its low level of technology adoption and low levels of productivity and innovation (Williams and Round, 2009).*

2.4.6 CONCLUDING SUMMARY: THE INFORMAL ECONOMY

The PEST environmental analysis of the informal economy is reflected in the table below:

Table 4. Findings: PEST analysis of the informal economy

PEST Dimension		Strength	Force	Potential impact
Political	Political factors are considered strong and negative and present potential threats to the context.	Strong	Negative	Threat
Economic	Economic factors have a strong impact on the informal economy and can be both positive or negative, presenting either threats or opportunities	Strong	Positive / Negative	Threat /opportunity
Social	Social factors are largely internal to the informal economy, are generally strong and positive and could be either a strength or a weakness	Strong	Positive	Strength /weakness
Technological	Technological factors do not feature prominently in the informal economy and are weak and negative. This could present both an opportunity or a threat to informality	Weak	None	Opportunity /threat

Source: Author's construct (2020)

The key themes emanating from the PEST analysis of the informal economy are clustered into components below with an indication of the source of each theme.

Table 5. Informal economy environmental components (PEST outcome)

Informal economy components	Sub-components	Descriptions	PEST analysis source			
			P	E	S	T
Institutions	Institutional forms	The nature and form of formal institutions are an outcome of political institutions and societal structures. Additionally, government policy drives institutional forms.	X			
	Political institutions	The quality of political institutions is in turn, an outcome of the development pathway of a country. Political bias towards the informal economy that emanates from the misalignment of values and interests needs to be overcome.	X			
	Enabling environment	Government should drive the creation of inclusive institutions that promote informality by creating enabling environments free from crime, reducing political, economic and institutional barriers to growth wherein the growth and development capability of the informal sector is grown in conjunction with informal/formal sector linkages.	X			
	Trust in formal institutions	Trust in formal institutions is low.			X	
	Formal institutions	Weak institutions are also associated with high inequality and low levels of trust. Strong formal institutions deter informal entrepreneurship. Formal institutions bestow legitimacy, and activities outside their purview are deemed illegitimate or illegal	X			
Policy	Contextual relevance	Policy should leverage off local and contextual strengths and promote synergy and alignment between formal and informal economies. Government policy is important in creating an enabling environment.	X			
	Policy co-creation	Policy should be co-created and legitimise the informal economy, promoting the growth of the informal economy, and encouraging informal employment and informal entrepreneurship whilst establishing monitoring mechanisms for informal businesses.	X			
	Power to influence informal sector policy	The relatively lower power distance from authority does present an opportunity to engage and advocate for change in policies to support informality.			X	
	Economic policy	Economic policies should not limit access to resources and formal economic opportunities. Economic policies should be relevant, synergise		X		

Informal economy components	Sub-components	Descriptions	PEST analysis source			
			P	E	S	T
		the formal and informal economy by strengthening linkages, encompass collaboration, and be activity-focused and growth orientated.				
	Formalisation policy	In developing economies, the viability of informal economy formalisation is dependent on the context and conditions to sustain it. High tax burden and transaction costs deter business formalisation and such policies could also increase unemployment and inequality.		X		
	Human capital policy	Redistributive policies related to skills and education should be prioritised		X		
Economy	Economic growth	Growth is cyclical in nature and changes a country's economic structure and socio-economic context. The informal economy is counter-cyclical in nature and contributes to economic diversity in times of low growth, where it serves as an economic substitute for the formal economy. Increased economic growth is associated with reducing informality. Privatisation of capital, away from government means that economic growth is increasingly private sector-led.		X		
	Inclusive growth	Alignment between formal and informal economies may create the propensity for more inclusive growth, reducing inequality and poverty and creating equitable opportunities for society. Inclusive growth outcomes build trust and create equitable opportunities within the economy.		X		
	Economic structure	The economic structure of a country is related to its economic growth. The informal economy is diverse and intertwined with the formal economy. Informality is part of a country's economic mix.		X		
	Informal entrepreneurship	Institutions, which are a function of social structures and groups also shape behaviour and regulate access to opportunities. Institutional alignment where informal institutions are reinforced support informal entrepreneurship by enabling access to resources and opportunities.			X	
Human capital	Education	National wealth is largely an outcome of the level of human capital. Human capital can be grown by investment in education and skills.		X		
	Skills	Skill-structure mismatch contributes to unemployment and growing informality.		X		
Human capability	Access to resources and opportunities	Low levels of human capability limit access to opportunities and resources, contributing to unemployment and growing informality. Informal economic activity is a source of income that enables access to economic resources for many. Limited resources, skills, and human capital inhibit the growth of businesses.		X		
		Government should seek to grow informal businesses and enable access to markets, finances and education as a means of addressing inequality.	X			
Informal institutions	Social capital	Building social capital requires acknowledging informality and recognising it as being legal, separated from the stigma of apartheid business legacy and promoting social justice and dignity for its participants.			X	
	Contextual knowledge	Building social capital and relevant solutions for the informal economy requires contextual knowledge.			X	
	Group identity	Individuals who operate in the informal economy find commonality in collective shared culture, identities, behaviour, networks and traits.			X	
Culture	Economic opportunity and products/services	Culture is a driver of economic opportunities and the nature of products and services supplied by informal businesses.			X	
	Business embedded in the operating context	Culture is reflected in the behaviour and decision-making of individuals and firms and reflects their embeddedness in their operating context. Batho-Pele reinforces interconnectedness and supportive cultures embedded in the South African context.			X	

Informal economy components	Sub-components	Descriptions	PEST analysis source			
			P	E	S	T
Technology	Technology and innovation	Innovation is largely aided by information not available to competitors and is a source of competitive advantage. Technology is a key driver of economic growth				X
	Technology adoption	Government should drive demand for technology and innovation.				X

Source: Author's construct (2020)

Legend: P = Political; E= Economic; S = Social; T = Technological

This section established 8 components of the informal economy that have the potential to influence informal entrepreneurship and the IEE. These components form part of the IEE conceptual framework and include ■ Institutions ■ Policy ■ Economy ■ Human capital ■ Human capability ■ Informal institutions ■ Culture ■ Technology.

2.5 INFORMAL ENTREPRENEURSHIP

Informal entrepreneurship occurs within a context but also influences its context. Having analysed the informal economy in the preceding section, an industry analysis of informal entrepreneurship, using FFF, is presented in this section. This is preceded by an articulation of the definition of informal entrepreneurship and an exploration of informal entrepreneurship in South Africa.

2.5.1 DEFINING INFORMAL ENTREPRENEURSHIP

Entrepreneurship refers to the process of creating new ventures (Ojo, Nwankwo and Gbadamosi, 2013) in either the formal or informal economy, where such activities are legitimate (Thai and Turkina, 2014). Entrepreneurship may refer to market entry by creating new ventures or the expansion of existing businesses and product, service or value chain innovations (Parker, 2012). Entrepreneurship occurs within an ecosystem and is “a phenomenon that is dependent on complex collections of individuals, organizations, institutions and values” (Stam, 2015 cited by Roundy and Bayer, 2019, p. 3). Entrepreneurship is the “nexus between individuals and opportunities” (Shane, 2003 cited by Neumeyer and Santos, 2018, p. 4566).

Informal enterprises are unincorporated enterprises, either with or without employees, where “a full set of accounts must exist, or could be constructed” (European Commission *et al.*, 2008, p. 476).

Informal entrepreneurship refers to “those starting a business or are the owner/manager of a business, 36 months old who engage in monetary transactions not declared to the state for tax and/or benefit purposes when they should be declared but which are legal in all other respects” (Williams and Nadin, 2013). Informal entrepreneurs trade in legal goods and services and operate their businesses in an unregistered manner (Saunoris and Sajny, 2017).

This research interprets **informal entrepreneurship** as the process of creating a new venture that is lawful in all respects, with the exception that it operates in an unregistered manner.

2.5.2 ENTREPRENEURSHIP THEORIES

Entrepreneurship theories have evolved over time and comparing the Neo-classical and Austrian theories reflects these evolving and contrasting perspectives. The entrepreneurship revolution perspective posits that poverty alleviation occurs under unconventional entrepreneurship where capitalism, profit motives and neoliberal theories are challenged (Sutter *et al.*, 2019). This perspective is best represented in Entrepreneurship theories.

Neo-classical theories are based on the premise that the market is perfect where sellers and buyers have all the information with no market uncertainty, and competition is an event rather than a process involving demand and supply equilibrium (Young, 1987; Roche, 2016). This perfect equilibrium market economics is not consistent with market failures and uncertainty.

Austrian Entrepreneurship theory suggests that entrepreneurship drives growth (Young, 1987) because it makes the market dynamic and creates disequilibrium (Yates, 2000). Entrepreneurship is seen as a market process that creates opportunity from market imperfections where entrepreneurs identify and exploit opportunities drawing from their prior experience and contextual knowledge (Smith, Moghaddam and Lanivich, 2019). The Austrian theory presents a more dynamic, multi-faceted approach to entrepreneurship that encompasses markets and contextual uncertainty; the entrepreneur’s ability to take opportunities; and entrepreneurship as an economic growth engine.

The **entrepreneurial process** varies depending on the context. It drives formal economic activities and aims to realise the value associated with opportunities that are identified through the stages of “entrepreneurial alertness, opportunity recognition, opportunity exploitation and decisions concerning growth” (Webb *et al.*, 2009, p. 494). Entrepreneurial alertness refers to entrepreneurs’ ability to identify opportunities (Webb *et al.*, 2009). Opportunity recognition and exploitation refer to the entrepreneur's ability to initially sense market needs and then meet these needs in an existing way or through innovation (Young, 1987; Webb *et al.*, 2009). Furthermore, growth decisions refer to the ability of the entrepreneur to grow into new markets or sustain the business (Webb *et al.*, 2009). Entrepreneurship processes underpin research aiming to understand how entrepreneurs build and sustain businesses (Pagano, Petrucci and Bocconcelli, 2018) and create new markets at the BOP (Dolan and Rajak, 2016).

An **individual's motivation** to engage in entrepreneurship is based on two factors, namely the existence of opportunities and resources, and the traits of the entrepreneur that enable them to exploit these opportunities (Thai and Turkina, 2014; Cannatelli *et al.*, 2019). Importantly, entrepreneurial processes associated with the creation and discovery of opportunities differ because opportunity discovery is exogenous and alert entrepreneurs to identify market shortcomings and exploit them, whilst opportunity creation involves developing something new or seeking innovative means of addressing a need (Smith *et al.*, 2019). Social Cognitive theory is used to understand entrepreneurial activity, thus understanding the entrepreneur in relation to education and cultural differences (Oo *et al.*, 2018).

Whilst **traditional entrepreneurship theories** suggest that entrepreneurs seek to exploit market opportunities and market failures, many entrepreneurs in contexts of high unemployment and inequality engage in entrepreneurship out of necessity, also known as need-based entrepreneurship (Sud and VanSandt, 2015). Features of necessity entrepreneurship include limited resources and low human capital, and are predominantly small-scale enterprises and micro-enterprises (Bapuji, 2015). Ethnic entrepreneurship literature suggests that the informal economy contains survivalist entrepreneurs as a result of socio-economic exclusion (Ojo *et al.*, 2013). Research also delves into different types of entrepreneurship and what drives them, often combining Institutional theory or Social and Network theories to achieve these ends (Webb *et al.*, 2009).

Unconventional entrepreneurship challenges the neoliberal, capitalistic motivation of entrepreneurs. Unconventional entrepreneurship occurs where the motivations of the entrepreneur go beyond profit, often diverging from the traditional linear entrepreneurial process, with notable differences in “the role of the community surrounding the entrepreneur and the degree of availability of resources” (Pagano *et al.*, 2018, p. 456). Entrepreneurship research also challenges the conventional capitalism-driven theories, de-linking these concepts (Williams and Nadin, 2013), legitimising its uniqueness (Welter *et al.*, 2015) and recommending institutional and policy reform (Viswanathan, Sridharan, Venugopal and Jung, 2012).

Informal entrepreneurship can be classified as a type of unconventional entrepreneurship because it does not conform to the conventional types of entrepreneurship, while also facing marginalisation because of its variations.

These entrepreneurs are born from socio-economic challenges and circumstances that transform entrepreneurship outcomes from conventional profit and professional interest into a more passion-driven form of entrepreneurship. Neoliberal theories underpin conventional types of entrepreneurship and those pursuing unconventional entrepreneurship, often face exclusion, alienation and isolation because they deviate from this ‘norm’ (Guercini and Cova, 2018).

Whereas unconventional entrepreneurship includes accidental entrepreneurship, lifestyle entrepreneurship, user entrepreneurship and tribal entrepreneurship (Pagano *et al.*, 2018), informal entrepreneurship is noticeably excluded and warrants inclusion.

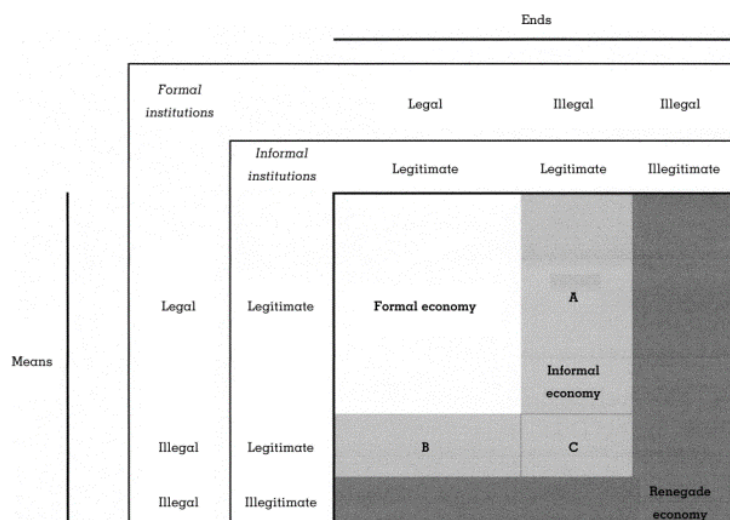
2.5.3 INFORMAL ENTREPRENEURSHIP THEORIES

“The informal economy contains the activities to recognize and exploit opportunities occurring outside formal institutional boundaries but within informal institutional boundaries” and informal entrepreneurship and can take three forms, namely:

- *Legitimate inputs (labour) and illegal outputs (goods and services);*
- *Legitimate outputs (goods and services) and illegal inputs (labour); or*
- *Illegal inputs and outputs (Webb *et al.*, 2009, p. 496).*

The figure below depicts the varied institutional characteristics of entrepreneurial activities.

Figure 6. Institutional categories of entrepreneurial activities



Source: Webb et al. (2009, p. 496)

Like theories on the informal economy, informal entrepreneurship is also interpreted according to different schools of thought. Research suggests that there may be several complementary factors that drive informal entrepreneurship, including institutions, economic freedom, individual motivation and resource allocation.

Modernisation perspective: Modernisation theory posits informal entrepreneurship as the leftovers and residue as an outcome of progress and modernisation in relation to formal businesses (Afreh et al., 2019). Motivational-related theories justify the choices made by entrepreneurs based on the socio-economic factors they encounter (Saunoris and Sajny, 2017). Research finds that cultural values drive the level of entrepreneurial and innovation activities (Woodside, Megehee, Isaksson and Ferguson, 2019) and in developing countries, motivation to start a business is not for reasons of wealth, but are rather driven by a lack of jobs, opportunities and access to resources (Thai and Turkina, 2014).

Structuralist perspective: Structuralist theory suggests that informal entrepreneurship is an outcome of capitalistic practices and de-regulation, where entrepreneurship is a necessary practice (Afreh et al., 2019). Resource Allocation theory demonstrates the choices made by entrepreneurs in the context of limited resources and access to such resources (Saunoris and Sajny, 2017). The economic environment influences the entrepreneurial process and activities and hampers entrepreneurship in contexts burdened with unemployment, socio-economic disparities, poverty, and income inequality

and unemployment, resulting in the emergence of different forms of entrepreneurship driven by survival (Afreh *et al.*, 2019).

Neoliberal perspective: The neoliberal perspective presents informal entrepreneurship as a choice, and not a necessity practice, to avoid, cost, regulatory and institutional constraints (Afreh *et al.*, 2019). The Institutional theory approach suggests that formal and informal institutions present barriers or create opportunities for entrepreneurs that direct their choice to operate in the informal economy (Saunoris and Sajny, 2017). Institutions can therefore either enable or disable the development and sustainability of entrepreneurial activity (Webb *et al.*, 2009).

Post-structuralist perspective: Post-structuralist theory sees informal entrepreneurship as a chosen alternative that is not solely motivated by economic and capitalistic outcomes (Afreh *et al.*, 2019). This theory suggests that whereas it may be vital to understand the unique context in which such entrepreneurship occurs, it “showcases the diversity of entrepreneurial practices beyond those solely explained by rational economic motivations” (Afreh *et al.*, 2019, p. 998). Economic Freedom theory suggests that entrepreneurs turn to the informal economy as they face restrictions within the formal economy, having the freedom to operate more autonomously in the informal economy (Saunoris and Sajny, 2017), with research finding that there is a negative relationship between economic freedom and the informal economy (Sweidan, 2017).

In line with the mainstream or post-structuralist lens used for the informal economy, a **Post-structuralist perspective** is adopted for informal entrepreneurship. Informal entrepreneurship is therefore a chosen alternative and a means to economic freedom.

2.5.4 INFORMAL ENTREPRENEURSHIP IN SOUTH AFRICA

Like the formal economy, the informal economy in South Africa comprises several dynamic sectors where there is significant segmentation and should therefore not be characterised as a homogenous sector. Importantly, when interrogating research that delved into informal dwellings, an interesting observation was made where the researcher noted how the Stats SA data was based on households, and the research in question found that the number of dwellings exceeded the number of households in a location (The Housing Development Agency, 2012). Therefore, the rental of informal spaces is

potentially not recorded in GDP data, supporting views that the scale and scope of informal businesses in SA are larger than statistical data reports suggest.

The informal economy in South Africa comprises **economic activities** and economic sectors. Like the formal economy, the informal economy can also be separated into sectors. The services sector in the informal economy includes repair and mechanical services, construction and maintenance, car washes, health and beauty, educare services, entertainment services, transport services and religious services (Sustainable Livelihoods Foundation, 2016). The Food and Drink sector includes the sale of goods through greengrocers, fresh meat retailers, house shops, spaza shops (grocers) and tuck shops, the sale of drinks via liquor outlets, shebeens and taverns, and the sale of foods through restaurants and takeaways (Sustainable Livelihoods Foundation, 2016). Earlier research suggests that over 90% of shebeens or liquor retailers are unregulated (Sustainable Livelihoods Foundation, 2015). Other sectors include micro-manufacturing, arts and crafts, agriculture and retail (Sustainable Livelihoods Foundation, 2016). The informal sector also includes informal rental (The Housing Development Agency, 2012).

Whilst many small businesses opt to operate informally, the true earnings of these businesses and the completeness of the reported statistics are questionable. According to research in 2015, 75% of small businesses operating in the informal sector and 89% of informal small businesses were owned by blacks, where the median annual income for these informal businesses is in the region of R4 200 (Bureau for Economic Research, 2016). This research had however noted the reluctance of participants to disclose their incomes to Stats SA. Informal businesses in South Africa declined from 2.3 million in 2001 to 1.1 million in 2009, before increasing in 2013 to 1.5 million (Stats SA, 2014, p. v). The number of people who ran informal businesses during the same period dropped from 2.3 million in 2001 to 1 million in 2009, and increased to 1.8 million in 2017 (Stats SA, 2019b, p. 6). However, self-employment rates in comparable countries are in the region of 30%, while South Africa is only at 14% (Grabrucker and Grimm, 2018).

2.5.5 PORTER'S FIVE FORCES FRAMEWORK

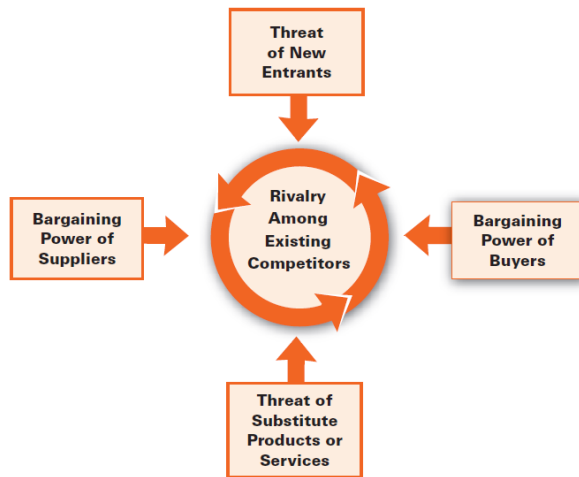
2.5.5.1 DIMENSIONS OF THE FFF

The five forces in the framework include the bargaining power of buyers, bargaining power of suppliers, the threat of new entrants, the threat of substitutes and competitor

rivalry, and the strength of these forces defines industry structure and shapes industry competition (Porter, 2008). Strong forces present threats to the company, while weak forces present opportunities that can be exploited (Bell and Rochford, 2016). The figure below reflects the forces in the FFF.

Figure 7. Porter's Five Forces Framework

The Five Forces That Shape Industry Competition



Source: Porter (2008, p. 80)

Whereas weaker forces related to buyer and supplier power may provide leverage to an industry, the value derived from such a supplier and buyer interactions with the industry are also important.

The bargaining power of customers and suppliers, if weak, represent value chain advantages, and can be viewed through the institutional lens of transaction costs. In the case of emerging economies, the bargaining power of suppliers and buyers is further complicated by the emergence of more intricate informal institutions of trust, networks and new norms and behaviour (Narayanan and Fahey, 2005).

Economies of scale and scope and a low threat of entry into the industry are advantages derived from productivity and efficiencies gained from high resource requirements (Porter, 2008).

Capital flows and investments are regulated by legal and economic institutions and are a way of determining industry attractiveness. In developing economies, these capital flows may emanate from underlying socio-economic structures, such as relationships and knowledge, as opposed to institutions. Additionally, in emerging

economies, the ability to track capital flows is a challenge, whereas access to capital and resources is an inherent limitation to market entry (Narayanan and Fahey, 2005).

Competitive advantage emanates from the extent of rivalry from substitutes, peers and potential entrants. Except for the threat of substitutes, it is argued that institutions like competition laws and government policies validate and legitimise activities and thus competition. Policies and laws governing competition and markets are sometimes not evident in developing economies as they take the form of informal institutions, thus altering the nature of competition (Narayanan and Fahey, 2005).

2.5.5.2 JUSTIFICATION FOR THE USE OF FFF

Porter's Five Forces framework (FFF) is traditionally utilised as an analysis tool by companies seeking a competitive edge. However, the components of the model also lend themselves to a broader understanding of the context in which organisations operate. The FFF, originating from Michael Porter, is extensively utilised in the domain of strategic management and is employed for assessing industry competition and investment opportunities (Narayanan and Fahey, 2005).

Critiques of the FFF include its relevance to developing economies given the association of the framework with institutions, something many developing countries are challenged with. The assertion that "industry structure drives competition and profitability, not whether an industry is emerging or mature, high tech or low tech, regulated or unregulated" (Porter, 2008, p. 80) has been challenged where the relevance of FFF in a developing economy context is questioned, with research arguing that it is more suited for developed economies and "the institutional context in which it was incubated" (Narayanan and Fahey, 2005, p. 208). In addition, it is criticised for over-simplifying the value chains associated with supplier and buyer power (Grundy, 2006; Ormanidhi and Stringa, 2008), and fails to recognise the fluidity of an industry, while appearing to be self-contained, rather than linking itself with other tools like PEST (Grundy, 2006). The FFF does not incorporate aspects related to informal institutions (Narayanan and Fahey, 2005) and culture and history, which are determinants of behaviour (Prasad, 2011).

Despite the critique of the FFF, it is utilised in this research as it complements the PEST analysis. Additionally, it provides a generic structure that has been adapted for this

research, which is relatively easy to understand and thus used as a basis for analysis. This model aids in analysing the feasibility of entering a market (Ormanidhi and Stringa, 2008) and while not entirely relevant, as in the case of informal entrepreneurship, it provides a generalisable outcome.

Having analysed the macroeconomic informal economy context, the ensuing review presents the industry analysis of informal entrepreneurship using Porter's FFF. Entrepreneurship processes and theories form the backdrop for understanding the forces and their strength in shaping informal entrepreneurship.

2.5.6 FFF ANALYSIS OF INFORMAL ENTREPRENEURSHIP

2.5.6.1 INFORMAL ENTREPRENEURSHIP INDUSTRY

To apply the FFF, it is necessary to define the **industry** appropriately in order to ensure the relevance of the research outcomes as this sets the context for the industry analysis. Having a narrow perspective of an industry based on sectoral traits may distort competition (Kaplan *et al.*, 2018) and overlook commonalities, linkages (Porter, 2008) and opportunities. Conversely, a broad industry definition may distort opportunities emanating from geography, positioning and competition by ignoring product or customer variances (Porter, 2008).

Two factors underpin the industry structure, namely industry outputs and common or similar operating environments.

Industry outputs: Firstly, industries comprise a group of companies whose output can be considered close substitutes (Ormanidhi and Stringa, 2008), supplying similar products and services (Porter, 2008) or companies that are in direct competition with each other (Gupta, 2013). For this research, the scope of products and services for informal entrepreneurship, which simply refers to the buyers and their channels, includes legal goods and services that are bought and sold in the informal economy.

Operating environment: Secondly, an industry exists where companies have similar operating contexts or operating environments that are similarly structured in relation to the five forces (Ormanidhi and Stringa, 2008), or that operates in a specific geographic scope (Porter, 2008). The geographic scope is where informal entrepreneurship is conducted, and this is generally in localised areas.

The industry is therefore defined as informal businesses transacting in legal goods and services. This industry structure, reflected in the strength of the 5-forces, determines industry opportunities, profitability and risks (Porter, 2008) related to informal entrepreneurship.

2.5.6.2 THREAT OF ENTRANTS

The threat of entrants into a market or industry is high where the barriers to entry are low. High barriers to entry exist where an entrant must enter a market on a large-scale or lower prices to attract customers, capital and investment requirements substantial for market entry, and the existing market deters potential entrants because existing players have advantages that are difficult to emulate, like technology and unique products or services, where customer switching costs are high or government policy is restrictive, thus limiting entry (Porter, 2008).

Informal entrepreneurs are excluded or dis-incentivised from formal activities because of business complexity, high levels of governance and costs associated with formal ventures. High barriers to entry into the formal sector (Charlot *et al.*, 2015) and an uncompetitive and established formal economy (Capasso and Jappelli, 2013) make informality more attractive in many countries. Fiscal and monetary implications of formality influence the informal economy, but business complexity associated with starting a formal business is a greater determinant of informal entrepreneurship in developing economies (Goel and Nelson, 2016). Rigid business structures, economic complexity and overbearing regulatory mechanisms may increase the size of the informal economy (Mathias *et al.*, 2015; ACCA, 2017). High levels of governance result in a net reduction of overall entrepreneurial activity despite having a positive impact on formal entrepreneurship and a negative impact on informal entrepreneurship (Dau and Cuervo-Cazurra, 2014). BOP literature suggests that informal governance levers are more important in informal economy and BOP initiatives (Hahn and Gold, 2014).

Formal institutions driven by government policy impose barriers to entry into formality, reflecting that, by design, these mechanisms are intended for the formal economy and need to be re-assessed. Restrictive government policy may be a positive or negative determinant of market entry (Porter, 2008). On one hand, onerous policies and burdensome formal institutions (Chen, 2012) that are inequitable and favour the formal economy (Loayza, 2016) make it impracticable and unaffordable for the poor to bear the

costs associated with formalisation (Schneider and Williams, 2013; Saunoris, 2018). However, economic freedom, through lower regulations and taxes, protection of property rights and good quality institutions, is associated with a higher number of formal enterprises and negatively associated with informal enterprises (Saunoris and Sajny, 2017). Research therefore proposes re-assessing institutional barriers to remove biases that favour the formal economy (Sallah, 2016).

Informal businesses support the **socio-economic context** they operate in and their channels are reflected in social contracts, networks and collective identity, which also serve as contracts. Collective identity is important for operating in the informal economy, where networks and distribution channels enable the growth of businesses (Webb *et al.*, 2009). Informal businesses leverage social networks and groups (London, Anupindi and Sheth, 2010) and business outcomes should address poverty alleviation, as well as economic and social returns to the community (London *et al.*, 2010). Informal businesses operate in accordance with informal institutions and the norms of reciprocity and mutual cooperation (Pathak and Muralidharan, 2018).

Incongruence between formal and informal institutions occurs where “formal and informal institutions send different signals about the acceptability of certain means and, or ends as the foundations for entrepreneurial activities” (Webb *et al.*, 2009, p. 498), having a detrimental impact on informal businesses (Webb *et al.*, 2009; Cannatelli *et al.*, 2019). Relations are built on trust and over time (Ansari *et al.*, 2012) are founded on social contracts (London and Hart, 2004). Whereas a performance culture enables formal entrepreneurs, informal entrepreneurship relies heavily on a more socially-supportive culture (Thai and Turkina, 2014).

Research that investigated the transition of Nicaraguan farmers into formalisation highlighted the importance of institutional alignment. Farmers were transitioned into the formal economy using institutional scaffolding, which relied on NGOs as intermediaries to facilitate and design “new norms and practices, new relationships and positions and new systems that support entrepreneurs’ transition to a novel institutional context” (Sutter *et al.*, 2017, p. 440). Research noted that the majority of the farmers reverted to informality and whereas scaffolds should be co-created, mutually beneficial and implemented timeously, transitions are complicated by informal institutions and business practices (Sutter *et al.*, 2017). This reiterates the importance of informal institutions (Steer and Sen, 2010) and the requirement to have higher levels of symmetry between formal and informal

institutions (Williams and Shahid, 2016), which can potentially improve economic and sector synergies (Webb *et al.*, 2009).

Informal businesses are low productivity and do not adopt high levels of **technology**, suggesting that technology is a low barrier to entry. Advantages independent of size deter new entrants because of the quality and uniqueness of the product or service offered, and emanate from technology, geography, access to resources and brand identity (Porter, 2008). Growth in informality is derived through efficiencies stemming from cost avoidance and positive spillovers (Saunoris, 2018) while circumventing burdensome regulatory barriers (Ulyssea, 2018). Informal businesses are associated with lower productivity, a slow pace of change and reluctance to adopt new technology (Loayza, 2016; World Bank Group, 2019b).

Informal businesses are predominantly clustered on the fringes of urban areas, in townships or deep-rural areas, relying heavily on **street infrastructure** for business growth, while the location is also important. Township location, spatial design and access to productive resources perpetuate low-innovation businesses that are further burdened by regulatory barriers, and cannot grow (Bernstein, 2016a). Street infrastructure is important in the incubation of informal businesses which rely on pedestrians as consumers. However, proximity to supermarkets had both positive and negative implications for informal businesses depending on the consumer profile (Sustainable Livelihoods Foundation, 2016). Research in South Africa suggests that informal businesses and informal settlements should be enabled and upgraded, “beyond this, government should mainly get out of the way, as market forces will quickly ensure that business opportunities are exploited” (Bernstein, 2016a, p. 13).

The threat of entry into informal entrepreneurship is weak and therefore presents opportunities for growth, agility and innovation.

The key elements identified from literature include:

Business and economic complexity: *Informal entrepreneurs face exclusion from the formal economy because of economic complexity and business complexity (rigid business structures, overbearing regulatory requirements, and governance expectations and high costs) which disincentivise formality, steering individuals into the informal economy (Charlot et al., 2015).*

Economic freedom: *Economic freedom is associated with higher levels of formal business (Saunoris and Sajny, 2017). Increasing economic freedom through enabling formal institutions, less burdensome regulations, lower costs and decreased business complexity reduces barriers to entry into the formal economy (Chen, 2012).*

Operating context: *Informal businesses support their socio-economic context and rely heavily on location and proximity to customers (London et al., 2010). Street infrastructure is important for informal businesses (Bernstein, 2016a).*

Social capital: *Informal businesses rely on groups, social contracts, networks and collective identity (Pathak and Muralidharan, 2018) to operate. Such a socially supportive culture can grow informal businesses, while businesses in turn have a socio-economic impact on the communities they operate in (Thai and Turkina, 2014).*

Institutional alignment *between formal and informal institutions is very important for informal businesses wanting to grow beyond the informal economy (Thai and Turkina, 2014) as it promotes trust and creates an enabling environment for informal businesses to grow. Formal institutions are also a deterrent to prospective entrepreneurs (Saunoris and Sajny, 2017).*

Technology and innovation: *Technology is a low barrier to entry as informal businesses have low levels of productivity and technology adoption (Loayza, 2016; World Bank Group, 2019b). Township location and spatial planning and design, together with a lack of access to productive resources, inhibit innovation potential in informal businesses (Bernstein, 2016a).*

2.5.6.3 SUPPLIER POWER

Suppliers include employees, suppliers of goods and services and supplier groupings. These have high bargaining power where they experience high switching costs, there is a high degree of product or service differentiation, substitutes are limited or where there is a presence of strong supplier groups (Porter, 2008).

Inequality is a group trait for entrepreneurs operating in the informal economy, where individuals are associated with disadvantage. Income inequality and group identity are intrinsically linked, with research suggesting that income inequality is perceived as either

a barrier to or as a unique trait that defines group identity (Bapuji and Neville, 2015) while being associated with divergent socio-economic groupings and social status (Goubin, 2018). Informality is associated with disadvantage and is residual in relation to the formal economy, is more accessible to potential employees and there is a high supply of employees for informal firms (Charlot *et al.*, 2015). Research suggests that opportunity entrepreneurship is enabled by alert entrepreneurs who have high levels of economic freedom. However, depending on the institutional context, fear of failure or uncertainty avoidance discourages it (Boudreaux *et al.*, 2019).

Informal entrepreneurship is a **necessity practice**, largely subsistence and comprises less productive activities led by low-skilled, uneducated entrepreneurs. Whereas opportunity entrepreneurship is a luxury for more wealthy individuals who derive greater returns on capital, necessity entrepreneurship is a feature of the poor who engage in less productive, more subsistence activities (Bapuji, 2015). The Dual Economy theory sees the informal economy as being made up of low-skill and low-productivity workers (The World Bank, 2018) where informal firms are run by uneducated owners that serve poor and low-income customers (Chen, 2012). Informal businesses are less productive than formal ones (Charlot *et al.*, 2015; Fernández and Meza, 2015), driven largely by differentials in skills (Charlot *et al.*, 2015). Many informal ventures, several of which are micro-enterprises (Nguimkeu, 2014), are either created out of necessity or from opportunity (Chen, 2012) and are survivalist in nature (Ligthelm, 2013).

Foreigner activities in the informal economy, stimulated by the ease of entry into the market, can stimulate growth. Many informal businesses have multiplier effects on job creation whilst also stimulating other businesses around them. Immigrant activities should also be channelled towards formal sector business growth rather than informal businesses (Thai and Turkina, 2013). This view is further supported by research suggesting that in economies where foreign investment is weak, entrepreneurially-led growth can be stimulated through migrant remittances and investments in new businesses (Martinez, Cummings and Vaaler, 2015). Many South African spaza shops have ceased operating with a few of those remaining being operated by foreign entrepreneurs (Sustainable Livelihoods Foundation, 2016). Fifty percent of spaza shops are run by foreigners, and 80% of them are predominantly Somali nationals (Sustainable Livelihoods Foundation, 2015). Research notes that shebeens and licenced taverns “have probably the greatest multiplier effect on job creation and other businesses”

(Sustainable Livelihoods Foundation, 2015, p. 8) and like spaza shops, their value-chains contribute to revenues of formal businesses that supply them whilst also empowering complementary businesses in their locality.

Informal entrepreneurship also has **absorption capacity** due to low technology adoption. The formal economy relies on more skilled employees and can substitute this capacity with technology or via industrialisation (Alvarez-Cuadrado, Long and Poschke, 2018). The informal economy is more labour-intensive and labour absorptive, having a greater job creation potential than the formal sector (Sallah, 2016) by virtue of its lower productivity combined with a slow pace of change and reluctance to adopt new technology (Loayza, 2016; World Bank Group, 2019b). Research notes that while several informal firms may choose to formalise, many continue to employ informal labour (Ulyssea, 2018). Stricter enforcement of informality reduces informal employment but increases the number of informal firms (Ulyssea, 2018). Lower levels of informal sector employment are also noted as state interventions and regulations increase (Williams, 2017a).

Informal entrepreneurs have the potential to **exploit opportunities** that are regulated by institutions by leveraging off networks and informal institutions. The new institutionalist perspective analyses the “microeconomics of institutions” and suggest that institutions are “formed by society to enable economic growth by weighing the costs and benefits” (Akbulut *et al.*, 2015, p. 753). An assessment of the entrepreneurial process in the informal economy by Webb *et al.* (2009) identified that growth-orientated informal entrepreneurs explore and exploit opportunities that are otherwise regulated by formal institutions by relying on cooperative groups who share their disregard for the barriers created by these institutions. Informal entrepreneurs are legitimised by the informal boundaries and institutions that they operate in accordance with (Webb *et al.*, 2009).

Informal institutions, social capital and unique norms and values moderate operating in the informal economy, and informal entrepreneurs are intrinsically connected to their context. The culture of cooperation and human orientation are strong determinants of entrepreneurship in the informal economy, while goal orientation and competition have a negative effect (Thai and Turkina, 2013). The entrepreneurial ecosystems perspective suggests that interconnected forces outside of the control of the entrepreneur, like institutions, values, context and groups, influence entrepreneurial activity (Roundy and Bayer, 2019). Entrepreneurship in itself involves relationships within unique social contexts (Engström and Mckelvie, 2017). Entrepreneurship in the informal economy has

been hailed as a moral calling amidst low incomes, where it reflects the entrepreneur's ability to seek and exploit market opportunities (Dolan and Rajak, 2016) and reflects a hidden enterprise culture (Williams and Nadin, 2012).

The absence of formal groupings in the informal economy could imply that groups exist as **informal structures** through networks. Informal economy participants, unlike in the formal economy, do not have trade union representation (Gërkhani, 2004) and are unable to influence informal economy policy, predominantly due to the legal status of the informal economy; unavailability of formal structures to drive influence; and the inability to mobilise because the informal economy relies largely on networks (Tanaka, 2010). Therefore, the envisaged ecosystem needs to take cognisance of this fact, whereas imposing formal structures on the ecosystem could be detrimental to its sustainability.

Supplier power in relation to informal entrepreneurship is weak as employees are readily available and entrepreneurs can start a business easily.

The key elements identified from literature include:

Informal entrepreneurs: *Informal entrepreneurs' group traits reflect inequality and disadvantaged people, where entrepreneurs have low human capital with low skill and education (Goubin, 2018). The informal economy attracts foreign entrepreneurship activities because of ease of entry (Sustainable Livelihoods Foundation, 2016). Informal entrepreneurship is a necessity practice, largely subsistence and comprises less productive activities due to low levels of technology adoption (Chen, 2012).*

Power to influence: *Informal sector agents have little or no power to influence policies relating to informality due to the legal status of the informal sector and the unavailability of formal structures to enable influence (Tanaka, 2010).*

Employment: *Many informal businesses have multiplier effects on job creation while also stimulating other businesses around them (Ulyssea, 2018). Informal entrepreneurship can increase economic participation through the creation of informal entrepreneurs, and promotes economic growth through its absorption capacity for excess labour (Sallah, 2016).*

Market opportunities and social capital: *Informal businesses operate through networks and groups to exploit market opportunities whilst circumventing barriers by creating informal boundaries and institutions that legitimise their activities (Dolan*

and Rajak, 2016). These groups exist as informal structures through networks (Thai and Turkina, 2013).

Culture and context: *Informal entrepreneurs are intrinsically connected to their context (Tanaka, 2010). Informal businesses have a unique enterprise culture supported by a cooperation culture and human orientation (Williams and Nadin, 2012). Social context and business context are related to entrepreneurship.*

2.5.6.4 SUBSTITUTION THREATS

A substitute “performs the same or a similar function as an industry’s product by a different means” (Porter, 2008, p. 84). Threats of substitutes are high where the price-value trade-off is acceptable and customer switching costs are low (Porter, 2008).

Growing informal entrepreneurship warrants more **investment** in infrastructure and skills while enabling **access to resources**. Proponents of informal entrepreneurship suggest that it may be a solution for inequitable growth and inequality (Hall *et al.*, 2012). Economic value stemming from an unregistered, unregulated informal sector can be derived and presented through informal businesses (Tanaka, 2010). While investment in the formal economy reduces the size of the informal economy, investment in the informal economy grows that economy without influencing the formal (Chattopadhyay and Mondal, 2017), implying the need for investment in the informal economy. Informal entrepreneurship can also be increased by enabling access to funding through borrowings and improving entrepreneurial ability through training and skilling, whilst also improving the earnings of workers and lowering earnings disparities (Nguimkeu, 2014). Improved entrepreneurship education with a focus on formal business benefits is cited as an initiative for more formal sector business growth (Thai and Turkina, 2013) because people with better quality education and higher social security are less likely to take part in informal activities (Thai and Turkina, 2014).

Formal business ventures are substitutes for informal businesses for those with higher-quality education and access to resources. Research in Cameroon reveals two primary substitutes for informal entrepreneurship, namely formal economic activity and survival subsistence practice in the informal economy (Nguimkeu, 2014). Individuals chose subsistence activities because there is no need for start-up capital, and those choosing to start a business did so because of the earnings potential, skill to engage in entrepreneurship and access to wealth for capital investment needed (Nguimkeu, 2014).

Unemployment is a strong substitute for informal entrepreneurship, where workers are discouraged or cannot start informal ventures. The informal economy in South Africa appears to be inelastic and unable to absorb the high number of unemployed, to the extent that people choose to become economically inactive (OECD, 2017b). Unemployment of 29% in quarter 2 of 2019 was at its highest since 2008 (Maluleke, 2019). Expanded unemployment, which includes discouraged workers not seeking employment, was 38.5% (Stats SA, 2019a, p. 7). Youth unemployment is highest at 56.4%, irrespective of the level of education, while 63.9% of unemployed have no tertiary qualifications (Maluleke, 2019, p. 9,11; Stats SA, 2019a).

Substitutes including unemployment, subsistence activities and formal activities are a weak to moderate force for informal entrepreneurship.

The key elements identified from literature include:

Human capital: Higher quality education and entrepreneurship education and skills contribute to increased participation in the formal economy. Motivation to start a business requires entrepreneurship ability and skill, earning potential and access to capital (Nguimkeu, 2014).

Informal entrepreneurship: Growing informal entrepreneurship warrants more investment in the informal economy and infrastructure, investment in entrepreneurship education and skills, improving the earnings of participants and enabling access to financial resources (Nguimkeu, 2014).

Informal entrepreneurship outcomes: Informal businesses can generate economic value by operating the unregulated informal economy (Tanaka, 2010), thus enabling participants to generate income.

Informal entrepreneurship substitutes: Formal business ventures are substitutes for informal businesses for those with higher-quality education and access to resources (Nguimkeu, 2014). Unemployment is a strong substitute for informal entrepreneurship, where workers are discouraged or cannot start informal ventures (OECD, 2017b).

2.5.6.5 BUYER POWER

Customer power to drive down prices, increase costs and demand high quality is high where there is a limited number of buyers; companies rely on a few large customers;

customer switching costs are low; there is a high degree of product standardisation or the buyer can implement backward integration (Porter, 2008).

Informal entrepreneurs potentially create **shared socio-economic value** within their communities. Institutional theory provides contrasting perspectives where the *institutional support* perspective suggests that formal institutions enable access to resources (Pathak and Muralidharan, 2018) and the *institutional void* perspective contends that in contexts with limited government support and social and resource challenges, there is a greater propensity for social entrepreneurship driven by opportunity, economic inequality and entrepreneurs who strive to create shared value (Pathak and Muralidharan, 2018). Policies fostering entrepreneurship in poor communities need to address the social and economic perspectives (Hall *et al.*, 2012). Socio-economic, mutual value creation using local networks and innovative partnerships may enable value creation where informal entrepreneurs have limited access to resources (London and Hart, 2004; London *et al.*, 2010). Informal businesses operating in townships in South Africa typically service their local communities and provide retail and service offerings, including liquor, food, airtime, beauty services and recycling, while high-value retail offerings like furniture and clothes are not as prevalent (Sustainable Livelihoods Foundation, 2016).

Low levels of **technology** adoption in informal businesses do not support high levels of integration and innovation. Technology offers the potential to integrate business processes and create value-chain linkages to deliver products and services to customers in a manner that gives a company a competitive advantage (Porter and Millar, 1985). The relationship between economic inequality, private business and society, according to Bapuji, Husted, Lu and Mir (2018), can be assessed by looking at the inherent disparity between value creation, value appropriation and value distribution strategies. To this end, cluster relationships are potentially synergistic enablers of informality, new business formation and innovation (Porter, 2000).

Informal businesses supply their immediate **communities** and rely on the community to survive. Buyers are price sensitive if the sellers' product represents a large portion of their spend, their earnings are low, and product costs and quality are generally standard (Porter, 2008). Large companies in the formal space service customers in a global space, but not all international companies are globally competitive (Hout, Porter and Rudden, 1982). The informal economy largely supplies consumer goods (Sallah, 2016). Informal businesses in South Africa service poor households where about 3% of households

earned more than R12 000 per month, further suggesting that entrepreneurs created opportunities and their businesses support the communities wherein they operate (Sustainable Livelihoods Foundation, 2016, p. 14).

Buyer power is a weak force for informal entrepreneurship.

Informal businesses cater to their communities and offer convenience and consumer products and services. The key elements identified from literature include:

Socio-economic value creation: *Informal entrepreneurs create shared socio-economic value within their communities as there is an interdependency where businesses supply the community whilst also relying on the community to survive (Pathak and Muralidharan, 2018). Policies promoting informal entrepreneurship should include socio-economic value creation (Hall et al., 2012).*

Clusters and partnerships: *Cluster relationships and partnerships can contribute to growing the informal economy, the formation of new businesses and the promotion of innovation (Porter, 2000). Value creation in communities is enabled through partnerships and networks where access to resources is limited (London and Hart, 2004; London et al., 2010).*

Technology: *Low levels of technology adoption in informal businesses do not support high levels of integration and innovation (Sallah, 2016).*

Markets and products: *Informal businesses supply consumer goods, and township businesses in SA typically provide retail and service offerings to their communities (Sustainable Livelihoods Foundation, 2016).*

2.5.6.6 COMPETITOR RIVALRY

Competitor rivalry is dependent on the intensity and the nature of competition. High-intensity of rivalry exists where there is limited heterogeneity between rivals, industry growth is slow, barriers to exit are high, there is high business commitment and firms have dissimilar strategies that others are unfamiliar with (Porter, 2008). Price competition reduces barriers to entry, is profit erosive and occurs where there is little or no product differentiation, fixed costs are high and marginal costs are low, and where product life is limited (Porter, 2008). Non-price competition heightens barriers to entry and focuses on the quality of products, differentiation and delivering a better customer value proposition (Porter, 2008).

Entrepreneurs are not always binary formal or informal and operate with varying degrees of formalisation and informality (Williams and Shahid, 2016). Many businesses tend to operate in both economies (Thai and Turkina, 2014). Research also argues that informal businesses create unfair competition with formal businesses, which are bound by compliance requirements (Ulyssea, 2018). The informal economy encompasses businesses that are low-income and labour-intensive (Nguimkeu, 2014), avoiding costs whilst also being less productive (Ulyssea, 2018).

Informal businesses compete on **price**. However, the nature of competition is not for purposes of profitability. Price competition reduces barriers to entry, is profit erosive and occurs where there is little or no product differentiation, fixed costs are high and marginal costs are low, and where product life is limited (Porter, 2008). Competition amongst businesses is an inherent part of operating in the formal economy (Charlot *et al.*, 2015). However, this is not the case for informal businesses, with research proposing de-linking entrepreneurship from capitalism (Williams and Shahid, 2016) as entrepreneurship is not solely about a profit motive.

Innovation, technology and innovative business models present an opportunity to improve the quality of the informal economy. The Fourth Industrial Revolution (4IR) is changing the landscape of competition through access to information by changing the rules of the game and enabling new ways of doing business and meeting customer needs (Porter and Millar, 1985). Formalisation in its true sense does not solely imply regulation but presupposes technological enablement associated with moving from low to high productivity (Dessy and Pallage, 2003). Innovation, technology, globalisation and new business models (Pham, 2017) further transform the informal economy.

Informal businesses can create **new ecosystems** and business models through their networks and unique contexts. Informal businesses are unlikely to raise the livelihoods of the owners, who are also unlikely to be rich as a result of these ventures (World Bank Group, 2019b). Research in rural India highlights the role that subalterns have played in creating alternative economies that are able to compete with the mainstream economy because of cohesion in their social system membership and networks, which are closely associated with the geopolitics of their region (Sarkar and Kundu, 2018).

Competitor rivalry in informal entrepreneurship is moderate.

Informal businesses may be perceived as unfair competition to their formal counterparts. However, more support is needed to present the informal economy as a legitimate alternative. The key elements identified from literature include:

Economic participation and formalisation policy: *Entrepreneurs may operate in both the formal or informal economies with varying degrees of formalisation and informality (Thai and Turkina, 2014). The formalisation of informal businesses needs to go beyond regulations and facilitate technology enablement while increasing productivity (Dessy and Pallage, 2003).*

Competition: *Informal businesses compete on price, but the nature of competition is necessarily not for the purpose of profitability (Charlot et al., 2015). In some contexts, informal businesses form part of an alternate economy which competes with the formal economy (Sarkar and Kundu, 2018).*

Informal business ecosystem: *Innovation, technology and innovative business models present an opportunity to improve the quality of informal businesses and promote their growth (Dessy and Pallage, 2003). Informal businesses can create new ecosystems and business models in a context that is relevant to their operations, where there is cohesion in the social system and networks (Sarkar and Kundu, 2018).*

2.5.7 CONCLUDING SUMMARY: INFORMAL ENTREPRENEURSHIP

The industry analysis of informal entrepreneurship reveals that informal entrepreneurship is agile, easy to enter and exit, and unburdened by regulations. The five forces are therefore summarised as follows:

Table 6. Findings: FFF analysis of informal entrepreneurship

Porter's FFF Dimension		Strength	Potential impact
Threat of entrants	Barriers to entry into informal entrepreneurship are low because of ease of entry and exit and low levels of regulatory compliance. While low barriers to entry in the formal economy imply a highly competitive context; for informal businesses, this is an advantage. Informal entrepreneurship is not constrained by complex and costly business regulations, therefore thriving in the informal space, also presents an opportunity for businesses to grow.	Weak	Opportunity
Supplier power	Supplier power in relation to informal entrepreneurship is weak as employees are readily available and entrepreneurs can start a business easily.	Weak	Opportunity
Substitution threats	Substitutes including unemployment, subsistence activities and formal activities are a weak to moderate force. Considering the level of education and skills base of individuals, the threat of substitutes for informal entrepreneurship is weak, however, this threat increases as informal businesses mature and grow.	Weak - moderate	Opportunity

Porter's FFF Dimension		Strength	Potential impact
Buyer power	Informal businesses services local communities that they operate in and supply largely consumption-related products and services. Buyer power is low, and competition is based on price and availability rather than product differentiation and innovation.	Weak	Opportunity
Competitor rivalry	Competitor rivalry for informal businesses is generally moderate, depending on the location of the business and the market it services. Informal businesses generally compete on price but do not aim to outcompete their rivals.	Moderate	Opportunity

Source: Author's construct (2020)

The key themes emanating from the FFF analysis of informal entrepreneurship are clustered into the components below, with an indication of the source of each theme.

Table 7. Informal entrepreneurship industry components (FFF outcome)

Informal entrepreneurship components	Sub-components	Descriptions	FFF analysis source				
			TE	SP	ST	BP	CR
Formal institutions	Business complexity	Informal entrepreneurs face exclusion from the formal economy because of economic complexity and business complexity (rigid business structures, overbearing regulatory requirements, governance expectations and high costs) which disincentivise formality, steering individuals into the informal economy.	X				
	Institutional alignment (formal and informal institutions)	Institutional alignment between formal and informal is very important for informal businesses wanting to grow beyond the informal economy as it promotes trust and creates an enabling environment for informal businesses to grow in. Formal institutions are a deterrent to prospective entrepreneurs	X				
Policy	Policies driving informal entrepreneurship growth	Growing informal entrepreneurship warrants more investment in the informal economy and infrastructure, investment in entrepreneurship education and skills, improving earnings of participants and enabling access to financial resources. Policies promoting informal entrepreneurship should include socio-economic value creation.			X	X	
	Policy consultation	Informal sector agents have little or no power to influence policies relating to informality due to the legal status of the informal sector and the unavailability of formal structures to enable influence.		X			
	Formalisation policies	The formalisation of informal businesses needs to go beyond regulations and facilitate technology enablement while increasing productivity.					X
Economy	Economic growth	Many informal businesses have multiplier effects on job creation while also stimulating other businesses around them. Informal entrepreneurship can increase economic participation through the creation of informal entrepreneurs and promote economic growth through its absorption capacity for excess labour. Informal businesses can generate economic value by operating the unregulated informal economy enabling participants to generate income.		X	X		
	Informal economy ecosystem	Informal businesses can create new ecosystems and business models, in a context that is relevant to their operations where there is cohesion in the social system and networks.					X
Human capital	Education	Informal entrepreneurs' group traits reflect inequality, and disadvantaged people, where entrepreneurs have low human capital with low skill and education. Higher quality education and entrepreneurship education and skills contribute to increased participation in the formal economy.		X	X		

Informal entrepreneurship components	Sub-components	Descriptions	FFF analysis source				
			TE	SP	ST	BP	CR
	Skills	Motivation to start a business requires entrepreneurship ability and skill, earning potential and access to capital.		X			
	Employment / unemployment	An informal economy attracts foreign entrepreneurship activities because of ease of entry. Unemployment is a strong substitute for informal entrepreneurship, where workers are discouraged or cannot start informal ventures.		X	X		
	Entrepreneurship	Entrepreneurs may operate in both the formal and informal economy with varying degrees of formalisation and informality.					X
Human capability	Access to resources	Township location and spatial planning and design together with a lack of access to productive resources inhibit innovation potential in informal businesses.	X				
	Access to opportunities	Economic freedom is associated with higher levels of formal business. Increasing economic freedom through enabling formal institutions, less burdensome regulations, lower costs and decreased business complexity reduces barriers to entry into the formal economy. Formal business ventures are substitutes for informal businesses for those with higher-quality education and access to resources.	X		X		
Informal institutions	Entrepreneurial culture	Informal businesses have a unique enterprise culture supported by a cooperation culture and human orientation.		X			
	Social capital	Informal businesses rely on groups, social contracts, networks and collective identity to operate, and such socially supportive culture can grow informal businesses while businesses in turn have a socio-economic impact on the communities they operate in.	X				
	Networks	Informal businesses operate through networks and groups to exploit market opportunities whilst circumventing barriers by creating informal boundaries and institutions that legitimise their activities. These groups exist as informal structures through networks.		X			
Technology and innovation	Technology adoption	Technology is a low barrier to entry as informal businesses have low levels of productivity and technology adoption. Informal entrepreneurship is a necessity practice, largely subsistence and comprises less productive activities due to low levels of technology adoption. Low levels of technology adoption in informal businesses do not support high levels of integration and innovation.	X		X	X	
	Technology and innovation	Innovation, technology and innovative business models present an opportunity to improve the quality of informal businesses and promote their growth.					X
New business model	Partnerships and clusters	Cluster relationships and partnerships can contribute to growing the informal economy, formation of new businesses and promotion of innovation. Value creation in communities is enabled through partnerships and networks where access to resources is limited.				X	
	Markets (products, services and consumers)	Informal businesses supply consumer goods and township businesses in SA typically provide retail and service offerings to their communities. Informal businesses compete on price, however, the nature of competition, is necessarily not for purpose of profitability. In some contexts, informal businesses form part of an alternate economy which competes with the formal economy.				X	X
	Context	Informal entrepreneurs are intrinsically connected to their context. Social context and business context are related to entrepreneurship. Informal entrepreneurs create shared socio-economic value within their communities as there is an interdependency where businesses supply the community while also relying on the community to survive.		X		X	

Informal entrepreneurship components	Sub-components	Descriptions	FFF analysis source					
			TE	SP	ST	BP	CR	
	Location and infrastructure	Operating context: Informal businesses support their socio-economic context and rely heavily on location and proximity to customers. Street infrastructure is important for informal businesses.	X					

Source: Author's construct (2020)

Legend: TE = Threat of entrants; SP = Supplier power; ST = Substitution threats; BP = Buyer power; CR = Competitor rivalry

This section illustrated 8 components of informal entrepreneurship that influence the IEE. These components form part of the IEE conceptual framework and include Formal institutions Policy Economy Human capital Human capability Informal institutions New business models Technology and innovation.

2.6 IEE CONCEPTUAL FRAMEWORK

2.6.1 DEFINING THE FRAMEWORK

Frameworks are loosely organised elements that are generally explained and that describe functions, as opposed to being prescriptive and dictating a singular perspective (Mayer, 1998). The concepts and elements in a framework are an outcome of theorisations founded on the knowledge that is gathered during research (Alter, 2017). Khajeheian (2019, p. 13) defines framework “as the limit and boundaries of a never studied phenomenon that includes factors and elements”. Frameworks also “provide a structured way of defining the architecture of the system to be developed by describing an abstract model to solve similar problems” (Barroca and Henriques, 1998, p. 1). Koskimies and Mössenböck define frameworks as “class collections that capture the common aspects of applications in a certain problem domain” (1995, p. 1) and suggest a two-phase design method to present the framework architecture, where *phase one* is the tiered-problem generalisation and *phase two* details the implementation per tier. This approach therefore differentiates between framework design and implementation.

This research study defines a **framework** as a collection of elements and factors that are interrelated and not mutually exclusive, which operate in unison to create a sustainable informal entrepreneurship ecosystem.

2.6.2 DEFINING SUSTAINABILITY

The **Sustainability** of the ecosystem is a necessary condition for informal entrepreneurship to generate continuous and shared value, remain viable and have longevity. Brundtland (1987, p.16) defines sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their needs” (Institute of Directors South Africa, 2016). Sustainability leads to development which is sustainable and is reflected in how resources, investments and technology are employed and prioritised to meet current and future needs (Brundtland, 1987). The Institute of Directors South Africa (2016) derives sustainability from the concept of Ubuntu which emphasises mutual support, cooperation and solidarity in business. Three dimensions of sustainability ensure the triple-bottom-line outcomes of economic, social and environmental factors (Eccles, Serafeim and Armbrester, 2012). Economic sustainability refers to the use of economic and financial resources; social sustainability refers to living conditions, norms and values; and environmental sustainability refers to the use of scarce natural resources and ecological responsibility (Martins, 2015).

2.6.3 COMPONENTS IDENTIFIED FROM THE LITERATURE REVIEW

The table below presents the concepts identified in the empirical literature review of the informal economy as contained in *Table 5* and informal entrepreneurship as per *Table 7*. These concepts collectively represent the dimensions of the IEE conceptual framework as derived from literature. There are many areas of commonality shared by the context (informal economy) and the industry (informal entrepreneurship), including the importance of enabling and aligned institutions, policy co-creation, economic growth, human capital, human capability (access to resources and opportunities), informal institutions and technology and innovation. However, the informal economy system presents culture as an important factor, while the informal entrepreneurship system reveals new business models as a unique component.

Table 8. Dimensions of the IEE conceptual framework

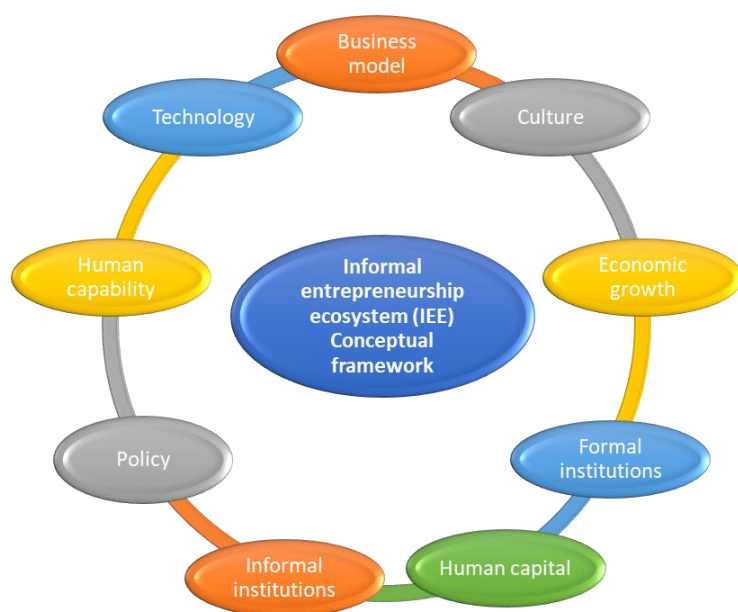
Dimensions of the IEE conceptual framework	Components of the informal economy environment identified in the PEST analysis	Components of informal entrepreneurship industry identified in the FFF analysis
Formal institutions	Institutional forms Political institutions Enabling environment Trust in formal institutions Formal institutions	Business complexity Institutional alignment (formal and informal institutions)
Policy	Contextual relevance Policy co-creation Economic policy Formalisation policy Human capital policy Power to influence informal sector policy	Policy consultation Formalisation policies Policies driving informal entrepreneurship growth
Economic growth	Economic growth Inclusive growth Economic structure Informal entrepreneurship	Economic growth Informal economy ecosystem
Human capital	Education Skills	Education Skills Entrepreneurship Employment / unemployment
Human capability	Access to resources and opportunities	Access to resources Access to opportunities
Informal institutions	Social capital Contextual knowledge Group identity	Social capital Networks Entrepreneurial culture
Culture	Economic opportunity and products/services Business embedded in the operating context	
Technology	Technology and innovation Technology adoption	Technology and innovation Technology adoption
New business model		Markets (products, services and consumers) Context Location and infrastructure Partnerships and clusters

Source: Author's construct (2020)

2.6.4 IEE CONCEPTUAL FRAMEWORK

The figure below presents the conceptual framework for an IEE in SA, as derived from the table above. The IEE conceptual framework comprises 9 dimensions, namely Formal institutions; Policy; Economy; Human capital; Human capability; Informal institutions; Culture; New business model; Technology and Innovation.

Figure 8. IEE conceptual framework (Conceptual IEE)



Source: Author's construct (2020)

The IEE conceptual framework is later utilised in *Chapter 4* to interpret, compare and analyse the findings emanating from the fieldwork.

2.6.4.1 CONTEXTUAL RELEVANCE

The ecosystem for informal entrepreneurship should incorporate **local and contextual factors** where solutions have socio-economic benefits and encompass new relevant business models and co-created institutions. Ecosystem re-design to support more inclusive growth and contextually-relevant business models validate “searching for systemic, multisector opportunities and mobilising complementary partners” (Kaplan *et al.*, 2018, p. 129).

The ability to leverage contextual strengths to generate solutions for market failures, by collaborating with stakeholders can result in co-invented and more relevant solutions that build local capacity (London and Hart, 2004) supported by new, co-created institutions (Kaplan *et al.*, 2018). This research shall therefore aim to design a framework for a sustainable ecosystem for informal entrepreneurship in South Africa.

2.6.4.2 ECONOMIC GROWTH, HUMAN CAPABILITY AND HUMAN CAPITAL

The agility of the informal economy allows it to be used as an **incubator for business formation** and growth. Informal entrepreneurship presents an opportunity to incubate

businesses and enable business transition while growing entrepreneurial talent in a relevant, enabling ecosystem. The informal economy is unrestrained by regulation and high transaction costs, making entry and exit into this economy easy in relation to the highly regulated formal sector (Berdiev, Pasquesi-Hill and Saunoris, 2015; Charlot *et al.*, 2015).

Research suggests recognising the unregistered, unregulated potential of the informal economy (Tanaka, 2010), which could aid as an incubator for businesses to transition into the formal economy (Nguimkeu, 2014). Developing countries may have potential “business incubation hubs” (Saunoris, 2018) within the informal economy that can contribute to inclusive growth outcomes. Moreover, the informal economy can provide an ecosystem for incubating informal entrepreneurs (Thai and Turkina, 2013), a training environment for new entrepreneurs (Sallah, 2016) and an incubator for future formal enterprises (Nguimkeu, 2014). Policies supporting the potential of the informal economy should drive enhancement in the quality of entrepreneurship (Thai and Turkina, 2013).

In the case of informal businesses, many do not have access to bank accounts and assets to utilise as collateral for borrowing. Research in South Africa has revealed that the banking system has largely been unable to meet the needs of informal businesses, citing the risk of default; the costs associated with loans; low returns and socio-economic factors as reasons, resulting in many informal businesses utilising Stokvel and informal lenders (Schoombee, 2000). A report on Diepsloot in South Africa reveals that residents and businesses have lower access to financial services in townships than in urban areas and that “adults in townships are twice as likely to be under-banked as adults in non-township urban areas - and, in terms of credit, are two-thirds less likely to have a loan from a bank” (World Bank Group, 2014, p. 9). The report further highlights the low level of credit penetration, also suggesting that people use personal bank accounts for informal businesses, and are not always in a position to provide the necessary documentation for opening bank accounts (World Bank Group, 2014).

2.6.4.3 TECHNOLOGY AND BUSINESS MODEL

Innovation ecosystems are noted to have low levels of technology adoption, integration and innovation. However, this can be translated into a source of competitive advantage whereby **enabling environments for technology and innovation** are created, in which the demand for resources and access to these resources and innovation are addressed.

Government should play a central role in enabling entrepreneurship by providing access to resources like technology and creating demand for technology, as in the case of Chile. In addition to its regulatory role, the government is also an enabler “in promoting entrepreneurship, providing the social and physical infrastructure, ensuring access to education and finance, and supporting technology and innovation” (Stiglitz, 2011, p. 231). Skilled entrepreneurs, whether local or migrant, have the propensity for job creation and, as in the case of Chile, the ‘Start-up-Chile’ initiative incentivises local and foreign entrepreneurs to start ventures in Chile, with preconditions to employ local people (Bernstein, 2016b). Similar initiatives locally could improve early-stage start-ups in South Africa while creating jobs and embracing innovation, rather than relying on large corporations (Bernstein, 2016b). However, this requires strategies to attract international entrepreneurs, including incubation mechanisms and appropriate funding.

Ecosystems enabling development are co-created and contextually relevant, benefiting communities and participants by enabling collaboration and creating new business models and institutions. Sustainable, relevant, economically viable business models (London *et al.*, 2010) enable ventures to become embedded in the context (Ausrød, Sinha and Widding, 2017). They identify and remove constraints while inherent informal economy strengths and opportunities are leveraged through localised innovation, supply chain and capability development (London *et al.*, 2010; Hall *et al.*, 2012). Since informal businesses rely on informal institutions (Kim, 2012; Sutter *et al.*, 2017), institutional alignment is imperative. Enabling institutions that incentivise formal entrepreneurship lowers informal activity engagement while constraining institutions, are intended to disincentivise informal activity and restrict formal entrepreneurship (Mathias *et al.*, 2015).

2.6.4.4 FORMAL INSTITUTIONS AND GOVERNMENT POLICY

The reduction of red tape and unwarranted costs associated with formalisation could both encourage the business transition as well as grow informality. Research in Brazil categorises 41.9% of informal businesses as parasite firms that are “productive enough to survive in the formal sector but choose to remain informal to earn higher profits from the cost advantages of not complying with taxes and regulations” (Ulyssea, 2018, p. 2017). Research suggests that in order to encourage the formalisation of businesses, bureaucracy should be limited and the costs of formalising new businesses should be kept low (Thai and Turkina, 2013).

Relevant, enabling and supporting environments for informal entrepreneurs can permit informal businesses to contribute towards employment and growth. Therefore, in support of informal entrepreneurship research that suggests the importance of both the personal traits of the entrepreneur and their social context in research (Webb *et al.*, 2009), policies need to incorporate social and economic dimensions (Hall *et al.*, 2012). In developing countries, informal entrepreneurs aid in poverty reduction and job creation through business formation (Nguimkeu, 2014). Additionally, informal entrepreneurship can be grown by elevating the importance of entrepreneurship; increasing the levels of social capital that promote values associated with cooperation, support, collaboration and tolerance (Thai and Turkina, 2013); enabling access to opportunities; and empowering entrepreneurs through enabling institutions while reducing constraining institutions (Mathias *et al.*, 2015).

The application of Ecosystems Theory to informal entrepreneurship to derive a framework for an IEE is limited, and therefore important observations in the policy domain need to be enhanced with the following:

- Macroeconomic government policy should legitimise the existence of the informal economy and informal entrepreneurs (Webb *et al.*, 2009; Sutter *et al.*, 2017). Policy determines the nature and form of institutions (Ganiyu *et al.*, 2018), and should be carefully and jointly crafted to enable IEEs.
- On a meso level, mechanisms should be put in place to create trust in policies and institutions (Thai and Turkina, 2013). This can be achieved by reducing or eliminating the barriers to resources and opportunities caused by policies and formal institutions (Webb *et al.*, 2009; Ganiyu *et al.*, 2018).
- From a microeconomic perspective, because formal institutions and government policy are seen as outputs of social elites, there is a need to co-create policy that is inclusive and enabling to the IEs (Ganiyu *et al.*, 2018).

2.6.5 CONCLUDING SUMMARY: IEE CONCEPTUAL FRAMEWORK

This section presented the conceptual framework for an IEE in South Africa by triangulating the findings emanating from the empirical literature review of the informal economy and informal entrepreneurship in South Africa.

This IEE conceptual framework forms the foundation of the focus group engagements and is later used to theoretically interpret the findings emanating therefrom. The PEST and FFF outcomes are also re-visited in the inferential interpretation section.

2.7 CONCLUSION

This chapter aimed to formulate a conceptual framework for an IEE in South Africa by conducting an empirical literature review of the informal economy and informal entrepreneurship to determine the views and perspectives of academics and researchers. Using Entrepreneurship Ecosystems as the foundational theory for this research, this chapter presented an IEE conceptual framework comprising 9 dimensions, namely formal institutions, policy, economy, human capital, human capability, informal institutions, culture, new business model and technology and innovation.

The next chapter introduces the research methodology and research process that was used to conduct the fieldwork. The research philosophy and use of the chosen research approach support the development of a framework for a sustainable IEE in South Africa by understanding the social realities of constituencies.

CHAPTER 3: RESEARCH METHODOLOGY

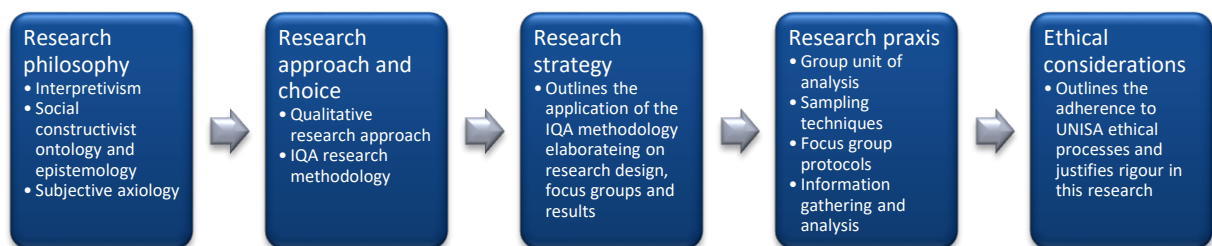
3.1 INTRODUCTION

The previous chapter presented the conceptual framework for an IEE comprising nine (9) dimensions. The IEE conceptual framework formed the basis of the problem statement articulated to each focus group. This chapter presents and justifies the Interactive Qualitative Analysis (IQA) research methodology used, outlining the research philosophy, research approach, research strategy as well as the research praxis and techniques used whilst also making notable observations from fieldwork, including ethical considerations.

This qualitative research study utilised the IQA research methodology to determine the framework for a sustainable IEE in SA.

The figure below reflects the research methodology sequence presented in this chapter.

Figure 9. Research methodology sequence



Source: Author's construct (2021)

3.2 RESEARCH APPROACH AND CHOICE

The social constructivist ontology and inter-subjectivist nature of this research inherently acknowledge the varied individual social realities and is supportive of the social constructivist epistemology in this study. The reality of the phenomenon is therefore best understood using a qualitative approach, and IQA is deemed most suitable for understanding the context from the perspective of constituencies to construct knowledge that elucidates different perspectives.

This research adopts a **qualitative research approach** premised on the **IQA research methodology**, which is supportive of the interpretivism and social constructivism research philosophies. The inductive research approach enabled the researcher's understanding of the context in relation to the problem, whilst the use of relationally reflexive research practice enabled the development of qualitative research theory. This

cross-sectional research study is conducted at a point in time (Saunders and Lewis, 2012) wherein detailed and thematic data and information comparison and analysis contribute towards the generalisability (Masson, 2002) of the IEE framework.

This **qualitative research** presents a framework for a sustainable IEE in SA, having understood constituents' views and insights whilst uncovering dominant trends (Park and Park, 2016). Qualitative research methods are suited for discovery (Park and Park, 2016) in order to establish what people do, think, know and feel (Patton, 2002), relying on non-numerical qualitative data (Saunders and Lewis, 2012). Qualitative research is appropriate for this research as it focuses on the depth and richness of the underlying analysis and insight into these issues, rather than the breadth or number of participants (Patton, 2002), in order to understand the interrelationships and drivers to formulate a framework for an IEE. Using the IQA methodology, the views of 2 constituencies informed the formulation of the framework for an IEE in SA.

The **inductive research approach** enabled the researcher's understanding of the nature of the problem through focus groups and data-gathering, resulting in the formulation of theory after data analysis (Saunders, Lewis and Thornhill, 2009). The researcher thus builds theory from the information collected through focus groups to formulate a framework for a sustainable IEE in SA. This required an understanding of the context while exploring ideas, meanings and justifications from constituencies (Ritchie and Lewis, 2008; Saunders *et al.*, 2009). Using the data gathered from the IQA focus groups, the researcher undertook an inductive process to construct mind-maps or SIDs (Northcutt and McCoy, 2004), that depict constituencies understanding of a sustainable informal entrepreneurship ecosystem in SA.

Relationally reflexive research practice was used as a 'generative approach' to develop qualitative research theory for formulating the framework for the IEE. Supported by the social constructivist ontology, the generative approach allowed data gathering from diverse constituencies (Cunliffe, 2011) and enabled the identification of patterns and associations through reflexive analysis (Ritchie and Lewis, 2008). This approach has aided in the creation of a contextually relevant and theoretically insightful IEE framework by generating new ideas and identifying intersections, connections and areas of collaboration (Hibbert, Sillince, Diefenbach and Cunliffe, 2014).

As presented in *Table 1*, prior qualitative research on entrepreneurship ecosystems and informal entrepreneurship has largely utilised interviews and secondary research data. This research therefore presents a unique perspective in its use of the IQA research methodology to formulate a sustainable IEE in SA.

3.3 RESEARCH PHILOSOPHY

This study adopts an interpretivist philosophy and is supported by a social constructivist ontology and epistemology. The application of the IQA methodology enabled the acknowledgement of views and perspectives of two constituencies, namely informal sector key informants and subject matter experts, resulting in the conceptualisation of a framework for a sustainable ecosystem for informal entrepreneurship in South Africa.

Premised on **interpretivism**, the IQA research methodology requires the researcher to understand the perspective of groups of social actors who play different roles in society. People make sense of their context through symbolic interactionism, which is the iterative interactions and actions of others around them, as well as phenomenology, which represents the way individuals make sense of the world (Saunders *et al.*, 2009). Phenomenology seeks to understand the meanings in socially constructed epistemologies (Ritchie and Lewis, 2008) and the phenomenon, as articulated in the IQA methodology, is the object of the research (Northcutt and McCoy, 2004). For this research study, the phenomenon is the informal entrepreneurship ecosystem in South Africa.

IQA “focuses on social systems wherein humans interpret meaning” (Payne and Diaz, 2009, p. 57). Therefore, using carefully constructed groups of participants enables the development of the elements of a phenomenon (Smith, 2005) from different perspectives.

IQA thus adds to the rigour of qualitative research as it enables the creation of group interpretation, individual interpretation and system linkages, representing affinities and relationships respectively by “allowing the ‘subjects’ of research to identify both the elements and relationships among elements themselves, but also through the application of rules for rationalisation” (Northcutt and McCoy, 2004, p. 37).

3.3.1 ONTOLOGY

The **social constructivism** ontological base for this study supports the interpretivist research philosophy and the use of the IQA research methodology.

Ontology, through the lens of one's paradigm, is the beliefs and values that influence the rigour and selection of the research approach, thus impacting the quality of research outcomes (Northcutt and McCoy, 2004).

Ontology is concerned with the “nature of reality” (Saunders *et al.*, 2009, p. 110) and represents the assumptions one makes about one's context, including the nature of individuals' social realities. Whereas individuals experience and interpret the context from their perspectives, this context is also shared with other social actors. The personal interpretation of reality is reflected in individuals' behaviour and schemas, largely influenced by cultural factors (Leung and Morris, 2015). Consequently, the views and perceptions of each of the two constituencies are steeped in their socially constructed realities, which may be divergent at times, but which reflect their interpretation of the social context.

The IQA research methodology is supportive of the social constructivist ontology because it seeks to understand the phenomenon from the perspective of constituencies and enabled the identification of affinities (IEE components), aiding in the formulation of the framework for a sustainable IEE in SA.

*The IQA research methodology argues that legitimate knowledge is influenced by the distribution of power across social and institutional structures supporting the research objective in order to understand phenomena and gain insights into **socially constructed realities**. The IQA approach suggests that “the relationship of power and knowledge, the observer to the observed, and the very object of research all interact to create a personal definition of reality for each researcher” (Northcutt and McCoy, 2004, p. 8).*

IQA is different to traditional research approaches and advocates a more interactive, integrative and iterative research process, where participants are both **observers and observed** because they are part of the ideation and creation of the resultant outcomes (Smith, 2005).

3.3.2 EPISTEMOLOGY

The interpretivist research philosophy is supported by a **social constructivist** epistemological base.

Epistemology or “what constitutes acceptable knowledge in a field of study” (Saunders *et al.*, 2009, p. 112) refers to the resources that the researcher relies on and encompasses the nature and purpose of knowledge. The views and perspectives of constituencies with diverse knowledge and experience (Cunliffe, 2011) are solicited. These views are subjective, informed by their realities and motivated by their respective experiences and knowledge (Saunders *et al.*, 2009).

The IQA research methodology is supportive of the social constructivist epistemology because in understanding the phenomenon from the perspective of constituencies, the relationship between affinities is identified and underlying systems for the sustainable IEE in SA are mapped.

IQA and the social constructivist epistemology rely on three interactive elements that contribute to the rigour of this research by using mind maps (SID) to integrate inductive and deductive aspects of the research, namely “the role of theory (level of abstraction), the extent to which description should be contextualised (level of description), and the role of induction versus deduction (primary logical operation)” (Northcutt and McCoy, 2004, p. 8).

These elements moderate the level of abstraction in relation to the context, thus mitigating the risk of de-contextualising the research outcomes. By implication, IQA supports the identification of system elements and their interactions (Northcutt and McCoy, 2004), appreciating the diversity and dynamism of social systems, as well as the complexity of their interactions and relations.

3.3.3 AXIOLOGY

Axiology refers to the role that values play in the choice of research made by the researcher (Saunders *et al.*, 2009). The researcher’s axiological position is therefore “the values and beliefs that guide the researcher through the choice of research problems to be addressed, and the paradigms, theories and methods that will be employed” (Amis and Silk, 2008, p. 466). The research objectives in this study reflect the researcher’s views and values concerning informal entrepreneurship and inclusive growth and development in South Africa. The quality of the research outcomes further contributes to the socio-economic value of South Africa in its pursuit of the Sustainable Development Goals. Data collected from focus groups is interpreted through the SIDs and the extent of interpretation suggests that this research is **subjective** in nature.

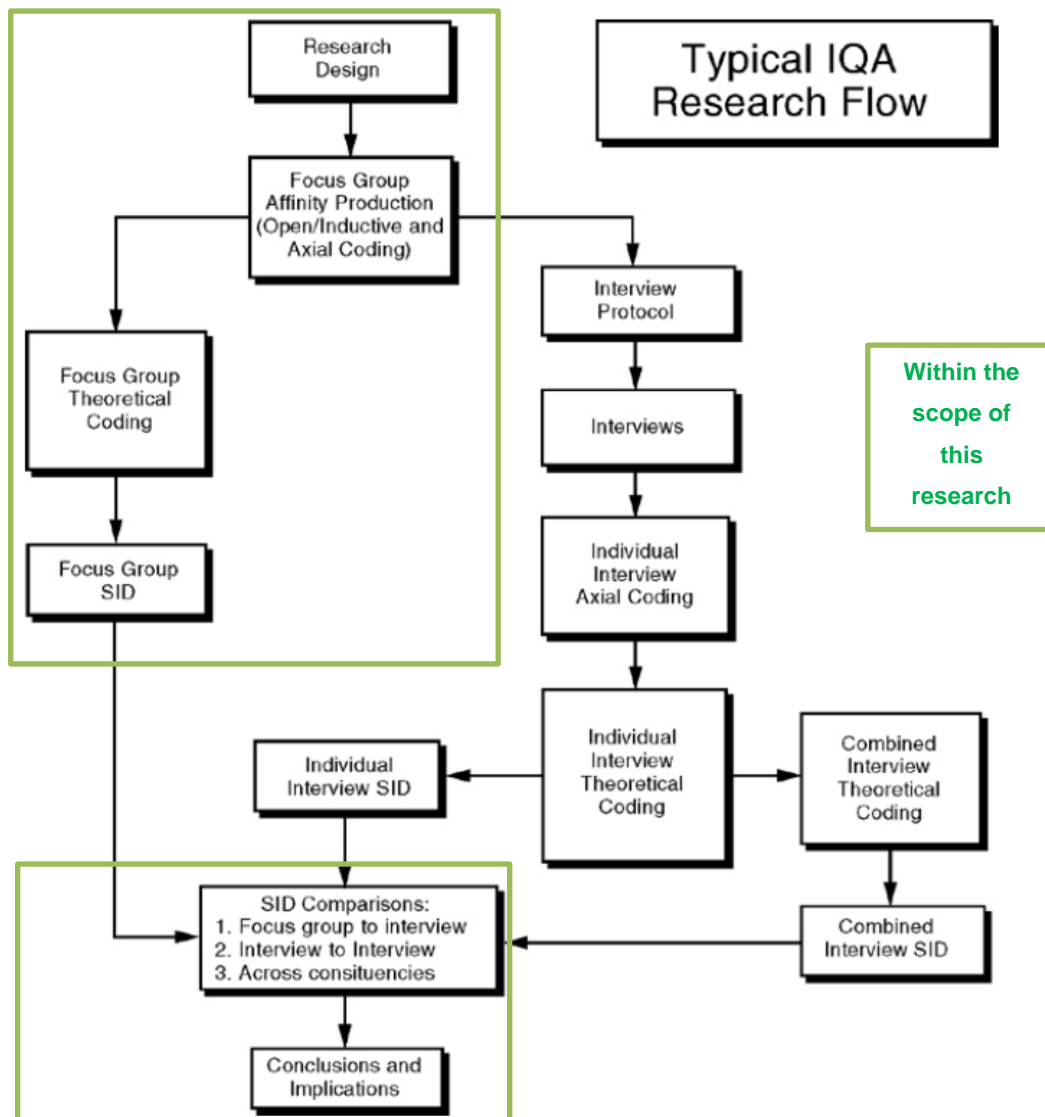
3.4 IQA RESEARCH STRATEGY

3.4.1 IQA FLOW (ADAPTED)

This research amends its application of the IQA methodology by limiting its application of the IQA process to focus groups and does not include interviews.

The figure below presents the typical IQA research flow and highlights the steps that fall within the scope of this research strategy.

Figure 10. IQA research flow (Adapted)



Source: Northcutt and McCoy (2004, p. 45)

Although this study did not include interviews, it is necessary to elaborate on the purpose of interviews and address the quality of the research outcomes in its absence.

The IQA interview is a semi-structured interview where there is an element of structure to ensure consistency, whilst also allowing interviewees an opportunity to share unique experiences and new insights or emergent views. The interviews use the outcomes of the focus groups and aim to enhance the depth and richness of the data collected, while also allowing participants an opportunity to generate their mind maps (Northcutt and McCoy, 2004).

Although the interview SID aids the triangulation of focus group outcomes, Northcutt and McCoy (2004) posit that interview outcomes are likely to be similar to that of the focus groups for the following reasons:

- Interviewees are representative of the focus group constituencies derived from the focus group IRD; and
- The content of the interview (affinities) is already determined by the focus group with little, if any, opportunity to generate new themes.

Based on the volume and depth of the contributions emanating from the 2 focus groups, the researcher re-evaluated the need to conduct interviews. The exclusion of interviews is justified as follows:

- The focus group insights are rich and could be lost in the interviews; and
- The information gathered from focus groups warranted an in-depth analysis without being diluted by potentially more dominant views likely to be derived from interviews.

3.4.2 RESEARCH PHASES

Using the IQA research methodology, the research strategy adapted in this study encompassed the research design, two focus groups and reporting of the findings, wherein the research design phase articulated the problem and identified the constituencies; the focus groups identified the affinities and affinity relationships; and the findings present the research outcomes (Northcutt and McCoy, 2004).

3.4.2.1 PHASE 1: RESEARCH DESIGN

The research design phase presented the problem statement and an IEE conceptual framework. The IEE conceptual framework was also used to articulate the problem statement for each focus group.

The research design phase entailed evaluating the informal sector, entrepreneurship, informal businesses and entrepreneurship ecosystems in a new light, searching for new perspectives and examining concepts differently (Ritchie and Lewis, 2008; Saunders *et al.*, 2009). The literature search included the analysis of data, documents and material reviews in the fields of entrepreneurship, informal economy and informal entrepreneurship both locally and internationally.

The research design phase articulates the problem statement as well as the research questions as contained in *Chapter 1*.

3.4.2.2 PHASE 2: IQA FOCUS GROUPS

Focus groups aim to obtain constituencies' views and discern individual and shared experiences (Saunders *et al.*, 2009). Fieldwork in IQA research methodology typically starts with a focus group comprising people with different perspectives and views, but with a common background, experience or outlook (Northcutt and McCoy, 2004). After the problem was articulated to the focus group, the following steps proposed by the IQA process were followed:

Step 1: Identification of affinities: Affinities or factors related to the phenomenon were identified using the following process, in line with Northcutt and McCoy (2004):

- Focus groups silently brainstormed the problem and submitted their views to the researcher;
- Submissions received were collated and read back to the group; which reached a consensus about the meaning of each submission;
- Submissions were then grouped by the focus group participants (inductive coding); and
- The groups were then named as affinities (axial coding) and mis-categorised submissions were corrected.

Step 2: Identification of relationships: Once the affinities were identified and named, the focus group was required to identify the relationships between the affinities on an Affinity Relationship Table (ART) and, per Northcutt and McCoy (2004), the relationships could be any ONE of the following:

- A→B
- B→A

- No relationship

Step 3: Interrelationship Diagram: The Group Interrelationship Diagram (IRD) was constructed by documenting the statement of cause and effect based on the ARTs received from constituents (Northcutt and McCoy, 2004). This represents theoretical coding and is aimed at the identification of perceptions.

Step 4: System Influence Diagram: The System Influence Diagram (SID) or mindmap is a visual representation of the entire focus group exercise and outcomes (Northcutt and McCoy, 2004) and was prepared by the researcher based on the ART and IRD. SIDs were prepared for each focus group as well as each affinity.

3.4.2.3 PHASE 3: FINDINGS

This research achieves the following goals, as is typical of IQA research according to Northcutt and McCoy (2004):

- System elements are named and described for each constituency;
- System dynamics and relationships amongst system elements are explained; and
- Systems are compared and contrasted.

However, in addition to the key outcomes stated above, this research further formulates a framework for a sustainable IEE based on the knowledge gathered during fieldwork and the analysis and interpretation of those findings.

3.5 RESEARCH PRAXIS: TECHNIQUES AND PROCEDURES

3.5.1 UNIT OF ANALYSIS

This section presents groups as the unit of analysis and articulates the composition of the two focus groups.

***Groups** are the unit of analysis used in this research by virtue of the unique properties and features that differentiate each group, signifying their importance in this research. Some of the characteristics that inform the unit of analysis include people with a shared culture or common experience and structural focus, including programmes and organisations (Patton, 2002).*

***Focus groups are constituencies.** Focus groups comprised constituents who are “a group of people who have a shared understanding of the phenomenon” (2004, p.*

44). Each constituency is differentiated based on its closeness to the problem and the extent of power the constituency has in relation to the phenomenon (Northcutt and McCoy, 2004).

This study included two constituencies, where the informal entrepreneur key informant constituency (Focus Group 1) comprised informal entrepreneurs and associations who are in the phenomenon itself, while the subject matter expert constituency (Focus Group 2) comprised experts and academics who are outside the phenomenon.

The constituency traits are detailed below:

Table 9. Constituencies / Focus groups

Constituency criteria	Group 1 – Informal Entrepreneurs	Group 2 – Experts and Academics
	Focus Group 1 (FG1)	Focus Group 2 (FG2)
Closeness to the phenomenon	<i>In the phenomenon itself</i> This group comprised individuals who are informal entrepreneurs and operate in the informal economy.	<i>Outside the phenomenon</i> This group comprised individuals who are not operators of informal businesses, but have expertise and knowledge of the informal sector and informal businesses and businesses in general
Power to influence the phenomenon	<i>Little or no power to change policy</i> These individuals have no position or power to influence policy in respect of the informal economy or informal entrepreneurship.	<i>Power to change/influence policy</i> These individuals have positional power or influence in respect of policy on informal businesses, informal economy or businesses in general.
Population	<ul style="list-style-type: none"> • Individuals who operate informal enterprises and businesses. • Associations and member groups that represent and comprise informal entrepreneurs. 	<ul style="list-style-type: none"> • Civic associations and NGOs that have an interest in the informal sector and informal businesses. • Suppliers to informal businesses. • Informal business partners and collaborators including government and municipal organisations. • Research and academic institutions that influence education and learning pertaining to informal entrepreneurship. • Policy-makers including government and municipal stakeholders.
Sampling frame	Informal entrepreneurs and informal business association members.	Representatives from government, civic associations, NGOs, suppliers and partners, business collaborators and academics.

Source: Author's construct (2021)

This research therefore balances the views of experts, who are knowledgeable in theory (what), with that of practicing informal entrepreneurs, who have experience in the practicality of operating an informal business (how). In so doing, this research offers new perspectives on sustaining informal entrepreneurship within an ecosystem which

represents the nexus between the needs of informal entrepreneurs and the knowledge solutions of the experts.

3.5.2 SAMPLING

This section presents the purposive and snowball sampling approaches undertaken, the sample sizes, as well key observations made at the sampling stage.

Per *Table 9* above, the sampling criteria for each focus group included participants from the population groups identified based on their closeness to the phenomenon and their ability and power to influence the phenomenon. Informal entrepreneurs who operated part-time businesses like the sale of cosmetics and storage solutions were not included. Sampling bias was managed by ensuring that participants met the requirements as contained in the afore-mentioned table.

Although research notes that focus groups can range from 2 or more participants (Saunders *et al.*, 2009), Northcutt and McCoy (2004) recommend having between 12 – 20 participants in a single group, suggesting that smaller focus groups do not aid in affinity production and may increase individual influence in the group.

FG1 comprised 15 participants while FG2 had 7 participants. However, despite being smaller, FG2 outcomes are rich in insights.

- **FG1** comprised 15 participants who were informal entrepreneurs and informal sector association members from the eThekweni Municipality. This was an in-person focus group held at the Small Enterprise Development Agency (SEDA) offices in Durban on 5 April 2022. FG1 participants were identified through key contacts.
- **FG2** comprised 7 participants who were academics and individuals who work with informal businesses and business in general. This was an online focus group held on 18 March 2022, via MS Teams. FG2 participants were identified directly by the researcher.

Non-probability purposive sampling and snowball sampling techniques were utilised to identify focus group participants.

3.5.2.1 PURPOSIVE SAMPLING

Purposive sampling was used to identify FG2 participants and contributed to the richness of information derived from the sample because constituents embodied traits

and characteristics (per the table above) that made them relevant to this research (Patton, 2002; Ritchie and Lewis, 2008). The validity and reliability of research outcomes were ensured by adopting heterogeneous purposive sampling, designed to obtain maximum variation to identify key themes and ideas (Patton, 2002; Saunders *et al.*, 2009) accompanied by adequate group representation (Ritchie and Lewis, 2008).

The **purposive sampling approach** entailed the following

- Individuals with knowledge of the informal sector for FG2 were identified using public sources like LinkedIn, specific websites and contacts known to the researcher;
- Prospective FG1 participants were identified through informal sector associations, local municipalities, referrals from contacts known to the researcher, specific websites and the Bureau for Market Research databases;
- Prospective participants were contacted via WhatsApp, SMS or email by the researcher to advise them of the focus group and request their participation;
- Prospective participants who responded in the affirmative were asked for their email addresses for future correspondence (informed consent and information sheets);
- Prospective participants who declined participation were not contacted any further; and
- Follow-ups were done where prospective participants had not responded.

3.5.2.2 SNOWBALL SAMPLING

The researcher relied heavily on **snowball sampling** for FG1, where focus group participants were referred to the researcher by another person (Saunders *et al.*, 2009; Wegner, 2016). Snowball sampling aided access to potential information-rich, generally inaccessible persons for inclusion in the sample. This sampling technique was used in conjunction with purposive sampling and was instrumental in convening a focus group comprising informal entrepreneurs and association members.

The **mixed purposive and snowball sampling** approach entailed the following:

- Details of prospective participants for FG1 were provided to the researcher by colleagues, friends and academics;
- Key contacts, including informal sector associations obtained from internet searches and details received from the Municipalities of Ekurhuleni and eThekweni, were identified and contacted by the researcher via WhatsApp, SMS or email;

- Many key contacts could not assist and referred the researcher to other key contacts;
- Key contacts who declined to assist were not contacted any further;
- Follow-ups were done where key contacts had not responded; and
- One key contact, The African Council of Hawkers and Informal Businesses (ACHIB) assisted the researcher to identify participants for the focus group and secured a venue for the meeting.

3.5.2.3 KEY OBSERVATIONS

Key observations emanating from the sampling phase of this study include a lack of support and interest from prominent stakeholders, outdated contact information available on the internet and reluctance to participate in research for a variety of reasons.

Lack of support and interest from prominent stakeholders: Many key contacts who had access to prospective participants were not very helpful, with the researcher receiving the least support from public figures identified on LinkedIn and organisations supporting youth and entrepreneurship development. One key contact was not engaged any further after enquiring about compensation for participating in the research. Some key contacts promised to revert with prospective participants but did not do so, while others did not respond to emails or messages requesting their assistance.

Access to contact information: Information provided by key contacts was largely up-to-date. However, information extracted from the internet on government websites was not always up-to-date. In certain instances, individuals on the contact lists were no longer in those environments. eThekweni Municipality assisted the researcher with a list of all registered informal sector associations and the contact details of representatives. Markers Valley and the Gauteng City-Region Observatory also provided credible support and information to the researcher.

Complexity of the research information sheet: The research information sheet is intended to provide context to prospective research participants. However, in the case of FG1, this information sheet was deemed very wordy and technical. Consequently, the information sheet was simplified into a one-page flyer that could be disseminated by key contacts to informal entrepreneurs. The poster was user-friendly and communicated the academic message in a non-academic fashion.

Delays in conducting the focus group: The purposive sampling approach was initially used to constitute both focus groups, which were intended to be held online. In the case of FG2, this approach yielded a more favourable outcome and the focus group was able to proceed online as planned. For FG1, this approach was unsuccessful, and the online meeting scheduled in November 2021 was cancelled due to a limited number of prospective participants confirming their attendance.

Reluctance to participate in research: A number of prospective participants declined to cooperate and participate in the research. Some of the reasons included:

- Fear of intimidation by Associations if individuals participated in the focus group;
- The excessive number of research initiatives undertaken within the informal sector resulted in research and participation fatigue;
- The unavailability of participants at the time the meeting was scheduled due to other commitments, including work pressures;
- Prospective participants' lack of access to and familiarity with MS Teams; and
- A general lack of interest shown by key contacts and prospective participants.

3.5.3 MEASUREMENT INSTRUMENT / PROTOCOLS

This section outlines the measurement protocols applied in this research, including the IQA-aligned research design, protocols used for the focus groups, as well as planning undertaken to prepare for the information collection stage.

3.5.3.1 RESEARCH DESIGN

The research design drew on multi-dimensional theories of entrepreneurship and informal economy, using PEST and FFF analysis to generate key themes from literature. The PEST framework was used to perform an analysis of the informal economy environment whilst the FFF was used for analysing the informal entrepreneurship industry. The conceptual IEE was derived by triangulating the themes emanating from the PEST and FFF outcomes against Isenberg's (2016a) domains of the entrepreneurship ecosystem. The conceptual framework (Saunders *et al.*, 2009) was thus developed through a literature search and the key concepts emanating therefrom. This IEE conceptual framework was then articulated in the problem statement presented below to the focus groups (Northcutt and McCoy, 2004).

The **research problem** derived from the research question contained in *Chapter 1* is:

“What constitutes a sustainable ecosystem for informal entrepreneurship in South Africa?”

The three (3) generic IQA research questions were used to formulate the secondary research questions for this research and the table below reflects the alignment between the IQA recommendations and the research objectives.

Table 10. IQA generic questions and research questions

Research objectives		Research questions	IQA guideline (Northcutt and McCoy, 2004, p. 46)
Terminal objective	To craft a framework to facilitate the creation of a sustainable informal entrepreneurship ecosystem in South Africa.	Main research question: What constitutes a sustainable ecosystem for informal entrepreneurship in South Africa?	
Secondary objective 1	To identify and define the components of a sustainable informal entrepreneurship ecosystem.	What are the components of a sustainable informal entrepreneurship ecosystem in South Africa?	What are the components of the phenomenon?
Secondary objective 2	To assess the relationship between the components of a sustainable informal entrepreneurship ecosystem.	How do the components of a sustainable informal entrepreneurship ecosystem relate to each other in a perceptual system?	How do the components relate to each other in a perceptual system?
Secondary objective 3	To critically evaluate the differences between the sustainable informal entrepreneurship ecosystems identified by constituencies.	How do the systems compare, in terms of components, intra-systemic relationships, and inter-systemic relationships?	How do the systems compare, in terms of components, and inter-systemic relationships? (if there is more than one (1) constituency)
Secondary objective 4	To propose a framework for a sustainable informal entrepreneurship ecosystem in South Africa.	What is the framework for a sustainable informal entrepreneurship ecosystem in South Africa?	

Source: Author's construct (2022)

3.5.3.2 FOCUS GROUP PROTOCOLS

Based on the IQA methodology, the following focus group protocols were used for this research in addressing the terminal research objective as well as secondary objectives 1 and 2:

Table 11. Focus group protocols

Research objectives		Focus group outcome	Focus group outline/protocols	Responsibility
Terminal objective	To craft a framework to facilitate the creation of a sustainable	Articulate the problem statement	Define the problem relevant to the specific focus group. Present the conceptual framework emanating from the literature review.	Researcher

Research objectives		Focus group outcome	Focus group outline/protocols	Responsibility
	informal entrepreneurship ecosystem in South Africa.		Permit questions for clarity and respond accordingly. Set out the rules of engagement for the session.	
Secondary objective 1	To identify and define the components of a sustainable informal entrepreneurship ecosystem.	Identification of affinities	<p>What are the components of a sustainable informal entrepreneurship ecosystem in South Africa?</p> <ul style="list-style-type: none"> • What does the ideal informal entrepreneurship ecosystem in SA look like? • What are the some of the challenges that informal entrepreneurs face? • What needs to be addressed to enable informal entrepreneurs to operate seamlessly? <p>What is the description or meaning attached to each component that is identified?</p> <ul style="list-style-type: none"> • Explain each component. • Group components into affinities. • Name the affinities. 	<p>Focus groups 1 and 2</p> <p>Facilitated by the researcher</p>
Secondary objective 2	To assess the relationship between the components of a sustainable informal entrepreneurship ecosystem.	Identify linkages between affinities	<p>What is the relationship between the components of a sustainable informal entrepreneurship ecosystem as identified by constituencies?</p> <ul style="list-style-type: none"> • Is there any relationship between component A and B? • If so, is component A impacted by component B or vice versa? 	<p>Focus groups 1 and 2</p> <p>Facilitated by the researcher</p>

Source: Author's construct (2021)

Planning for focus groups was done in advance by the researcher, including:

- Scheduling the online focus group in advance whilst liaising with the organiser of the in-person focus group on an ongoing basis.
- Preparing templates for the ART (online MS forms and MS Excel for online participants and printed hard-copy forms for the in-person focus group).
- Testing online MS Forms and MS Teams links to ensure they were functional.
- Preparation of a presentation for focus groups outlining the problem statement.
- Participants were asked to complete the informed consent forms for the online focus group, while printed copies were completed for the in-person focus group.
- The researcher outlined the purpose of the study in an information sheet for all participants and in a flyer for FG1.

3.5.4 INFORMATION-GATHERING PROCESS

Data was collected specifically for this study and is therefore classified as primary data (Saunders *et al.*, 2009). This data was collected in the form of views (affinities identified by participants), associations (individual mind maps) and patterns (focus group SIDs), supporting an **interactive or concurrent data collection** and analysis approach (Saunders *et al.*, 2009). As articulated above, this data collection approach as well as the generalisability of research outcomes beyond the population and into Research theory (Patton, 2002; Saunders *et al.*, 2009) contributes to its rigour.

The information-gathering process undertaken by the researcher included the articulation of the problem statement by the researcher, facilitating the identification of affinities and identification of relationships between affinities. During the data-gathering process, the following transpired:

3.5.4.1 FOCUS GROUP GOVERNANCE

The **focus group governance** leading up to data gathering was as follows:

- Focus groups were facilitated by the researcher and observed online by the researcher's supervisor. Focus group discussions were recorded by the researcher using MS Teams;
- FG2 was held online using Microsoft Teams on 18 March 2022, while FG1 was held in person at the SEDA offices in Durban on 5 April 2022. This venue was conducive to research and adhered to the COVID-19 health and safety protocols;
- Participants were required to sign the informed consent forms to participate in the research, and they could withdraw at any time;
- Focus groups were informed about the time commitment needed and this was estimated at approximately 2 hours. Focus groups were scheduled in the morning to ensure the high cognitive capacity of participants;
- ACHIB assisted the researcher with a translator for FG1. No translator was needed for FG2;
- Online sessions and in-person sessions allowed for body breaks; and
- Some participants joined and exited the meeting as it was proceeding.

3.5.4.2 STEP 1: PROBLEM ARTICULATION

The researcher outlined the purpose of the focus group as well as the meeting protocols for both focus groups.

The researcher articulated the problem to each focus group.

Focus group 1: “What are the 3-5 things that you believe need to be done to allow informal businesses to grow?”

Focus group 2: “What are the 3-5 things that you believe are elements of a sustainable informal entrepreneurship ecosystem in SA?” (Mathura, 2022).

FG1 had several questions about the purpose of the study and the impact of the study, to which the researcher responded.

The researcher outlined the problem statement, presenting the IEE conceptual framework using MS PowerPoint to FG2 whilst narrating the IEE conceptual framework to the participants for FG1 as a projector was not available in the venue.

3.5.4.3 STEP 2: BRAINSTORMING

Focus group participants were requested to silently brainstorm ideas which were then collated, and the group agreed on the meaning of each submission.

Focus group 1: This group silently brainstormed factors related to the problem and provided submissions on post-it notes. This was largely a silent process, but some participants engaged each other to clarify their understanding of the process and conferred with peers regarding their submissions. For FG1, participants used sticky notes and pens to do brainstorming and as participants handed in their submissions, the researcher went through each submission with the group, which elaborated on the meaning of the contribution. The group-appointed translator assisted the researcher to understand contributions that were not in English.

Focus group 2: This group silently brainstormed factors related to the problem and submitted responses on an MS Forms template. This was an entirely silent process. For FG2, participants were required to use an MS Forms template to populate 3-5 ideas for the brainstorming session. Thereafter, all inputs were displayed on an Excel spreadsheet by the researcher and the group went through each submission, agreeing on the meaning of each.

3.5.4.4 STEP 3: AFFINITY IDENTIFICATION

Brainstormed submissions were grouped, and affinities were named.

For FG1, the researcher placed similar sticky notes together as submissions were received and confirmed with the group on whether they agreed to the groupings. This approach is different to that proposed by the IQA methodology. However, it was deemed appropriate under the circumstances as the researcher observed that most participants were reluctant to contribute openly. The researcher thus facilitated grouping submissions and naming the affinities with the entire group.

For FG2, each participant took a turn to cluster the inputs displayed on the Excel spreadsheet via MS Teams where similar ideas were grouped. Affinity names were proffered by participants as they grouped submissions.

Upon completion of the affinity identification process, Focus Group 2 was dismissed.

3.5.4.5 STEP 4: RELATIONSHIP IDENTIFICATION

Focus groups identified the relationship between affinities on an ART.

Focus group 1: For FG1, relationship worksheets for a detailed ART were printed and provided to participants to complete and submit back to the researcher. This focus group however completed a **simple ART** because all participants did not fully complete the detailed ART templates, electing not to provide reasons for their selection. This was largely a silent process, but some participants engaged each other to clarify their understanding of the process and conferred with peers regarding their submissions. Although at times more than 18 people were present, only 15 participants completed the ART in FG1 and submitted them to the researcher. Upon completion of the ART, the focus group was dismissed.

Focus group 1: For FG2, an MS Forms link as well as an MS Excel spreadsheet were provided to participants to complete the relationship matrix. Participants completing the MS Forms submission noted the time needed to do their submissions, prompting the researcher to use MS Excel as it was less complicated. Due to limited time, the ART exercise was done after the focus group and certain participants took a long time to respond with their submissions. Regular follow-ups were done with participants. This focus group completed a **detailed ART**. This was an individualised process and participants completed the ART in their own time. Although 7 people were present in the

focus group, only 6 participants completed the ART in FG2 and submitted it to the researcher.

3.5.4.6 KEY OBSERVATIONS

The following notable observations emanated from the focus groups:

IQA focus group format: In FG1, some participants wanted to contribute openly to the focus group as opposed to silently brainstorming and in some instances, participants interacted with each other while the focus group was in session. FG1 noted that the format followed by the researcher (that of the IQA approach) did not resemble the focus groups they were familiar with. Many participants were noticeably uncomfortable with the approach but continued to participate. FG2 worked largely in silence on the online platform.

Language barrier: In FG1, participants contributed in English and isiZulu. Some participants were only comfortable writing and speaking in isiZulu. Contributions in isiZulu were translated for the researcher by an attendee nominated by the association's secretary-general. Information gathered was also later translated using Google-translate.

Research fatigue: Some participants in FG1 were agitated by having to participate in the focus group, wanting to understand the immediate value of the research. Some also cited having participated in such research previously, with little tangible outcomes visible to themselves. The researcher highlighted the importance of this study and pointed out the availability of this academic research to the public.

IQA focus group time commitment: The planned time for both focus groups was insufficient. Focus groups took longer than the planned 2 hours (actual 3.5 hours), and the researcher had to manage the deliverables within the allotted time. As the session progressed, participants were irritable and impatient, thus limiting their contributions at the end of the session and potentially compromising the quality of their inputs. In FG1, the researcher spent more time explaining the process, providing instructions to the group and receiving translations from the interpreter. FG1 participants took time to express their views on the lack of value derived from informal sector research, as well as their discomfort with the focus group process and the brainstorming process resulting in limited available time for the ART. In FG2, the extent of contributions and the length of inputs

provided consumed all the focus group time and the ART had to be completed post focus group.

IQA ART process: The ART process was lengthy and FG2 constituents who completed it diligently reported that the process took over 1.5 hours whilst some participants indicated that they stopped providing detailed reasons for their selection due to the length of the process. The lengthy focus group process also impeded the time available to complete the ART process.

The extent of formalisation of the informal sector: It was very evident that the informal sector is far more formalised than originally envisaged. Informal sector associations are registered, and contact details are maintained by the municipality. FG1 participants were members of an informal sector association and were identified by the Association's Secretary-General to participate in the focus group. Focus group participants were required to complete attendance registers by the association. Participants were interested in understanding what value this research will add and whether it could influence changes in the policy and regulatory environment related to informal businesses. Participants engaged with their members and showed mutual respect during the meeting.

3.5.5 INFORMATION ANALYSIS

Information analysis entailed the following:

Inductive coding: Inductive coding is where brainstormed submissions from the participants are grouped (Northcutt and McCoy, 2004).

- **Focus group 1:** Submissions were clarified to understand their meaning. isiZulu submissions were translated for the researcher by a participant nominated to assist. Submissions were also later translated by the researcher when documenting them. Submissions were concurrently grouped by the researcher with concurrence from the focus group, and later re-ordered where submissions seemed out of place.
- **Focus group 2:** Submissions were exported from MS Forms onto MS Excel and the focus group went through each submission to clarify the meaning of each. Each focus group member then took turns grouping submissions using MS Excel and later re-ordered where submissions seemed out of place.

Axial coding: Axial coding entails the refining, naming and clarification of affinities (Northcutt and McCoy, 2004).

- **Focus group 1:** The researcher facilitated naming the groups with concurrence from the focus group.
- **Focus group 2:** The participants simultaneously proposed names for each group reaching a consensus on this.
- Affinity sub-groups were determined by the researcher upon summarising the inputs for reporting in order to further cluster similar themes within affinities already identified.

Theoretical coding: “Theoretical coding refers to ascertaining the perceived cause-and-effect relationships (influences) among all the affinities in a system” (Northcutt and McCoy, 2004, p. 150). Theoretical coding entailed the preparation of the IRD from the Pareto Protocol analysis outcome.

In-vivo coding: Quotes from focus group participants are presented as ‘in-vivo’ codes (Saunders *et al.*, 2009).

Using the findings to address the research questions: Information that was gathered was coded and presented as findings in *Chapter 4*. *Chapter 5* interprets the research findings. Information gathered by the researcher from each focus group was analysed and presented as an IRD and SID. SIDs are interpreted by comparing and contrasting them on 3 levels, per IQA methodology:

- **Structural interpretation:** Structural comparisons of SIDs to understand their systemic properties.
- **Theoretical interpretation:** Using literature from the IEE conceptual framework as well as new literature to examine the SIDs.
- **Inferential interpretation:** Forward-looking inferences that explore system outcomes, retrospective inferences that understand necessary conditions for the system and extra-systemic system influences.

The research outcomes are evaluated against the following principles:

“What problem do these questions, taken as a whole, address (what is the current problem statement)?; Is this the problem we should be addressing?” (Northcutt and McCoy, 2004, p. 46).

3.6 ETHICAL CONSIDERATIONS

The ethical considerations articulated below include the researcher's adherence to UNISA ethics and research processes, ethical principles applicable to access to research data and personal information, the values underpinning rigour in IQA research and finally, demonstrating rigour in this research.

3.6.1 DATA-GATHERING

The researcher adhered to the UNISA ethical clearance process and fieldwork only commenced upon receipt of ethical approval. Research participants were approached ethically, were not compelled to participate in the research and those who declined participation were in no way prejudiced. UNISA-approved informed consent forms were used, and participants were required to provide consent to participate in the focus groups. A list of participants will be kept for three years, after which all records of participants will be destroyed.

The anonymity of responses is ensured through the process, and information gathered in focus groups is used for this research. Objectivity measures like supervisor observation of focus groups and supervisor and expert reviews of thesis drafts were in place. Data collected from focus groups will be stored for 5 years should interrogation of such data be needed. Other researchers may be provided access to data for research purposes and the final dissertation will be shared with participants should they so request.

In searching out key contacts to assist the researcher with prospective participants for FG1, the researcher noted the risk of sharing the researcher's contact details via key contacts with prospective participants, which was mitigated by the researcher obtaining a pay-as-you-go cell phone number and using a Gmail email address that was set up exclusively for the study. The researcher's search for assistance created a perception of vulnerability, leading one key contact to make unwarranted advances towards the researcher. This key contact was not contacted any further and was blocked.

3.6.2 RESEARCH RIGOUR

As this primary study was conducted by the researcher, the research embodies authenticity. Additionally, the research provides authentic descriptions, analyses and inferences from the primary data used and collected. The utilisation of the IQA

methodology to achieve the outcomes adds to authenticity as it is a methodology that is less utilised in research.

3.6.2.1 VALUES ESPOUSING RESEARCH RIGOUR

The Qualitative research design, although planned, needs to also be relatively flexible and open to allow the interrogation of concepts and principles that arise in the process (Patton, 2002). Whereas literature proposed that the content, construct and criterion validity of observations and measurements are important criteria in research (Masson, 2002; Saunders *et al.*, 2009), the IQA methodology posits a different paradigm of ensuring rigour in research. Northcutt and McCoy (2004) suggest that rigour in research is encapsulated in the values below, as demonstrated in this research:

Dependency of knowledge and power: To create an unbiased and safe space for sharing insights, focus groups were set up to separately comprise informal business owners and associations and industry experts and academics. The researcher clearly articulated the problem statement for each focus group, enabling relevant group contribution.

Interdependency of the observer (researcher) and the observed (participants) is done by utilising the IQA focus group process outlined by Northcutt and McCoy (2004). The collection of data from focus group participants is distinguishable from the researcher's analysis of the data collected.

Independence of the object of research (the phenomenon): The selection of constituencies based on their distance from the phenomenon allows a comparison of the 2 focus group outcomes. The utilisation of focus groups to gather data enables the observation of group realities that are socially constructed.

Primary logical operation balances induction and deduction: Focus group participants create meaning by offering ideas (induction). Their definition of these ideas supports inductive and deductive reasoning and finally, deduction is seen in the construction of the IRD.

The level of description offered in the study results is balanced between contextual (notable observations) as well as de-contextualized ones (presenting results as they are reported).

The degree of abstraction: Although orientated towards being more theoretical by using SIDs, the SIDs generated are also a representation of a group's mental model and socially constructed reality.

3.6.2.2 OBJECTIVITY

The objectivity of the researcher is underpinned by the IQA methodology followed, the constitution of focus groups as well as the inherent inductive and deductive nature of the research.

Objectivity rigour is further demonstrated by the research procedures undertaken for data collection and data analysis, wherein the framework (system) that is constructed is premised on rules that are independent of the content or nature of the elements (Northcutt and McCoy, 2004).

The researcher was also independent (albeit facilitating the focus group) of the phenomenon. Conformability considerations were ensured through the neutrality of the researcher and being sensitive and avoiding any biases. Although ACHIB assisted the researcher to constitute and plan FG1, no financial or other gratification was provided to ACHIB or eThekwini for their assistance.

3.6.2.3 GENERALISABILITY

The external validity or generalisability of this research is promoted through the selection of the research population from the 2 constituent groups highlighted in *Table 9* and following the IQA focus group process. External validity is further supported by the similarities of SIDs from the focus group and individuals in the focus group.

Regional generalisability: FG1 comprised informal entrepreneurs and associations from the eThekwini Municipality, which could be seen as limiting external validity of this research to that Region within South Africa.

Country generalisability: Despite participants of FG1 having come from a single Region in SA, the nature of the affinities and their relationships are tied back to other research in South Africa. Additionally, FG2 comprising experts share their knowledge beyond a single region and even transcend South Africa.

International generalisability: The multi-disciplinary nature of this research, research design and subsequent literature review could be applied to other contexts which resonate with the research findings, including other developing countries.

Therefore, the transferability of this research largely applies to informal businesses operating in South Africa and is ensured by reporting the results with sufficient details.

3.6.2.4 INTERNAL VALIDITY

Internal validity is largely ensured by following the IQA focus group process, where all participants silently brainstormed ideas and created their linkages and mind maps, thus limiting influence from other participants. The focus groups were conducted to further the research outcomes and data analysis was done by the researcher based on the focus group outcomes. Internal validity is reflected in the consistency between the group SID and the individual's ART making up the SID.

3.6.2.5 RELIABILITY

The reliability of this research is assured through clearly articulating the problem statement to each focus group, following a consistent approach for each focus group, using the most suitable mode to conduct each focus group (i.e. online vs in-person) and the constitution of each focus group concerning the phenomenon. Reliability may be influenced by the time needed to conduct the focus group and length of time needed to complete the ART, as well as the language barrier experienced for FG1. Credibility was ensured by collating all data provided by the participants and correctly capturing it. Dependability was ensured by tracing and tracking the accuracy of the data and reflecting the correct submissions of the respondents when analysing the data. The exclusion of interviews in this study does not significantly impact the ability to triangulate the research outcomes because interviews are based on the focus group outcomes, which include the affinities identified. Therefore, it is unlikely that an IQA interview will generate significant new affinities and meanings.

3.7 CONCLUSION

This chapter presented the research methodology most suited to achieving the research objectives of this study. This qualitative study embodies an interpretivist research philosophy and a social constructivist ontology and epistemology.

This chapter presented the rationale for utilising the IQA research methodology and articulated the research philosophy, approach and strategy. The use of IQA focus groups lends itself to achieving the research objective of crafting a framework for a sustainable IEE in SA. Each focus group is representative of a key constituency, namely informal sector key informants and subject matter experts. Constituencies/focus groups were identified using a combination of purposive and snowball sampling techniques.

The findings presented in the following chapter emanate from these constituencies.

CHAPTER 4: FINDINGS: DESCRIBING THE SYSTEMS

4.1 INTRODUCTION

The previous chapter presented the IQA research methodology and the justification for the two constituencies that participated in each focus group. This chapter presents the findings emanating from each focus group and reflects the social realities of each constituency. It does not interpret the findings, but rather presents them as derived from the constituencies.

This chapter responds to the following research questions:

Research Question 1: What are the components of a sustainable Informal Entrepreneurship Ecosystem in South Africa?

***Group Reality: System elements:** The components of each constituency's system are identified and defined in the words of constituents.*

Research Question 2: How do these components of a sustainable Informal Entrepreneurship Ecosystem relate to each other in a perceptual system?

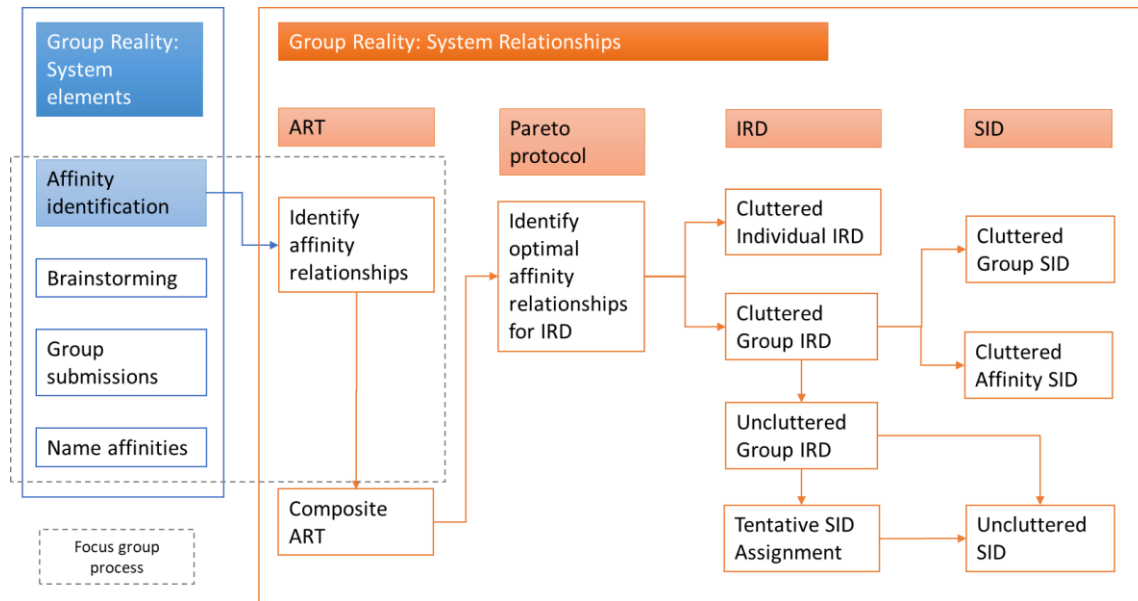
***Group Reality: System relationships:** The relationship between system components is assessed for each constituency as identified by constituencies and later analysed by the researcher.*

The analysis of these findings is presented in the following chapter.

4.2 PRESENTATION OF FINDINGS

The figure below depicts the process followed for the findings presented in this chapter.

Figure 11. Presentation of results



Source: Author's construct (2021); Northcutt and McCoy (2004) (Adapted)

System elements or affinities and system relationships are presented in the words of the participants, unless otherwise stated.

The presentation of findings pertaining to system relationships entailed the steps as set out below.

4.2.1 STEP 1: INDIVIDUAL AND COMPOSITE ARTs

The ART is a table representing the relationships between affinities. Individual ARTs were populated by focus group participants identifying relationships between affinities.

Input: Affinities identified by each focus group are inputs into the ART process. The ART provided to FG1 contained the 10 affinities identified by the constituency, while the ART provided to FG2 participants contained the 11 affinities that the constituency identified.

Process: Relationships were identified on an ART table provided to participants by the researcher and participants were requested to document reasons for their relationship selection. Participants were required to indicate the relationship between affinities and the options provided to participants were as follows:

- Use '→' where Affinity A impacts Affinity B, i.e.: A→B
- Use '←' where Affinity B impacts Affinity A, i.e.: A←B
- Use 'x' or 'no relationship' where there is no relationship between Affinity B and A

ART coding: The coding used on the IRD for the relationships identified is presented in the table below:

Table 12. ART / IRD coding

ART / IRD Coding	Code 1	Code 2	Comment
A→B	↑	←	
A←B	←	↑	
X	'blank'		
A↔B	↑	↑	Coloured Green
Blank	'blank'		

Source: Northcutt and McCoy (2004) (Adapted)

For FG1, although participants were asked to select the relationship options provided (i.e. ←, →, x), certain submissions received indicated a 2-way relationship between Affinity A and B (i.e. A↔B). Although IQA methodology does not offer this selection as an option (Northcutt and McCoy, 2004), the exclusion of these mutual relationships would distort the outcomes of the research. The researcher therefore decided to code these relationships as per *Table 12* and highlighted them.

Output: ART outcomes for the entire focus group were consolidated in Excel, resulting in a composite ART for each focus group. Affinity relationships derived from all ARTs are termed 'votes' for the Pareto Protocol analysis. The composite ART was subjected to the Pareto Protocol analysis.

4.2.2 STEP 2: PARETO PROTOCOL STATISTICAL ANALYSIS

Pareto Protocol is a statistical analysis method that is used to identify the optimal number of relationships to be included in the IRD.

"IQA uses the Pareto rule of thumb operationally to achieve consensus and analytically to create a statistical group composite" (2004, p. 157) and as such, the Pareto Protocol is the selected statistical method that is used to determine the optimal number of relationships to generate the Group IRD. Pareto Protocol is premised on the principle that "a minority of the relationships in any system will account for a majority of the variation within the system" (Northcutt and McCoy, 2004, p. 157).

Whereas some researchers note that Pareto Optimality is the point where power is maximised (Northcutt and McCoy, 2004; Bargate, 2014), others suggest that Pareto Efficiency is a more apt descriptor because "a configuration is efficient whenever it is

impossible to change it to make some persons (at least one) better off without at the same time making other persons (at least one) worse off" (Rawls, 1971, p. 58).

The Democratic Protocol is an alternative to the Pareto Protocol statistical analysis which entails a "simple majority vote" by the focus group to determine the directionality of the relationship between affinities. The Democratic Protocol is a group process, unlike the Pareto Protocol, which is a statistical method (Northcutt and McCoy, 2004).

Therefore, as the Pareto Protocol is less prone to influence from group members, it is the preferred analysis tool.

Input: The composite ART for each focus group formed the input into the Pareto Protocol analysis.

Process: Pareto Protocol analysis was used on the composite ART to determine the optimal number of relationships needed to generate the IRD.

Elements of the Pareto table, as per Northcutt and McCoy (2004), are explained below as they are applied in this research.

Frequency represents the total number of valid votes each relationship pair received from the focus group presented in descending order.

Cumulative frequency reflects the rolling frequency total for the group and equals the total number of valid votes received.

Cumulative Percent (Relation) is the rolling total each affinity relationship would have contributed, had the frequency of each affinity been the same. This number is calculated as $1 / (\text{possible relationship affinities})$ and accumulated down the table.

Cumulative Percent (Frequency) is the cumulative percentage based on the number of valid votes cast.

Power score reflects the difference between Cumulative Percent (Frequency) and Cumulative Percent (Relation). The power score is used to determine the degree of optimisation of the system.

Output: The Pareto Protocol analysis for each focus group determined the optimal number of relationships for the IRD.

4.2.3 STEP 3: INDIVIDUAL AND GROUP IRDs

The IRD is a tabular representation of the ART after applying the Pareto Protocol analysis.

Input: The outcome of the Pareto Protocol analysis is the optimal number of affinity relationships that are used to prepare the IRD.

Process: For each affinity relationship identified in the system, there are 2 affinity relationships (affinity pairs) on the IRD. Therefore 2 arrows are drawn, where:

- $A \leftarrow B$ is reflected above the grey bar as \uparrow and below the grey bar as \leftarrow
- $B \rightarrow A$ is reflected above the grey bar as \leftarrow and below the grey bar as \uparrow

In the IRD table, 'Out' counts \uparrow , 'In' counts \leftarrow and Delta is the difference between 'out' and 'in'.

The Delta is “used as a marker for the relative position of an affinity within the system. Affinities with positive deltas are relative drivers or causes; those with negative deltas are relative effects or outcomes” (Northcutt and McCoy, 2004, chap. 6 p31).

The uncluttered IRD is derived by sorting the cluttered IRD in descending order of Delta which in turn enables the generation of the tentative SID assignments that categorise affinities into primary drivers, secondary drivers, circulator or pivot, secondary outcomes and primary outcomes as per the table below.

Table 13. Tentative SID assignments

Tentative SID assignment	Justification (Northcutt and McCoy, 2004, chap. 6 p31).
Primary Driver	Affinities with a high positive Delta and those with no “in” are regarded as primary drivers.
Secondary Driver	Affinities with positive Delta other than primary drivers which are a relative cause of or influence other affinities in the system.
Circulator or Pivot	Affinities with a Delta of 0 that are positioned in the middle of the system.
Secondary Outcome	Affinities with negative Delta other than primary outcomes which are a relative effect in the system.
Primary Outcome	Affinities with a high negative Delta and those with no “out” are regarded as primary outcomes.

Source: Northcutt and McCoy (2004, p31)

Output: An ART can either be analysed at an individual level or at a group composite level to generate the IRD. Relationships between affinities were analysed at a group level in order “to determine the group’s composite understanding of the phenomenon” (Bargate, 2014, p. 14). Using the outcome of the Pareto Protocol, individual cluttered IRDs as well as a cluttered Group IRD were prepared for each focus group.

4.2.4 STEP 4: AFFINITY AND GROUP SIDS

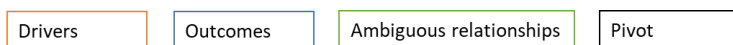
The SID is a mindmap which reflects all the relationships between affinities as captured on the cluttered IRD.

Input: The composite ART, cluttered group IRD, tentative SID assignments and uncluttered group IRDs were used in the preparation of the SIDs.

Process: The cluttered group IRD resulted in the preparation of the cluttered group SID per focus group, as well as SIDs for each affinity. The uncluttered IRD reflecting tentative SID assignments was prepared and used to generate the uncluttered Group SID. Starting with primary drivers and ending with primary outcomes, relationships with the path of least resistance were eliminated.

The Cluttered SID contains all of the relationships identified by each focus group and is saturated with relationships and very difficult to interpret, although rich in relationship information. The uncluttered SID is a secondary SID which is produced, representing the key relationships whilst removing redundant links (Northcutt and McCoy, 2004). Using the Pareto Protocol outcomes, conflicting links were removed.

SID Affinities are colour-coded as follows:



Output: Cluttered SIDs are prepared for each affinity and each focus group. An uncluttered SID was prepared for each focus group. This represents the constituency's system diagram.

4.3 FOCUS GROUP 1: INFORMAL ENTREPRENEUR KEY INFORMANTS

Representing the constituency within the phenomenon and with little or no power to influence or change the phenomenon, FG1 comprised 15 informal traders (informal entrepreneurs) and informal sector association members from the eThekweni / Durban area. This focus group was held in-person at the SEDA offices in Durban. The focus group was arranged using a key contact from ACHIB, an informal sector association in the eThekweni Municipality, together with support from individuals at the eThekweni Municipality.

The informal traders who attended the focus group were a mixture of male and female participants. They were all African and middle-aged and older individuals. Their businesses were trading, services and retail in nature.

4.3.1 FG1 GROUP REALITY: SYSTEM ELEMENTS

Following the affinity identification process, FG1 identified ten (10) affinities which represent the elements of the Informal Entrepreneurship Ecosystem as understood by the constituency.

This section details the affinities identified by FG1. Each affinity/system element is presented below, accompanied by supporting tables that detail the exact account of the brainstorming session held with the focus group and their clustering. Many contributions were made in isiZulu and have been directly translated to English to not lose their meaning and retain the contributor’s message.

4.3.1.1 MARKETING

The inability to market an informal business and its offerings were identified. The group noted that this is important if they want to grow their business.

Table 14. FG1 Affinity: Marketing

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none"> Marketing our business.

Source: Focus group 1 (2022)

4.3.1.2 FUNDING

Participants cited funding as a constraint. They noted that there was no budget available to support their informal businesses as well as informal trader committees. Lack of capital on the part of the entrepreneurs and no access to funding for informal businesses was also highlighted.

Table 15. FG1 Affinity: Funding

Sub-Affinities	Focus group contributions
Budget	<ul style="list-style-type: none"> Budget for us. Budget.
Funding	<ul style="list-style-type: none"> Funding our businesses. We don't have financial support like for instance when you want a loan to grow your business. Banks don't recognize us. Lack of capital.

Source: Focus group 1 (2022)

4.3.1.3 TRADING ENVIRONMENT

Contributions from participants were further clustered by the researcher within this affinity, namely storage facilities, trading spaces, working and production facilities, trading environment and regulations governing informal businesses.

Storage facilities: The unavailability of storage facilities to store fresh produce was raised as a concern as it resulted in a loss of produce and revenue.

Trading spaces: Participants were discontent with the quality and size of their trading spaces. Trading spaces are not always available and there is a limited number of spaces for traders.

Production facilities: Participants highlighted the inadequate and often unavailable production and working facilities for people who do fashion design, manufacturing, nails and beauty. They indicated that as no manufacturing spaces are available for traders, hence they are forced to lease manufacturing facilities from garment manufacturers at a high cost (one participant cited R5000 for an afternoon). Presently, the municipality only provides trading spaces and not working (manufacturing) spaces. Traders indicated that they require places for manufacturing and sewing their products as they can also create employment through their manufacturing processes.

Trading environment: Trading spaces did not have shelter, had poor water and sanitation, and the spaces allocated for trading were not suitable for operations. The trading environment was perceived as not conducive for operations as it was untidy and unkempt, with little control over taxi drivers who wash their cars next to their trading spaces, thereby impacting traders.

Regulations governing informal businesses: Traders raised concern about the regulations on the trading space allocations and monitoring, indicating unfair appointments in the stand allocation process and stands not being allocated fairly. Traders are also unable to upgrade their trading spaces to be larger and all traders, regardless of the volume of their goods, were limited to the same space allocation per trader. They also cited hard-handed police who enforce the regulations and who confiscate goods if traders leave spaces unattended when they take a break.

Table 16: FG1 Affinity: Trading environment

Sub-Affinities	Focus group contributions
Storage facilities	<ul style="list-style-type: none"> • Our goods and properties get rotten. <i>“Ukubola la-kwe mpahla e siyi dayi sayo”</i>
Trading spaces	<ul style="list-style-type: none"> • Co-operative working space. • Unavailable space. • Spaces we are trading in.
Working and production facilities	<ul style="list-style-type: none"> • Manufacturing. • Sewing. • We want place to do job and make employees. • Sewing and building. • We need workplaces to be more boarded. <i>“Sidinga izindawo zokusebenzela ziyabhoda kakhulu.”</i>
Trading environment	<ul style="list-style-type: none"> • Water and sanitation. <i>“Nezingazamanzi”</i> • No control for taxi drivers who wash their cars next to our stops. Clothes get dirty and wet. • The environment is not conducive for us. • There's too much dirt and sometimes the weather makes it difficult for us to make maximum profits (e.g. When there is rain or wind). • The wind blows most of our goods off the stands. <i>“Umoya-umafi ka-uphaphetha impahla-yethu ume ngenya wo ungasa kwazi-uku dayisa.”</i>
Regulations governing informal businesses	<ul style="list-style-type: none"> • We are not treated properly as the retailers are. <i>“Nemisula nayo ayisi phathi kahle singabadayisi.”</i> • Unfair appointment in the stands allocation process. • You can't go home without police fining you R100. <i>“Awukwazi ukuula itafu la libe li khulu.”</i>

Source: Focus group 1 (2022)

4.3.1.4 BULK BUYING

Contributions highlighted the inability to buy in bulk and having to buy via market agents.

Bulk buying: Participants cited the inability to buy in bulk and benefit from savings from bulk buying as a constraint. They also highlighted the lack of storage spaces to store stock if bulk buying is done.

Market agents: Informal business owners were also unable to buy in bulk directly from suppliers as they need to go via market agents to buy their supplies. They also highlighted market agent intimidation and the exorbitant prices they must pay through these agents, indicating a preference to negotiate with the farms and suppliers directly if permitted.

Table 17. FG1 Affinity: Bulk buying

Sub-Affinities	Focus group contributions
Bulk buying	<ul style="list-style-type: none"> • Buy in bulk. • Number of materials. <i>“Ukubizo lewezinto.”</i>
Market agents	<ul style="list-style-type: none"> • We want to negotiate with the farms. • Market agent kill us. • When I want to meet and buy from someone, I have to buy from a man with great power. <i>“Lapho ngifuna ukuoda ngihlangabe zanei nokuthi kufanele kuthenge umuntu ona mandla amakhulu.”</i>

Source: Focus group 1 (2022)

4.3.1.5 LICENSING

Delays in approval licences for informal businesses were raised as a concern.

Table 18. FG1 Affinity: Licensing

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none">• Delays of licensing.

Source: Focus group 1 (2022)

4.3.1.6 COMMITTEES

Contributors highlighted committees for informal traders as an area of improvement. They noted that there was a lack of engagement and communication with municipalities and that the committees for informal traders should be playing a more central role in facilitating this.

Table 19. FG1 Affinity: Committees

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none">• Lack of engagement and communication with municipalities.• Committees.• Committees for informal traders.

Source: Focus group 1 (2022)

4.3.1.7 POLICE AND BY-LAWS

Contributions for this affinity were clustered into the following themes: Police enforcement of by-laws, by-laws, the dignity of informal traders and governance.

Police enforcement of by-laws: Traders raised numerous concerns about police harassment of informal traders and the hard-handed enforcement of by-laws by Metro Police.

The dignity of informal traders: Traders also observed that the manner in which the police treat traders feels like police harassment and impedes the dignity of people who engage in informal trading.

By-laws: Traders felt that the city by-laws were unfair towards informal traders. They noted that the Municipal by-laws limited their trading hours and that informal traders do not have the same trading hours as other formal businesses. They were concerned that the by-laws limit the growth of informal businesses and do not allow for them to have larger spaces.

Governance: Traders noted that although the municipality has a Business Support Unit that oversees informal businesses, they do not listen to informal businesses and even though they solicit comments from informal businesses, these comments and inputs are not always taken into consideration.

Table 20. FG1 Affinity: Police and by-laws

Sub-Affinities	Focus group contributions
Police enforcement of by-laws	<ul style="list-style-type: none"> Abuse and harassment by the police. <i>“Ukuhlukunyezwo amaphoyiswa ngo-kusitha thela implahla.”</i> Police officers have no respect. <i>“Amaphoyise kamagipala mesebenza akanayo inhlonipho.”</i> Police harassment x 2. Police x 2. Harassment by metro police. Police officers are not treating us well. <i>“Namaphoyisa akasi phethe kahle.”</i> Police concentration. <i>“Ukuhlushwa ma poyisa.”</i> If you going somewhere police take your stuff and permit. Policy forces (police force).
The dignity of informal traders	<ul style="list-style-type: none"> Looked down upon. <i>“Nokubukelwa phansi.”</i> Dignity.
By-laws	<ul style="list-style-type: none"> We are shaken by by-laws. <i>“Siwnyazwa ngama by-laws.”</i> Unfair city by-laws towards traders. If you want to grow your business doesn't grow, because the areas are already occupied by people. <i>“Uma ufuna ukukhula akukhuleki, ngoba izindawo sezathathwa abanthu.”</i> By-Laws. The by-laws. By-law enforcement. Time set for closing and opening. <i>“Iskhathi esibekelwa bana sokuvala nesoka vula.”</i> Causes inefficiency. <i>“Sibangela kunga sebenzeki kahle.”</i> Municipal by-laws. Written up every month repeatedly. <i>“Ukubibhala matiki kuphinda phinde enyangeni.”</i>
Governance	<ul style="list-style-type: none"> Not getting support. <i>“Ukungatholi uxhas.”</i> Comment.

Source: Focus group 1 (2022)

4.3.1.8 CRIME

Traders cited the high crime rate as an inhibiting factor for their businesses and deters customers. The high crime rates in the city make it difficult for informal businesses to work freely and trade safely.

Table 21. FG1 Affinity: Crime

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none"> High rate of crime. Crime too much in the city which makes it difficult for us to work freely. Customers are sometimes reluctant to buy from us because they think they might get mugged while they are busy purchasing from us. Crime that disturbs and stop buyers. <i>“Ubungebengu obuphaza misa abathenge.”</i>

Source: Focus group 1 (2022)

4.3.1.9 INSURANCE

Participants mentioned the need for insurance for traders to mitigate stock losses.

Table 22. FG1 Affinity: Insurance

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none"> No insurance. "Ukungabi ne ishwarensi." Insurance for traders.

Source: Focus group 1 (2022)

4.3.1.10 HOMELESSNESS

Participants cited the high rate of homelessness as an inhibitor to their businesses, indicating that people and customers fear these people near the informal businesses.

Table 23. FG1 Affinity: Homelessness

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none"> High rate of homelessness. People, customers scared of these people.

Source: Focus group 1 (2022)

4.3.1.11 CONCLUDING SUMMARY: FG1 SYSTEM ELEMENTS

This section presented the FG1 system elements and in doing so, addresses Research Question 1.

The figure below depicts the system elements. There are the ten (10) affinities identified by FG1 and sub-affinities identified by the researcher.

Figure 12. FG1 System elements/affinities



Source: Focus group 1; Author's construct (2022)

4.3.2 FG1 GROUP REALITY: SYSTEM RELATIONSHIPS

This section presents the system relationships as identified by FG1. The analysis of FG1 data is detailed below, and the resulting group IRDs and the group and affinity SIDs are presented.

4.3.2.1 DATA ANALYSIS

The analysis of FG1 data followed the process outlined in *Section 4.2*.

- **Step 1:** The relationships between the ten affinities were identified by constituencies on a Simple ART. The Simple ARTs were consolidated into a composite ART for FG1.
- **Step 2:** The composite ART for FG1 was statistically analysed using Pareto Protocol statistical analysis where the optimal number of relationships were identified for the constituency's system.
- **Step 3:** The Group IRD was generated using the outcome of the Pareto Protocol statistical analysis. The IRD was then used to prepare the group and affinity SIDs.

4.3.2.1.1 SIMPLE ART

FG1 generated a simple ART where constituencies established the relationships between the 10 affinities they identified earlier. Participants were requested to document the reasons for their relationship selection on the ART table. Although the focus group was required to complete a detailed ART, almost all participants did not explain their selection. A **simple ART** was therefore completed by this focus group.

Per *Table 24*, the total possible 'votes' or affinity relationships derived from all ARTs that could have been identified by FG1 is 1350. Of the maximum possible 1350 votes, 700 votes were for affinities with no relationships and 62 had no votes.

Therefore, 588 votes were for valid affinity relationships.

Table 24. FG1 Relationship votes

Descriptors	Applicable calculation	Number
Number of affinities identified	A – J	10
Number of participants	18 participants 15 ARTs	15
Number of possible affinity relationships (votes)	(10 x 10)	100
Less: Common affinities relationships	E.g.: A/A, B/B	(10)
Number of possible affinity relationships (individual ART)		90

Descriptors	Applicable calculation	Number
Number of possible votes for FG1	(90 x 15)	1,350
Less: Number of no-votes		(62)
Less: Number of 'no relationship' votes		(700)
Number of valid votes received		588

Source: Focus group 1; Author's construct (2022)

The researcher prepared a composite ART by consolidating the individual ARTs. Individual ARTs are used to generate the individual IRDs. These individual IRDs are presented in *Annexure A: FG1 – Individual IRD* where all 15 submissions were received and coded.

The ART forms the input into the Pareto Protocol statistical analysis where the 90 affinity relationships are based on the 588 valid votes emanating from FG1.

4.3.2.1.2 PARETO PROTOCOL ANALYSIS

The Pareto Protocol statistical analysis is used to determine the optimal number of relationships that make up the composite system for the constituency. Using the power-score as the measure, the optimal number of relationships is identified at the point where power is at its highest.

The detailed Pareto Protocol statistical analysis for FG1 is presented in *Table 25* below.

Table 25. FG1 Pareto Protocol statistical analysis

No	Variable 1		Variable 2	Frequency	Cumulative frequency	Cumulative % (relation)	Cumulative % (Frequency)	Power
1	G	←	H	20	20	1.1%	3.4%	2.3%
2	D	←	E	19	39	2.2%	6.6%	4.4%
3	A	←	D	18	57	3.3%	9.7%	6.4%
4	B	←	D	17	74	4.4%	12.6%	8.1%
5	C	←	I	17	91	5.6%	15.5%	9.9%
6	E	←	F	17	108	6.7%	18.4%	11.7%
7	E	←	G	17	125	7.8%	21.3%	13.5%
8	F	←	G	17	142	8.9%	24.1%	15.3%
9	G	←	I	17	159	10.0%	27.0%	17.0%
10	F	←	I	16	175	11.1%	29.8%	18.7%
11	A	←	I	15	190	12.2%	32.3%	20.1%
12	B	←	F	15	205	13.3%	34.9%	21.5%
13	C	←	D	15	220	14.4%	37.4%	23.0%
14	C	←	E	15	235	15.6%	40.0%	24.4%
15	C	←	G	15	250	16.7%	42.5%	25.9%
16	D	←	F	15	265	17.8%	45.1%	27.3%
17	D	←	I	15	280	18.9%	47.6%	28.7%
18	E	←	I	14	294	20.0%	50.0%	30.0%

No	Variable 1		Variable 2	Frequency	Cumulative frequency	Cumulative % (relation)	Cumulative % (Frequency)	Power
19	B	←	C	13	307	21.1%	52.2%	31.1%
20	C	←	F	13	320	22.2%	54.4%	32.2%
21	G	←	J	13	333	23.3%	56.6%	33.3%
22	H	←	I	13	346	24.4%	58.8%	34.4%
23	A	←	B	12	358	25.6%	60.9%	35.3%
24	D	←	H	12	370	26.7%	62.9%	36.3%
25	B	←	E	11	381	27.8%	64.8%	37.0%
26	B	←	G	11	392	28.9%	66.7%	37.8%
27	B	←	H	11	403	30.0%	68.5%	38.5%
28	B	←	I	11	414	31.1%	70.4%	39.3%
29	B	←	J	11	425	32.2%	72.3%	40.1%
30	C	←	H	11	436	33.3%	74.1%	40.8%
31	F	←	H	11	447	34.4%	76.0%	41.6%
32	C	←	J	9	456	35.6%	77.6%	42.0%
33	A	←	G	7	463	36.7%	78.7%	42.1%
34	B	→	D	7	470	37.8%	79.9%	42.2%
35	D	←	G	7	477	38.9%	81.1%	42.2%
36	H	←	J	7	484	40.0%	82.3%	42.3%
37	A	←	C	6	490	41.1%	83.3%	42.2%
38	A	←	J	5	495	42.2%	84.2%	42.0%
39	B	→	C	5	500	43.3%	85.0%	41.7%
40	D	→	F	5	505	44.4%	85.9%	41.4%
41	D	→	G	5	510	45.6%	86.7%	41.2%
42	A	←	F	4	514	46.7%	87.4%	40.7%
43	A	→	C	4	518	47.8%	88.1%	40.3%
44	E	←	J	4	522	48.9%	88.8%	39.9%
45	F	←	J	4	526	50.0%	89.5%	39.5%
46	A	←	H	3	529	51.1%	90.0%	38.9%
47	B	→	G	3	532	52.2%	90.5%	38.3%
48	C	→	E	3	535	53.3%	91.0%	37.7%
49	C	→	H	3	538	54.4%	91.5%	37.1%
50	C	→	J	3	541	55.6%	92.0%	36.5%
51	D	→	J	3	544	56.7%	92.5%	35.9%
52	E	→	F	3	547	57.8%	93.0%	35.2%
53	H	→	J	3	550	58.9%	93.5%	34.6%
54	I	←	J	3	553	60.0%	94.0%	34.0%
55	A	←	E	2	555	61.1%	94.4%	33.3%
56	A	→	B	2	557	62.2%	94.7%	32.5%
57	A	→	E	2	559	63.3%	95.1%	31.7%
58	D	→	H	2	561	64.4%	95.4%	31.0%
59	E	←	H	2	563	65.6%	95.7%	30.2%
60	F	→	I	2	565	66.7%	96.1%	29.4%
61	A	→	G	1	566	67.8%	96.3%	28.5%
62	A	→	H	1	567	68.9%	96.4%	27.5%

No	Variable 1		Variable 2	Frequency	Cumulative frequency	Cumulative % (relation)	Cumulative % (Frequency)	Power
63	A	→	I	1	568	70.0%	96.6%	26.6%
64	A	→	J	1	569	71.1%	96.8%	25.7%
65	B	→	E	1	570	72.2%	96.9%	24.7%
66	B	→	F	1	571	73.3%	97.1%	23.8%
67	B	→	H	1	572	74.4%	97.3%	22.8%
68	B	→	I	1	573	75.6%	97.4%	21.9%
69	B	→	J	1	574	76.7%	97.6%	21.0%
70	C	→	D	1	575	77.8%	97.8%	20.0%
71	C	→	F	1	576	78.9%	98.0%	19.1%
72	C	→	G	1	577	80.0%	98.1%	18.1%
73	C	→	I	1	578	81.1%	98.3%	17.2%
74	D	←	J	1	579	82.2%	98.5%	16.2%
75	D	→	E	1	580	83.3%	98.6%	15.3%
76	D	→	I	1	581	84.4%	98.8%	14.4%
77	E	→	G	1	582	85.6%	99.0%	13.4%
78	F	→	G	1	583	86.7%	99.1%	12.5%
79	F	→	H	1	584	87.8%	99.3%	11.5%
80	G	→	I	1	585	88.9%	99.5%	10.6%
81	G	→	J	1	586	90.0%	99.7%	9.7%
82	H	→	I	1	587	91.1%	99.8%	8.7%
83	I	→	J	1	588	92.2%	100.0%	7.8%
84	A	→	D	0	588	93.3%	100.0%	6.7%
85	A	→	F	0	588	94.4%	100.0%	5.6%
86	E	→	H	0	588	95.6%	100.0%	4.4%
87	E	→	I	0	588	96.7%	100.0%	3.3%
88	E	→	J	0	588	97.8%	100.0%	2.2%
89	F	→	J	0	588	98.9%	100.0%	1.1%
90	G	→	H	0	588	100.0%	100.0%	0.0%

Source Focus group 1; Author's construct (2002)

Legend: A: Marketing, B: Funding, C: Trading environment, D: Bulk buying, E: Licensing, F: Committees, G: Police and By-Laws, H: Crime, I: Insurance, J: Homelessness

Relationships outside the optimal threshold

Maximum power score

This detailed analysis is interpreted below.

4.3.2.1.3 PARETO PROTOCOL INTERPRETATION

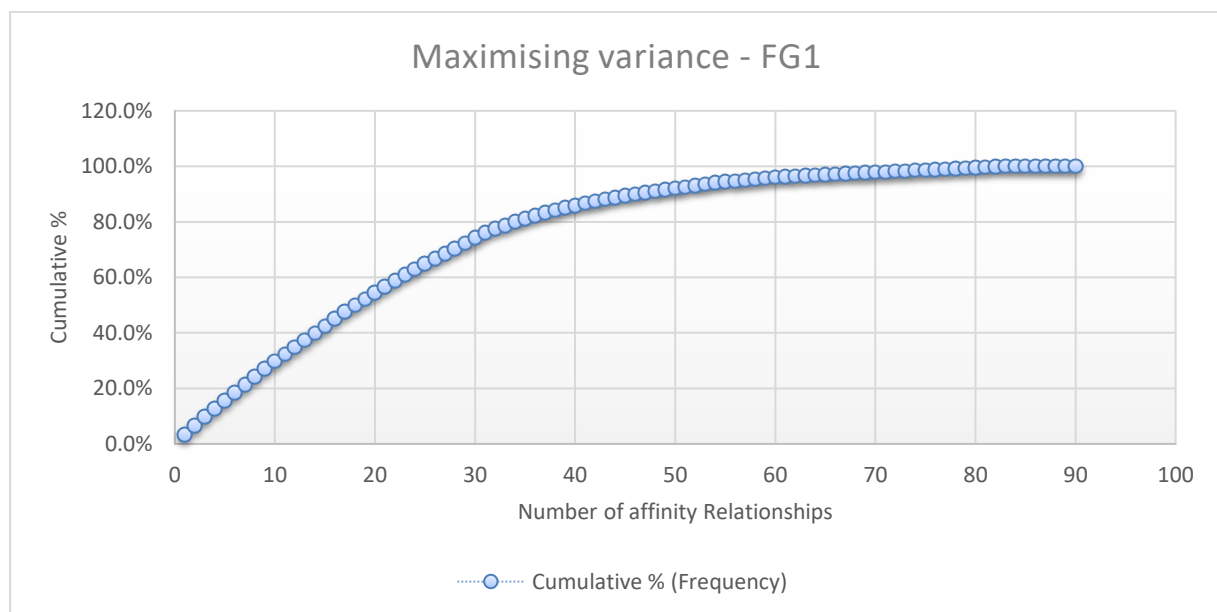
Frequency: The total number of possible votes each relationship pair could have received from the focus group is 30 (15 x 2). G ← H is the relationship with the highest frequency, receiving 20 votes. The table is sorted in order of descending frequency which is used as a basis for determining the cumulative frequency, cumulative relation %, cumulative frequency % and power scores.

Cumulative frequency: Equals the total number of valid votes received, 588. This was determined by removing 62 no-votes and 700 ‘no relationship’ votes off the 1,350 (90 x 15) total number of possible votes for FG1.

Cumulative % (Relation): As there are 90 possible relationship affinities (refer to *Table 24*), this number is calculated as 1/90 and accumulated down the table.

Cumulative % (Frequency): The cumulative percentage is based on 588 valid votes cast. It reflects the cumulative % of votes received by relationships based on the frequency. The figure below is a graphic illustration of the variance accounted for by each succeeding relationship. Whereas the top 18 (20%) affinity relationships contribute towards a 50% variation in the system, the first 36 affinity relationships (40%) account for the maximum variance of 82.3%.

Figure 13. FG1 Pareto Protocol: Variance maximisation

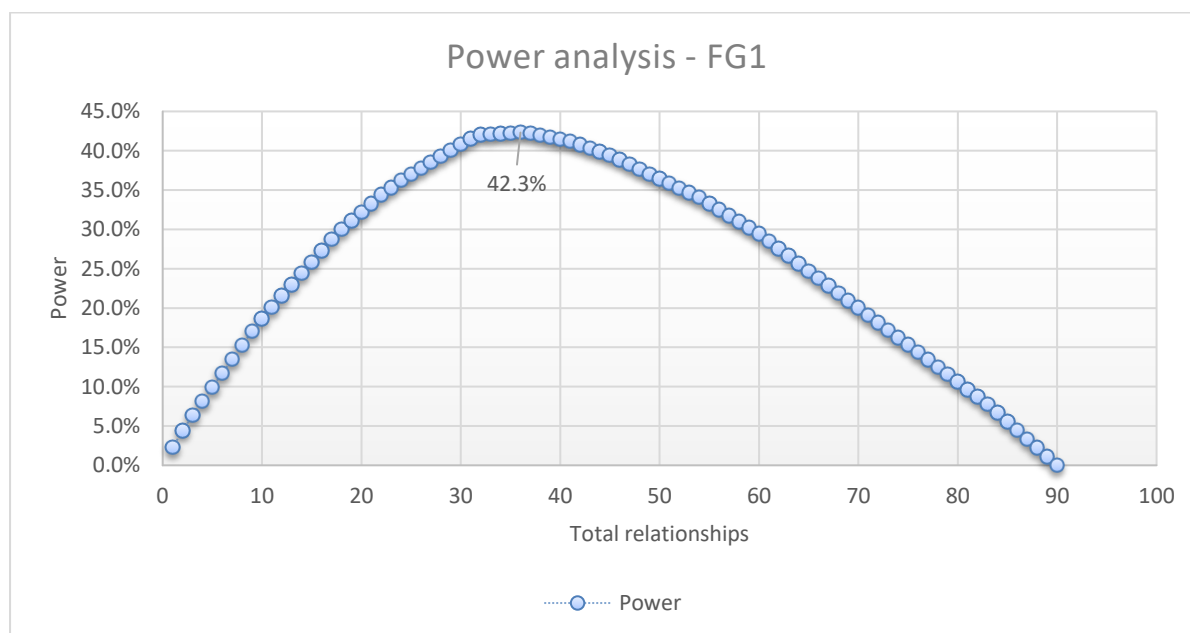


Source: Focus group 1; Author’s construct (2022)

Power: The power score is used to determine the degree of optimisation of the system and the optimal number of relationships comprising the constituency’s system. At the maximum variance of 85.0% and 36 affinity relationships, power is at a maximum. Therefore, 36 relationships are utilised in the Group IRD for this constituency and the remaining relationships in *Table 25*, which are greyed out, are not utilised any further.

The figure below presents the power analysis for the system.

Figure 14. FG1 Pareto Protocol: Power analysis



Source: Focus group 1; Author's construct (2022)

Using the Pareto Protocol to analyse the composite ART, the optimal number of relationships for the informal entrepreneur constituency (FG1) is 36.

4.3.2.1.4 AMBIGUOUS RELATIONSHIPS

Within the optimal 36 relationships identified in *Table 25*, one ambiguous relationship is evident. This relationship is evaluated against its pair peer and the lower frequency relationship (#34) is discarded per the table below.

Table 26. FG1 Ambiguous relationships

No	Affinity pair relationship			Frequency	Analysis
	Variable 1		Variable 2	Descending	
4	B	←	D	17	Use – higher frequency
34	B	→	D	7	Discard

Source: Focus group 1; Author's construct (2022)

The Pareto Protocol results are used to generate the group IRD. The ambiguous relationship identified above is excluded in the IRD but is later included in the SID.

After removing ambiguous relationships from the Pareto Protocol results, the optimal number of relationships for the informal entrepreneur constituency (FG1) is 35.

4.3.2.2 GROUP IRDS

Using the process outlined in *Section 4.2.3*, the cluttered and uncluttered group IRDs are presented below, while the individual IRDs (derived from the individual ARTs) are presented in *Annexure A: FG1 – Individual IRD*.

4.3.2.2.1 CLUTTERED GROUP IRD

The **cluttered group IRD** presented below contains the 35 optimal affinity relationships derived from the Pareto Protocol analysis in *Table 25*.

Table 27. FG1 Cluttered IRD

Cluttered IRD FG1	A	B	C	D	E	F	G	H	I	J	Out	In	Delta
A		←		←			←		←		0	4	-4
B	↑		←	←	←	←	←	←	←	←	1	8	-7
C		↑		←	←	←	←	←	←	←	1	7	-6
D	↑	↑	↑		←	←	←	←	←		3	5	-2
E		↑	↑	↑		←	←		←		3	3	0
F		↑	↑	↑	↑		←	←	←		4	3	1
G	↑	↑	↑	↑	↑	↑		←	←	←	6	3	3
H		↑	↑	↑		↑	↑		←	←	5	2	3
I	↑	↑	↑	↑	↑	↑	↑	↑			8	0	8
J		↑	↑				↑	↑			4	0	4

Source: Focus group 1; Author's construct (2022)

Legend: A: Marketing, B: Funding, C: Trading environment, D: Bulk buying, E: Licensing, F: Committees, G: Police and By-Laws, H: Crime, I: Insurance, J: Homelessness

The cluttered IRD is presented in *Figure 15* as the mind map / cluttered SID for FG1.
The cluttered IRD is also used to prepare the affinity SIDs.

4.3.2.2.2 UNCLUTTERED GROUP IRD

The **uncluttered IRD** presented in *Table 28* below is derived by sorting the uncluttered IRD above in descending order of Delta.

Table 28. FG1 Uncluttered IRD

Uncluttered IRD FG1	A	B	C	D	E	F	G	H	I	J	Out	In	Delta
I	↑	↑	↑	↑	↑	↑	↑	↑			8	0	8
J		↑	↑				↑	↑			4	0	4
G	↑	↑	↑	↑	↑	↑		←	←	←	6	3	3
H		↑	↑	↑		↑	↑		←	←	5	2	3
F		↑	↑	↑	↑		←	←	←		4	3	1
E		↑	↑	↑		←	←		←		3	3	0
D	↑	↑	↑		←	←	←	←	←		3	5	-2
A		←		←			←		←		0	4	-4
C		↑		←	←	←	←	←	←	←	1	7	-6
B	↑		←	←	←	←	←	←	←	←	1	8	-7

Source: Focus group 1; Author's construct (2022)

Legend: A: Marketing, B: Funding, C: Trading environment, D: Bulk buying, E: Licensing, F: Committees, G: Police and By-Laws, H: Crime, I: Insurance, J: Homelessness

4.3.2.2.3 TENTATIVE SID ASSIGNMENTS

The value of the Delta indicates whether an affinity is a system driver, outcome or pivot and leads to the determination of the **Tentative SID assignments** per the table below.

Table 29. FG1 Tentative SID assignment

Tentative SID	Affinity
Primary Driver	I: Insurance J: Homelessness
Secondary Driver	G: Police and By-laws H: Crime F: Committees
Circulator or Pivot	E: Licensing
Secondary Outcome	D: Bulk buying
Primary Outcome	C: Trading environment B: Funding A: Marketing

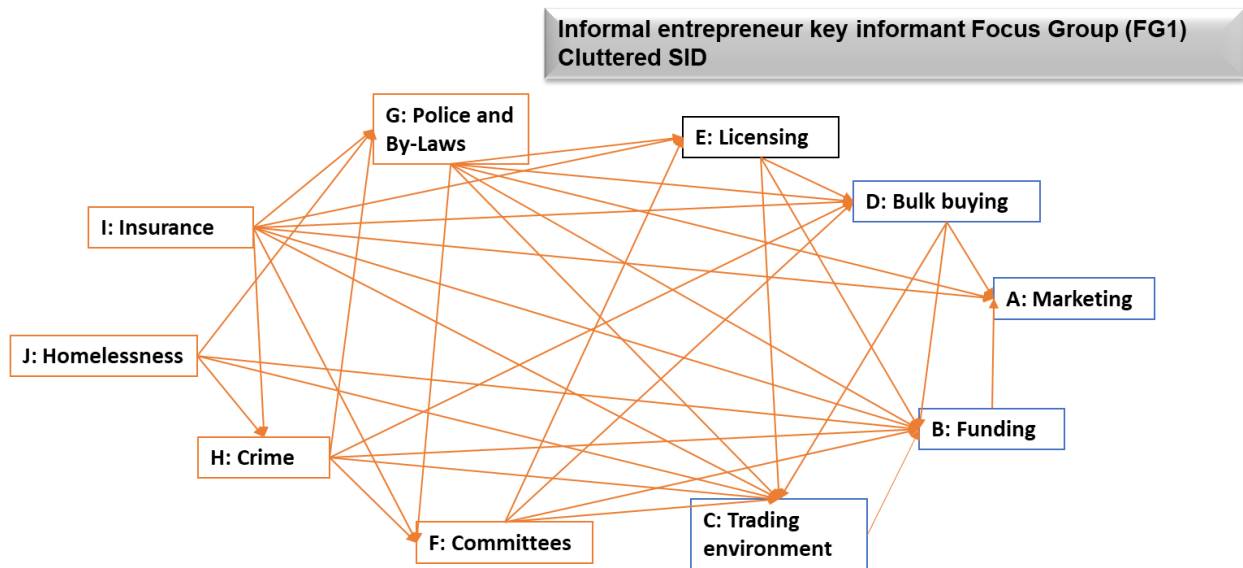
Source: Focus group 1; Author's construct (2022)

The uncluttered IRD as well as the tentative SID assignments were used to prepare the uncluttered SID in *Figure 26*.

4.3.2.3 CLUTTERED GROUP SID

The **cluttered SID** below is prepared using the cluttered IRD in *Table 27*. It presents the affinity relationships based on the Pareto Protocol. Ambiguous relationships are not reflected in the cluttered SID. The cluttered group SID is saturated with relationships between affinities.

Figure 15. FG1 Cluttered group SID



Source: Focus group 1; Author's construct (2022)

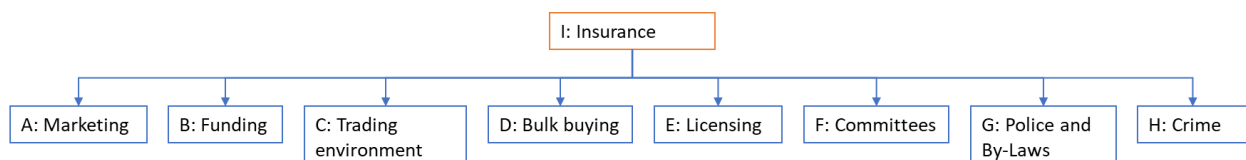
4.3.2.4 AFFINITY SIDs

Affinity SIDs are prepared using the cluttered IRD. The cluttered SID for each affinity is presented below, along with an explanation of the relationships. As no written justification was provided for affinity relationships identified by FG1 participants, the researcher's narrative is limited to information contained in Section 4.3.1. Affinity relationships are discussed in order of Delta as per Table 28.

4.3.2.4.1 INSURANCE

Access to insurance for informal traders will enable them to manage losses because of theft, delays in licensing, confiscation of goods, damaged produce from poor trading conditions and financial losses. Having insurance will further enable these businesses to buy in bulk at a lower cost, rather than piecemeal, thus improving the variety of products available for customers as well as increasing sales.

Figure 16. FG1 Affinity SID: Insurance

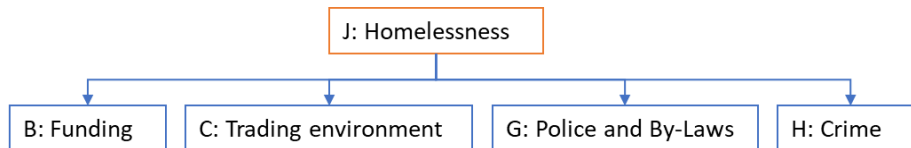


Source: Focus group 1; Author's construct (2022)

4.3.2.4.2 HOMELESSNESS

Homelessness in the area is associated with high crime rates and increased police enforcement in the trading area. Homelessness creates a trading environment that is not always conducive, with customers afraid to buy from traders out of fear of being mugged. This also may lead to a loss of revenue for informal businesses.

Figure 17. FG1 Affinity SID: Homelessness



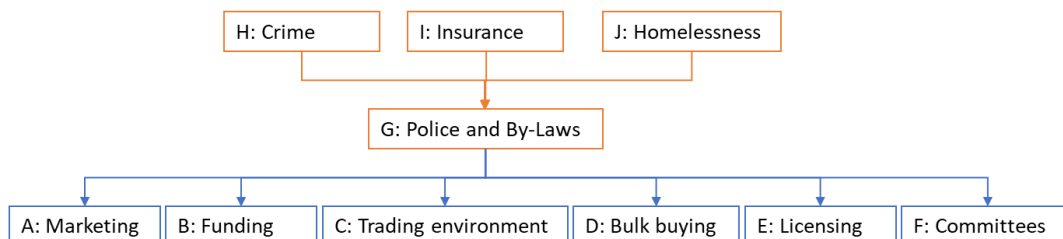
Source: Focus group 1; Author’s construct (2022)

4.3.2.4.3 POLICE AND BY-LAWS

High levels of homelessness and high crime rates in the Municipality should be addressed by the municipality and enforced by the police. By-laws should also allow access to insurance for informal businesses. Municipal by-laws should be re-visited to:

- Promote marketing (increased sales) for informal businesses by removing restrictions on trading hours.
- Improve licensing turnaround time and fairness in issuing licenses.
- Recognise the inputs of informal trader committees, have regular engagements between committees and the Municipality and have an accessible budget for committees to operate effectively.
- Improve access to funding for informal businesses.
- Allow informal businesses to buy directly from suppliers and not via market agents.
- Create a conducive trading environment inclusive of production and storage facilities whilst legitimising informal traders.

Figure 18. FG1 Affinity SID: Police and by-laws

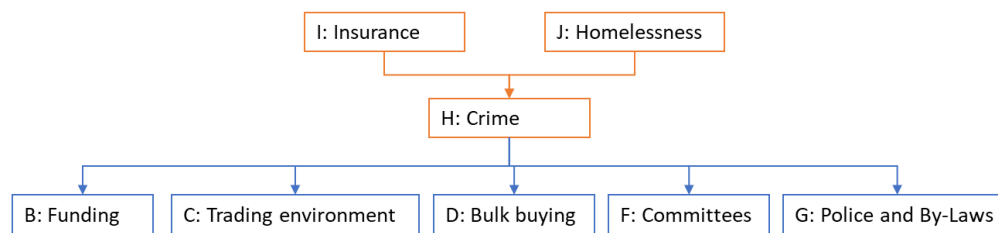


Source: Focus group 1; Author’s construct (2022)

4.3.2.4.4 CRIME

High levels of homelessness are a contributor to crime in the area. The lack of insurance for informal traders directly exposes them to loss from theft. High crime rates contribute to increased policing of the areas in which informal entrepreneurs operate. High crime also limits the ability of traders to buy in bulk because of the unsafe trading environment. Informal traders are also exposed to theft and lose money as customers are afraid to buy from them.

Figure 19. FG1 Affinity SID: Crime

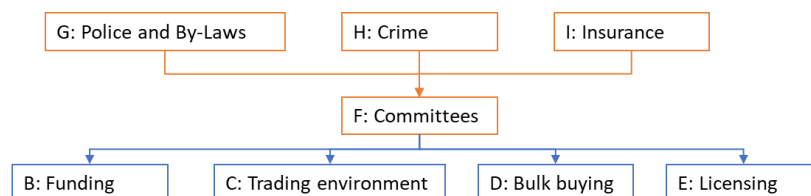


Source: Focus group 1; Author's construct (2022)

4.3.2.4.5 COMMITTEES

Informal trader committees are limited in their function by the Municipal by-laws. Committee effectiveness is also hampered by high levels of crime and lack of access to insurance for informal traders. Effective informal trader committees that are enabled by by-laws and whose inputs and contributions are considered and incorporated by the Municipality may contribute to improved informal business licensing processes; enable bulk buying and procurement directly from suppliers; enable access to funding and capital to grow informal businesses, as well as improving the trading and production environment for informal businesses. Legitimacy (dignity) may be derived from the improved and equitable treatment of informal business committees and their participants.

Figure 20. FG1 Affinity SID: Committees



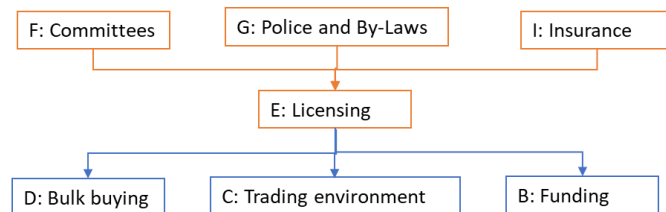
Source: Focus group 1; Author's construct (2022)

4.3.2.4.6 LICENSING

The provision of informal trader licences is regulated by Municipal by-laws. However, the issuance of licenses is inequitable and not transparent. Informal business committees'

inputs and recommendations on licensing have been reported to the Municipality Governance Unit and should be considered in amending by-laws. Delays in licensing informal traders impacts their ability to sell products and generate revenue as they cannot get access to a stall which hampers their ability to plan and buy products and supplies in advance due to the licensing uncertainty.

Figure 21. FG1 Affinity SID: Licensing



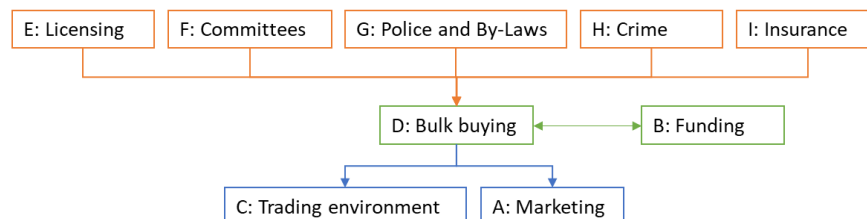
Source: Focus group 1; Author's construct (2022)

4.3.2.4.7 BULK BUYING

The ability to buy in bulk is enabled by having access to funding to make bulk purchases, having adequate insurance to cover against damage and loss of goods, and the timely issuance of licenses for businesses to trade and sell their products and produce. By-laws need to remove restrictions on informal traders to procure solely from market agents where they pay a premium and inputs from the informal business committees who report to the municipality Governance Unit should be considered in amending by-laws. Crime in the area as well as police enforcement of by-laws where traders' licenses are revoked, or goods are confiscated, dissuade bulk buying for fear of loss.

The ability to buy directly from suppliers and negotiate prices will improve the variety of products traders can supply to their customers, thus increasing potential sales (marketing). This will also require the adequacy trading environment (more storage space, larger stalls) to be re-considered for informal traders. Bulk buying improves sales and revenue for traders.

Figure 22. FG1 Affinity SID: Bulk buying



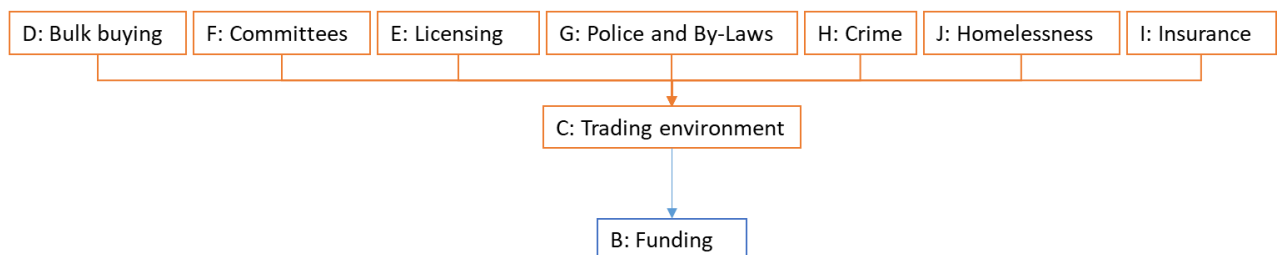
Source: Focus group 1; Author's construct (2022)

4.3.2.4.8 TRADING ENVIRONMENT

The ability to buy in bulk (at a lower cost), access to insurance cover for lost and damaged produce, longer trading hours (by-laws) and more supportive policing of by-laws will enable better trading environments for informal businesses. The timely issuance of informal trader licenses, less restrictive and more equitable licensing process and the ability to access funding and capital may grow more productive informal businesses and enable manufacturing. A more conducive trading environment is also enabled by reduced homelessness and lower crime rates in areas where businesses operate, attracting more customers. Considering and incorporating recommendations to by-laws from informal trader committees may contribute to improvement in trading and manufacturing environments, also promoting the dignity of informal traders.

A conducive trading environment with adequate storage for fresh produce, clean trading spaces, and available and affordable work and production spaces that dignifies (and thereby legitimises) informal traders may lead to improved marketing (sales and customers). Conducive trading environments can increase sales and revenue.

Figure 23. FG1 Affinity SID: Trading environment



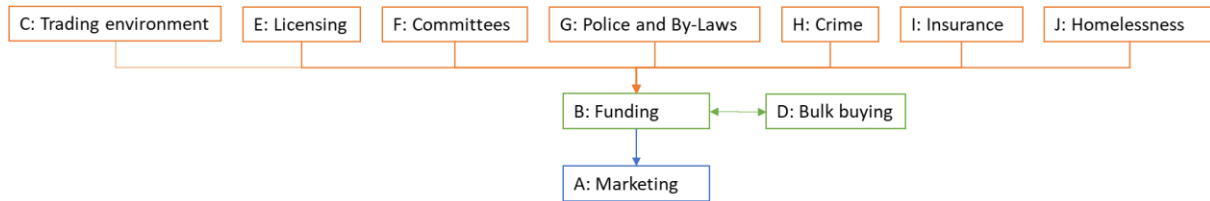
Source: Focus group 1; Author's construct (2022)

4.3.2.4.9 FUNDING

Having access to insurance decreases the risk of stock losses, thus reducing costs. Increased revenue can be aided by the timely approval of licenses for informal businesses to start trading. By-laws should be more enabling, allowing committees access to budgets for informal businesses. Police enforcement of informal business by-laws should be non-discriminatory and less punitive (spot fines, confiscation of goods). Addressing homelessness and crime in the trading areas will attract more customers and reduce losses. Access to capital and funding informal businesses will enable informal businesses to buy in bulk at lower costs than from market agents; enable business growth through marketing; as well as allow the business to have a more conducive trading environment

where they can manufacture their products, have more stalls and enable growth in manufacturing whilst also creating employment. Funding enables increased sales and marketing of traders' products.

Figure 24. FG1 Affinity SID: Funding

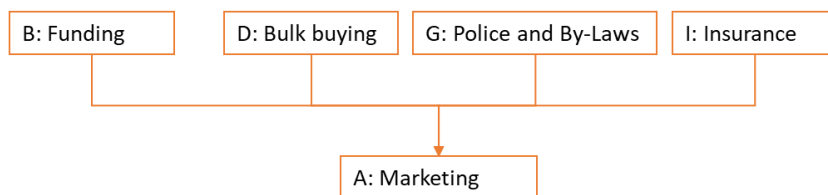


Source: Focus group 1; Author's construct (2022)

4.3.2.4.10 MARKETING

Marketing for informal businesses reflects the number of customers they sell to and their sales. In order to be able to market informal businesses, traders need to be able to access funding to buy in bulk, thereby benefiting from lower costs. Having access to insurance to manage stock losses and a more conducive environment for trading will make the informal business attractive to customers. Having more enabling by-laws that include having longer trading hours allowing businesses to have more sales, having access to larger stalls to display more products, having access to storage facilities to ensure that products are kept fresh and having clean trading spaces will dignify informal businesses as compared to formal businesses.

Figure 25. FG1 Affinity SID: Marketing

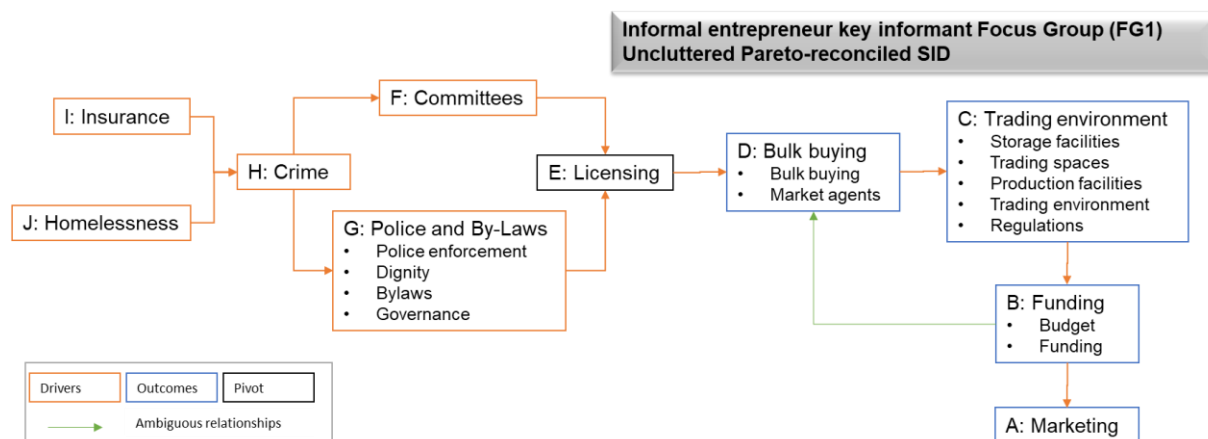


Source: Focus group 1; Author's construct (2022)

4.3.2.5 UNCLUTTERED GROUP SID

The **uncluttered SID** for FG1 presented in *Figure 26* below is derived from the uncluttered IRD and Tentative SID assignments in *Table 29. Annexure C: FG1 – Preparation of the composite SID* documents as the steps undertaken by the researcher to eliminate redundant links / relationships to present a more understandable system. Ambiguous relationships omitted in the preparation of the IRD have been included in the SID below.

Figure 26. FG1 Uncluttered Pareto reconciled SID



Source: Focus group 1; Author's construct (2022)

High levels of **homelessness** in the Durban area are a contributor to high levels of crime. **Insurance** is a primary driver that can aid informal businesses to mitigate losses from criminal activities.

Trading amidst a high **crime** area makes traders feel “looked down upon”, according to one respondent. High crime rates increase police concentration around informal traders and traders feel harassed and unfairly treated by the Metro Police. **Police** concentration in the area also increases the enforcement of Municipal by-laws, sometimes unfairly, with the police withdrawing traders’ **licences**.

Crime also impacts the efficacy of informal trader **committees**. Concern regarding the fairness of Municipal by-laws and the legitimacy they give informal businesses in relation to formal businesses has led to the creation of committees for informal businesses which represent the interests of traders. These committees promote the timely, fair, equitable and transparent issuing of operating licenses to informal businesses by the Municipality.

Delays in **licensing** mean that an informal business cannot trade, thus impacting their revenue and ability to buy produce and buying in bulk is limited.

Restrictions placed on informal businesses to procure solely from market agents mean that traders have limited stock and varieties for consumers. Traders also feel intimidated by market agents. If traders can procure directly from suppliers and in **bulk**, the **trading environment** may need to include access to storage facilities for fresh produce and increased stall and trading space allocations to accommodate higher volumes and varieties of stock.

Access to **funding** and capital to grow the informal business is limited and hampers the business' ability to purchase in bulk from suppliers and benefit from lower prices. It also hampers traders' ability to afford conducive trading spaces. Furthermore, municipal budgets limit the creation of conducive trading space for traders.

Access to funding impacts the ability of traders to **market** their business, as well as the number of sales a trader can generate and the number of customers they attract (**Marketing**). Not having funding limits access to production facilities and access to only selling spaces limits the trader's ability to manufacture goods and sell, with one trader saying, "We want place to do job and make employees". Unsanitary trading spaces that are unprotected from the elements and ones that are impeded by taxis deter customers.

4.3.2.6 CONCLUDING SUMMARY: FG1 SYSTEM RELATIONSHIPS

This section presented the FG1 system relationships and in so doing, addresses Research Question 2.

Constituents documented relationships between the 10 affinities they identified in the preceding section. Using the Pareto Protocol statistical analysis, 37 optimal relationships were used to prepare the IRD as well as the group and affinity SIDs.

4.3.3 CONCLUSION: FOCUS GROUP 1

This section presented the findings emanating from Focus Group 1. Ten system elements were identified by the constituency and the relationships between these affinities were analysed using Pareto Protocol statistical analysis to generate an IRD and the SID for the group.

4.4 FOCUS GROUP 2: EXPERTS AND SUBJECT MATTER EXPERTS

Representing constituencies outside the phenomenon and with the power to influence or change the phenomenon, FG2 comprised 7 experts and subject matter experts as per the table below.

Table 30. FG2 participants

Participant Number	Experience
P1	Academic, Experience in business incubation
P2	Youth empowerment and business experience
P3	Academic and Entrepreneur
P4	Academic and Community and entrepreneurship empowerment
P5	Enterprise supplier development and Supply Chain
P6	Academic, Community and youth empowerment
P7	Enterprise supplier development and community empowerment

Source: Focus group 2; Author’s construct (2022)

4.4.1 FG2 GROUP REALITY: SYSTEM ELEMENTS

Following the affinity identification process, FG2 identified eleven (11) affinities which represent the elements of the Informal Entrepreneurship Ecosystem for this constituency.

The affinities identified by FG2 are detailed below. Each affinity/system element is presented, accompanied by supporting tables that detail the exact account of the brainstorming session held with the focus group and their clustering.

4.4.1.1 CULTURE

Participants noted that a culture of entrepreneurship needs to exist in society. High unemployment in South Africa is an outcome of peoples’ preference towards being employed and having a job, and in order to resolve South Africa’s unemployment challenge, there is a need to foster an entrepreneurship mindset from an early age.

Table 31. FG2 Affinity: Culture

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none"> A culture of entrepreneurship needs to exist in society. Right now, the default path is that you need to be in employment to make a living. That partly results in high unemployment as most people see employment as the only alternative. Fostering an entrepreneurship mindset from an early age is key in resolving this.

Source: Focus group 2 (2022)

4.4.1.2 CREATE AN ENABLING ENVIRONMENT

Create an enabling environment (with infrastructure, corporate and government support):

The creation of an enabling environment to support informal business growth includes having functional informal business forums, access to technology and venture capital, and adequate government support.

Informal business forums: Participants noted the lack of business forums for informal businesses and stakeholders to engage constructively.

Technology: Participants highlighted the necessity for access to technology and appropriate geo-location support for informal businesses. There is also a need to reduce the cost of data as many informal traders are reliant on technology to sell their products and services. However, the cost of communications proves to be a hindrance to their competitiveness.

Venture capital: Participants suggested that Entrepreneurship Venture Funds for export growth should be developed specifically for black entrepreneurs, noting that this will also enhance the ability for entrepreneurs to procure from the best suppliers (price and quality-wise).

Government support: It was also suggested that government and formal businesses should partner with informal businesses to provide appropriate infrastructure, value-chain support and capacity building for informal businesses. Government should also consider creating tax incentives to encourage business formalisation.

Table 32. FG2 Affinity: Create an enabling environment

Sub-Affinities	Focus group contributions
Informal business forums	<ul style="list-style-type: none"> • There are also no forums of engagement between officials and business owners especially genuine ones that aim to deal with issues as opposed to just tick-box exercises.
Technology	<ul style="list-style-type: none"> • Bring down the cost of data, there are more informal traders who are reliant on technology to sell their products and services, however the cost of communications proves to be a hindrance for their competitiveness. • I love the fact that technology is part of your components, but technology on its own does not create access. • Geolocation of support does not exist.
Venture capital	<ul style="list-style-type: none"> • Entrepreneurship Venture Funds for export growth should be developed, specifically for black entrepreneurs. • This will also enhance the ability for entrepreneurs to procure from the best suppliers (price and quality-wise).
Government support	<ul style="list-style-type: none"> • Provide in partnerships with these businesses, adequate infrastructure that allows for businesses to operate optimally. • Both formal business and government need to take interest in <ul style="list-style-type: none"> ○ building capacity to informal entities; ○ provide value chain support (assist entities in being suppliers); ○ tax incentives scheme to encourage formalisation and growth beyond survivalist.

Source: Focus group 2 (2022)

4.4.1.3 EDUCATION, TRAINING AND SUPPORT INFRASTRUCTURE

Basic entrepreneurship education, post-school entrepreneurship education and entrepreneurship training were highlighted by participants to support the growth of informal entrepreneurship.

Basic entrepreneurship education: Participants noted that entrepreneurship education should start at an early age, in high school and not at a higher education level, as this is critical to creating a culture that supports entrepreneurship.

Post-school entrepreneurship education: It was also noted that Entrepreneurship Education should be infused into the school system from the basic to Post-School Education and Training (PSET) sectors, and include practical and vocational entrepreneurship education. Basic business principles (e.g. finances, marketing, production of a product, etc.) need to be taught as part of the school curricula from the lower grades, with practicals incorporated. There is a need to provide a pipeline of just in time, just enough training and scaffolding for entry and advancement in PSET.

Entrepreneurship training: Entrepreneurship training that includes sales and financial management will ensure the growth of informal traders to the extent that they will eventually see the need to migrate to the formal sector of the economy and participate meaningfully.

Table 33. FG2 Affinity: Education, training and support infrastructure

Sub-Affinities	Focus group contributions
Basic entrepreneurship education	<ul style="list-style-type: none"> Start entrepreneurship development at an early age, in high school and not post degree. This is critical as it will create a culture that supports entrepreneurship. Basic business principles (e.g. finances, marketing, production of product, etc) need to be taught as part of the school curriculums from the lower grades, with practicals incorporated therein.
Post-school entrepreneurship education	<ul style="list-style-type: none"> Provide a pipeline of just in time, just enough training AND scaffolding for entry and advancement in PSET. Entrepreneurship Education infused into school system from basic to PSET sector. (practical and vocational entrepreneurship education).
Entrepreneurship training	<ul style="list-style-type: none"> Training on entrepreneurship, sales and financial management. this will ensure growth of these informal traders to the extent that they will eventually see the need to migrate to the formal sector of the economy and participate meaningfully. Adequate training of entrepreneurs is essential.

Source: Focus group 2 (2022)

4.4.1.4 COMMUNITY OF PRACTICE (COP) / SUPPORT

Networks and finding a network of similar people with whom informal businesses can grow is important, according to participants There is a benefit to sharing entrepreneurial

stories through case studies, discussions and engagement. Mentorship was also suggested as important to enable informal businesses, as learning from successful informal entrepreneurs and having them as mentors will be beneficial and should be advocated for. It is also important to establish and maintain platforms that can link mentors to mentees.

Table 34. FG2 Affinity: Community of practice/support

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none"> • Entrepreneur Stories – gather case studies, share and discuss. • Mentorship is an important aspect. There are people who have been able to start and grow informal businesses successfully. Seeking a mentor should be encourage so as to learn from these individuals. • Also important is the existence of platforms that can link mentors to mentees. • Network, finding a network of similar people who you can grow with.

Source: Focus group 2 (2022)

4.4.1.5 HUMAN CAPITAL

Participants noted that it is difficult for informal businesses to find staff with the correct skills who are relevant to the informal business. Therefore, there is a need to find the right people for a business, as well as an understanding of how to access training for staff and entrepreneurs.

Table 35. FG2 Affinity: Human capital

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none"> • Finding staff with the correct skills, so now you want to employ someone who has matric with food service? • How do you find the right people and how do you access training?

Source: Focus group 2 (2022)

4.4.1.6 FINANCE/FUNDING

Participants noted the importance of funding, including access to capital and funding, as well as financial literacy for informal entrepreneurs to grow their businesses.

Access to capital and funding: Funding in the form of soft loans and venture capital for the informal sector is needed. Participants noted that Small Enterprise Foundation (SEF) has a funding model that has proven to work for rural women entrepreneurs, mostly in Limpopo and the Mpumalanga Provinces, providing funding to these rural woman entrepreneurs in the main. Although there is the availability of Venture Capital, access to such capital for small entrepreneurs and black entrepreneurs (previously disadvantaged) is limited.

Financial literacy: According to participants, barriers to access funding for informal businesses need to be reduced as informal businesses have no safety net, have limited financial literacy and need to be capacitated to manage income and generate profits. Many business ideas do not materialise due to the inability to access and locate funding. As part of entrepreneurship education, different funding sources should be highlighted.

Table 36. FG2 Affinity: Finance / Funding

Sub-Affinities	Focus group contributions
Access to capital and funding	<ul style="list-style-type: none"> • Funding as in soft loans for the informal sector, most people in our country would prefer to make an honest living. Small Enterprise Foundation (SEF) has a funding model that has proven to work for rural women entrepreneurs mostly in Limpopo and Mpumalanga Province, the providing funding to these rural woman entrepreneurs in the main. • Availability of Venture Capital for small entrepreneurs, especially black entrepreneurs (previously disadvantaged). • There is a lot of white capital, but black entrepreneurs find it difficult to access venture capital.
Financial literacy	<ul style="list-style-type: none"> • Finance, to go to the next level, the barriers are huge, and the risk is enormous. there is no safety net. financial literacy, how to manage your income and not to 'eat' your profits. • Too many business ideas don't come to life due to the inability to locate funding. As part of the entrepreneurship education, different funding sources should be highlighted.

Source: Focus group 2 (2022)

4.4.1.7 SUPPORTING INFRASTRUCTURE

Supporting infrastructure to enable access: Participants suggested that business support and access to information and institutions contribute to supporting infrastructure which creates access for informal businesses to enable growth.

Business support: One of the main challenges observed by participants is informal businesses' lack of access to supportive infrastructure, for example, how to write a plan or access funding.

Access to information and institutions: Access to information, legal, and support institutions is imperative, however, according to a participant, many informal businesses are not aware of how to access what they need or what is available.

Table 37. FG2 Affinity: Supporting infrastructure

Sub-Affinities	Focus group contributions
Business support	<ul style="list-style-type: none"> • One of the main challenges observed in informal business is lack of access to supportive infrastructure, for example, how to write a plan or to access funding.
Access to information and institutions	<ul style="list-style-type: none"> • Access: to information, legal, support institutions. • The problem seems to be people do not know how to access what they need or what is available. (relocated from B)

Source: Focus group 2 (2022)

4.4.1.8 LOCAL, NATIONAL AND RURAL INFRASTRUCTURE

Infrastructure was noted by participants as being important for informal businesses and include the trading environment for informal businesses, operational support to businesses and enabling infrastructure for informal business.

Trading environment for informal businesses: It is suggested that market stalls for informal trading should be more conducive and well located around transport hubs like taxi ranks, bus stations and train stations. Local Municipalities need to set up proper spaces for informal traders and there needs to be the provision of reasonable infrastructure for entrepreneurs at local and national levels.

Enabling infrastructure for informal business: According to participants, the development of rural infrastructure that supports the growth of businesses and economic activity is important, ideally including rural road networks, electricity and running water. This will ensure that the country's population becomes economically active and not dependent on State social grants. Informal businesses are exposed to inadequate infrastructure and services and have issues of access and affordability to infrastructure.

Operational support: Participants suggested that operational support mechanisms are an important part of the business and include access to a bank account to facilitate receipts and payment. Many financial institutions now enable informal businesses to open bank accounts for this purpose, and more of that is required.

Table 38. FG2 Affinity: Infrastructure (local, national, rural)

Sub-Affinities	Focus group contributions
Trading environment for informal businesses	<ul style="list-style-type: none"> Set up proper Market Stalls where needed, most informal trading take place in rural and township areas, you have a lot of informal trading around the transport hubs like taxi ranks and bus station, train station that generate lots of sales and sustains families. Local Municipalities need to set up proper spaces for these trading to thrive.
Operational support	<ul style="list-style-type: none"> Operational support mechanisms are an important part of the business. If the operations don't work smoothly, the business' future is at risk. These may include a bank account to facilitate receipts and payment. A number of financial institutions now enable informal businesses to open bank accounts for this purpose, and more of that is required.
Enabling infrastructure for informal business	<ul style="list-style-type: none"> Provide reasonable infrastructure for entrepreneurs at local and national levels. Development of rural infrastructure that supports the growth of businesses and economic activity. Rural road networks, electricity, running water are key to the development of economic players. This also ensures that 80% of the country's population becomes economically active and not dependent on state social grants.

Source: Focus group 2 (2022)

4.4.1.9 ACCESS TO MARKETS/VALUE-CHAIN PARTICIPATION

Access to markets/value-chain participation: Participants noted that access to new markets and the ability to participate in value-chains are contributing factors to creating a sustainable informal entrepreneurship ecosystem.

New markets: Participants note that informal businesses need to find a niche offering and add value through their products/services within a location/ environment to enable their growth. Market access is reported as the big impediment, resulting in informal businesses remaining survivalist entities with limited growth. Regional market development is important as South African businesses tend to focus only on the South African market, and maybe Botswana, Lesotho and eSwatini. The Inter-Africa Trade area is in place and should be taken advantage of.

Value-chain participation: Participants noted the importance of improving supply chain networks that support small entrepreneurs to allow small businesses to break into existing supply chain networks. Formal businesses and governments need to take interest in providing value-chain support (assist entities in being suppliers).

Table 39. FG2 Affinity: Access to markets/value-chain participation

Sub-Affinities	Focus group contributions
New markets	<ul style="list-style-type: none"> Finding a niche and adding value. Within a location/ environment -finding a product or service that will take off. Regional market development is important as South African businesses tend to focus only on the South African market, and maybe Botswana, Lesotho and eSwatini. The Inter-Africa Trade area is in place and should be taken advantage of.
Value-chain participation	<ul style="list-style-type: none"> Market access is usually reported as the BIG impediment, as a result they remain survivalist entities, with limited growth. Supply Chain Networks that support small entrepreneurs. Big business buys from big business, as a result, small entrepreneurs struggle to break into existing supply chain networks.

Source: Focus group 2 (2022)

4.4.1.10 PRODUCTS

Participants indicated that there is a need to build confidence in informal businesses to enable them to create new products and market their products to new markets.

Table 40. FG2 Affinity: Products

Sub-Affinities	Focus group contributions
N/A	<ul style="list-style-type: none"> Build confidence to create new products, market products to new markets.

Source: Focus group 2 (2022)

4.4.1.11 POLICY / REGULATORY ENVIRONMENT

Policy / regulatory environment (enabling environment): An enabling policy and regulatory environment to support informal business growth includes supporting innovation; having an enabling policy environment for informal businesses; less stringent business compliance requirements for formalisation effective enforcement of informal trading by-laws; and addressing crime.

Innovation: Participants highlighted the need for a conducive policy environment that supports the development of a business idea into a Minimum Viable Product (MVP) by using incubators that support start-ups, enrich creativity and enable the development of prototypes. MVP / incubation funding may not attract private capital, hence government and public funds should be made available for this purpose in the form of an Entrepreneurship Development Fund.

Enabling policy environment: The biggest challenge, as suggested by participants, is the regulatory environment, which is repressive. To grow an informal business, there is a need to create a conducive policy/regulatory environment that supports and nurtures businesses instead of crippling them.

Business compliance requirements: Participants noted the need to reduce the red tape that is currently cumbersome for entrepreneurs to navigate, making it easier for businesses to comply. Many informal businesses struggle with the stringent process to formalise their business, resulting in many deciding to continue as informal (i.e. inflexible legal framework). There is therefore a need to ease the requirements of formalising businesses, especially small businesses, as a way of encouraging informal entrepreneurs to formalise their businesses.

Enforcement of by-laws: Participants suggested that by-laws need to be enforced to ensure that the health and safety of citizens of our country are protected from potentially harmful products. Enforcement in respect of business practice is also needed to ensure that consumers are not swindled by Informal traders. There is also a need to deal with repressive by-laws, eliminate red tape, and manage the ability of authorities to close informal businesses without any reasonable explanation(s).

Crime: Participants suggested that law enforcement needs to pay attention to mafias who extort traders and metro police who harness traders.

Table 41. FG2 Affinity: Policy / Regulatory environment

Sub-Affinities	Focus group contributions
Innovation	<ul style="list-style-type: none"> • Policy environment that supports the development of a business idea into an MVP. This investment should be in incubators that support start-ups, enrich the creativity and development of prototypes. Such funding cannot be done via private capital hence government and public funds should be made available. An Entrepreneurship Development Fund so to speak.
Enabling policy environment	<ul style="list-style-type: none"> • What can be done to grown informal business: create a conducive policy/regulatory environment that supports and nurtures businesses instead of crippling them. • The biggest challenge is regulatory environment as it is repressive.
Business compliance requirements	<ul style="list-style-type: none"> • Reduce the red tape that is currently cumbersome for entrepreneurs to navigate. Make it easier for businesses to comply. • Most of informal business state when engaging to stringent process to formalise their business hence it is easier and better to continue as informal (i.e. inflexible legal framework). • Ease the requirements of formalising businesses more especially small businesses as a way of encouraging these informal entrepreneurs to formalise their business.
Enforcement of by-laws	<ul style="list-style-type: none"> • Enforce by-laws in terms of health and safety, citizens of our country need to be protected from potential harmful products and swindling by some of these Informal traders, there is therefore a need for enforcement of laws and by-laws in relations to products being distributed by these informal traders. • Governmental red tape, and the ability of authorities to close you down without any reasonable explanation.
Crime	<ul style="list-style-type: none"> • Get serious about mafias who extort from traders and metro cops who harness traders, deal with repressive by-laws.

Source: Focus group 2 (2022)

4.4.1.12 CONCLUDING SUMMARY: FG2 SYSTEM ELEMENTS

This section presented the FG2 system elements and in doing so, addresses Research Question 1.

The figure below depicts the system elements, which are the 11 affinities identified by FG2 and sub-affinities identified by the researcher.

Figure 27. FG2 System elements / affinities



Source: Focus group 2; Author's construct (2022)

4.4.2 FG2 GROUP REALITY: SYSTEM RELATIONSHIPS

This section presents the system relationships as identified by FG2. The analysis of FG2 data is detailed below. The resulting group IRDs and the group and affinity SIDs are presented.

4.4.2.1 DATA ANALYSIS

The analysis of FG2 data followed the process outlined in [Section 4.2](#).

- **Step 1:** The relationships between the eleven affinities were identified by constituencies on a Simple ART. The Detailed ARTs were consolidated into a composite ART for FG2.
- **Step 2:** The composite ART for FG2 was statistically analysed using the Pareto Protocol statistical analysis where the optimal number of relationships were identified for the constituency's system.

- **Step 3:** The Group IRD was generated using the outcome of the Pareto Protocol statistical analysis. The IRD was then used to prepare the group and affinity SIDs.

4.4.2.1.1 DETAILED ART

This focus group completed a detailed ART, providing reasons for their affinity relationship selection. Since the focus group was dismissed after identifying the system elements, the ART process ensued afterwards.

Per *Table 42*, the total possible ‘votes’ or affinity relationships derived from all ARTs that could have been identified by FG2 is 660. Of the total possible 660 votes, 120 votes were for affinities with no relationships and 2 had no votes.

Therefore, 538 votes were for valid affinity relationships.

Table 42. FG2 Relationship votes

Descriptors	Applicable calculation	Number
Number of affinities identified	A – K	11
Number of participants	7 participants 6 ARTs	6
Number of possible affinity relationships (votes)	(11 x 11)	121
Less: Common affinities relationships	E.g.: A/A, B/B	(11)
Number of possible affinity relationships (individual ART)		110
Number of possible votes for FG2	(110 x 6)	660
Less: Number of no-votes		(2)
Less: Number of ‘no relationship’ votes		(120)
Number of valid votes received		538

Source: Focus group 2; Author’s construct (2022)

The researcher prepared a composite ART by consolidating the individual ARTs. Individual ARTs are used to generate the individual IRDs. These individual IRDs are presented in *Annexure B: FG2 – Individual IRD* where all 6 submissions were received and coded.

The ART forms the input into the Pareto Protocol statistical analysis where the 110 affinity relationships are based on the 538 valid votes emanating from FG2.

4.4.2.1.2 PARETO PROTOCOL ANALYSIS

The Pareto Protocol statistical analysis is used to determine the optimal number of relationships that make up the composite system for the constituency. Using the power-

score as the measure, the optimal number of relationships is identified at the point where power is at its highest.

The Pareto Protocol statistical analysis for FG2 is presented in *Table 43* below.

Table 43. FG2 Pareto Protocol statistical analysis

No	Affinity pair relationship			Frequency	Cumulative frequency	Cumulative %	Cumulative %	Power score
	Variable 1		Variable 2	Descending		Relation	Frequency	
1	A	←	C	12	12	0.9%	2.2%	1.3%
2	B	→	I	12	24	1.8%	4.5%	2.6%
3	F	→	J	12	36	2.7%	6.7%	4.0%
4	G	→	I	12	48	3.6%	8.9%	5.3%
5	H	→	I	12	60	4.5%	11.2%	6.6%
6	B	→	D	10	70	5.5%	13.0%	7.6%
7	B	→	F	10	80	6.4%	14.9%	8.5%
8	B	→	G	10	90	7.3%	16.7%	9.5%
9	B	→	J	10	100	8.2%	18.6%	10.4%
10	C	→	E	10	110	9.1%	20.4%	11.4%
11	E	→	I	10	120	10.0%	22.3%	12.3%
12	F	→	G	10	130	10.9%	24.2%	13.3%
13	F	→	H	10	140	11.8%	26.0%	14.2%
14	F	→	I	10	150	12.7%	27.9%	15.2%
15	G	→	J	10	160	13.6%	29.7%	16.1%
16	I	→	J	10	170	14.5%	31.6%	17.1%
17	A	←	K	8	178	15.5%	33.1%	17.6%
18	A	→	E	8	186	16.4%	34.6%	18.2%
19	A	→	J	8	194	17.3%	36.1%	18.8%
20	B	→	H	8	202	18.2%	37.5%	19.4%
21	C	←	K	8	210	19.1%	39.0%	19.9%
22	C	→	F	8	218	20.0%	40.5%	20.5%
23	C	→	J	8	226	20.9%	42.0%	21.1%
24	D	→	F	8	234	21.8%	43.5%	21.7%
25	D	→	I	8	242	22.7%	45.0%	22.3%
26	E	←	K	8	250	23.6%	46.5%	22.8%
27	F	←	K	8	258	24.5%	48.0%	23.4%
28	H	←	K	8	266	25.5%	49.4%	24.0%
29	H	→	J	8	274	26.4%	50.9%	24.6%
30	J	←	K	8	282	27.3%	52.4%	25.1%
31	A	←	B	6	288	28.2%	53.5%	25.3%
32	A	←	G	6	294	29.1%	54.6%	25.6%
33	A	←	I	6	300	30.0%	55.8%	25.8%
34	A	→	D	6	306	30.9%	56.9%	26.0%
35	A	→	F	6	312	31.8%	58.0%	26.2%
36	B	←	K	6	318	32.7%	59.1%	26.4%
37	B	→	C	6	324	33.6%	60.2%	26.6%
38	B	→	E	6	330	34.5%	61.3%	26.8%

No	Affinity pair relationship			Frequency	Cumulative frequency	Cumulative %	Cumulative %	Power score
	Variable 1		Variable 2	Descending		Relation	Frequency	
39	C	←	D	6	336	35.5%	62.5%	27.0%
40	C	←	G	6	342	36.4%	63.6%	27.2%
41	C	←	H	6	348	37.3%	64.7%	27.4%
42	C	←	I	6	354	38.2%	65.8%	27.6%
43	C	→	D	6	360	39.1%	66.9%	27.8%
44	C	→	I	6	366	40.0%	68.0%	28.0%
45	D	→	E	6	372	40.9%	69.1%	28.2%
46	D	→	G	6	378	41.8%	70.3%	28.4%
47	D	→	J	6	384	42.7%	71.4%	28.6%
48	E	←	H	6	390	43.6%	72.5%	28.9%
49	G	←	K	6	396	44.5%	73.6%	29.1%
50	G	→	H	6	402	45.5%	74.7%	29.3%
51	I	←	K	6	408	46.4%	75.8%	29.5%
52	A	←	H	4	412	47.3%	76.6%	29.3%
53	A	→	B	4	416	48.2%	77.3%	29.1%
54	A	→	I	4	420	49.1%	78.1%	29.0%
55	A	→	K	4	424	50.0%	78.8%	28.8%
56	B	←	C	4	428	50.9%	79.6%	28.6%
57	B	←	E	4	432	51.8%	80.3%	28.5%
58	B	←	H	4	436	52.7%	81.0%	28.3%
59	B	→	K	4	440	53.6%	81.8%	28.1%
60	C	←	F	4	444	54.5%	82.5%	28.0%
61	C	←	J	4	448	55.5%	83.3%	27.8%
62	C	→	K	4	452	56.4%	84.0%	27.7%
63	D	←	E	4	456	57.3%	84.8%	27.5%
64	D	←	G	4	460	58.2%	85.5%	27.3%
65	D	←	H	4	464	59.1%	86.2%	27.2%
66	D	←	J	4	468	60.0%	87.0%	27.0%
67	D	←	K	4	472	60.9%	87.7%	26.8%
68	D	→	K	4	476	61.8%	88.5%	26.7%
69	E	←	F	4	480	62.7%	89.2%	26.5%
70	E	←	G	4	484	63.6%	90.0%	26.3%
71	E	←	J	4	488	64.5%	90.7%	26.2%
72	E	→	G	4	492	65.5%	91.4%	26.0%
73	E	→	J	4	496	66.4%	92.2%	25.8%
74	G	←	H	4	500	67.3%	92.9%	25.7%
75	A	←	D	2	502	68.2%	93.3%	25.1%
76	A	←	E	2	504	69.1%	93.7%	24.6%
77	A	←	F	2	506	70.0%	94.1%	24.1%
78	A	→	G	2	508	70.9%	94.4%	23.5%
79	A	→	H	2	510	71.8%	94.8%	23.0%
80	B	←	F	2	512	72.7%	95.2%	22.4%
81	C	←	E	2	514	73.6%	95.5%	21.9%
82	C	→	G	2	516	74.5%	95.9%	21.4%

No	Affinity pair relationship		Frequency	Cumulative frequency	Cumulative %	Cumulative %	Power score	
	Variable 1	Variable 2						Descending
83	C	→	H	2	518	75.5%	96.3%	20.8%
84	D	→	H	2	520	76.4%	96.7%	20.3%
85	E	←	I	2	522	77.3%	97.0%	19.8%
86	E	→	F	2	524	78.2%	97.4%	19.2%
87	E	→	H	2	526	79.1%	97.8%	18.7%
88	E	→	K	2	528	80.0%	98.1%	18.1%
89	F	←	G	2	530	80.9%	98.5%	17.6%
90	F	←	H	2	532	81.8%	98.9%	17.1%
91	F	←	I	2	534	82.7%	99.3%	16.5%
92	I	←	J	2	536	83.6%	99.6%	16.0%
93	I	→	K	2	538	84.5%	100.0%	15.5%
94	A	←	J	0	538	85.5%	100.0%	14.5%
95	A	→	C	0	538	86.4%	100.0%	13.6%
96	B	←	D	0	538	87.3%	100.0%	12.7%
97	B	←	G	0	538	88.2%	100.0%	11.8%
98	B	←	I	0	538	89.1%	100.0%	10.9%
99	B	←	J	0	538	90.0%	100.0%	10.0%
100	D	←	F	0	538	90.9%	100.0%	9.1%
101	D	←	I	0	538	91.8%	100.0%	8.2%
102	F	←	J	0	538	92.7%	100.0%	7.3%
103	F	→	K	0	538	93.6%	100.0%	6.4%
104	G	←	I	0	538	94.5%	100.0%	5.5%
105	G	←	J	0	538	95.5%	100.0%	4.5%
106	G	→	K	0	538	96.4%	100.0%	3.6%
107	H	←	I	0	538	97.3%	100.0%	2.7%
108	H	←	J	0	538	98.2%	100.0%	1.8%
109	H	→	K	0	538	99.1%	100.0%	0.9%
110	J	→	K	0	538	100.0%	100.0%	0.0%

Source: Focus group 2; Author's construct (2022)

Legend: A: Culture, B: Create an enabling environment (Infrastructure, corporate and government support), C: Education, training and support infrastructure, D: Community of practice (COP)/ support, E: Human capital, F: Finance/funding, G: Supporting infrastructure (To enable access), H: Infrastructure (local, national, rural), I: Access to markets/value chain participation, J: Products, K: Policy / regulatory environment (Enabling environment)

Relationships outside the optimal threshold ■ Maximum power score

This detailed analysis is interpreted below.

4.4.2.1.3 PARETO PROTOCOL RESULTS

Frequency: The total number of possible votes that each relationship pair could have received from the focus group is 12 (6 x 2). A←C is the relationship with the highest frequency, receiving 12 votes. The table is sorted in order of descending frequency which

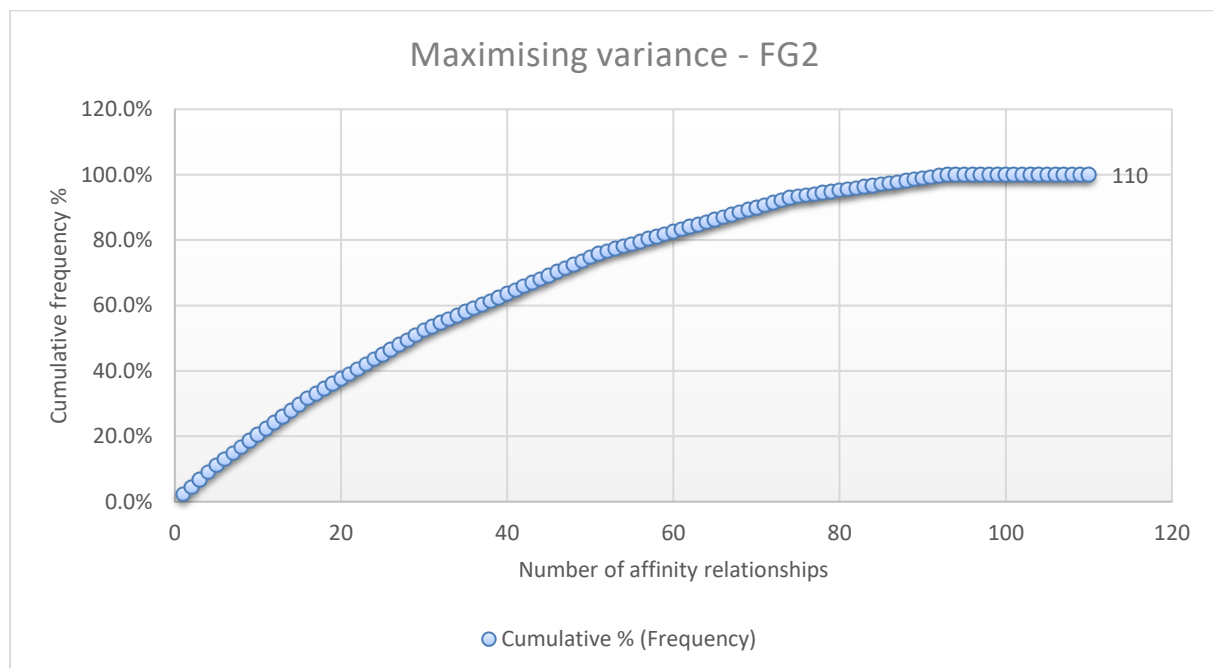
is used as a basis for determining the cumulative frequency, cumulative relation %, cumulative frequency % and power scores.

Cumulative frequency: This equals the total number of valid votes received, which is 538. This was determined by removing 2 no-votes and 120 'no relationship' votes of the 660 (110 x 6) total number of possible votes for FG2.

Cumulative % (Relation): As there are 110 possible relationship affinities (refer to *Table 42*), this number is calculated as 1/110 and accumulated down the table.

Cumulative % (Frequency): The cumulative percentage is based on 538 valid votes cast. It reflects the cumulative % of votes received by relationships based on the frequency. The figure below is a graphic illustration of the variance accounted for by each succeeding relationship. The top 22 (20%) affinity relationships contribute towards a 40.5% variation in the system. However, the first 51 affinity relationships (46.4%) account for the maximum variance of 75.8%.

Figure 28. FG2 Pareto Protocol: Variance maximisation

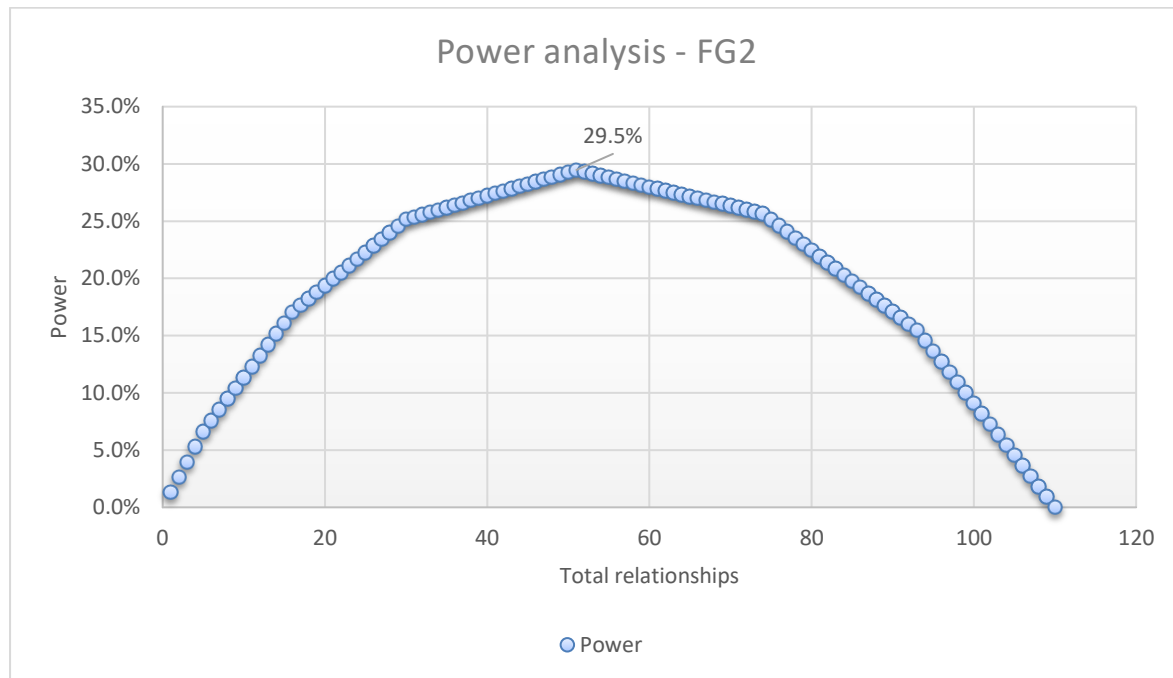


Source: Focus group 2; Author's construct (2022)

Power: The power score is used to determine the degree of optimisation of the system and the optimal number of relationships comprising the constituency's system. At the maximum variance of 75.8% and 51 affinity relationships, power is at a maximum. Therefore, 51 relationships are utilised in the Group IRD and the remaining relationships on *Table 43* which have been greyed out are not utilised any further.

The figure below presents the power analysis for the system.

Figure 29. FG2 Pareto Protocol: Power analysis



Source: Focus group 2; Author’s construct (2022)

Using the Pareto Protocol to analyse the composite ART, the optimal number of relationships for the subject matter experts’ constituency (FG2) is
51.

4.4.2.1.4 AMBIGUOUS RELATIONSHIPS

Within the top 51 relationships, 2 ambiguous relationships (coloured red) are evident. These relationships had the same frequency as their pair peer, and the ranking on the frequency table was therefore used to select the dominant relationship (#39 and #42). The other 2 relationships per the table below are discarded to create the IRD.

Table 44. FG2 Ambiguous relationships

No	Affinity pair relationship			Frequency	Analysis
	Variable 1		Variable 2	Descending	
39	C	←	D	6	Use – higher ranking
43	C	→	D	6	Discard
42	C	←	I	6	Use – higher ranking
44	C	→	I	6	Discard

Source: Focus group 2; Author’s construct (2022)

The Pareto Protocol results are used to generate the group IRD. The two ambiguous relationships identified above are excluded from the IRD but are later included in the SID.

After removing ambiguous relationships from the Pareto Protocol outcomes, the optimal number of relationships for the subject matter experts' constituency (FG2) is 49.

4.4.2.2 GROUP IRDS

Using the process outlined in Section 4.2.3, the cluttered and uncluttered group IRDs are presented below while the individual IRDs (derived from the individual ARTs) are presented in Annexure B: FG2 – Individual IRD.

4.4.2.2.1 CLUTTERED GROUP IRD

The cluttered group IRD presented below contains the 49 optimal affinity relationships derived from the Pareto Protocol analysis in Table 43.

Table 45. FG2 Cluttered IRD

Cluttered FG2 IRD	A	B	C	D	E	F	G	H	I	J	K	IN	OUT	DELTA
A		←	←	↑	↑	↑	←		←	↑	←	5	4	-1
B	↑		↑	↑	↑	↑	↑	↑	↑	↑	←	1	9	8
C	↑	←		←	↑	↑	←	←	←	↑	←	6	4	-2
D	←	←	↑		↑	↑	↑		↑	↑		2	6	4
E	←	←	←	←				←	↑		←	6	1	-5
F	←	←	←	←			↑	↑	↑	↑	←	5	4	-1
G	↑	←	↑	←		←		↑	↑	↑	←	4	5	1
H		←	↑		↑	←	←		↑	↑	←	4	4	0
I	↑	←	↑	←	←	←	←	←		↑	←	7	3	-4
J	←	←	←	←		←	←	←	←		←	9	0	-9
K	↑	↑	↑		↑	↑	↑	↑	↑	↑		0	9	9

Source: Focus group 2; Author's construct (2022)

Legend: A: Culture, B: Create an enabling environment (Infrastructure, corporate and government support), C: Education, training and support infrastructure, D: Community of practice (COP)/ support, E: Human capital, F: Finance/funding, G: Supporting infrastructure (To enable access), H: Infrastructure (local, national, rural), I: Access to markets/value chain participation, J: Products, K: Policy / regulatory environment (Enabling environment)

The cluttered SID for FG2 in Figure 30 is prepared using the cluttered IRD. The cluttered IRD is also used to prepare the affinity SIDs.

4.4.2.2.2 UNCLUTTERED IRD

The **uncluttered IRD** is derived by sorting the IRD above in descending order of Delta as presented in *Table 46* below.

Table 46. FG2 Uncluttered IRD

Uncluttered FG2 IRD	A	B	C	D	E	F	G	H	I	J	K	IN	OUT	DELTA
K	↑	↑	↑		↑	↑	↑	↑	↑	↑		0	9	9
B	↑		↑	↑	↑	↑	↑	↑	↑	↑	←	1	9	8
D	←	←	↑		↑	↑	↑		↑	↑		2	6	4
G	↑	←	↑	←		←		↑	↑	↑	←	4	5	1
H		←	↑		↑	←	←		↑	↑	←	4	4	0
A		←	←	↑	↑	↑	←		←	↑	←	5	4	-1
F	←	←	←	←			↑	↑	↑	↑	←	5	4	-1
C	↑	←		←	↑	↑	←	←	←	↑	←	6	4	-2
I	↑	←	↑	←	←	←	←	←		↑	←	7	3	-4
E	←	←	←	←				←	↑		←	6	1	-5
J	←	←	←	←		←	←	←	←		←	9	0	-9

Source: Focus group 2; Author's construct (2022)

Legend: A: Culture, B: Create an enabling environment (Infrastructure, corporate and government support), C: Education, training and support infrastructure, D: Community of practice (COP)/ support, E: Human capital, F: Finance/funding, G: Supporting infrastructure (To enable access), H: Infrastructure (local, national, rural), I: Access to markets/value chain participation, J: Products, K: Policy / regulatory environment (Enabling environment)

4.4.2.2.3 TENTATIVE SID ASSIGNMENTS

The value of the Delta indicates whether an affinity is a system driver, outcome or pivot and leads to the determination of the **Tentative SID assignments** per the table below.

Table 47. FG2 Tentative SID Assignment

Tentative SID	Affinity
Primary Driver	K: Policy / regulatory environment (Enabling environment) B: Create an enabling environment (Infrastructure, corporate and government support)
Secondary Driver	D: COP (Community of practice/support) G: Supporting infrastructure (To enable access)
Circulator or Pivot	H: Infrastructure (Local, national, rural)
Secondary Outcome	A: Culture F: Finance/funding C: Education and training (and support infrastructure) I: Access to markets (and value chain participation)
Primary Outcome	E: Human capital J: Products

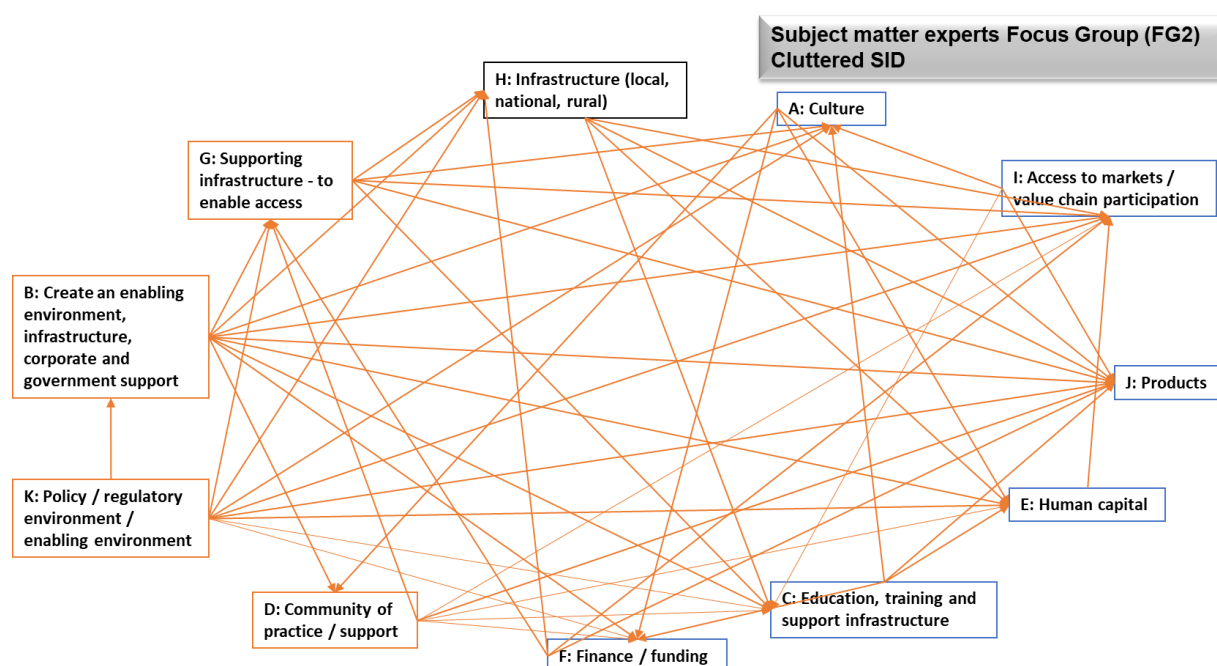
Source: Focus group 2; Author's construct (2022)

The uncluttered IRD as well as the tentative SID assignments were used to prepare the uncluttered SID in *Figure 42*.

4.4.2.3 CLUTTERED GROUP SID

The **cluttered SID** below is the outcome of the cluttered IRD in *Table 45*. It presents the affinity relationships based on the Pareto Protocol. Ambiguous relationships are not reflected in the cluttered SID. The cluttered group SID is saturated with relationships between affinities.

Figure 30. FG2 Cluttered group SID



Source: Focus group 2; Author's construct (2022)

4.4.2.4 AFFINITY SIDS

Affinity SIDs are prepared using the cluttered IRD. The cluttered SIDs below are prepared for each affinity with accompanying narratives and justifications as provided by participants when they identified relationships between affinities on the Detailed ART which was populated. Affinity relationships are discussed in order of Delta per *Table 46*.

4.4.2.4.1 POLICY / REGULATORY ENVIRONMENT

The policy and regulatory environment are not influenced by any of the affinities and are regarded as a primary driver, influencing culture, the enabling environment, education,

and training, human capital, finance/funding, supporting infrastructure, local, national and rural infrastructure access to markets/value-chain participation and products.

Culture: Entrepreneurial and business culture is an outcome of the environment created by government policy and regulations.

“Regulations and policies which empower entrepreneurs fuel the growth of the culture. The opposite is true for regulations that suffocate entrepreneurship efforts. Application of Policy / regulatory environment / enabling environment can become a culture in organisations. A policy position can directly be linked to a change in the culture of the organisation.”

Create an enabling environment: Policies and regulations are critical for creating an environment that is enabling for business.

“Regulations and policies are a key element in creating an environment for entrepreneurship to thrive. A good regulatory framework is the first basis for creating an enabling environment for entrepreneurship. Policy will drive the creation of the environment required.”

Education and training: Entrepreneurship education and training should be prioritized in policy to support an enabling environment for business growth.

“Policy may influence the training and education offered to SMMEs. Disseminate knowledge of policy and regulation. Enhances the learning and support frameworks for entrepreneurship. Regulations and policies form a foundation that then enables the inclusion of entrepreneurship education. If the policies are not favourable to entrepreneurship, then less people will want to be educated in that field.”

Human capital: Human capital development and employment practices can be enhanced by better, more enabling policies and regulations.

“Policy framework is key to human capital development. Capable human capital paves the way for policies that enable thriving entrepreneurship. Many entrepreneurs complain about rigid labour regimes, that discourages a lot to participate in creating meaningful businesses that can be labour-intensive for fear of dealing with stringent regulations. Human capital develops Policy / regulatory environment / enabling environment.”

Finance/funding: Policies are critical in enabling access to and the availability of funding for businesses.

“Policies can influence the availability of funding to support informal entrepreneurs. Policy / regulatory environment / enabling environment regulates access to finance/funding. Policy should facilitate equitable access to funding. Policies should look at how to enable access funding.”

Supporting infrastructure: Policy and regulations need to provide accessible supporting infrastructure for businesses.

“Policies can increase the provision of infrastructure that enables access. Sound policy must enable access and eliminate hindrances. Policy should enable supporting infrastructure for access.”

Local, national and rural infrastructure: Enabling environments for entrepreneurs require the provision of basic infrastructure.

“Policies can inform the provision of basic infrastructure. Policy / regulatory environment / enabling environment creates a supportive Infrastructure (local, national, rural). Policy and procedure must indicate infrastructure provisioning required. Policy should lead to infrastructure.”

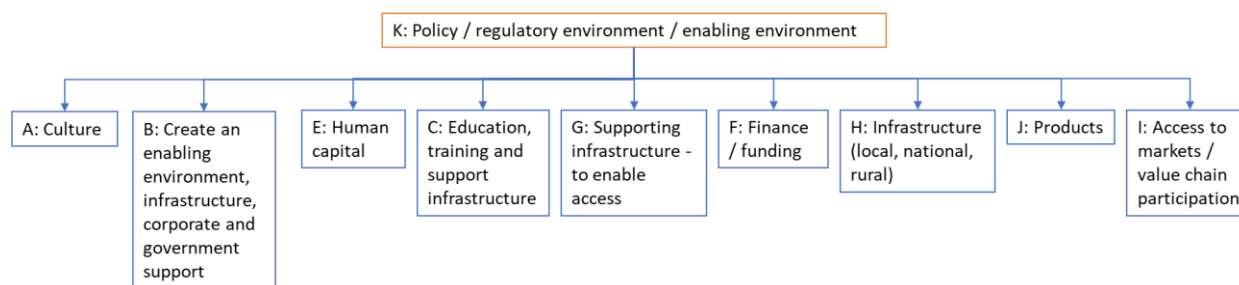
Access to markets/value chain participation: Policies are a critical enabler to market access for businesses.

“Policies can be drafted to enable access to markets and encourage participation. Policy / regulatory environment / enabling environment are enablers to access to markets/value chain participation. Policy should enable access.”

Products: Product innovation is enabled by conducive policy and regulations.

“Policies can help create an environment that fosters the creation of innovative products. Policy / regulatory environment / enabling environment determines how products are made. An enabling environment can lead to enhanced product development and marketing. Policy and clarity of regulatory environment assist in ensuring that products produced meet the safety standards.”

Figure 31. FG2 Affinity SID: Policy / regulatory environment



Source: Focus group 2; Author's construct (2022)

4.4.2.4.2 CREATE AN ENABLING ENVIRONMENT

The singular driver for creating an enabling environment, including infrastructure and corporate and government support, is having an enabling policy and regulatory environment where an environment exists for entrepreneurship to thrive. The creation of an enabling environment inclusive of enabling infrastructure and corporate and government support is influenced by culture, education, training and support infrastructure, COP/support, human capital, finance/funding, supporting infrastructure, infrastructure (local, national, rural), access to markets/value chain participation and products.

Culture: Culture is an outcome of the environment and support provided to informal businesses and is therefore critical in ensuring that such an environment is an enabling one.

“An enabling environment, infrastructure, corporate and government support if consistently applied become a culture of doing things. There need to be a general understanding of the importance of fostering entrepreneurship in the country to the extent that the public understand that it is critical for the country to think beyond employment. Resources like forums, data, markets SCN (supply chain networks) and access to resources and information create a culture as the opportunities are visible and mindset changes to yes I can!”

Education, training and support infrastructure: Education and training for entrepreneurs are important to grow businesses.

“Enabling environment creates to growth and positive effects. The enabling environment could pave way for the provision of much needed education and

training. Education/training is the stepping stone for creating favourable environment for SMME to thrive.”

COP/ support: Relevant and functional COPs and related support for entrepreneurs are important for building a conducive business environment.

“Enabling environment creates to growth and positive effects. The CoP is the outcome of enabling environments such that those who have made it seek to pay it forward through sharing experiences with aspiring ones. Create an enabling environment, infrastructure, corporate and government support can serve as input in developing a Community of practice / support. When people can share their experiences, challenges and best practices there can be a strengthened business community. Communities of practice are critical for the creation of an enabling, supportive, knowledge-sharing business environment. Creates opportunity to create COP.”

Human capital: Skills growth and increased economic activity are outcomes of an enabling environment.

“Enabling environment creates to growth and positive effects. An enabling environment is an environment that is responsive to people, not just regulation, systems and structures. To build people for better economic outcomes means to value the unique experience and skills of labour.”

Finance/funding: Access to finance and the availability of funding are enablers for business growth.

“Enabling environment creates to growth and positive effects. Create an enabling environment, infrastructure, corporate and government support can be in the form of Finance/funding. Enabling environment should root out inequalities in access to funding. Funding is critical in the enablement of SMME success. Part of enabling environment.”

Supporting infrastructure (to enable access): Supporting infrastructure is important to facilitate inclusion and enable access for business growth.

“Enabling environment creates to growth and positive effects. All items in B contribute to a solid foundation for structures that enable access to be in place. In designing an enabling environment, it is necessary to speak to diverse stakeholders

to determine supporting infrastructure required across rural and urban contexts, gender, age, persons with disabilities etc. Appropriate supportive infrastructure will be essential for enabling a conducive platform for SMME growth. Enabling environment allows access.”

Infrastructure (local, national, rural): Local, national and rural infrastructure is important in creating an enabling environment for business growth.

“Enabling environment creates to growth and positive effects. Create an enabling environment, infrastructure, corporate and government support can be in the form of Infrastructure. In designing an enabling environment, it is necessary to determine local and national infrastructure gaps. Enabling environment will lead to market expansion and infrastructure.”

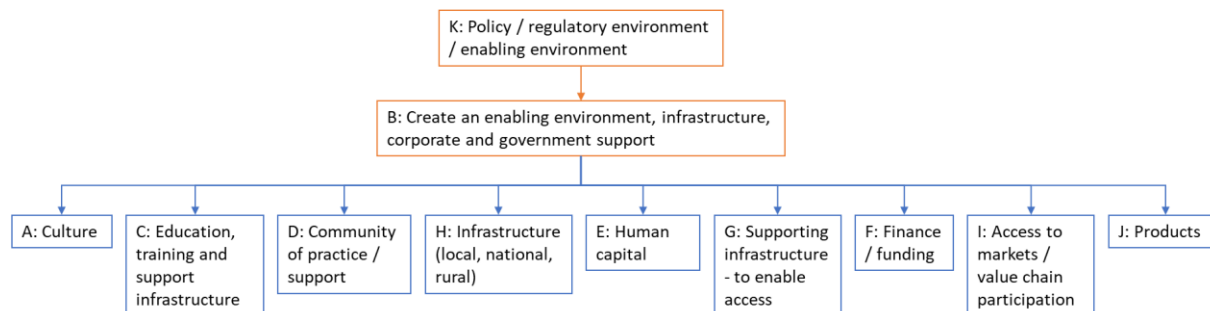
Access to markets/value chain participation: Enabling environments are necessary to create opportunities for businesses to participate in new markets and supply value chains.

“Enabling environment creates to growth and positive effects. An enabling environment paves the way for increased access to markets. Create an enabling environment, infrastructure, corporate and government support is a precursor to access to markets/value chain participation. An enabling environment will facilitate access to new markets. There is direct linkage that when it seen feasible to do business such business will be able to take off. Enabling environment will open access.”

Products: Enabling environments inclusive of government and corporate support mitigate risks that permit product innovation.

“Enabling environment creates to growth and positive effects. Create an enabling environment, infrastructure, corporate and government support determines which products are better supported. An enabling environment encourages risk-taking and innovation in product design. Innovation for products are mainly encouraged when an opportunity to get returns exists. Environment will create confidence to experiment.”

Figure 32. FG2 Affinity SID: Create an enabling environment



Source: Focus group 2; Author's construct (2022)

4.4.2.4.3 COMMUNITY OF PRACTICE/SUPPORT

The COP is influenced by culture and creating an enabling environment (infrastructure, corporate and government support). A conducive COP with appropriate support influences education, training and support infrastructure, human capital, finance/funding, supporting infrastructure (to enable access), access to markets/value chain participation and products.

Education and training and support infrastructure: Information and knowledge sharing in COPs influence the demand for education and training, as well as support infrastructure for businesses.

“COP will be creating a need to tap into education opportunities. Enhances the learning and support frameworks for entrepreneurship. A community of practice shares knowledge, experiences and techniques, to enhance its practice and deepen its impact.” COPs are also an outcome of education. “Out of the educated population comes the COP. Education, training and support infrastructure leads to a Community of practice/support.”

Human capital: Human capital is enhanced through networking and knowledge sharing.

“COP contributes to a capable and knowledgeable workforce. COP can enhance human capital through shared learning. Networks for finding skills.”

Finance/funding: COPs provide a forum where businesses can access finance/funding while also facilitating the availability of funding sources.

“Support enhances availability of funding. In a COP, one could find experienced business owners who may be able to provide support. CoP can share intel on

funding sources and challenges of access. Shared knowledge and experience/ mentorship will enable access to funding.”

Supporting infrastructure (to enable access): Engagements in COPs provide information and support to businesses who need it.

“In a COP, one could find experienced business owners who may be open to funding their idea. Or those business owners could have a network of potential funders. COP can identify support infrastructure needed. The community of practice provides a support structure for SMMEs for Access to markets.”

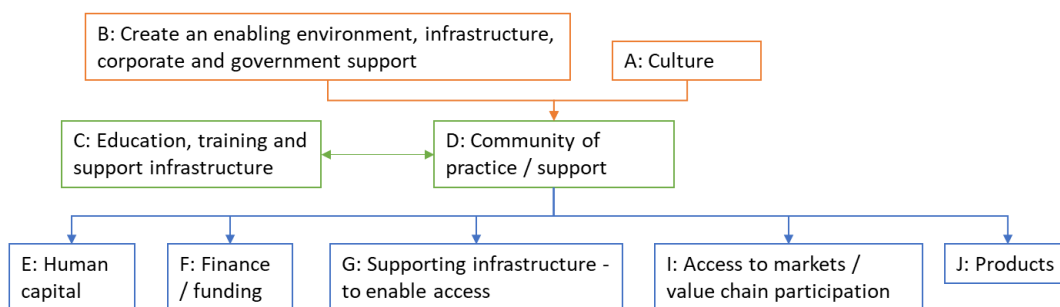
Access to markets/value chain participation: COPs provide a platform for businesses to access new markets and participate in new value chains.

“In a COP, there may be business owners who are able to help one gain access to market participants. COP can enable knowledge sharing on access to markets. The community of practice presents a bridge for Access to markets. Shared knowledge and experience/ mentorship will enable participation.”

Products: Knowledge sharing between businesses enables product development and marketing.

“COP can assist one to find mentors who help guide them through the process of coming up with a product. COP can enable knowledge sharing on product development and marketing. COP are central to confidence and discussing ideas.”

Figure 33. FG2 Affinity SID: COP/support



Source: Focus group 2; Author’s construct (2022)

4.4.2.4.4 SUPPORTING INFRASTRUCTURE

Supporting infrastructure that enables access for entrepreneurs is influenced by creating an enabling environment (infrastructure, corporate and government support), COP/support, finance/funding and an enabling policy / regulatory environment.

Supporting infrastructure enabling access influences culture, education, training and support infrastructure, infrastructure (local, national, rural), access to markets/value-chain participation and products.

Culture: A culture of support is created by environments that are supportive and that enable access for entrepreneurs.

“Supporting infrastructure - to enable access if consistently applied become a culture of doing things. Women who experience challenges within patriarchal contexts can benefit when there is an equitable provisioning of business infrastructure. Supporting infrastructure is an enabling environment and creates possibilities.”

Education, training and support infrastructure: Access to information and knowledge enhances the support of entrepreneurs.

“Enhances the learning and support frameworks for entrepreneurship. For one to have access, one has to know how to go about looking for opportunities and have the knowledge of how to capitalise on them. Supporting infrastructure includes education and training infrastructure.”

Infrastructure (local, national, rural): Adequacy of infrastructure and access to infrastructure enables support for entrepreneurs.

“Supporting infrastructure leads to better infrastructure, products. Supporting infrastructure to enable access must regularly consider new infrastructure requirements and gaps. The 'how to' will increase access.”

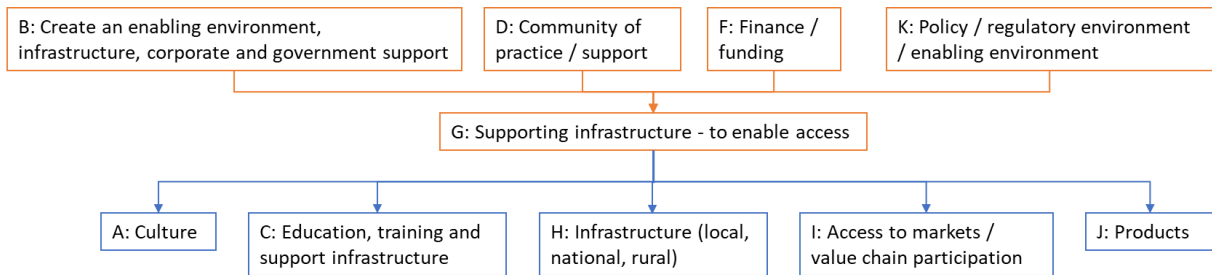
Access to markets/value chain participation: Supporting infrastructure needs to enable access to new markets for entrepreneurs.

“Supporting infrastructure leads to better infrastructure, products. Infrastructure enables access. Supporting infrastructure - to enable access makes access to markets/value chain participation possible. Supporting infrastructure leads to better market access. Both required for a thriving SMME. The 'how to' will increase access.”

Products: Information on markets and support for product development promotes product innovation.

“If you one knows that they're able to access a market, then creating a product becomes simpler. Supporting infrastructure - to enable access makes products possible. Supporting infrastructure leads to innovative products that sell. Access and support may lead to a proper delivery of the product. The 'how to' will increase product development.”

Figure 34. FG2 Affinity SID: Supporting infrastructure



Source: Focus group 2; Author's construct (2022)

4.4.2.4.5 LOCAL, NATIONAL AND RURAL INFRASTRUCTURE

Local, national and rural infrastructure is influenced by creating an enabling environment (infrastructure, corporate and government support), finance/funding, supporting infrastructure (to enable access) and policy / regulatory environment (enabling environment). Quality, accessible infrastructure influences education, training and support infrastructure, human capital, access to markets/value-chain participation and products.

Education, training and support infrastructure: Learning and education support for entrepreneurs is enabled by infrastructure.

“Enhances the learning and support frameworks for entrepreneurship. For one to have access, one has to know how to go about looking for opportunities and have the knowledge of how to capitalise on them. Infrastructure must offer education and training connections between local and national, rural and urban.”

Human capital: Infrastructure is important in enhancing human capital.

“Infrastructure enhances human capital. Well-skilled individuals generally move to where the infrastructure is good as that is where great opportunities tend to be. Infrastructure - to enable human capital.”

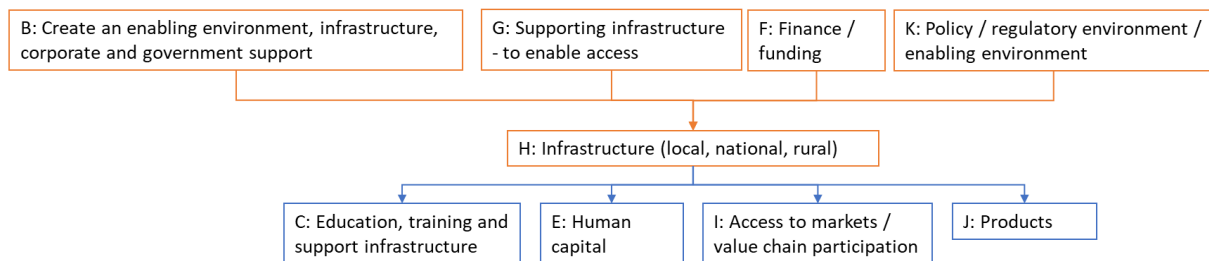
Access to markets/value-chain participation: Conducive infrastructure increases access to new markets.

“Infrastructure leads to better access, products. Infrastructure enables access. Infrastructure (local, national, rural) makes access to markets/value chain participation possible. Good infrastructure leads to enhanced access to markets. The market can be anywhere in the world. More infrastructure creates greater access.”

Products: Infrastructure makes products more accessible and enables access to and creation of new products.

“If you one knows that the basic infrastructure to support their idea, then creating a product becomes simpler. Infrastructure (local, national, rural) makes products possible. Good infrastructure leads to enhanced access to new products. More infrastructure creates confidence for products.”

Figure 35. FG2 Affinity SID: Infrastructure (Local, National, Rural)



Source: Focus group 2; Author’s construct (2022)

4.4.2.4.6 CULTURE

Culture is influenced by the creation of an enabling environment, infrastructure, corporate and government support, education, training and supporting infrastructure, access to markets/value chain participation and the policy / regulatory/enabling environment. Culture, in turn, influences COP and support, human capital, finance and funding and products.

COPs and support: COPs are steeped in the culture that creates and sustains them including support, shared learning, rules and support for informal businesses.

“Culture influences participation and rules in COP. Some cultures are known for great entrepreneurship support, like Chinese, Indians, etc. Cultures can provide concepts of working together (like the words "Ubuntu" which refers to the connectedness of humanity and "Harambee" which means "all pull together"). These terms support a culture of shared learning and shared connections. Cultures can support the formations of community of practice, it can also encourage shared

and mutual learning, or it can deepen individualism and standalone success. A culture of entrepreneurship will create COPs.”

Human capital: Growing human capital requires an understanding of the culture of business and people. Human capital is an outcome of the culture that influences it. Contributions noted that:

“Culture enhances development of human capital. Human beings do not magically lose their cultural worldviews upon entry into business. There has to be sound cultural understanding, sensitivity when working with people. A business minded, or oriented citizenry will eventually assist in producing human capital with the mindset that assist in solutions and new product development. An idea comes first then finding the correct skills.”

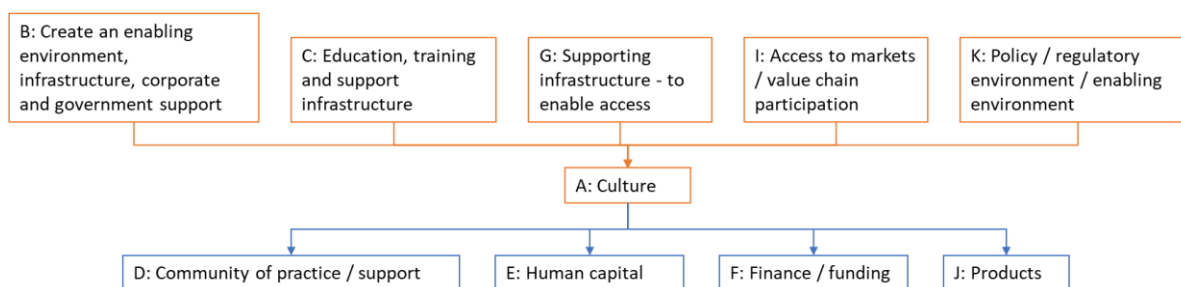
Finance and funding: Equitable access to relevant sources of funding is critical for building an inclusive, business and growth-orientated culture.

“If the culture exists, then various platforms which aim to provide funding for aspiring business owners would exist in abundance. In an environment that fosters entrepreneurship, it is all about ensure that the business is given the best chance of succeeding, including finances. Culture can suppress and discriminate against women. Culture can enforce unequal gender relations. In certain cultural contexts women are seen as second-class citizens and do not get the same support and access to finance. Culture can impinge on financing available to women. For this reason, some countries have focused their efforts on financing for women. Demand driven, a culture will create pressure to supply finance.”

Products: Product innovation is largely dependent on innovation and solution-oriented entrepreneurship culture.

“Cultures with entrepreneurial tendencies tend to be more innovative. Growing up and being around a society that fosters entrepreneurship, one is able to come up with creative solutions to problems and seek ways of packaging that as a product that can be marketable. Culture can provide the inspiration for product design and product innovation. A culture of entrepreneurship will see opportunities.”

Figure 36. FG2 Affinity SID: Culture



Source: Focus group 2; Author's construct (2022)

4.4.2.4.7 FINANCE/FUNDING

Finance and funding are influenced by culture, creating an enabling environment (infrastructure, corporate and government support), education, training and support infrastructure, COP/support and policy / regulatory environment (enabling environment). Funding and finance in turn influence supporting infrastructure (to enable access), infrastructure (local, national, rural), access to markets/value chain participation and products.

Supporting infrastructure (to enable access): Funding is critical for infrastructure development which enables access for business growth.

“Finance leads to infrastructure development, access to markets. Funding is key to a supporting infrastructure. Finance/funding is a form of supporting infrastructure - to enable access. Funding when used well, leads to infrastructure development.”

Infrastructure (local, national, rural): Funding is critical for infrastructure development which enables access to businesses.

“Finance leads to infrastructure development, access to markets. Funding is key to a supporting infrastructure. Finance/funding is a form of supporting infrastructure - (local, national, rural). Funding leads to infrastructure development.”

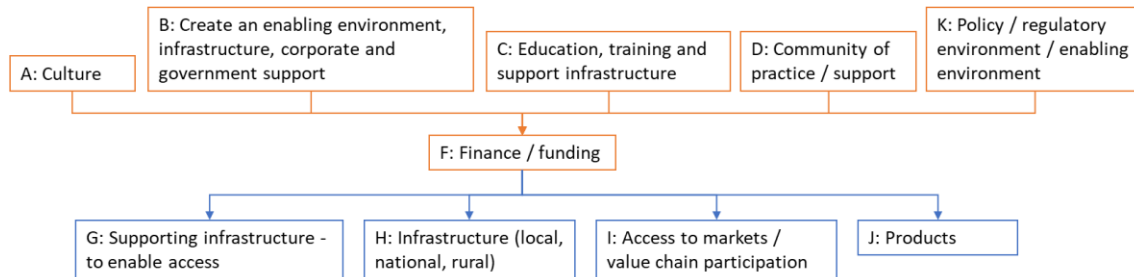
Access to markets/value-chain participation: Funding enables access to new markets and is often a barrier to entry.

“Finance leads to infrastructure development, access to markets. Funding enables access to markets. Often a barrier to entry. Finance leads to access to new markets. Funding will allow you to bring product to market.”

Products: Funding enables access to products and new product development.

“Finance leads to infrastructure development, access to markets, products. At times what stands in the way of bringing a great product to life is funding. Finance/funding supports products. Finance leads to new product development. Funding will allow you to bring product to market.”

Figure 37. FG2 Affinity SID: Finance / Funding



Source: Focus group 2; Author’s construct (2022)

4.4.2.4.8 EDUCATION, TRAINING AND SUPPORT INFRASTRUCTURE

Education, training and support infrastructure are influenced by creating an enabling environment (infrastructure, corporate and government support), COP/support, supporting infrastructure (to enable access), infrastructure (local, national, rural), access to markets (and value chain participation) and policy / regulatory environment (enabling environment). Education, training and support infrastructure influences culture, human capital, finance/funding and products.

Culture: Education influences norms and behaviours and is important for creating an entrepreneurship culture.

“Education influences culture and new norms and behaviours. Education and training provide a good base to change the mindset and create an entrepreneurial culture as well as empower people to start thinking in that way. Education, training and support infrastructure if consistently applied become a culture of doing things. Education can cause a critical cultural view. Education is important in this journey of mindset change to develop a new mentality that encourages entrepreneurship. Education, training and generate a confidence which again impacts on culture is possible and if I get stuck there is help.”

Human capital: Education is an important influencer of human capital creation.

“Human capital is prepared through the education and training. Education, training and generate staff with skills. Education results in capable workforce. Education,

training and support infrastructure ensures better human capital. Education and training enhance the skills, experience and knowledge for human capital development.”

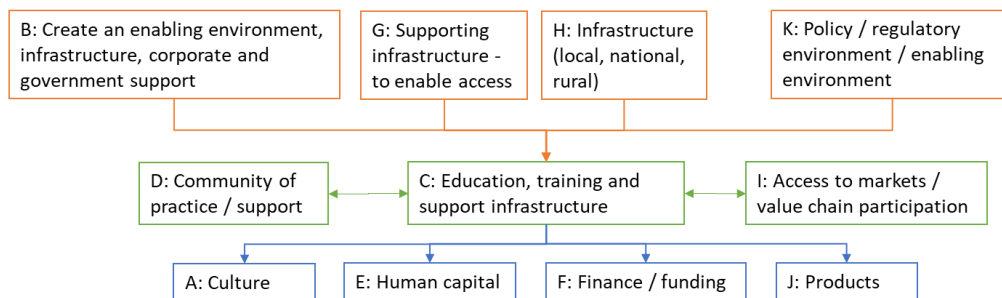
Finance/funding: Financial knowledge and information about funding sources for businesses is enabled by education and training.

“If people know where to look for funding, then it gives them good steer and a fighting chance to turn their ideas into viable businesses. Education, training and support infrastructure can be about finance/funding. Education and training can influence improved financial knowledge towards better financial planning and management. Knowledge of how to access funding finance.”

Products: Education and training play a critical role in entrepreneurs’ ability to research products and enables new product development.

“If you're knowledgeable, it can be easier to know how to do research on your ideas to select the one that is likely to take off. Education, training and support infrastructure can be about products. Education and training can lead to better quality product standards. Knowledge and skills for product development and other production matters.”

Figure 38. FG2 Affinity SID: Education, training and support infrastructure



Source: Focus group 2; Author’s construct (2022)

4.4.2.4.9 ACCESS TO MARKETS/VALUE-CHAIN PARTICIPATION

Access to markets and value chain participation for informal business is influenced by creating an enabling environment (infrastructure, corporate and government support), COP/support, finance/funding, human capital, supporting infrastructure (to enable access), infrastructure (local, national, rural) and policy / regulatory environment (enabling environment). Access to markets and value chain participation for informal businesses in turn influences culture, education, training and support infrastructure and products.

Culture: New markets influence behaviour and create new norms.

“More markets influence culture, behaviour and new norms. Access to new markets can lead to a clash of culture. On the flip side working with new markets can enhance cultural understanding and influence new trade links and new cross-cultural business networks. An enabling environment.”

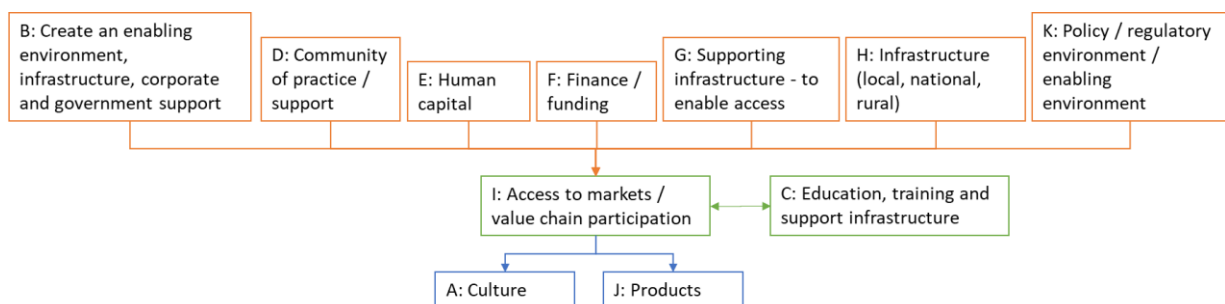
Education, training and support infrastructure: Relevant education and training enhance understanding of new markets.

“Enhances the learning and support frameworks for entrepreneurship. access to markets/value chain participation is better enhanced by relevant education, training and support infrastructure. Understanding your market as an SMME may be influenced by the sort of training you have undergone as a business.”

Products: New market access contributes to innovation and access to more products.

“Access leads to innovation, more products. If you one knows that they're able to access a market, then creating a product becomes simpler. Access to new markets make SA products visible and available to other countries and regions. This can be both ways, you may start by having a product or identify a gap in the market to develop a product for the market. Access should create increased product development.”

Figure 39. FG2 Affinity SID: Access to markets/value-chain participation



Source: Focus group 2; Author’s construct (2022)

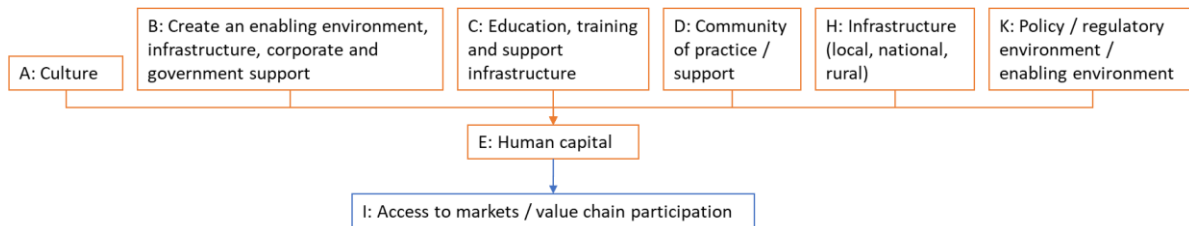
4.4.2.4.10 HUMAN CAPITAL

Human capital is influenced by culture, the creation of an enabling environment (infrastructure, corporate and government support), education, training and support infrastructure, COP/support, Infrastructure (local, national, rural) and policy / regulatory environment (enabling environment).

Human capital enables **access to markets/value-chain participation**:

“Capable human capital paves the way for policies that enable access to markets. Human capital drives access to markets/value chain participation. Human capital development enhances value chain participation. SMME requires capable human capital to exploit the market. Finding the right skills to access market.”

Figure 40. FG2 Affinity SID: Human capital

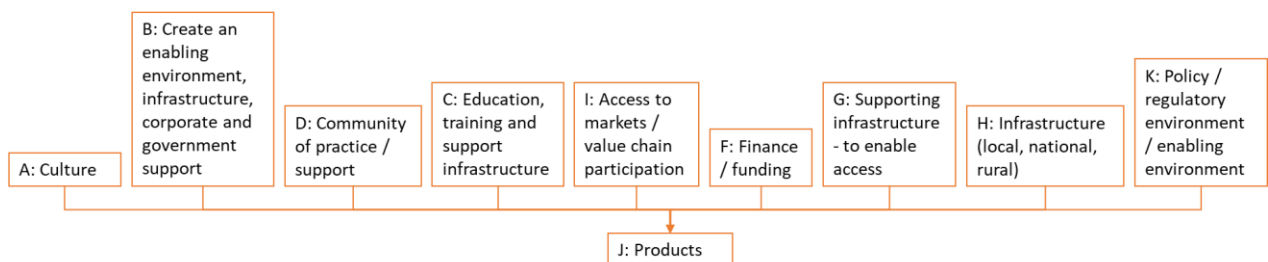


Source: Focus group 2; Author’s construct (2022)

4.4.2.4.11 PRODUCTS

Products traded by a business are influenced by culture, the creation of an enabling environment (infrastructure, corporate and government support), education, training and support infrastructure, COP/support, human capital, finance/funding, supporting infrastructure (to enable access), infrastructure (local, national, rural), access to markets/value chain participation and policy / regulatory environment (enabling environment). Products do not influence any other affinity.

Figure 41. FG2 Affinity SID: Products



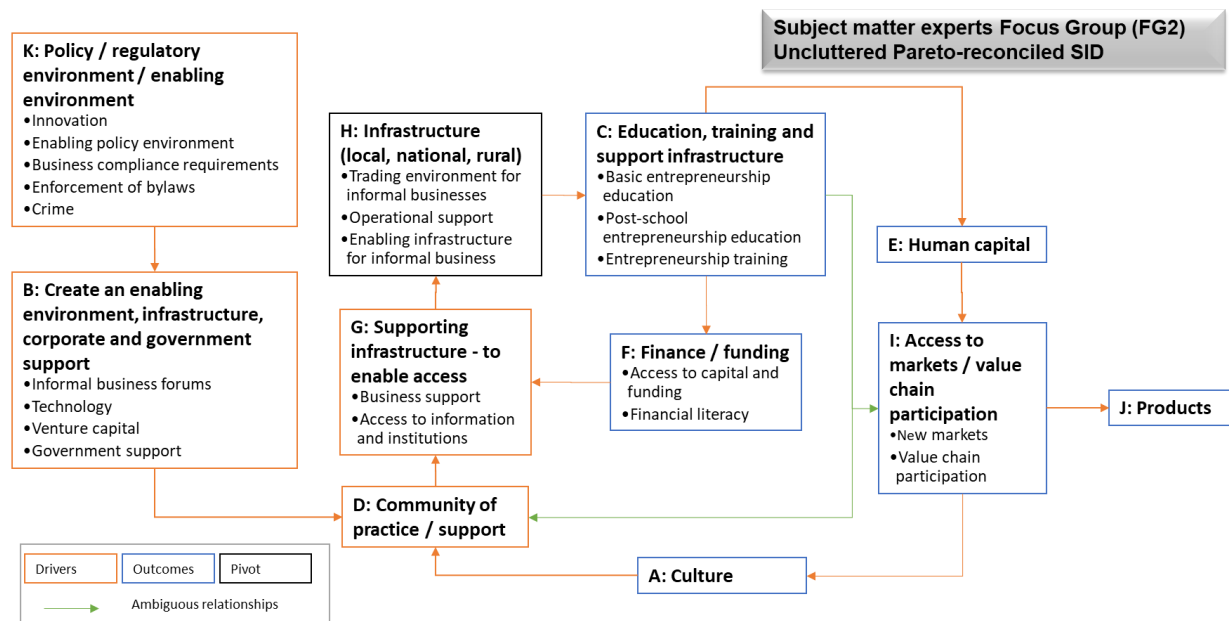
Source: Focus group 2; Author’s construct (2022)

4.4.2.5 UNCLUTTERED GROUP SID

The uncluttered SID for FG2 presented in *Figure 42* below is derived from the uncluttered IRD and Tentative SID assignments in *Table 47*. This SID incorporates the ambiguous relationships identified in the Pareto Protocol Analysis.

Annexure D: FG2 – Preparation of the composite SID documents the steps undertaken by the researcher to eliminate redundant links / relationships to present a more understandable system.

Figure 42. FG2 Uncluttered Pareto reconciled SID



Source: Focus group 2; Author's construct (2022)

An **enabling policy and regulatory environment** that facilitates innovation and business compliance also ensure the enforcement of by-laws and crime reduction. The policy and regulatory environment are the primary instigators of an informal entrepreneurship ecosystem and enable the creation of an enabling environment comprising infrastructure, government and corporate support. Participants noted that:

“Regulations and policies are a key element in creating an environment for entrepreneurship to thrive.”

The **creation of an enabling environment** through infrastructure, government and corporate support wherein informal businesses thrive includes informal business forums, access to technology and venture capital as well as requisite government support. This enables the creation of appropriate supporting infrastructure that facilitates inclusion and promotes access contributing to business growth.

“Enabling environment creates to growth and positive effects. In designing an enabling environment, it is necessary to speak to diverse stakeholders to determine supporting infrastructure required across rural and urban contexts, gender, age, persons with disabilities etc.”

The **COP** is a platform for ideation and support. It is a space for learning and creates mentorship opportunities. COPs provide a forum where businesses can access finance/funding while also facilitating the availability of funding sources. Relevant and functional COPs and related support for entrepreneurs are important for building a conducive business environment.

“Enabling environment creates to growth and positive effects. The COP is the outcome of enabling environments such that those who have made it seek to pay it forward through sharing experiences with aspiring ones.” Engagements in COPs provide information and support to businesses that need it. The community of practice provides a support structure for SMMEs for Access to markets.”

Supporting infrastructure to enable access for businesses includes business support and access to information and institutions. A culture of support is created by environments that are considerate and enable access for entrepreneurs.

“Supporting infrastructure is an enabling environment and creates possibilities.”

Infrastructure (local, national, rural) includes conducive trading environments for informal businesses, operational support and enabling infrastructure for informal business. Learning and education support for entrepreneurs is enabled by infrastructure.

“Infrastructure must offer education and training connections between local and national, rural and urban.”

Education, training and support infrastructure include basic entrepreneurship education, post-school entrepreneurship education and entrepreneurship training.

Education is an important determinant of human capital creation.

“Education and training enhance the skills, experience and knowledge for human capital development.”

Education and training also contribute to improving market access.

“If you're knowledgeable, it can be easier to know how to do research on your ideas to select the one that is likely to take off. Education and training can influence improved access to new markets through a better understanding of national, continental and global markets.”

Education and training further enable better access to finances.

“Education, training and support infrastructure can be about finance/funding. Education and training can influence improved financial knowledge towards better financial planning and management.”

Education and training additionally contribute to a conducive COP.

“Out of the educated population comes the COP. Education, training and support infrastructure leads to Community of practice/support.”

Finance/funding includes financial literacy and access to capital and funding.

“Funding is critical for infrastructure development which enables access for business growth. Funding is key to a supporting infrastructure. Finance/funding is a form of supporting infrastructure – to enable access.”

Human capital includes skills, education and knowledge. Human capital enables access to markets and value-chain participation.

“Capable human capital paves the way for policies that enable access to markets. Human capital development enhances value chain participation.”

Access to markets and value-chain participation for informal businesses influences culture creation as well as product innovation.

New markets influence behaviour and create new norms.

“Working with new markets can enhance cultural understanding and influence new trade links and new cross-cultural business networks.”

New market access contributes to product innovation and access to a variety of products.

“If you one knows that they're able to access a market, then creating a product becomes simpler.”

Culture, which includes norms and standards as well as the entrepreneurship culture, is an outcome of supporting infrastructure that enables access. Culture influences the nature and form of COP. COPs are steeped in the culture that creates and sustains them including support, shared learning, rules and support for informal businesses.

“Culture influences participation and rules in COP. Cultures can support the formations of community of practice, it can also encourage shared and mutual learning, or it can deepen individualism and standalone success. A culture of entrepreneurship will create COPs.”

4.4.2.6 CONCLUDING SUMMARY: FG2 SYSTEM RELATIONSHIPS

This section presented the FG2 system relationships and in so doing, addresses Research Question 2.

Constituents documented relationships between the 11 affinities they identified in the preceding section. Using Pareto Protocol statistical analysis, 49 optimal relationships were used to prepare the IRD as well as the group and affinity SIDs.

4.4.3 CONCLUSION: FOCUS GROUP 1

This section presented the findings emanating from focus group 2. Eleven system elements were identified by the constituency and the relationships between these affinities were analysed using the Pareto Protocol statistical analysis to generate an IRD and the SID for the group.

4.5 CONCLUSION

This chapter presented the findings of the 2 focus groups conducted using the IQA research methodology. The findings derived from constituencies are reflective of their social realities and representative of their closeness to the phenomenon as well as their perceived power to influence the phenomenon.

This chapter has addressed the following research questions:

Research Question 1: What are the components of a sustainable Informal Entrepreneurship Ecosystem in South Africa?

The components of each constituency's system were identified and defined. FG1 identified 10 affinities and FG2 identified 11 affinities. These affinities are the system elements.

Research Question 2: How do these components of a sustainable Informal Entrepreneurship Ecosystem relate to each other in a perceptual system?

The relationships between system components were assessed for each constituency. ARTs prepared by constituents in each focus group were used to generate individual and group IRDs and affinity and group SIDs for each constituency. The group SIDs reflect the relationships between affinities.

The next chapter proceeds to analyse the findings as reported in this chapter.

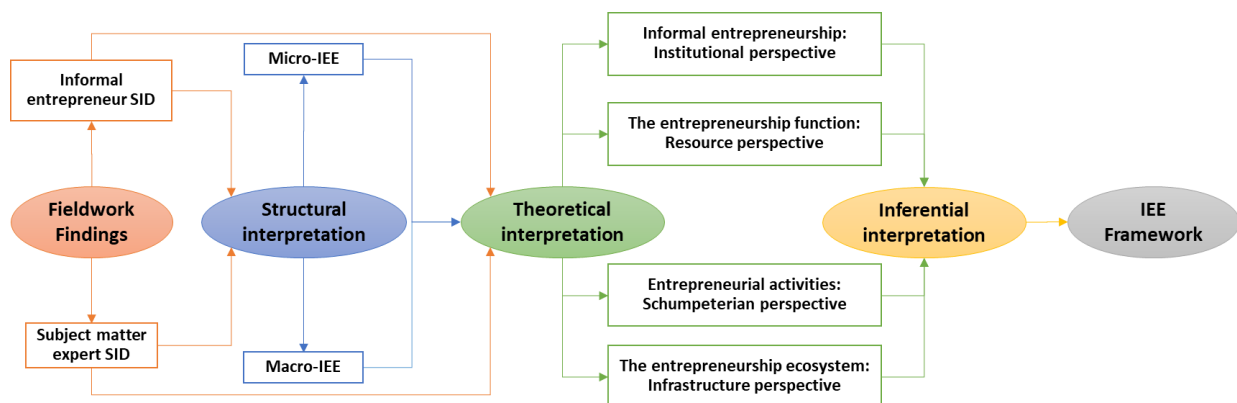
CHAPTER 5: INTERPRETATION AND RESULTS

5.1 INTRODUCTION

The previous chapter reported the findings emanating from the focus groups and presented the affinities as well as a mindmap (SID) for each constituency.

In this chapter, the findings as reported in *Chapter 4* are analysed and interpreted. Per Northcutt and McCoy (2004) and in line with IQA methodology, the findings are analysed from three different frames of reference, namely structural, theoretical and inferential interpretation.

Figure 43. Process for the interpretation of results



Source: Author's construct (2022)

*“Implications refers to comparing systems and setting these comparisons into the two larger contexts of theory (conceptual implications) and application (pragmatic implications). The short name for comparing systems and placing these comparisons in context is **interpretation**” (Northcutt and McCoy, 2004, p. 298).*

The focus group findings presented in *Chapter 4* are interpreted in this chapter. This interpretation offers an understanding of constituencies’ social realities, their systems and the system variances.

This chapter addresses the following research questions as presented below:

Question 3: How do the systems compare in terms of components, intra-systemic relationships, and inter-systemic relationships?

This is achieved by critical analysis of the constituency systems and an evaluation of the differences between the systems structurally and theoretically.

Structural interpretation: This section presents the analysis of each constituencies' Pareto-reconciled SID as well as a structural comparison of the 2 SIDs, resulting in the presentation of 2 underlying sub-systems.

Theoretical interpretation: Using literature from the literature review as well as considering new literature, the Macro-IEE and Micro-IEE are interpreted from a theoretical perspective.

Question 4: What is the framework for a sustainable informal entrepreneurship ecosystem in South Africa?

A framework for a sustainable informal entrepreneurship ecosystem in South Africa is proposed after triangulating the outcomes of the theoretical analysis outcomes and the inferential interpretation.

Inferential interpretation: Drawing from the observations emanating from the theoretical interpretation, the inferential interpretation presents a framework for an IEE in South Africa, revisits the IEE conceptual framework and considers the roles and responsibilities of IEE agents.

5.2 STRUCTURAL INTERPRETATION

This section presents the structural interpretation of the constituencies' SIDs whilst also comparing and contrasting constituency systems.

According to Northcutt and McCoy (2004), structural interpretation entails comparing and contrasting the SIDs based on their systemic properties. The ensuing structural interpretation evaluated and critically analysed each constituency's SID, system affinities, zones, relationships and feedback loops.

Each system contains one or more feedback loops, which were interpreted.

"Feedback loops consist of a system of least three affinities, each influencing the other either directly or indirectly... within a feedback loop, the distinction between drivers and outcomes is blurred" (Northcutt and McCoy, 2004, p. 355).

Thereafter, the composite SID for each constituency is presented and a walk-through with critical observations of each system ensues. Zooming into feedback loops and renaming them consolidates inter-related affinities resulting in the translation of the uncluttered Pareto-reconciled SID into the composite SID for each constituency. "Zooming is naming

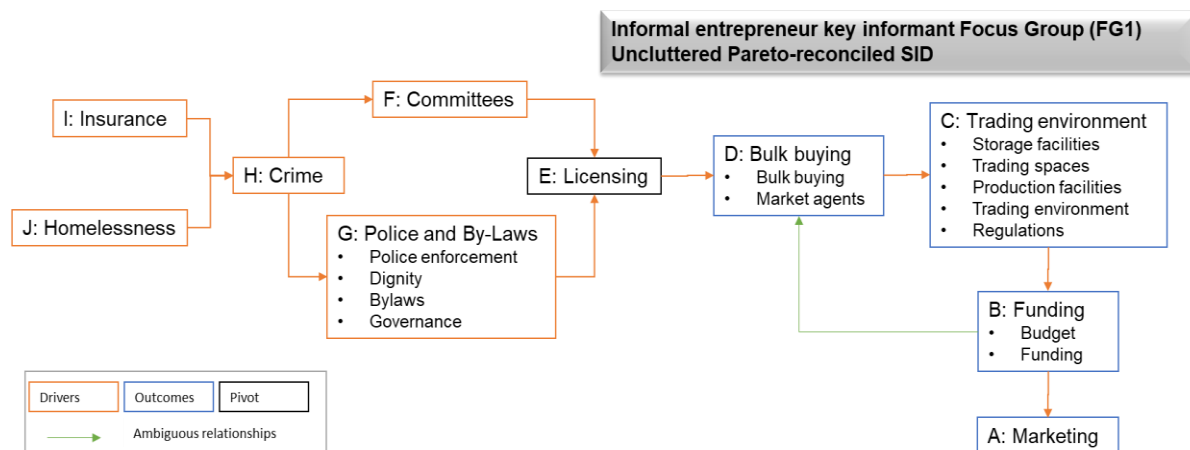
feedback loops and substituting this name for the names of their individual components” (Northcutt and McCoy, 2004, p. 356).

The section concludes by presenting the Micro-IEE and the Macro-IEE.

5.2.1 INFORMAL ENTREPRENEURS SID

The **uncluttered SID** for FG1 is reproduced below. Ambiguous relationships omitted in the preparation of the IRD have been included in the SID.

Figure 44. Uncluttered Pareto reconciled SID (Figure 26 Reproduced)



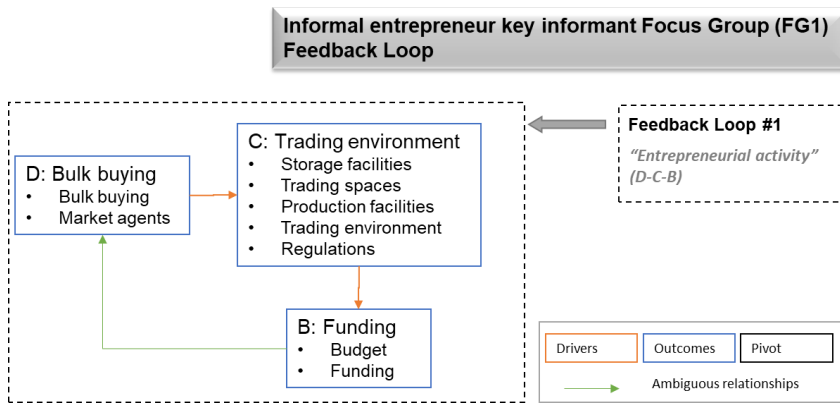
Source: Author's construct (2022)

5.2.1.1 FEEDBACK LOOP

The figure below depicts the single feedback loop in the informal entrepreneurs' system comprising D: Bulk buying → C: Trading environment → B: Funding → D: Bulk buying.

This feedback loop is interpreted as follows: The stock procured by traders drives the trading environment they operate in and determines their space and environmental functionality requirements. Funding is an outcome of trading (selling the products that are procured or manufactured). Funding however determines what is affordable and how much stock traders can procure for sale. Funding also influences the conduciveness of the trading space to meet the needs of traders.

Figure 45. Informal entrepreneurs – Feedback loop



Source: Author's construct (2022)

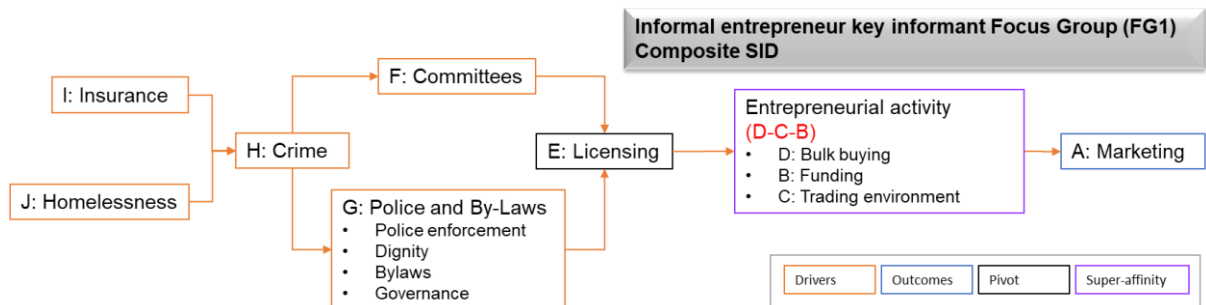
This feedback loop encompasses 3 affinities, all of which are system outcomes that are also structural enablers (i.e. what must be in place) for an informal entrepreneurship ecosystem. Zooming into the affinities reveals the underlying influence of municipal by-laws and institutions on each of these components. Whereas this feedback loop may not implode entirely, it is a source of frustration for informal entrepreneurs.

Super-affinity: Zooming out and replacing the feedback loop comprising bulk buying, funding and the trading environment with a super-affinity named “**Entrepreneurial activity**” presents the system for informal entrepreneurs more clearly in *Figure 46* whereafter the system is explained further.

5.2.1.2 COMPOSITE SID

The figure below presents the composite SID emanating from the informal entrepreneurs’ focus group after re-naming and substituting the feedback loop identified above.

Figure 46. Informal entrepreneurs composite SID



Source: Author's construct (2022)

Homelessness and lack of insurance expose informal entrepreneurs to crime. High crime in the area attracts increased Police presence. Concerns about crime are discussed in

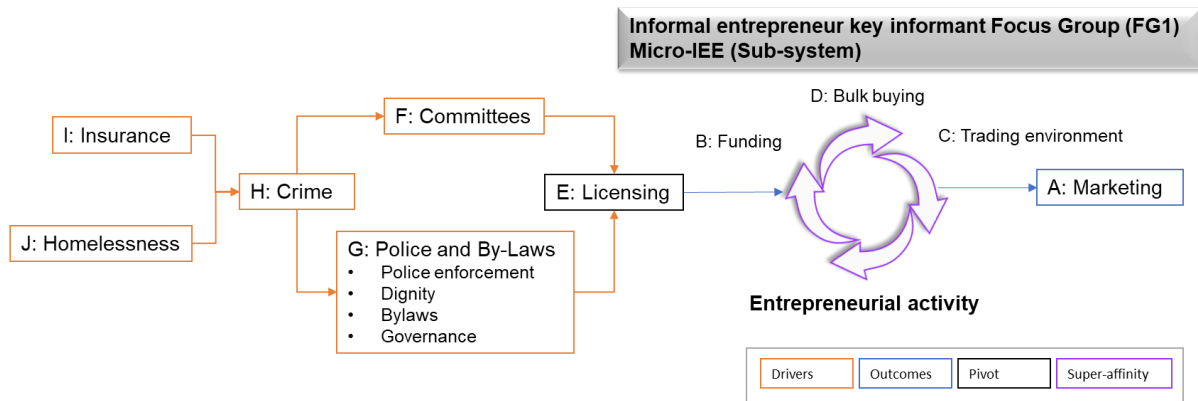
informal business committees, but engagement with the Municipality does not happen regularly. Police are also responsible for enforcing the Municipal by-laws. These municipal by-laws are perceived as restrictive for informal entrepreneurs and impact the fairness and efficiency of licensing informal businesses. Committees should be able to influence the licencing process as this is a prerequisite to being able to trade. Licensing enables individuals to conduct their entrepreneurial activities. These entrepreneurial activities include having access to funding and using financial resources to buy products, access to more cost-effective suppliers and cheaper products and having a conducive trading environment that is safe, accessible and sanitary, inclusive of storage and manufacturing facilities. These entrepreneurial activities are critical for entrepreneurs to attract more customers and make or increase profits.

The restrictive nature of by-laws, punitive police enforcement approach, inaccessibility of resources and the unsafe, unkempt, inaccessible and poor quality of the trading environment reflects the status and value attributed to informal entrepreneurs, the perceived legitimacy of their existence as well as the dignity society ascribes to these entrepreneurs. The institutional drivers which are the “rules of the game” determine whether entrepreneurship activity occurs, who can engage in entrepreneurial activities and the context where such activity is conducted. Formal institutions include the municipal by-laws, police enforcement of the by-laws and the licensing process. Informal institutions include social norms, group traits and dignity afforded to informal entrepreneurs.

5.2.1.3 MICRO-IEE

The Micro-IEE presented below is derived from the constituency’s composite SID after substituting and renaming feedback loops. Super-affinities within each system are replaced by a pinwheel which represents the dynamic interaction between the related affinities (Northcutt and McCoy, 2004). The Micro-IEE emanates from informal entrepreneur key informants and reflects **proximal factors** that are reflective of this constituency’s embeddedness in the phenomenon. It also reflects this constituency’s lack of relative power to influence the phenomenon.

Figure 47. The Micro-IEE sub-system



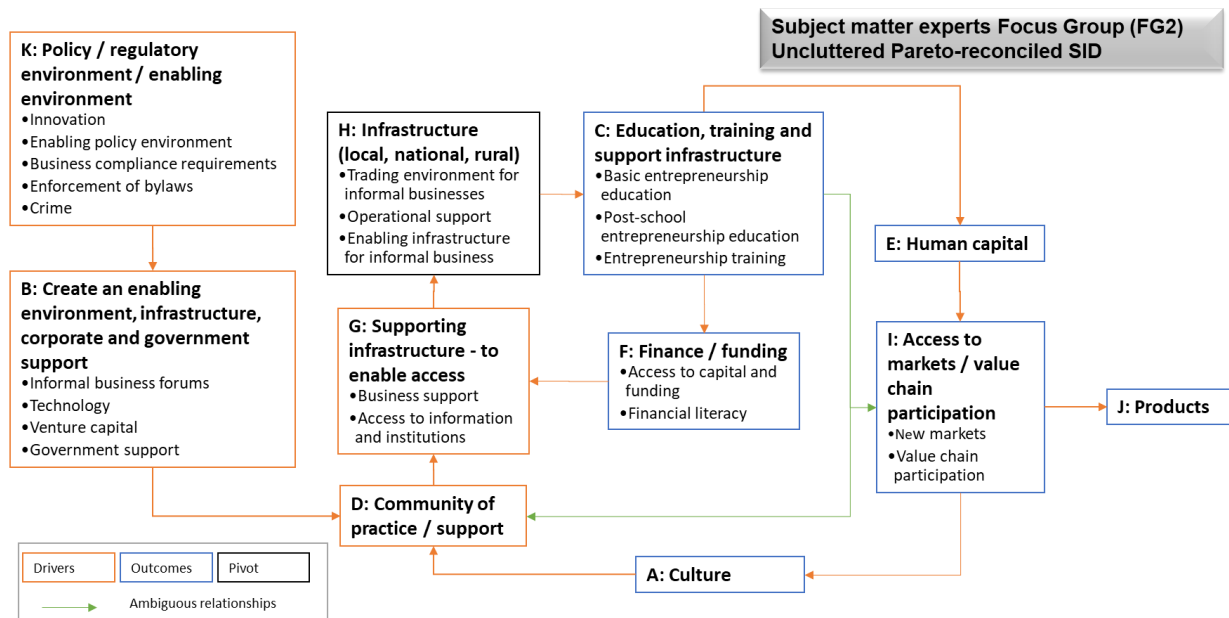
Source: Author's construct (2022)

The informal entrepreneur constituency composite system is henceforth called the Micro-IEE. The proximal factors contained in the Micro-IEE include Marketing Funding Trading environment Bulk buying Licensing Committees Police and By-Laws Crime Insurance Homelessness.

5.2.2 SUBJECT MATTER EXPERT'S SID

The uncluttered SID for FG2 is reproduced below. Ambiguous relationships omitted in the preparation of the IRD have been included in the SID.

Figure 48: FG2 Uncluttered Pareto reconciled SID (Figure 42 Reproduced)

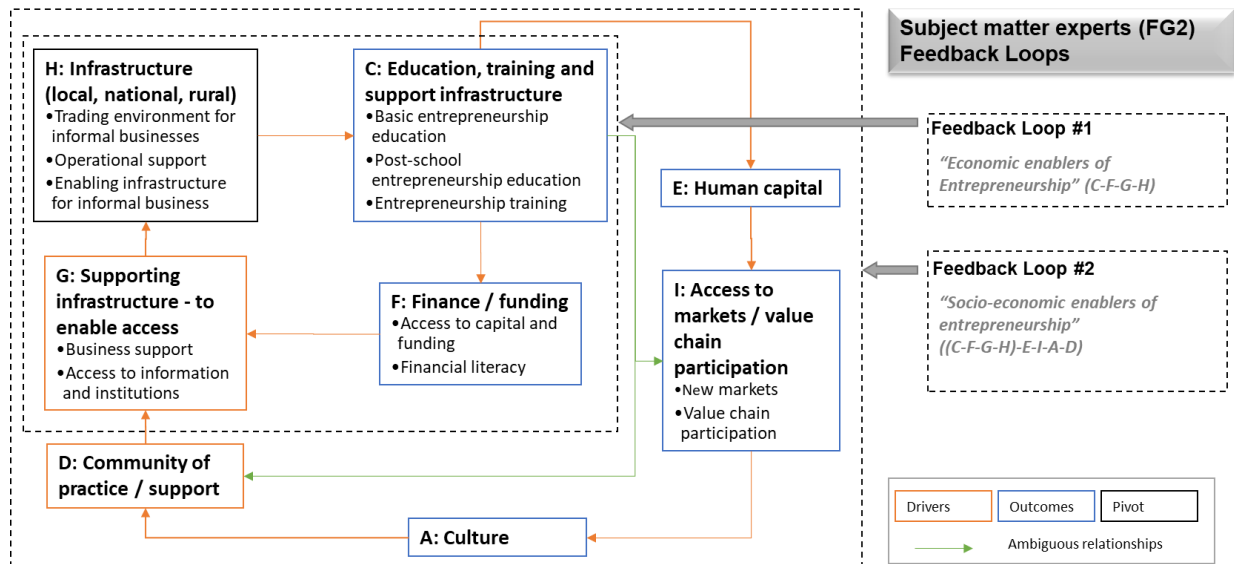


Source: Author's construct (2022)

5.2.2.1 FEEDBACK LOOPS

The system generated by experts contains 2 feedback loops where the first feedback loop is embedded within the second feedback loop, as depicted in the figure below.

Figure 49. Subject matter experts – Feedback loops

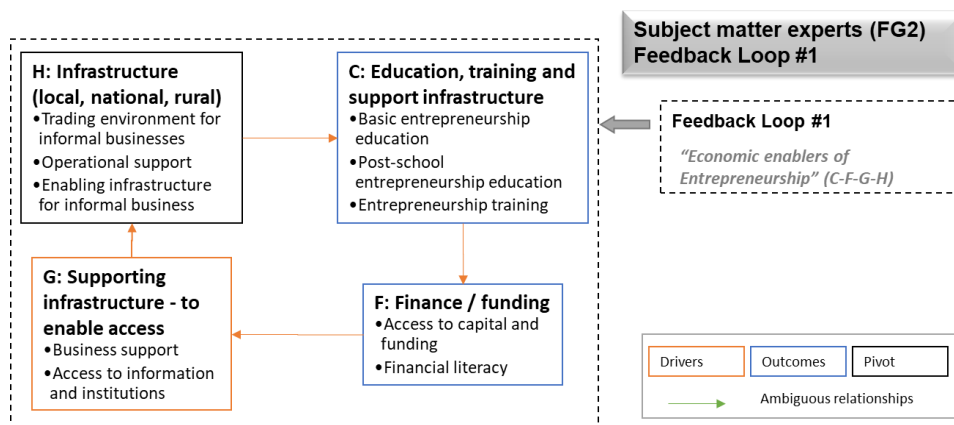


Source: Author's construct (2022)

5.2.2.1.1 FEEDBACK LOOP #1

The first, smaller feedback loop as depicted below comprises G: Supporting infrastructure – to enable access → H: Infrastructure (local, national, rural) → C: Education, training and support infrastructure → F: Finance / Funding → G: Supporting infrastructure – to enable access.

Figure 50. Subject matter experts – Feedback loop #1



Source: Author's construct (2022)

This feedback loop encompasses 4 affinities, where one affinity is a system driver, one affinity is a pivot and 2 affinities are system outcomes.

This feedback loop is interpreted as follows:

- Supporting infrastructure to enable access for businesses includes business support and having access to information and institutions. “One of the main challenges observed in informal business is lack of access to supportive infrastructure, for example, how to write a plan or to access funding.”
- Support to enable access in turn leads to conducive and accessible local, national and rural infrastructure including the trading environment for informal businesses, operational support mechanisms like opening bank accounts and provision of basic infrastructures like water, electricity and roads.
- Learning and education support for entrepreneurs is enabled by infrastructure. Education, training and support infrastructure includes basic entrepreneurship education, post-school entrepreneurship education and training. Education and training enable better access to finances and “Education, training and support infrastructure can be about finance/funding”.
- Financial resources are an outcome of financial literacy and access to capital and funding and are one of the key elements of a conducive support infrastructure that enables access.

The affinities above collectively represent the resource and structural enablers (i.e. what must be in place) for an informal entrepreneurship ecosystem. Zooming into the affinities reveals the underlying influence of regulations and policy and reliance on institutions to ensure the efficacy of these enablers. This feedback loop is heavily reliant on people in power (whether it be government or large corporates) to give effect to it.

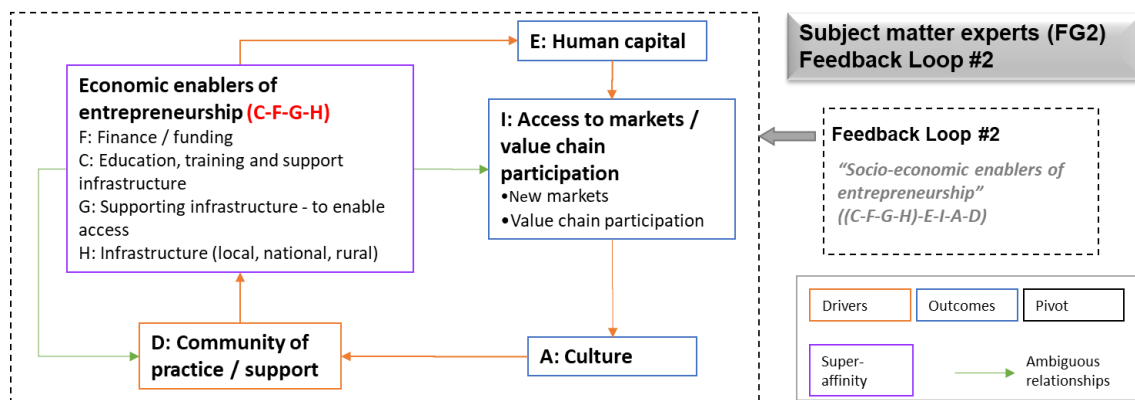
Super-affinity: Zooming out and replacing the feedback loop comprising Supporting infrastructure – to enable access, Infrastructure (local, national, rural), Education, training and support infrastructure and Finance/Funding results in the super-affinity named **“Economic enablers of entrepreneurship”**.

5.2.2.1.2 FEEDBACK LOOP #2

The second, larger feedback loop as depicted below comprises 5 affinities, namely D: Community of practice/support → Super affinity: Economic enablers of entrepreneurship [G: *Supporting infrastructure – to enable access* → H: *Infrastructure (local, national, rural)* → C: *Education, training and support infrastructure* → F: *Finance / Funding* → G:

Supporting infrastructure – to enable access] → E: Human capital → I: Access to markets/value chain participation → A: Culture → D: Community of practice/support.

Figure 51. Subject matter experts – Feedback loop #2



Source: Author's construct (2022)

This feedback loop contains the super-affinity discussed above, one system driver and 2 system outcomes.

This feedback loop is interpreted as follows:

- A community of practice serves as a safe space where entrepreneurs receive support from mentors and engage on similar issues whilst collectively supporting each other. COPs provide information and support to businesses and enable access to a variety of resources which are economic enablers
- Economic enablers empower businesses with resources which allow them to participate in value chains and enter new markets whilst also strengthening the COP through a feedback loop. Education as an economic enabler is directly associated with the creation of human capital.
- Businesses are better positioned to then obtain better-skilled people and human capital is also associated with better economic outcomes for people.
- Better quality human capital leads to enhanced value chain participation as businesses have access to the right skills to enter new markets. Accessing new markets, however, impacts culture.
- New cultures, norms and values are developed as the business enters new markets. Culture in turn influences the COP. A culture of Ubuntu is advocated for within the COP, where entrepreneurs support each other.

The affinities above collectively represent a combination of the structural enablers (i.e.: what must be in place) and socio-economic enablers for an informal entrepreneurship

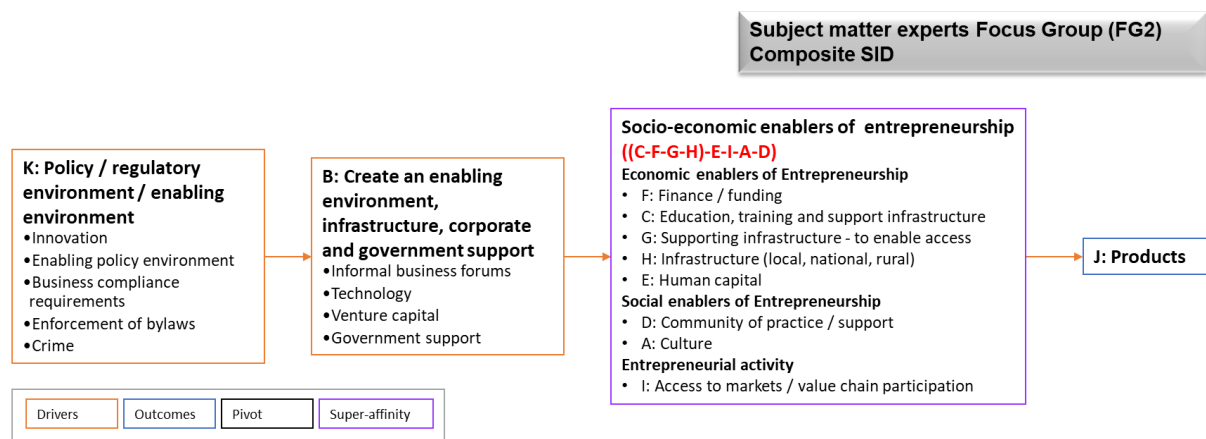
ecosystem. Zooming into the affinities reveals a social dimension woven into the feedback loop through the COP and underpinned by culture. This feedback loop is very reliant on social justice principles and principles like Ubuntu, and the development of human capital that is assumed to “give back” to the system and support other entrepreneurs. Although similar reflexive practices are evident in entrepreneurship ecosystems, there is a risk that if the iterative feedback loop is not appropriately championed and participants don’t derive mutual value from it, there is a high risk of it imploding.

Super-affinity: Zooming out and replacing the feedback loop comprising Supporting infrastructure – to enable access, Infrastructure (local, national, rural), Education, training and support infrastructure and Finance / Funding results in the super-affinity named “**Socio-economic enablers of entrepreneurship**”. This super-affinity includes economic enablers (resources and infrastructure), social enablers (supports and culture) and entrepreneurial activities (market access and value chain participation).

5.2.2.2 COMPOSITE SID

The figure below presents the composite SID emanating from the subject matter experts after renaming and substituting the feedback loops identified above.

Figure 52. Subject matter experts’ composite SID



Source: Author’s construct (2022)

The **creation of an enabling environment** is driven by the **policy / regulatory environment**. “Regulations and policies are a key element in creating an environment for entrepreneurship to thrive. A good regulatory framework is the first basis for creating an enabling environment for entrepreneurship. Policy will drive the creation of the environment required.”

A conducive **enabling environment for informal businesses** includes government and corporate support setting the tone for an entrepreneurial and business culture as well as COP which is contextually relevant. The enabling environment enables access to resources including support, finance/funding for informal businesses and provides adequate support, local, national and rural infrastructure. This enabling environment provides quality entrepreneurship education and training enabling human capital development and employment practices while enabling access to markets.

However, policy and the creation of an enabling environment do not in themselves guarantee business growth. **Socio-economic entrepreneurship enablers** need to be in place and include:

- **Economic enablers:** Entrepreneurs need access to economic resources like funding and skilled human capital as well as conducive infrastructure and basic services to engage in entrepreneurial activities. Access to education and training as well as business support mechanisms for entrepreneurs to leverage off contributes to growing human capital whilst also enabling access to new markets and feeding new information and knowledge into COP.
- **Social enablers:** A community of practice that is supportive, inculcates an entrepreneurship culture and is enabling for entrepreneurs, where they can both contribute towards and derive value.
- **Entrepreneurial activities:** Participation in value chains and entering new markets enables entrepreneurship growth and is intrinsically linked to socio-economic support for entrepreneurs.

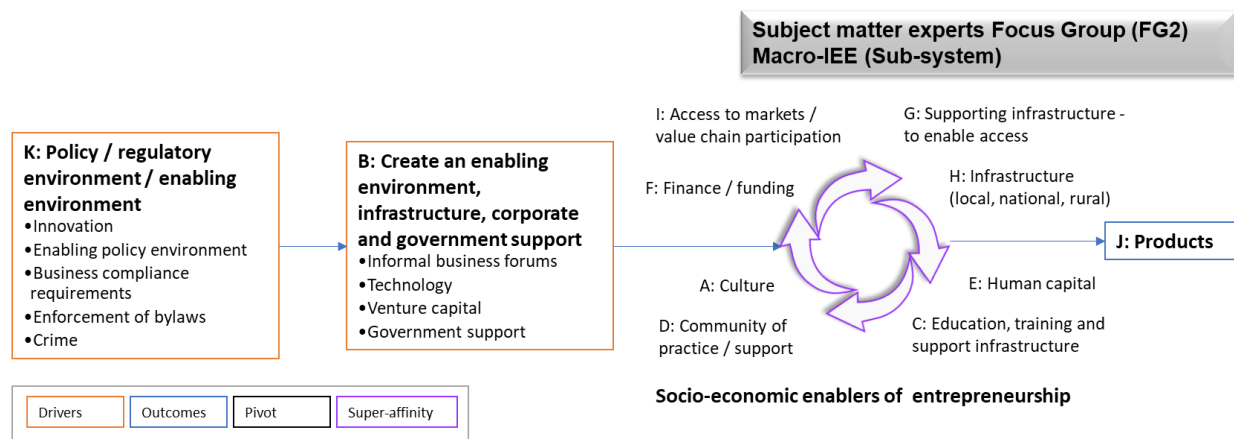
Product innovation is the primary outcome of the system. Products traded by a business are an outcome of entrepreneurial activities undertaken. Such entrepreneurial activities are possible because entrepreneurs have access to socio-economic resources.

Government policy and formal institutions largely drive the creation of an enabling environment for informal entrepreneurs where they have access to infrastructure, resources, education and business support. The system relies heavily on a contextually relevant, self-sustaining support mechanism, in the form of a COP, which enables access to economic resources for entrepreneurial activity to happen whilst also driving product innovation. Although being legitimised through policy, the COP also derives legitimacy from its ability to increase the entrepreneurial activity of its participants.

5.2.2.3 MACRO-IEE

The Macro-IEE presented below is derived from the constituency’s composite SID after substituting and renaming feedback loops. Super-affinities within each system are replaced by a pinwheel which represents the dynamic interaction between the related affinities (Northcutt and McCoy, 2004). The Macro-IEE emanates from subject matter experts and reflects **distal factors** that are reflective of this constituency’s distance from the phenomenon and their relative power to influence the phenomenon.

Figure 53. The Macro-IEE sub-system



Source: Author’s construct (2022)

The subject matter expert constituency composite system is henceforth called the Macro-IEE. The distal factors contained in the Macro-IEE include Culture Create an enabling environment (Infrastructure, corporate and government support) Education, training and support infrastructure Community of practice (COP)/ support Human capital Finance/funding Supporting infrastructure (To enable access) Infrastructure (local, national, rural) Access to markets/value chain participation Products Policy / regulatory environment (Enabling environment).

5.2.3 SYSTEM INTERPRETATION

Both constituency SIDs are compared and contrasted below where the theoretical reconnaissance of the system looks at the system design and patterns, and the analysis of system elements includes system drivers and outcomes.

5.2.3.1 SYSTEM ELEMENTS

Affinities in each system are compared and contrasted to establish common and unique elements and interpretations. System drivers and outcomes are evaluated.

5.2.3.1.1 PRIMARY SYSTEM DRIVERS

The primary drivers of each system are distinctly different.

Informal entrepreneur's SID: The informal entrepreneurs' system is driven by insurance and homelessness, both of which are unaffected by other affinities. Insurance and homelessness drive crime, according to traders. Traders don't have insurance to protect against losses and are therefore affected by crime. Homelessness in the area also contributes to high crime rates, impacting informal businesses. These drivers are structural and are not present in the experts' system.

Subject matter expert's SID: The expert system key driver is an enabling policy / regulatory environment which is also unaffected by other affinities in the system and drives the entire system through another primary driver, "Create an enabling environment, infrastructure, corporate and government support". The relationship between these drivers is scalar as policy creates the enabling environment. An enabling policy and regulatory environment entail the establishment of institutions and institutional mechanisms for regulatory and business compliance and innovation. This in turn leads to the creation of enabling infrastructure, corporate and government support environment comprising informal business forums and resource and government support.

Each constituency identified different primary drivers.

5.2.3.1.2 COMMON SYSTEM DRIVERS

Although each system appears to have different drivers, there are areas of commonalities evident in the sub-affinities, albeit from different perspectives.

Crime: Informal entrepreneurs viewed crime as a contextual issue that needed to be addressed, whilst experts viewed crime in relation to informal traders. Informal traders observed the high crime rate and its impact on them, suggesting that the prevalence of crime in the area was a deterrent to customers. One contributor noted, "Crime too much in the city which makes it difficult for us to work freely." Experts externalised their observation of crime and suggested the need to manage criminal elements associated

with informal trading, suggesting that a need to “Get serious about mafias who extort from traders and metro cops who harass traders”.

Enforcement of by-laws: Each focus group views by-law enforcement from a different perspective. By-law enforcement is seen in a negative context by informal traders with traders who associate it with police hard-handedness, unfairness towards them and impeding on their dignity. Informal traders noted “abuse and harassment by the police” and “police officers have no respect”. Experts however noted that by-law enforcement is a necessity to ensure legitimate products are traded, with one participant suggesting that “Citizens of our country need to be protected from potential harmful products and swindling by some of these Informal traders, there is, therefore, a need for enforcement of laws and by-laws in relations to products being distributed by these informal traders”.

Informal business forums / Committees: Although termed differently, there is alignment between constituencies that informal business committees are an important driver. Informal traders noted the “Lack of engagement and communication with municipalities”, whilst experts noted that “There are also no forums of engagement between officials and business owners”.

Policy / regulatory environment / enabling environment: Whereas policy was not highlighted by informal traders, they viewed Municipal by-laws as the mechanism that regulates them. Traders have a negative view of this regulatory mechanism and consider it an inhibitor to their business, associating it with harassment and disrespect. Traders noted the “Unfair city by-laws towards traders” which limits trading hours, restricts trading spaces, imposes the use of market agents for supplies and hamper licensing. They also raised concern that their comments on municipal by-laws were often ignored. Although experts touched on by-laws, their primary focus was towards government policy to create an enabling environment for entrepreneurship. Experts noted the need to “deal with repressive by-laws” and “Governmental red tape, and the ability of authorities to close you down without any reasonable explanation”. It is understandable that as experts are outside the phenomenon, they may not be privy to the challenges experienced by informal traders.

5.2.3.1.3 SYSTEM OUTCOMES

The primary outcomes, although similar, have different meanings for each constituency.

Informal entrepreneurs SID: Informal entrepreneurs' primary outcome is "Marketing" which means attracting more customers and increasing sales. For informal entrepreneurs, the goal is to sell their products and services and make more money. Marketing does not influence any other affinity, but it is influenced by Funding, another primary driver. Access to funding to grow the business is a limitation for informal businesses, with participants saying "We don't have financial support like for instance when you want a loan to grow your business. Banks don't recognize us". Funding is influenced by the trading environment, which is also a primary outcome and represents the business' operating context for informal businesses.

Subject matter experts: Experts' primary outcome is "Products", which means innovative products and supplying products to new markets. This affinity is the outcome of the system and does not impact any other affinity. "Access to markets/value chain participation" influences products and entails having access to new markets and participating in supply value chains. Human capital is also a primary outcome of the system, but it does not impact products.

The important distinction between outcomes identified by each focus group is the short-term nature of outcomes identified by informal traders who are dealing with issues in the present, versus the long-term nature of outcomes identified by experts, who have a broader focus and impact orientation.

5.2.3.1.4 OTHER OBSERVATIONS

Contextual factors: Informal entrepreneurs identified homelessness and crime as negative contextual factors influencing the informal entrepreneurship system. Crime, albeit concerning consumer safety and informal entrepreneurial activities, is also identified by experts within the enabling policy and regulatory environment. Policy and regulation influence the creation of an enabling environment and this scalar relationship is led by the government and supported by corporates.

Entrepreneurship enablers: Although differently presented in each system, both are predominantly driven by policy in some form (regulations or by-laws) through institutions influencing entrepreneurship. These enablers determine the rules of the game and have the power to direct resources and avail opportunities for entrepreneurs. Both systems also view government as having the role of creating policy, but informal entrepreneurs have a more negative, mostly punitive view of the police and the municipality.

Technology and innovation: The Experts' SID advocates for levers to strengthen and enable technology adoption and innovation, ultimately contributing to product innovation. Informal traders, however, focused more on getting the basics right.

5.2.3.2 THEORETICAL RECONNAISSANCE

Theoretical reconnaissance of each system highlights patterns and traits and includes visual observations based on variances and commonalities in the system diagram of constituencies and contextual observations which reflect the constituency's distance from the phenomenon (Northcutt and McCoy, 2004).

System reconnaissance: Both systems have an interrelated set of factors that have a dynamic interaction with each other and are presented as pinwheels. This is the engine room of both systems, where entrepreneurship materialises. Whereas informal traders reflect a more practical set of factors to represent entrepreneurial activities, the experts' system has the added dimension of economic and social enablers of entrepreneurship.

5.2.3.2.1 MICRO-IEE SUB-SYSTEM

Visual observations: The informal entrepreneurs' system looks like a linear process from one end to the other. FG1 affinities are predominantly structural and are representative of functions (Northcutt and McCoy, 2004) in an informal entrepreneurship ecosystem. Despite the structural nature of the informal entrepreneurs' system, the underlying value associated with affinities cannot be discounted.

Contextual observations: Affinities identified by informal entrepreneurs reflect their experience within the phenomenon, whereas affinities identified by experts are more strategic. Informal entrepreneurs' system reflects tangible, daily issues experienced by traders and therefore the practical elements they deem important to the system. The informal entrepreneurs' system presents the informal traders as the subject of the discourse and the system referent (*This is about me. What will help me?*).

The informal entrepreneurs' SID contains **proximal factors** from informal entrepreneur key informants in FG1. These results are representative of people within the phenomenon having little or no power to influence the phenomenon.

5.2.3.2.2 MACRO-IEE SUB-SYSTEM

Visual observations: The system from FG2 looks like a circular continuum of affinities in 2 large feedback loops. This suggests that FG2 sees the informal entrepreneurship ecosystem as dialectical, a dynamic system comprising interrelated elements (Northcutt and McCoy, 2004).

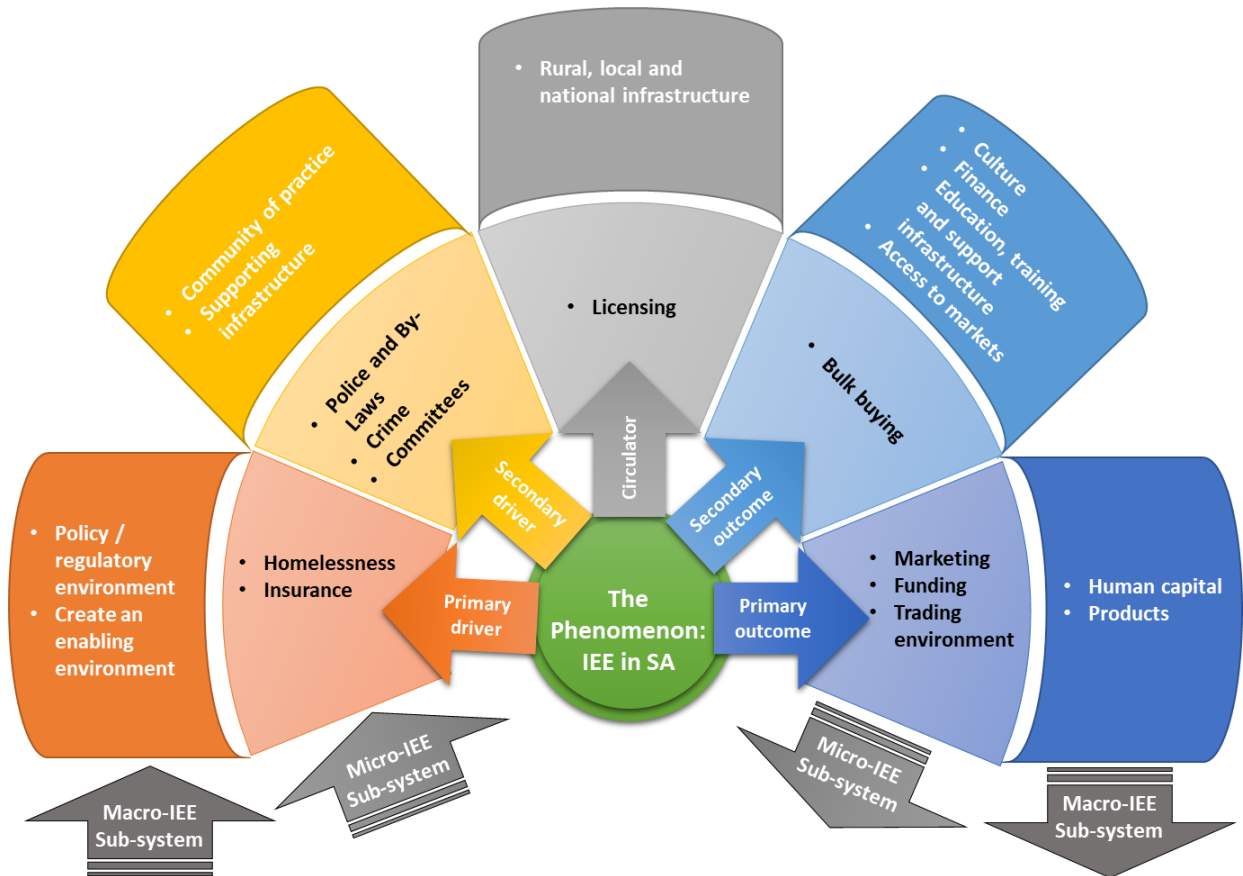
Contextual observations: The experts' system takes a birds-eye view of an ecosystem, with many participants sometimes not differentiating between informal businesses, SMMEs and businesses in general, thus suggesting that more generalised elements form part of this system. The experts' system is more reflective of macro and meso-level institutional mechanisms (*This is about them. How do we help them?*) of an informal entrepreneurship ecosystem.

The subject matter experts' SID reflects **distal factors** from subject matter experts in FG2. These results are representative of a constituency outside the phenomenon with the power to influence or change the phenomenon.

5.2.4 CONCLUSION: STRUCTURAL INTERPRETATION

The figure below is a graphic representation of the harmonised Macro-IEE and Micro-IEE following the structural interpretation of each constituency's SID. It depicts the elements of each sub-system as primary or secondary drivers, circulators or primary or secondary outcomes, as identified by constituencies. Importantly, these sub-systems co-exist within the IEE framework.

Figure 54. Harmonised Macro and Micro-IEE sub-systems



Source: Author's construct (2022)

This section therefore responds to the research question below.

Question 3: How do the systems compare in terms of components, intra-systemic relationships and inter-systemic relationships?

The structural interpretation of each constituency's SID has resulted in the formulation of a Micro-IEE and Macro-IEE.

The Micro-IEE is closer to the phenomenon than the Macro-IEE. The Micro-IEE is representative of the lived and experienced social realities (proximal factors) of informal entrepreneurs who are a constituency within the informal entrepreneurship ecosystem phenomenon. The Macro-IEE is reflective of the perceived and experienced social realities (distal factors) of subject matter experts who are a constituency outside the informal entrepreneurship ecosystem phenomenon.

5.3 THEORETICAL INTERPRETATION

The theoretical interpretation of the IEE using literature reviewed in *Chapter 2* as well as new literature is presented hereunder. Theoretical interpretation entailed examining the systems “vis-à-vis existing theoretical perspectives or to critique existing perspectives” (Northcutt and McCoy, 2004, p. 344).

Meaningful theoretical contributions are not derived from researching the who, where and when which forms more of a framework that generally points to limitations in existing research, instead, focusing on the what, how and why enables the description and justification of concepts and promotes understanding them from other academic spheres (Whetten, 1989).

This section therefore presents the theoretical interpretation of the findings in *Chapter 4* using the following theoretical lenses:

- Interpretation of informal entrepreneurship using Institutional Theory explicates the “what”, clarifying the phenomenon under investigation.
- Interpretation of the entrepreneurship function from a Resource perspective brings to light “how” informal entrepreneurship functions.
- Interpretation of entrepreneurial activities from a Schumpeterian perspective divulges “why” informal entrepreneurial activities persist.
- Utilising the Infrastructure perspective to interpret the ecosystem reveals “how” to support the IEE.

5.3.1 INFORMAL ENTREPRENEURSHIP: AN INSTITUTIONAL PERSPECTIVE

At the outset of *Chapter 2*, the **informal economy** was recognised as economic activities occurring “outside formal institutional boundaries but within informal institutional boundaries” (Webb *et al.*, 2009, p. 496). **Informal economic activities** were understood to be unregulated or not registered with the government and undertaken by individuals and/or companies without any formal contractual arrangements (Etim and Daramola, 2020). To this end, the grey economy is seen to engage in semi-legal economic activities (Schneider and Williams, 2013) that are unregistered, without the required licenses or permits, and operating outside the realm of legislative prescripts (Swanson and Bruni-Bossio, 2019). Hence **informal entrepreneurship** was seen as “*the process of creating*

a new venture that is lawful in all respects, with the exception that it operates in an unregistered manner” and regarded as part of the grey economy.

Both formal and informal institutions were identified in the Conceptual IEE. Formal institutions include laws, rules, institutional structures and contracts (Hall *et al.*, 2012; Hoff and Walsh, 2018), while informal institutions are reflected in collective identity, shared norms and values and networks (Steer and Sen, 2010). As detailed in the literature review contained in *Chapter 2*, Institutional Theory is a popular lens through which to interpret entrepreneurship and informal entrepreneurship.

The institutional perspective on entrepreneurship seeks to understand new venture creation within the socio-cultural environment (Ferreira, Fayolle, Fernandes and Raposo, 2017). Entrepreneurial activities are contextually embedded and institutional, spatial or community contexts which require a level of conformity that may enable or constrain certain types of entrepreneurship or entrepreneurship activity overall (Korsgaard, Wigren-Kristoferson, Brundin, Hellerstedt, Alsos and Grande, 2022). “The institutional environment plays a significant role in explaining the emergence of early-stage firms and established firms’ viability” (Charfeddine and Zaouali, 2022, p. 12).

Institutional theory is appropriate to interpret the phenomenon (informal entrepreneurship in SA) because of institutions’ embeddedness in society (Rodrik, 2006). Institutions embed a cultural context that includes shared values, rules and distinct social groupings (Abdelnour *et al.*, 2017). The culture of a society is in turn reflected in its institutions (Casson and Casson, 2014), consequently shaping the context for entrepreneurship (Patriotta and Siegel, 2019). Institutions legitimise or delegitimise entrepreneurship practices and activities (Kistruck *et al.*, 2015; Fisher *et al.*, 2017) based on their rules and conventions (Abdelnour *et al.*, 2017). Institutional variances in the form of new norms and social-structural networks (Abdelnour *et al.*, 2017) are associated with variations in entrepreneurship (Pinho, 2017).

The application of Institutional Theory to the phenomenon spotlights both formal and informal institutions in the interpretation below:

- *Formal institutions*: Interpretation of the phenomenon from a legislative, regulatory and contextual perspective.
- *Informal institutions*: Interpretation of the phenomenon from a contextual and cultural perspective.

5.3.1.1 LEGISLATION AND REGULATIONS

The economy is classified into either formal, informal or illegal economies based on the nature of the economic activities. This research focused on informal entrepreneurial activities. According to research, a country's economy is largely delineated into 2 segments, the formal economy and the informal economy (Schneider and Williams, 2013). The **formal economy**, also known as the official economy, is viewed as legitimate and compliant in all legal respects (Schneider and Williams, 2013). Illegal activities are deemed part of the shadow or **illegal economy**, which is also known as the black or underground economy (Welter *et al.*, 2015). The **informal economy**, also known as the unofficial economy, comprises a combination of legal and semi-legal activities (Schneider and Williams, 2013). This research focused on the semi-legal part of the informal economy, which is referred to as the grey economy (Schneider and Williams, 2013) or undocumented economy (Swanson and Bruni-Bossio, 2019).

5.3.1.1.1 LEGISLATIVE / REGULATORY COMPLIANCE

Informal entrepreneurship is also identified as micro-entrepreneurship. The South African entrepreneurship landscape spans large corporations and small, medium and micro-enterprises (SMMEs). The classification 'SMMEs' incorporates a range of businesses that are formally registered, informal and businesses not registered for Value-added Tax (VAT) (Bureau for Economic Research, 2016). Businesses are considered informal when they are unregulated (Etim and Daramola, 2020), operate outside government laws and the regulatory system (Thai and Turkina, 2014) and are not tax compliant (Swanson and Bruni-Bossio, 2019). Importantly, what is regarded as informal entrepreneurship in South Africa and globally, hinges on legislative compliance, business registration and tax registration.

The South African legislative landscape includes municipal by-laws and provincial legislation that apply to informal entrepreneurship. The South African system of government encompasses national, provincial and local government, all having the authority to implement legislation related to their scope of responsibility (South African Government, 2022). Municipal by-laws issued by local government for street trading, informal business and township businesses exist in some form across South Africa and are very evident in large metropolitan cities like Cape Town (City of Cape Town, 2013), Durban (eThekweni, 2019) and Johannesburg (Johannesburg, 2000). Additionally, by-

laws on municipal retail markets were also found (City of Tshwane, 2008; eThekweni Municipality, 2014). Micro-enterprises, although regulated by municipal by-laws and provincial legislation, are considered informal enterprises.

This research finds that informal entrepreneurs operate within the applicable by-laws. *The informal entrepreneur constituency was required to comply with municipal by-laws and failure to do so attracts fines and prosecution. Certain forms of informal entrepreneurship in South Africa are therefore governed by legislation.* Therefore, the assertion that informal businesses operate outside the law does not hold for informal entrepreneurship in SA as municipal by-laws are, for all intents and purposes, a form of law that informal businesses are required to comply with.

By-laws regulating informal trading are criticised for concentrating on regulating how economic activity is undertaken. *Municipal by-laws are cited as inhibiting and harsh towards informal entrepreneurial activities. Informal traders criticised municipal by-laws for being unfair, restricting their trading hours and hampering business growth by limiting the size of their trading space, placing them in unfavourable locations and compelling entrepreneurs to purchase from market agents who they viewed as expensive.* Furthermore, the enforcement of municipal by-laws should be legally acceptable and encourage economic inclusion (Bruce and Stone, 2022). *Experts proposed dealing with repressive by-laws and red tape, also preventing authorities from closing informal businesses without reasonable explanations.* To this end, there may be a need to review the regulations pertaining to micro-enterprises to ensure that they are enabling and consistent.

Research suggests that government should drive the creation of inclusive institutions that promote informality by creating enabling environments (Acemoglu and Robinson, 2019). *The policy and regulatory environment are the primary driver of the Macro-IEE, where an enabling policy environment addresses the current repressive regulatory environment and enables the growth of the informal business, “in a manner that is supportive and nurturing”.* Policy should be co-created and legitimise the informal economy, promoting its growth of the informal economy (Webb *et al.*, 2009; Ganiyu *et al.*, 2018), *a view shared by informal entrepreneurs who urged that their contributions towards more enabling by-laws and licensing processes should be respectfully considered by the Municipality.* Informal businesses want to be engaged on laws affecting them and would like to also have input into these laws.

Informal entrepreneurs also advocated for a more supportive Business Support Unit in the Municipality, where their views in respect of laws governing their businesses are taken into consideration. Research on the informal street food sector in East London, South Africa, supports the recommendation and found that “the relationship between the municipality and the informal street traders is one of exclusion and negligence” (Masuku and Nzewi, 2021, p. 59), urging government to recognise and value the informal sector and its participants’ livelihoods and recommends constructive engagement in the design and implementation of policies to regulate the sector.

Macro-IEE Primary Driver: Municipal by-laws that regulate informal businesses are part of the policy / regulatory environment.

Micro-IEE Secondary Driver: By-laws legitimise informal enterprises. Informal entrepreneurs comply with applicable legislation (municipal by-laws and provincial legislation). Informal entrepreneurs want to be engaged and consulted on laws impacting them and want their contributions considered by the municipality. The support units in municipalities should be strengthened and more enabling.

Micro-IEE Primary Outcome: By-laws constrain the trading environment for informal businesses.

5.3.1.1.2 BUSINESS COMPLIANCE

Informal businesses are deemed so because they are unregistered entities. Business registration requirements vary based on the form and size of the enterprise. In South Africa, business registration occurs through the Companies and Intellectual Property Commission (CIPC) and companies registered with the CIPC are required to adhere to requirements, to maintain their compliant status (CIPC, 2022). South African companies are required to comply with the Companies Act and a company, according to SA law, “is a legal person which has capacity and powers to act on its own. The law sees a company in the same light as a natural person” (South African Government, 2022). As informal businesses are not registered with the CIPC, they are deemed unregistered and therefore informal.

Informal businesses, according to the laws applicable to them, are also required to register and get approval to trade or operate. Whereas the CIPC may be the government’s national legislative authority that approves business activities, its mandate is limited to company registration. In terms of the legislation applicable to informal businesses, and

depending on the nature of the business, they also have to adhere to business registration requirements. For example, a business license is required to trade and the Gauteng Township Economic Development Act defines a licence as “a written or digital licence, registration, approval recognition, permission, consent, certificate, exemption or any other authorisation granted and issued in accordance with any law in force for the purpose of establishing or operating a business enterprise” (Gauteng Provincial Legislature, 2022, p. 8). Business registration requirements contained in by-laws and provincial legislation require micro-enterprises to have a license or permit to trade.

This research finds that business requirements contained within applicable municipal by-laws and provincial legislation compel certain forms of informal entrepreneurial activities to be registered. *Informal businesses that participated in this research were required to obtain licenses to trade. They were also regulated by police to confirm the validity of their licenses.* Therefore, the claim that informal businesses do not adhere to business requirements and are unregistered is not factually correct. Certain forms of informal entrepreneurship are registered and adhere to the applicable business requirements. Instead, research suggests that subsistence and growth informal entrepreneurs should be treated as separate sub-groups because there are varying formal institutional conditions (not just regulatory conditions) that entrepreneurs use as pathways into informality (Ault and Spicer, 2020).

Government fulfils a universal role by fostering entrepreneurship over time through more conducive regulations, lower levels of bureaucracy and less punitive legal frameworks (Isenberg, 2010). *The policy and regulatory environment which contains business compliance requirements is the primary driver of the Macro-IEE. According to experts, the reduction of red tape for entrepreneurs will enable business compliance. Additionally, less complex requirements of formalising a business could encourage informal business formalisation.* Earlier research noted that short-term policies should monitor and control the informal sector, rather than eradicating or formalising it (Goel and Nelson, 2016; Loayza, 2016), and enable job creation, business registration and regulation in the informal sector (Chen, 2012).

The formal registration of informal businesses deems them ‘legitimate’ and improves access to resources and provision of resources (Webb, Kistruck, Ireland and Ketchen, 2010). *Trading licenses, regulated by the by-laws and issued by the Municipality, permit informal traders to engage in entrepreneurial activities. Informal traders criticised the*

Municipality for inequitable license allocation and approval processes. Additionally, licensing delays impact sales and revenue also creating uncertainty where entrepreneurs are unable to plan or purchase goods in advance. However, despite being registered, informal entrepreneurs remain constrained by the applicable business regulations.

Macro-IEE Primary Driver: Informal businesses have to comply with business requirements as part of the policy / regulatory environment.

Micro-IEE Circular Pivotal: Licenses permit entrepreneurs to conduct informal business activities and trade. Informal businesses are registered and regulated.

Micro-IEE Primary Outcome: Delays in licensing impact the ability of informal businesses to trade legitimately.

5.3.1.1.3 INFORMAL BUSINESS INSTITUTIONS

The literature review in *Chapter 2* suggested that informal entrepreneurs rely largely on networks to influence policies and practices that govern them because they are not represented by groups like trade unions (Gërkhani, 2004), lacking the formal structure and means to mobilise and collectively exert influence (Tanaka, 2010). *This was largely supported by experts who proposed the establishment of informal business forums where informal businesses and stakeholders can engage constructively.* However, through the process of this research and as reported in *Chapters 3-4*, it is evident that such a perspective has to be re-evaluated. Informal entrepreneurship associations exist in South Africa and operate in a formalised manner. During the planning and execution of the informal entrepreneur focus group, it became evident that the informal sector embodies a greater degree of formalisation than originally envisaged. Informal sector associations are registered with the respective municipality and contact details of association leaders are maintained by the Municipality.

Normative legitimacy is motivated by an obligation to conform to social and sectoral norms, behaviours and expectations (Salvi, Belz and Bacq, 2022). *Normative legitimacy was displayed by informal entrepreneurs and association heads when the focus group was planned and coordinated.* Informal entrepreneurs are a function of social structures and groups that shape behaviour (Luk'ianchikova and Iamshchikova, 2018). *Informal entrepreneurs in focus group 1 were members of an informal sector association and were requested by the Association's Secretary-General to participate in the research. The association nominated an interpreter and a person who ensured that all participant*

completed their registration as well as the informed consent forms required by the researcher. Informal entrepreneurs were observed to operate in accordance with group norms and informal institutions.

Observations support the views that individuals operating in the informal economy find commonality in collective shared culture, identities, behaviour, networks and traits (Davies and Thurlow, 2010). Cognitive legitimacy or collective identity “is culturally supported by constitutive schema and taken-for-granted cultural conceptions” (Salvi *et al.*, 2022, p. 10). *Informal traders were very respectful to each other and the researcher during the meeting and contributed openly to the engagements.* Informal economic activity is a socio-economic substitute and in many cases an involuntary survival practice (Davies and Thurlow, 2010). *Informal entrepreneurs showed interest in understanding what value this research will add and whether it could influence changes in the policy and regulatory environment related to informal businesses.* To this end, informal entrepreneurs were observed to share a collective identity and want to influence their environment to improve their situation.

It was evident during the focus group that the informal business association and Municipality stakeholders engage constructively. *The focus group was conducted at the SEDA offices in Durban and representatives from both stakeholders ensured that proceedings were in order. However, informal entrepreneurs highlighted the need to improve the committees for informal traders. They sought more engagement and communication with the Municipality and suggested that the informal business committee would play a central role in facilitating this. Informal business committees are limited in their function by the Municipal by-laws. Committees are important as they provide a platform for entrepreneurs to raise concerns about legislation and operational issues and find solutions to them.* Informal entrepreneurs want to contribute towards improving their environment by advocating for strengthened platforms for engagement that aren't just tick-box exercises.

Macro-IEE Primary Driver: Informal business forums are part of an enabling environment for informal entrepreneurship.

Micro-IEE Secondary Driver: Informal business committees provide a platform for stakeholder engagement to enable informal entrepreneurial activities.

Informal business associations operate formally, and members interact and engage in accordance with informal institutions.

5.3.1.1.4 SUMMARY: LEGISLATION AND REGULATIONS

The literature review recognised that the informal economy in South Africa is made up of a variety of sectors and includes a services sector, micro-manufacturing sector, arts and craft sector, agriculture sector and retail sector, and food and drink sector (Sustainable Livelihoods Foundation, 2016) and an informal rental sector (The Housing Development Agency, 2012). *The FG1 constituency was informal entrepreneurs who operated in the services, retail and micro-manufacturing sectors of the informal economy.* Therefore, informal entrepreneurial activities form part of the economic landscape in South Africa, engaging in retail, consumer, services and manufacturing markets and sectors.

The initial literature review understood informal entrepreneurship as “the process of creating a new venture that is lawful in all respects, with the exception that it operates in an unregistered manner”. This research finds that informal entrepreneurial activities occur within the applicable legislation (by-laws and provincial legislation) and certain forms of entrepreneurial activities are registered, adhering to applicable business requirements as contained in this legislation. Informal entrepreneurship is further regarded, in law, as micro-enterprises in South Africa.

The literature review suggested that informal entrepreneurs lack the formal structure and means to mobilise and collectively exert influence (Tanaka, 2010), relying on networks to exert influence (Gërkhani, 2004). However, through the process of this research, it became evident that the informal sector embodies a greater degree of formalisation than originally envisaged. Informal sector associations are registered with the respective municipality and contact details of association leaders are maintained by the Municipality.

5.3.1.2 CONTEXT

Informal entrepreneurship occurs in a context and while the context influences entrepreneurship, entrepreneurs in turn shape their context and change it over time. Entrepreneurial action is both enabled and constrained by its context as well as affecting the context (Stam, 2016). The concept of “context” is largely thought of as the external environment that affects entrepreneurship and where entrepreneurial activities occur, however, “context” also needs to encompass “how entrepreneurs do contexts: how they interact with their environments to enact and construct the contexts in which they operate” (Welter and Baker, 2021, p. 1155). The context for informal entrepreneurship, as articulated in the literature review, was seen as the informal economy. However, as

informal entrepreneurship is not limited to occurring in the environment of the informal economy, there is a need to broaden its contextual view. The transactional view posits that “the union of the preferences and constraints gives rise to context which did not exist prior to the transaction” (Khalil, 2003, p. 124). The informal entrepreneurship context is best understood by appreciating the motivation or preferences of IEE agents and the constraints associated with the IEE.

Initiatives to support entrepreneurship should be contextually relevant, leveraging local conditions. EEs should be fashioned around local conditions as opposed to pursuing a ‘Silicon Valley model’ (Isenberg, 2010). Understanding local conditions identifies key obstacles and needs to better cultivate relevant policy and support responses (Mthimkhulu and Aziakpono, 2015), as well as leveraging contextual strengths to generate solutions (London and Hart, 2004). Country examples provided by Isenberg include Chile that prioritised natural resources; Rwanda where local industries were identified for development; and Israel and Iceland that prioritised human capital development (2010). Since entrepreneurs ‘navigate the context’ by seeking new contexts with better opportunities (Korsgaard *et al.*, 2022), IEE agents will seek new contexts or look to change their present context if it is not enabling.

5.3.1.2.1 HOMELESSNESS

Homelessness is a complex feature evident in South African society. Homeless people, sometimes identified as vagrants (Cross, Seager, Erasmus, Ward and O’Donovan, 2010), are people who are detached from society with no suitable formal or informal housing (du Toit, 2010). A growing number of people have gravitated towards towns and cities in search of work or opportunities (Cross *et al.*, 2010), the majority of whom are Black (Cross *et al.*, 2010), individuals with low or no income, and an increasing migrant population (Roets, Botha, Greeff, Human, Strydom, Watson and Chigeza, 2016).

Homelessness is a primary driver of the Micro-IEE having a direct impact on the crime in the area. *Informal entrepreneurs are designated trading spaces by the Municipality that have a high presence of homeless people. Homelessness creates a trading environment that is not always conducive, with customers afraid to buy from traders out of fear of being mugged. This also may lead to a loss of revenue for informal businesses. Homelessness in the area is associated with high crime rates and increased police enforcement in the trading location.* Prior research notes that homelessness is associated with societal

exclusion (Mangayi, 2017), poverty (Roets *et al.*, 2016), criminality and individuals being displaced (Cross *et al.*, 2010). *Informal entrepreneurs cited the high rate of homelessness as an inhibitor to their business, indicating that customers fear the homeless associating them with criminality.*

Prior research on homelessness in SA focused on improving research engagement and outcomes in respect of homelessness (Roets *et al.*, 2016; Groenewald, Timol and Desmond, 2020), establishing the causes of homelessness in SA (Cross and Seager, 2010; Cross *et al.*, 2010; Makiwane, Tamasane and Schneider, 2010) and proposing responses to homelessness at a regional and country level (du Toit, 2010; Naidoo, 2010; Kriel, 2017; Mangayi, 2017). Despite the volume of research on homelessness in SA, no research could be found on the impact of homelessness on informal businesses or the consequences of pervasive high levels of homelessness on economic activities. Additionally, research focusing on the informal sector in SA did not cite homelessness as a driver or inhibitor of entrepreneurial activity.

Micro-IEE Primary Driver: Homelessness negatively impacts informal entrepreneurship and is a contextual reality associated with crime in the area where entrepreneurship occurs.

5.3.1.2.2 CRIME

Pervasive high crime rates pose the biggest constraint for formal and informal entrepreneurship in South Africa. South Africa's high unemployment and high poverty rate are associated with its high crime rate, which is one of the highest in the world (BMI Research, 2016). Crime is most cited as the largest constraint to starting and running a business successfully in South Africa (World Bank Group, 2014; Mthimkhulu and Aziakpono, 2015) including informal businesses (Meyer *et al.*, 2016; Mahadea and Khumalo, 2020b). Unlike many other countries where entrepreneurs view finance as a binding constraint for business activities, in South Africa, crime poses the largest constraint for entrepreneurship activities (Mthimkhulu and Aziakpono, 2015).

Operating a business amidst a high crime and risk context increases the cost of doing business. Research shows that high crime compels SMMEs and businesses to increase spending on security (Bureau for Economic Research, 2016). Additionally, increasing costs associated with security and insurance which are risk mitigation strategies for dealing with high crime rates, increases the cost of doing business (BMI Research, 2016).

Informal entrepreneurs view insurance as a primary driver of the IEE as a direct response to dealing with high crime rates. The lack of insurance for informal traders directly exposes them to loss from theft.

Although the high crime rate is a risk for informal entrepreneurs, they continue to conduct their economic activities. Despite being the largest constraint for entrepreneurship in SA, research shows that crime did not influence business ownership in SA (Grabrucker and Grimm, 2018) and spaza shops continue to operate despite the significant impact of crime (Kgaphola *et al.*, 2019). *The high rate of homelessness and pervasive crime was a concern to informal entrepreneurs; however, it did not deter them, and they continued operating their businesses. High crime rates contribute to increased policing in the area of informal entrepreneurs. Additionally, due to the high crime rates, informal traders feel unsafe, and so do their customers. They also do not buy too much stock because of potential theft.*

An enabling environment for informal entrepreneurship should be free from corruption and protect informal entrepreneurs from extortion. Corruption is viewed as “a tax which discourages economic activities, and its disincentive effects associated with rent-seeking (e.g., bribes) are particularly harmful to new entrepreneurs who don’t have the contacts and social networks to limit these negative effects on business formation” (Munemo, 2022, p. 1649). This is particularly important for South African informal traders who require licences to continue trading because should they become targets for corruption, they are likely to pursue rent-seeking activities (Munemo, 2022) and not trade. *Experts said that addressing crime where informal entrepreneurs were protected from extortion by mafias and exploitation by police, was part of creating an enabling environment for them.*

Macro-IEE Primary Driver: The policy / regulatory environment should protect informal entrepreneurs from exploitation.

Micro-IEE Secondary Driver: Crime is a contextual feature in the environment where informal business trades, and adversely impacts informal entrepreneurship. The level of crime is associated with homelessness in the area.

5.3.1.2.3 POLICING AND BY-LAW ENFORCEMENT

The South African Police Service and Metro Police are responsible for the safety and security of people as per their crime prevention mandate. The South African Police

Service (SAPS), although sizeable in number comprising around 200 000 personnel, is unable to adequately deal with most instances of crime due to skill and capacity and resource constraints (BMI Research, 2016).

Municipal police, better known as Metro Police, are located within municipalities in South Africa and supplement national policing capacity with their crime prevention mandate. Crime prevention is recognised as the protection of safety and provision of security to people in SA (Bruce and Stone, 2022).

Crime prevention is thus a mandate of both the municipal and national police forces.

As crime is a driver of the Micro-IEE, informal entrepreneurs depend on the police for safety and security, however, the constituency did not speak of the police in terms of their crime prevention mandate. Prior research noted that Metro Police fail to provide security to traders and their products (Jiyane and Ocholla, 2012). Similarly, Informal traders did not provide any indication that they received the necessary protection from the police. As informal entrepreneurs do not have the resources to procure additional security to deal with the risk of high crime rates in their business, they rely on the police to provide such protection.

Metro police are also responsible for enforcing the municipal by-laws pertaining to informal entrepreneurship. In addition to their crime prevention mandate, Metro Police are also responsible for policing traffic within the municipality as well as enforcing compliance with the municipal by-laws (Bruce and Stone, 2022). However, SMMEs, other than informal entrepreneurs, do not fall under the purview of police for regulatory enforcement. The business requirements for these enterprises are regulated by CIPC. There may be a need to consider separating the enforcement and crime-prevention roles as it pertains to micro-enterprises.

In the Micro-IEE, policing is driven by the high crime rate, but the informal entrepreneur constituency almost solely associated policing with the enforcement of municipal by-laws. *Entrepreneurs complained about repeatedly being written up by police and lamented the abuse and harassment they endured from police, having their licenses revoked and goods confiscated if they were not found at their allocated stalls*, a view also confirmed by prior research by Khumalo and Ntini (2021). Hard-handed policing by the Metro Police in Johannesburg is found to have harmed immigrant informal businesses (Peberdy, 2016)

and *informal entrepreneurs raised numerous concerns about police harassment and hard-handed enforcement of by-laws by Metro Police.*

Regulative legitimacy is derived through compliance with laws and regulations and underpinned by the motivation that individuals would not bear the consequences of contravening regulations (Salvi *et al.*, 2022). *Experts observed that enforcement of by-laws is necessary to create an enabling environment for informal entrepreneurship. According to them, enforcement should ensure product and consumer safety and “that sound business practices are maintained, and consumers are protected from exploitation by these entrepreneurs”.* Regulations and the enforcement of such regulations should therefore focus on business practices and consumer and product safety.

Municipal by-laws are criticised for being too prescriptive and as a consequence of that, enforcement of these by-laws is equally stringent. Research has noted that municipal by-laws applicable to informal entrepreneurship are not concerned with safety and security, but rather aim to regulate the economic activities of entrepreneurs, further suggesting that “enforcement of laws, particularly where this is done arbitrarily and unfairly, doesn’t necessarily improve safety and may reinforce economic exclusion” (Bruce and Stone, 2022, p. 16). *Informal entrepreneurs believed that their dignity is impeded, they are looked down upon and they feel disrespected by the police. One trader mentioned, “police officers have no respect”.* Heavy-handed police enforcement could result in police losing the trust and respect of people and ultimately not resulting in crime reduction (BMI Research, 2016). Research has also found that like crime, police harassment heightens the risks of doing business in SA (Sustainable Livelihoods Foundation, 2015).

Macro-IEE Primary Driver: The policy / regulatory environment includes the enforcement of regulations pertaining to informal entrepreneurs.

Micro-IEE Secondary Driver: Policing is associated with by-laws and is viewed in a negative context by informal entrepreneurs.

Police do not adequately protect the safety and security of informal entrepreneurs.

Police are hard-handed and inconsistent in their enforcement of the by-laws pertaining to informal entrepreneurs and encumber their dignity.

5.3.1.2.4 SUMMARY: CONTEXT

The literature review viewed the informal economy as the context for informal entrepreneurship and embedded the context into new business models in the IEE.

However, informal entrepreneurship is not limited to occurring in the environment of the informal economy, and context is not a sub-set of a business model. The context was not identified as an IEE element by either constituency, yet it is represented in the lived experiences of informal entrepreneurs and cited as “homelessness, crime and policing”.

Prior research undertaken by Kistruck *et al.* (2015, p. 437) on entrepreneurs in Guatemala presents many interesting similarities with the findings in this research. They found that:

“While being deemed ‘legitimate’ by regulatory institutions through formal registration can in fact provide an increase in the provision of resources from relatively strong institutions within BOP markets, it can also result in increased resource appropriation from drug dealers, gangs, and other criminals when legal institutions are weak. More specifically, by adopting the procedures and symbols necessary to display adherence to the rules and norms associated with operating a registered business (i.e., displaying licenses and issuing receipts), entrepreneurs at the same time inadvertently signal to criminals that they possess sufficient resources to warrant extortion and theft. Thus, in BOP markets where legal institutions often lack the resources to provide adequate protection, the financial and human capital benefits provided by legitimization are largely offset by the increased costs and risks associated with crime.”

Drawing from Kistruck *et al.* (2015, p. 437), the informal entrepreneur constituency engaged in this research had to register and were only eligible to trade in the designated location if they had a valid license. These entrepreneurs are further located in an area that is in the vicinity of a local taxi rank and that houses many homeless people. Therefore, given the sheer volume of people who transit to their trading locations, they are at higher risk of being exposed to crime.

Neither crime, policing nor enforcement of by-laws/legislation/regulations were initially recognised as conceptual IEE system elements, however, they are now identified as drivers of the Micro-IEE. Informal entrepreneurs should depend on the police for safety and security, but the constituency did not view police as protectors. However, the informal entrepreneur constituency almost exclusively associated policing with the enforcement of municipal by-laws. Unlike other enterprises within the SMME umbrella whose regulatory enforcement is done by independent structures/bodies, the enforcement of by-laws governing informal enterprises/micro-enterprises is done by the police. There may be a

need to consider separating the enforcement and crime-prevention roles as it pertains to micro-enterprises.

Homelessness was also not identified as a factor in the initial literature review. Existing research on homelessness in SA has not looked at the impact of homelessness on informal businesses and crime or the consequences of pervasive high levels of homelessness on economic activities. This research finds that homelessness is a proximal primary driver of the Micro-IEE but was not cited as a driver or inhibitor of entrepreneurial activity. This is therefore an area for future research.

5.3.1.3 CULTURE

Culture, according to EE literature, is about creating a culture based on stories representing the EE's success, the societal norms that support the ecosystem (Igwe *et al.*, 2020) and cultural support via informal institutions (Stam and Spigel, 2016). Culture was also identified in the conceptual IEE and goes beyond creating a culture for the IEE to thrive, but also taking into cognisance the existing cultures embedded in the context.

5.3.1.3.1 NATIONAL CULTURE

As articulated in the literature review using Hofstede's cultural dimensions, the South African national culture is more individualistic, where the work environment is more male-dominated, individuals prefer structured work, they seek immediate gratification as opposed to having a long-term orientation and there is a lower power distance from authority. South Africa's national culture is therefore highly individualistic and less community-orientated culture (Sriram, Lingelbach, Mersha and Manu, 2021). Research comparing German and Thai entrepreneurs found that national culture has a significant influence on the entrepreneur's decision-making and decision-logic efficacy as well as the entrepreneurial processes (Strauß, Greven and Brettel, 2021). Research identified that entrepreneurship education in countries with high individualism and masculinity and low uncertainty avoidance influenced entrepreneurship activities (Oo *et al.*, 2018). Therefore, national culture is viewed as an important influencer of entrepreneurship.

Research largely associates entrepreneurship with individualistic national cultures. Some research findings include: Highly individualistic national cultures play a moderating role in directing human capital towards commercial entrepreneurship (Sahasranamam, Nandakumar, Pereira and Temouri, 2021); high individualism, low uncertainty avoidance

and gender-neutral cultures are associated with higher levels of growth-oriented entrepreneurship (Sriram *et al.*, 2021); and individualism is combined with high levels of trust (Casson and Casson, 2014) and pro-market institutions are associated with higher levels of innovation (Bennett and Nikolaev, 2021). Therefore, individualistic cultures, in conjunction with pro-market institutions and high levels of trust, are associated with high innovation and formal entrepreneurship.

There are contexts in South Africa that embody a more collectivistic and community culture. South African values are premised on concepts of Ubuntu and Harambee and reflect the community, caring and sharing and compassion (Venter, 2012). *Experts echoed these sentiments, stating that cultures of 'Ubuntu' and 'Harambee' can promote working together inter-connectedness and a culture of shared learning and connections*". Similar to observations made in the literature review, where the unique context of informal entrepreneurship was highlighted, experts noted the inherently collectivistic culture in SA, but also suggest a more entrepreneurial culture to promote innovation.

Cultural perspectives have evolved overtime, and research suggests an amalgamation of western and traditional cultures. Initially, modern capitalism was associated with corporatism and bureaucracy rather than individualism and enterprise (Casson and Casson, 2014). More recently, economic conceptualisations of the entrepreneur are western-focused, and research calls for an amalgamation of traditional and western values and culture to better understand the entrepreneurial propensity in African countries (Venter, 2012). Research also finds that a balanced individualistic/collectivistic culture is associated with female entrepreneurship in most African countries (Sriram *et al.*, 2021). It is therefore important that the cultural capital embedded in the context and reflected in the actions and views of informal entrepreneurs be properly understood.

Macro-IEE Secondary Outcome: South Africa displays an individualistic culture. However, collectivism is advocated for in the IEE. Individualism is associated with higher levels of entrepreneurship. There is a need to appreciate local cultural nuances.

5.3.1.3.2 ENTREPRENEURSHIP CULTURE

Culture is the representation of attitudes toward entrepreneurship and “positive cultural outlooks can normalize the risks of entrepreneurship and encourage firm creation, while negative outlooks create barriers to leaving stable employment to become an

entrepreneur” (Spigel and Harrison, 2018, p. 153). *Experts noted that a culture of entrepreneurship needs to exist in society and an entrepreneurship mindset should be fostered from an early age. Being part of a society that fosters entrepreneurship promotes solution-orientated creativity to address problems and also enables market expansion. Experts observed that product innovation is largely dependent on innovation and solution-oriented entrepreneurship culture.* Culture is an essential characteristic in the ecosystem’s evolution and reinforcing informal institutions promotes entrepreneurs’ confidence and tolerance towards failure (De Brito and Leitão, 2021). To this end, experts supported an entrepreneurial culture that promotes innovation and growth.

Culture and, specifically, positive societal norms and attitudes towards entrepreneurship, have been recognised as key components of entrepreneurial ecosystems (Isenberg, 2011). *Experts noted that education influences norms and behaviours and is therefore important for creating an entrepreneurship culture.* “A supportive culture is not enough to sustain long-term entrepreneurial development” (Spigel and Harrison, 2018, p. 153) and *experts observed that growing human capital requires an understanding of the culture of business and people. Human capital is therefore an outcome of the culture that influences it.* By implication, individuals cannot be separated from the context “individuals are active in constructing contexts and contexts are not out there, but ‘part of the act’” (Baker and Welter, 2020). *Experts advised that cultures can support the formation of COPs encouraging shared and mutual learning, or they could deepen individualism and promote standalone success.* The iterative relationship between culture and context is therefore an important observation.

Informal entrepreneurs face exclusion and marginalisation. The culture of a society is reflected in its shared values and beliefs, which are in turn reflected in institutions (Casson and Casson, 2014). *Presently, informal entrepreneurs face marginalisation, located in high crime areas and the ‘attitude’ expressed towards them is one of subservience, poverty and not worthy of dignity and respect.* Institutions are seen as ‘cultural toolkits’ that shape the context of entrepreneurship through resource allocation, identity creation, culture creation and decision-logic (Patriotta and Siegel, 2019). *Formal institutions expose informal entrepreneurship is exposed to hard-handed policing, and the police meant to protect them also regulate them.* Altering social norms and attitudes towards informal entrepreneurship is a huge feat and requires changing a broader societal culture towards informal entrepreneurs that is deeply embedded.

The informal entrepreneurship culture is dependent on changing the overall views towards informal entrepreneurship. There is a call for the government to adopt a less direct role in EEs focusing on “breaking down cultural barriers, educating entrepreneurs and promoting success stories” (Isenberg, 2010, p. 49), thus taking the lead to enable a more conducive culture towards entrepreneurship through institutions (Isenberg, 2010). However, institutions themselves are products of the culture that needs to be changed. Government plays an important role in creating an enabling IEE.

Macro-IEE Secondary Outcome: Culture is a socio-economic enabler for informal entrepreneurship and the IEE. Government should play a key role in promoting a culture that enables the IEE.

5.3.1.3.3 SUMMARY: CULTURE

Hofstede’s cultural dimensions is a model that is widely utilised to interpret and understand the national culture, as has been done in this research. Whereas South Africa is observed as an individualistic nation, the coexistence of collectivism, as reflected in Ubuntu and Harambe it is evident. There is therefore a need to understand the cultural context beyond the framework used.

Pierre Bourdieu’s ‘Theory of Practice’ maintains that cultural capital exists in three interchangeable states: embodied, objectified and institutionalized states (Venter, 2012; Yang, 2014).

An individual’s objectified state refers to their cultural possessions while their level of educational attainment is the institutionalised state. The embodied state reflects the essence of a person, intrinsically linked to an individual’s habitus and is their ability to interpret ‘cultural codes’. Therefore, a person’s predisposition may be internalised by prevailing conditions known as ‘structured structure’ or it could be used to shape a person’s context by ‘structuring structures’ (Yang, 2014).

Drawing from Bourdieu’s theory, this research finds that the principles embedded in Ubuntu and Harambe practices are reflective of individuals’ embodied culture state. The embodied cultural state is not always evident or expressly articulated, as it is intertwined with the very being of an individual (Thompson, Verduijn and Gartner, 2020). Therefore this research finds support for Venter’s view that entrepreneurship in Africa cannot solely be viewed through conventional lenses and should include local cultural nuances (2012).

Culture is the representation of attitudes toward entrepreneurship and while experts, as well as literature, observe the importance of an entrepreneurial culture, the culture and perceptions towards informal entrepreneurship also need to be addressed. Informal entrepreneurs face exclusion and marginalisation and informal entrepreneurship is as a consequence not prioritised and treated as its SMME counterparts are. Government should play a less direct role in the IEE and focus on creating a culture that is more receptive, respectful and inclusive of informal entrepreneurship.

5.3.1.4 CONCLUDING SUMMARY: INFORMAL ENTREPRENEURSHIP

Primary and secondary drivers dominate the institutional perspective used to interpret the IEE and reveal the following:

- Consistent with the conceptual IEE, components including policies, respect and dignity and culture are identified.
- Constituencies did not explicitly identify informal institutions and economic dimensions as originally proposed in the conceptual IEE, however, dignity is viewed as an informal institution.
- New dimensions identified in fieldwork include informal business associations /committees / forums, the context (which encompasses homelessness, crime as well as enforcement of by-laws) and the impact of the regulatory environment on business operations.
- 6 of the 15 IEE components in the institutional/legal perspective come from experts, with the majority of the components emanating from informal entrepreneurs.

Table 48. IEE components: Institutional perspective

Tentative SID	Affinity	Sub-Affinity	IEE Linkage	Descriptors	IEE Conceptual framework component?	
Primary Driver	J: Homelessness		Context	Homelessness negatively impacts informal entrepreneurship and is a contextual reality that is associated with crime in the area where entrepreneurship occurs.	✘	Context
	K: Policy / regulatory environment	Enabling policy environment	Legislative compliance	Municipal by-laws that regulate Informal businesses are part of the policy / regulatory environment	✓	Policy
		Business compliance requirements	Business regulations	Informal businesses have to comply with business requirements as part of the policy / regulatory environment.	✓	Formal institution

Tentative SID	Affinity	Sub-Affinity	IEE Linkage	Descriptors	IEE Conceptual framework component?	
		Enforcement of by-laws	Enforcement of by-laws	The policy / regulatory environment includes the enforcement of regulations pertaining to informal entrepreneurs.	✓	Formal institution
		Crime	Context / Policy	The policy / regulatory environment should protect informal entrepreneurs from exploitation.	✗	Context
	B: Create an enabling environment	Informal business forums	Informal business associations	Informal business forums are part of an enabling environment for informal entrepreneurship.	✗	Informal business association
Secondary Driver	G: Police and By-laws	Police enforcement of by-laws	Context Police enforcement	Policing is associated with by-laws and is viewed in a negative context by informal entrepreneurs. Police do not adequately protect the safety and security of informal entrepreneurs.	✗	Context
		The dignity of informal traders	Context Dignity	Police are hard-handed and inconsistent in their enforcement of the by-laws pertaining to informal entrepreneurs and encumber their dignity.	✓	Informal institution
		By-laws	Legislative compliance	By-laws legitimate informal enterprises. Informal businesses comply with legislation in the form of municipal by-laws and provincial legislation.	✓	Policy
		Governance	Municipal support	Informal entrepreneurs would like to be engaged on laws impacting them as well as have their contributions genuinely considered by the municipality. The support units in municipalities should be more enabling.	✓	Policy
	H: Crime		Context / Policy	Crime is a contextual feature in the environment where informal business trades, and adversely impacts informal entrepreneurship. The level of crime is associated with homelessness in the area.	✗	Context
	F: Committees		Informal business associations	Informal business committees provide a platform for stakeholder engagement to enable informal entrepreneurial activities. Informal business associations operate formally, and members interact and engage in accordance with informal institutions.	✗	Informal business association Informal institution
Circulator or Pivot	E: Licensing		Business regulations	Licenses permit entrepreneurs to conduct informal business activities and trade. Informal businesses are registered and regulated.	✗	Formal institution
Secondary Outcome	A: Culture		Culture	Culture is a socio-economic enabler for informal entrepreneurship and the IEE. Government should play a key role in promoting a culture that enables informal entrepreneurship. South Africa displays an individualistic culture; however, collectivism is advocated for in the IEE. Individualism is associated with higher levels of entrepreneurship. There is a need to appreciate local cultural nuances.	✓	Culture
Primary outcome	C: Trading environment	Regulations governing informal businesses	Business regulations	By-laws constrain the trading environment for informal businesses. Delays in licensing however impact the ability of informal businesses to trade legitimately.	✗	Business operations impact
Conceptual IEE elements	Economic growth		Informal entrepreneurship	Informal businesses form part of the economic landscape in South Africa, engaging in retail, consumer, services and manufacturing markets.	?	

Tentative SID	Affinity	Sub-Affinity	IEE Linkage	Descriptors	IEE Conceptual framework component?	
				Micro-entrepreneurship refers to registered entrepreneurial activities that are governed by by-laws and provincial legislation in SA		
	Informal institutions		Context	The context was not identified as an IEE element, however, it is represented in the lived experiences of informal entrepreneurs and represented in homelessness, crime and policing.	?	

Source: Author's construct (2022)

Legend	Micro-IEE components	Macro-IEE components	IEE conceptual framework dimensions
✓	Component identified in conceptual IEE and confirmed in research and fieldwork	✗	Component identified in conceptual IEE and confirmed in subsequent literature review, but not identified by fieldwork
			?
			Component identified in conceptual IEE and confirmed in subsequent literature review, but not identified by fieldwork

This research was premised on the Mainstream and Neoliberal theories of the informal economy from the outset. This perspective presents informal entrepreneurship as a legitimate choice of individuals. The table below presents the observations emanating from this research, where informal entrepreneurship is a choice made by individuals, whose existence is not an outcome of burdensome regulations. Informal businesses are legitimate, operating in accordance with applicable laws, and coexist with formal businesses.

Table 49. South African informal entrepreneurship

Dimensions	Source	Post-structuralist (mainstream) Chosen alternative thesis	Neoliberal Chosen alternative thesis
Economy	Literature review	An informal economy is part of economic growth and development and contributes to economic development using informal practices through informalisation.	The informal economy is a by-product of burdensome state regulations and controls, and not because of deliberate avoidance.
	Research findings	This research did not explore the economic growth contribution of informal entrepreneurship.	Informal entrepreneurs' businesses were not an outcome of state regulations, instead, they represented subsistence activities conducted out of necessity.
Legislation	Literature review	Informality is legitimate and prevalent operating per its own norms, values and rules.	Informality prevalence is because of high taxes, public sector corruption and state interference in the free market.
	Research findings	Informal entrepreneurship is recognised as SMME's in the SA context. They are regulated by-laws and these laws are enforced.	Informal businesses are not associated with tax or regulatory avoidance. Many informal businesses could fall under the tax threshold.
Choice	Literature review	Participation in informality is a legitimate rational choice and is a chosen alternative to the formal economy.	Economic participation in informality is a choice. Informal employment is a survival practice and a substitute for formal employment.
	Research findings	Informal entrepreneurship is a choice made by individuals.	Informal entrepreneurship is a necessity/survival practice. It is not necessarily an employment substitute.
Formal / Informal	Literature review	There is a complementary or competitive relationship where the informal economy is dependent on the formal economy	Informal and formal economies coexist, and informal businesses operate according to their own norms, values and networks.

Dimensions	Source	Post-structuralist (mainstream) Chosen alternative thesis	Neoliberal Chosen alternative thesis
	Research findings	Informal businesses coexist with formal businesses.	Both types of businesses operate under legislation governing them. Micro-enterprises are in fact regulated and operate in accordance with by-laws. They are therefore formal in nature.

Source: *Author's construct (2022) (Adapted from prior research)*

Research argues that “the distinction between formal and informal is not black and white but rather shades of grey” (Welter *et al.*, 2015, p. 292), and whereas that may be the case, this research suggests moving beyond polar-articulation of right and wrong. There is a need to appreciate that informal entrepreneurial activities are legitimised by legislation and the institutions that support them (Kistruck *et al.*, 2015). It is also critical to reflect on these rules that govern economic activities in an unbiased manner and re-frame the classification of the informal economy.

At the outset, this research sought to understand how to create a framework for a sustainable informal entrepreneurship ecosystem in SA. Informal entrepreneurship in SA cannot be considered informal as these businesses and business activities are legalised in legislation, business activities are regulated, and businesses are indeed registered. In revisiting the term “informal”, perhaps it is more apt going forward to refer to these economic activities as micro-entrepreneurship as they are classified as SMMEs in SA.

Micro-entrepreneurship refers to entrepreneurship that falls outside tax thresholds where entrepreneurial activities are registered and / or governed by by-laws and legislation in SA.

EEs encompass both subtle and salient features. The EE “software” refers to networks, values, beliefs, and social norms, and although subtle, are “the most important drivers of entrepreneurship” (Isenberg, 2015, p. 3). Entrepreneurs rely considerably more on informal institutions through networks and family to gain access to resources that are deemed inaccessible due to institutional voids (Sydow, Cannatelli, Giudici and Molteni, 2022). Informal institutional constraints associated with corruption negatively impact venture growth and sustainability (Estrin, Korosteleva and Mickiewicz, 2013; Erhardt, 2022), also deterring formal entrepreneurship and attracting individuals into informal entrepreneurship (Berdiev and Saunoris, 2018). Voids between and within formal and informal institutions influence the form of entrepreneurial activity (Webb, Khoury and Hitt, 2020) and motivate the pursuit of subsistence entrepreneurship (Webb *et al.*, 2009).

There is no singular view on which institutions are important for economic development (Steer and Sen, 2010). Similarly, the most appropriate institutions to enable informal entrepreneurship are dependent on many factors. Formal and informal institutions are embedded in society (Rodrik, 2006, p. 979), where culture is reflected in institutions (Casson and Casson, 2014), shaping the entrepreneurship context (Patriotta and Siegel, 2019). Formal institutions in the form of policy, business regulations and the structures that enforce and monitor them are distal primary drivers of the IEE located in the Macro-IEE and reflected in the Micro-IEE. The context, inclusive of homelessness and crime, is a proximal factor that drives the Micro-IEE.

Evident is the significance and nature of informal institutions in the IEE. This research finds that the social networks that informal entrepreneurs are assumed to operate in accordance with are in reality rather formalised through informal business associations, supporting Steer and Sen's (2010) observations about the increasing prominence of business associations and higher degrees of formalization in informal networks. Although culture is reflected as an outcome of the system, an entrepreneurial culture is created within the IEE.

It is also critical that given the finding that there is a linkage between homelessness, risk and uncertainty, crime, Police enforcement, by-laws and licensing that these linkages be explored further. Prior research finds that licensing informal businesses makes them susceptible to crime, and the inability of legal institutions to protect informal entrepreneurs contributes to the risk and uncertainty of doing business (Kistruck *et al.*, 2015).

Therefore, the institutional perspective of the IEE reveals that there is a convergence of formal and informal institutions that create an enabling environment in the IEE inclusive of a convergence of culture from within the IEE and outside the IEE.

5.3.2 THE ENTREPRENEURSHIP FUNCTION: A RESOURCE PERSPECTIVE

The functional perspective of entrepreneurship is rooted in neo-classical economics and premised on perfect competition where factors of production drive venture growth. In neo-classical economics, economic activity is **supply-side driven**, where available resources drive economic activity (Bortis, 2022) and the entrepreneur does not play a role in creating demand through new products or processes. Instead, they simply respond to the needs of consumers (Hébert and Link, 2009). Entrepreneurs, who are rational market agents

(Bortis, 2022) therefore make choices to maximise their objective functions (O'Donnell, 2022), making profits by utilising all resources optimally (Bortis, 2022). The markets coordinate the behaviour of entrepreneurs wherein the enterprise engages in productive economic activity (Vasapollo, 1996). In an organisational context, resources comprise tangible resources like natural, built, and financial capital (Daniel et al., 2022) and intangible resources like brand, reputation and legitimacy (Roundy and Bayer, 2019). Therefore, from the resource perspective of entrepreneurship, entrepreneurs meet market needs by optimally deploying productive resources.

The functional view of entrepreneurship provides a de-personalised lens through which to see informal entrepreneurship, distinguishing between the “entrepreneur as a type and entrepreneurship as a function” (Piano, 2022, p. 718). The literature review in Chapter 2 did not consider the entrepreneurship function therefore new literature is used to interpret the focus group outcomes. The interpretation of the entrepreneurship function from a neo-classical perspective highlights 2 key elements that bear relevance to this research as discussed in detail below:

- Human resources and financial resources; and
- Risk, uncertainty and insurance.

5.3.2.1 HUMAN RESOURCES

Human capital is a component of EEs, encompassing education institutions and labour. A sustainable EE depends on universities providing entrepreneurs and employees (Stam and Spigel, 2016; Spigel and Harrison, 2018). Human resources are reflected in the labour force participation rate (LFPR) and the human development index (HDI) (Nguyen, 2022) which measures human development in terms of health, income and education (Medda, Palmisano and Sacchi, 2022). Therefore, human resources include labour (employment) as well as human capital.

5.3.2.1.1 EMPLOYMENT AND JOB CREATION

Labour is an important resource and a factor of production in entrepreneurship. Neo-classical Economic theory regards labour as one of the factors of production that is optimally utilised by an entrepreneur, who is the employer (Hebert and Link, 1989). The Keynesian Political Economy theory seeks to have a fully employed workforce (Veggeland, 2016) and posits that unemployment is involuntary and an outcome of low

demand for employees (Bortis, 2022). *Experts noted that high unemployment in South Africa is an outcome of people's preference for formal jobs.* Macroeconomic theory associates long-term unemployment with imperfections in product and labour markets (Burger and Fourie, 2019) and economic changes that demand different skill sets (Murphy and Topel, 2016). Research however finds that the labour force participation rate does not influence economic growth (Nguyen, 2022). Moreover, as indicated in the literature review, despite its absorptive capacity, unemployment is a strong substitute for informal entrepreneurship where workers are discouraged or cannot start informal ventures.

Although the informal economy has a high absorption capacity, its contribution to job creation is limited. At the outset, this research study suggested that informal businesses have the potential to create employment and increase economic participation by creating informal entrepreneurs (Sallah, 2016). The informal economy absorbs excess migrant labour (Ingle, 2013) and labour from the formal economy (Dell'Anno and Solomon, 2008) and has a greater job creation potential than the formal sector (Sallah, 2016). *Informal entrepreneurs expressed their intention to expand their manufacturing capacity and also highlighted their ability to create employment through these manufacturing processes.* However, research looking at the impact of SMME programmes in South Africa between 1994 - 2003 revealed that SMMEs contributed marginally to job creation because most of them do not grow enough to create employment (Rogerson, 2004).

Job creation is not the outcome of an EE. EEs comprise multiple actors who participate in the ecosystem for varying reasons and therefore, research cautions that "job creation is not the primary objective of fostering an entrepreneurship ecosystem" (Isenberg, 2014, p. 3). Additionally, jobs created by new ventures pay lower salaries and may create larger numbers of low-skilled service jobs, as observed in Denmark (Isenberg, 2016b). *One expert noted the importance of "finding staff with the correct skills... How do you find the right people and how do you access training?... To build people for better economic outcomes means to value the unique experience and skills of labour."* Therefore, while being able to attract the correct skills is important, informal entrepreneurship is not heavily dependent on labour resources.

Macro-IEE Primary Outcome: Human resources (skills and capacity) are socio-economic enablers for informal entrepreneurship.

Informal entrepreneurs have the potential to create employment, but job creation is not a primary objective of the IEE.

5.3.2.1.2 HUMAN CAPITAL

Human capital is a product of the education system. The education system enables and reinforces perceptions and behaviour towards change and learning skills forming the foundation for a learning society (Stiglitz, 2011). Education is an important influencer of human capital creation and experts noted that *“human capital is prepared through the education and training. Education and training enhance the skills, experience and knowledge for human capital development”*.

Human capital is associated with higher levels of education, employment and productivity. Human capital refers to the “human qualities that can be employed as ‘capital’ in production in the way physical capital is” (Sen, 1997a, p. 1959) and individuals associate human capital with improved functioning and production. Human capital is associated with improved access to economic opportunities, higher labour productivity and higher labour force participation (Engerman and Sokoloff, 2005) and human capital investment is also associated with high returns in youth (Deming, 2022). *These views are supported by experts who noted that human capital enables access to markets and enhances value chain participation.* Research also finds that human development as reflected in human capital positively impacts economic growth (Nguyen, 2022).

Education as a whole should be skill, vocational and entrepreneurially orientated (Fein, Maclean and Park, 2009) supporting both employment and self-employment. Consequently, entrepreneurship development is influenced by the socio-cultural context, individuals, the environment and support systems (Fein, Maclean and Park, 2009). *In the Macro-IEE human capital is influenced by culture, the creation of an enabling environment, education, training and support infrastructure, COP/support, local, national and rural infrastructure and an enabling environment policy / regulatory environment.* Universities enable innovation-driven entrepreneurship through human capital spillovers and permitting access to skills (Zheng and Du, 2020). As such, education should enable the economic participation of individuals.

Whereas Human Capital theory appreciates the association between functional human qualities and sustainable economic growth, its range is limited to improving economic outcomes and falls short of unpacking the underlying motivations therefor (Sen, 1997a). Human Capital theories are therefore ends-orientated, a view *corroborated by experts where human capital is presented as an outcome of the Macro-IEE. Experts also noted*

that education and training generate staff with skills, resulting in a capable workforce. This view is supported by research that finds that “human capital - measured by educational attainment – is considerably more conducive to employment growth than the share of creative occupations” (Faggian, Partridge and Malecki, 2017, p. 997) and accounts for a considerable proportion of employment income variations within and across countries (Deming, 2022). Human capital as a measure is better related to employment growth as opposed to entrepreneurship.

Macro-IEE Primary Outcome: Human capital is a socio-economic enabler of the IEE. Human capital is a product of the education system and is measured by the level of educational attainment.

5.3.2.1.3 SUMMARY: HUMAN RESOURCES

This research finds that although labour is an important resource, it is not a critical factor of production for informal entrepreneurship. Initially, the literature review suggested that the informal economy has a high absorption capacity and can contribute to job creation. Informal entrepreneurs shared this perspective indicating that increasing their manufacturing capabilities can lead to job creation. However, in line with EE literature, this research finds that job creation is not a primary objective of the IEE.

Human capital, an outcome of the education system, is associated with higher levels of education, employment and productivity. Education should enable the economic participation of individuals, including entrepreneurship. This research finds, in support of Sen (1997a), that human capital is an outcome of the Macro-IEE.

5.3.2.2 FINANCIAL RESOURCES

Access to financial capital is an important component of an EE and includes a range of sources of financial resources to ensure a sustainable ecosystem (Lee *et al.*, 2017) and to invest in new ventures (Stam and Spigel, 2016). *Experts posit that equitable access to relevant sources of funding is critical for building an inclusive, business and growth-orientated culture.*

5.3.2.2.1 WORKING CAPITAL

Financial resources are part of the informal entrepreneurial activity production function. Neo-classical economics posits that financial resources are optimally deployed in the

process of production (Bortis, 2022) and the development of entrepreneurial activity is an outcome of economic progress. However, Jean-Baptiste Say argued that capital is a requirement for potential entrepreneurs (Grebel, 2004). *Finance is a primary outcome of the Micro-IEE and a factor of production (entrepreneurial activity) for informal entrepreneurs. Informal entrepreneurs argued that access to funding will enable their entrepreneurial activity by allowing them to buy in bulk at lower costs, enable business growth through marketing as well as allow them to create a more conducive trading environment. Funding, according to informal traders contributes to increased sales.* Therefore, financial resources deployed in entrepreneurial activity contributes to business growth.

Informal entrepreneurs are unable to realise higher profit margins, as their costs are determined by the market. Additionally, the costs incurred by informal entrepreneurs are sizeable in relation to the revenue they generate.

Israel Kerzner suggested that whilst uncertainty is inherent to entrepreneurship, entrepreneurs do not need finances or ingenuity to be alert and able to spot opportunities that allow them to buy products at a low price and sell them at a high price (Hebert and Link, 1989). However, “contemporary economics recognises that even the penniless entrepreneur incurs potential losses to the extent that he faces opportunity costs for his time and talents” (Hébert and Link, 2009, p. 11).

Informal entrepreneurs bemoaned having to use market agents to procure their produce, suggesting that they were subjected to standardised, often high pricing. They are unable to buy in bulk and negotiate discounts so that a higher profit could be realised. Traders also indicated that as no manufacturing spaces are available for them, they are forced to lease manufacturing facilities from garment manufacturers at a high cost (one participant cited R5000 for an afternoon). Informal entrepreneurs incur several costs that include having to obtain licenses that enable them to trade and licensing delays impact revenue. They are also issued with spot fines if Police find non-compliance to by-laws, and also bear the cost of having their goods confiscated at times. They also incur losses when fresh produce is spoilt as they do not have access to storage facilities. Importantly, access to finances for working capital is therefore important for informal entrepreneurs.

Micro-IEE Primary Outcome: Financial resources are a factor of production for informal entrepreneurial activity and an outcome of informal entrepreneurial activities.

5.3.2.2.2 FINANCIAL INSTITUTIONS

As indicated above, access to finances for working capital is important for informal entrepreneurs, however, in reality, formal and informal institutions moderate access to resources in turn influencing the market system (Bortis, 2022) and entrepreneurial activity.

In Keynesian Political Economy theory, the role of the financial sector is crucial as finances determine the scale of economic activity and the macroeconomic political economy “is essentially about the functioning of the socio-economic system... (wherein)... the heart of the economy is the social process of production and monetary and financial institutions” (Bortis, 2022, p. 5).

Market institutions facilitate access to finance and new markets by enabling the trade and investment of resources between economic activities and countries through banking and financial channels, also reducing the government’s intervention in economic activities (Junaid, He and Afzal, 2022). However, resource providers are seen “as ‘carriers of institutional logics’ who shape how EEs evolve through their choices and actions in the capital sourcing process” (Korber, Swail and Krishanasamy, 2022, p. 159). To this end, although there is an argument that because banks do not fund start-ups, and thus irrelevant in an EE, there is a counter-view that suggests that banks can fund innovation in later stage-ventures and “help financial markets mature and indirectly impact the entire value chain of investing” (Isenberg, 2014, p. 4). Therefore, institutions are thus able to use resources to enable or disable economic activity.

Financial inclusion and access to basic financial products are important for informal entrepreneurs and early-stage ventures.

Financial inclusion and access to basic financial products like automated teller machines (ATMs) and savings accounts are important in stimulating and supporting new and early-stage ventures. “Access to bank credit is the main financial instrument that supports the viability of established firms ... existing firms benefit more from bank loans than early-stage firms” (Charfeddine and Zaouali, 2022, pp. 11–12).

Research noted favourable female informal entrepreneurship outcomes when access to credit and entrepreneurial ability constraints were both addressed (Berge and Pires, 2020). *Experts recommended that operational support mechanisms like bank accounts*

for informal entrepreneurs to facilitate receipts and payment. Informal entrepreneurs say, “We don’t have financial support like for instance when you want a loan to grow your business... Banks don’t recognize us.” For the poor who are unable to access formal financial channels like banks and insurance institutions, microfinance enables access to financial services like microcredit loans, savings, and insurance (Newman, Schwarz and Ahlstrom, 2017). Informal entrepreneurs are excluded from the banking system and need alternative avenues to be able to access financial resources.

Financial institutions moderate access to finances. Formal financial institutions do not enable development equitably. Informal entrepreneurs require access to basic financial resources for working capital.

5.3.2.2.3 FINANCIAL CAPITAL

Financial capital is a source of innovation, new markets and products and supports infrastructure development. Josef Schumpeter suggested that the banking system was conceptualised to give life to new industries and is therefore associated with production as “production – not money, finance, or central banking policy – drives economic growth and business cycles” (Piano, 2022, p. 727). *Finance / Funding is a secondary outcome of the Macro-IEE and is critical for infrastructure development and enabling access to markets.* Unlike most developing countries where SMMEs cite access to finance as their largest constraint, crime is the largest constraint for SMMEs in South Africa (Mthimkhulu and Aziakpono, 2015). Therefore, although funding is important for the IEE, it is a system outcome.

Financial capital is an important resource to start or grow a new venture and is equally important in an entrepreneurship ecosystem. *Funding is both a supporting infrastructure as well as contributing to infrastructure development according to experts.* However, consideration must be given to what is the most appropriate form of financial support based on the life stage of the venture (Bertello, Battisti, De Bernardi and Bresciani, 2022). *Experts noted that funding will allow one to bring products to market. At times what stands in the way of bringing a great product to life is funding in an environment that fosters entrepreneurship, “it is all about ensuring that the business is given the best chance of succeeding, including finances”.* Therefore, it is necessary to ensure that the form of financial support provided is relevant to the IEE.

Research cites the adverse impact of South Africa's implementation of Black Economic Empowerment (BEE), which has "discouraged entrepreneurship among the bulk of black South Africans and has benefited primarily the elite and well-connected" (Isenberg, 2010, p. 47), cautioning against over-endowment of financial resources upon entrepreneurs, as it could attract opportunists to easy-money. Instead, entrepreneurial and innovative culture for existing entrepreneurial activities should be supported by building on existing resources within the ecosystem and leveraging those resources' successes to attract new resources (Spigel and Harrison, 2018). Research also notes that organic entrepreneurship growth in countries like Israel and Iceland had access to capital, customers and labour (Isenberg, 2014). Financial resources should therefore be allowed to grow organically, from within the ecosystem as opposed to offering easy money which may have unintended consequences.

Macro-IEE Secondary Outcome: Financial capital is an economic enabler of entrepreneurship and the IEE. Financial capital to start or grow a business through new markets or products is more relevant for growth-orientated ventures.

5.3.2.2.4 VENTURE CAPITAL

Venture capital (VC) is an important source of finance for growth-oriented start-ups, and in Africa, they finance mainly "information technology, agribusiness, renewable energy, fashion, health care, and consumer markets" (Sriram *et al.*, 2021, p. 76). VC funding amplifies firm growth, increases commercialisation and provides intellectual property rights protection for firms (Guo and Jiang, 2022). In a South African context, where around 90% of financial sector assets are held by large banks, venture capitalists and angel investors fill the resource void by enabling access to financial capital for early-stage firms (OECD, 2017b). Despite the small venture capital industry in Africa "South Africa has a well-developed venture capital and private equity market with nearly 150 members listed in the Southern Africa Venture Capital and Private Equity Association (SAVCA)" (Sriram *et al.*, 2021, p. 76). *Experts however noted that despite the availability of VC in SA, access to such capital for small entrepreneurs, and black entrepreneurs (previously disadvantaged) is limited. The creation of an enabling environment to support informal business growth includes having access to venture capital according to experts. They suggested that policies and regulations are critical for creating an enabling environment for business.* Access to VC funding is part of the enabling environment for the IEE.

Strong institutions are important for VC emergence. Research shows that high-growth and high-innovation firms attract VC funding (Guo and Jiang, 2022). Research in Chile on the emergence of VC revealed although strong formal institutions and regulations are necessary for VC growth, the growth of VCs is contingent on high-growth entrepreneurship, which is legitimised via informal institutions (Bustamante, Mingo and Matusik, 2021). *Experts suggested that Entrepreneurship Venture Funds for export growth should be developed, specifically for black entrepreneurs, noting that this will also enhance the ability of entrepreneurs to procure from the best suppliers.* Therefore, high-growth entrepreneurship, which is legitimised by formal institutions, creates the demand for VCs.

Macro-IEE Primary Driver: VC Funding is a factor in the enabling environment for informal entrepreneurship as they support high-growth ventures with funding.

5.3.2.2.5 SUMMARY: FINANCIAL RESOURCES

Although EE literature viewed funding as a separate domain, the initial literature review regarded funding as a resource, that contributes to human capability. This research subsequently identifies finances inclusive of working capital, financial capital and VC funding. While access to VC funding is a primary Macro-IEE driver, financial capital and working capital are both system outcomes.

Financial resources are part of the informal entrepreneurial activity production function and contribute to business growth. Access to finances for working capital for business growth and to pay for the high cost of doing business is therefore important for informal entrepreneurs. However, in reality, formal and informal institutions moderate access to resources in turn influencing the market system (Bortis, 2022) and entrepreneurial activity. This research finds that informal entrepreneurs are financially excluded from the banking system, not having access to basic financial products. Financial institutions should be more inclusive and there is also a need to find alternative sources of financial resources for informal entrepreneurship.

Financial capital is a source of innovation, new markets and products and supports infrastructure development. This research finds that funding is not a binding constraint for informal entrepreneurs and confirms prior research by Mthimkhulu and Aziakpono (2015), as funding is a system outcome. This research echoes the views of Isenberg (2010) and finds that it is necessary to ensure that the form of financial support provided is relevant

to the IEE and that financial resources should be allowed to grow organically, from within the ecosystem.

Access to VC funding is part of the enabling environment for the IEE. Whereas strong institutions are important for VC emergence, high-growth entrepreneurship legitimised by formal institutions creates the demand for VCs.

5.3.2.3 RISK AND UNCERTAINTY

The neo-classical entrepreneurial function is synonymous with entrepreneurs having to deal with risk and uncertainty whilst coordinating production factors in pursuit of profits. The neo-classical entrepreneur is an innovator and bearer of risk and uncertainty (Casson, 2010), a capitalist employer who supplied financial capital (Hebert and Link, 1989) and coordinated and allocated resources and factors of production (Ripsas, 1995) to make a profit. This perspective is critiqued for being too managerial rather than entrepreneurial (Grebel, 2004), a static representation of entrepreneurship (Vasapollo, 1996) and being too focused on entrepreneurship outcomes to promote growth and development (Shockley and Frank, 2011) and the causes of entrepreneurship while also ignoring intentions of entrepreneurs (Packard, 2017). Despite the critique of this perspective, dealing with risk and uncertainty is inherent in entrepreneurship.

Entrepreneurial risk and uncertainty were not considered during the initial literature review, however, it was observed that South Africa displays a lower preference for uncertainty avoidance (Hofstede Insights, 2022).

5.3.2.3.1 INSURANCE

Richard Cantillon introduced the 'entrepreneur' into Economic theory in 1755 when he visualised the entrepreneur as someone who engages in exchanges for profit taking on uncertainty and market/price risk (Hébert and Link, 2009; Casson, 2010) and the assumption that an entrepreneur is a rational agent is not feasible, as the entrepreneur does not behave rationally, having to deal with risks and uncertainty (Ripsas, 1995). In 1921, Frank Knight suggested that profit was the outcome of entrepreneurs dealing with uncertainty and bearing uninsurable risks (Casson, 2010). Entrepreneurship activity is a consequence of entrepreneurs dealing with risk and uncertainty.

Insurance is one of the primary drivers of the Micro-IEE. Insurance as a means of dealing with risk and ensuring financial inclusion has been associated with neo-classical

economics (Bernards, 2018). *Having insurance will enable informal entrepreneurs to mitigate financial losses from crime or stock losses.* Insurance is a means of mitigating risk, and providing compensation for losses (Ardington, Lam, Leibbrandt and Levinsohn, 2004), a view echoed by informal entrepreneurs *who said insurance will allow them to manage losses emanating from theft, delays in licensing, confiscation of goods, and damaged produce.* Insurance is a source of safety and security for entrepreneurs who, by the very nature of their economic activities, deal with risk and uncertainty. Insurance is also seen to reduce vulnerability as it protects in the event of large losses. *The lack of insurance for informal traders directly exposes them to loss from theft.*

Despite being the largest market in Africa, short-term insurers are slated for being socially exclusionary as low-income earners show low uptake of short-term insurance products (Rusconi, 2020). The sector has low levels of penetration, and non-life insurers in South Africa are criticised for pricing their products as monopolies (Alhassan and Biekpe, 2017). There is a need for short-term insurers to focus on providing risk solutions for the poor as well as small business (Rusconi, 2020). Informal entrepreneurs in seeking insurance need to consider the cost of insurance in relation to its value.

Micro-IEE Primary Driver: Insurance is a means of financial inclusion and risk mitigation strategy for informal entrepreneurship.

Insurance mitigates losses, promotes financial inclusion and reduces the perception of vulnerability for informal entrepreneurs.

5.3.2.3.2 INSURANCE INSTITUTIONS

Africa has the least developed insurance industry in the world, however, it houses a South African insurance sector constituting more than two-thirds of the total African insurance market (Malakeni and Sheefeni, 2022), whose insurance penetration ranks amongst the top 10 in the world (Rusconi, 2020). Even though the life insurance sector dwarfs the non-life insurance market in SA, it is still the largest in Africa (Alhassan and Biekpe, 2017). South Africa's life insurance density is high in relation to its BRICS counterparts (Segodi and Sibindi, 2022) and the life insurance sector dominates the insurance market, making up 80.10% of the total South African insurance sector (Malakeni and Sheefeni, 2022, p. 215). Although there is marked growth in long-term life insurance and funeral products amongst low-income earners, the South African insurance industry is criticised for being too economically focused (Rusconi, 2020).

Similar to its insurance industry, SA's micro-insurance industry is the largest in Africa.

Micro-insurance is defined as “low-cost insurance products targeting low-income populations” and also encompasses life and non-life or commercial insurance coverage. South Africa boasts one of the largest national markets for micro-insurance where “the micro-insurance coverage ratio in South Africa (64%) is more than double the figure anywhere else in the world” (Bernards, 2018, p. 1458).

Formal channels for micro-insurance in SA are through private insurance companies whilst informal channels include informal lenders called *mashonisas* and informal group schemes known as *stokvels* (Ardington *et al.*, 2004; Bernards, 2018). Unfortunately, these channels are very costly with borrowers paying a premium (Verick, 2006).

Financial and insurance institutions are part of the overarching financial market of a country. Research shows the mutual causality between insurance market activities and banking sector activities in South Africa and suggests that amidst economic volatility, the insurance industry serves as a “shock-absorber” for the banking industry (Pradhan, Arvin, Nair, Hall and Gupta, 2017). However, close linkages shown between the insurance and banking sector could also reflect the underlying similarities of these industries in relation to who has access to them and the requirements for credit and insurance access.

The inability to access insurance coverage via formal channels leads many poor South Africans towards informal lenders and group schemes. Despite high levels of insurance penetration in SA, access to non-life insurance is limited to those who can afford it and individuals with access to savings, credit and insurance markets (Ardington *et al.*, 2004). Informal businesses are unable to access credit and insurance because they are unable to provide collateral due to limited property rights (Verick, 2006).

Insurance institutions moderate access to risk protection. Formal insurance institutions do not enable development equitably.

5.3.2.3.3 SUMMARY: RISK AND UNCERTAINTY

Risk and uncertainty associated with informal entrepreneurship were not identified in the initial literature review. However, this research finds that insurance, which is a risk mitigation mechanism, is one of the primary drivers of the Micro-IEE. Entrepreneurship activity is a consequence of entrepreneurs dealing with risk and uncertainty and insurance is a source of safety and security for entrepreneurs. Insurance is seen to reduce

vulnerability, ensure financial inclusion (Bernards, 2018) and provides compensation for losses (Ardington *et al.*, 2004).

Despite being the largest in Africa, the insurance and micro-insurance sectors, like their banking sector counterparts, are criticised for being exclusionary. The inability to access insurance coverage via formal channels leads many poor South Africans towards costly informal lenders and group schemes. There is therefore a need for short-term insurers to focus on providing risk solutions for the poor as well as small business (Rusconi, 2020). However, informal entrepreneurs should consider the cost of insurance in relation to its value.

5.3.2.4 CONCLUSION SUMMARY: THE ENTREPRENEURSHIP FUNCTION

Two primary drivers and primary and secondary outcomes are most evident in the resource lens used to interpret the IEE. The following observations are made:

- Consistent with the conceptual IEE, financial resources and human capital were identified as system components;
- Formal institutions like banks and insurance providers were not specifically identified by constituencies, but mediated access to resources;
- The IEE now encompasses risk and uncertainty (insurance) and differentiates between financial capital needed for venture growth and financial resources which are needed for working capital. Financial capital, although identified in EE (Isenberg, 2016a), was not identified as a key component of the conceptual IEE but has now been included; and
- 3 of the 6 IEE components from a resource perspective emanate from FG2 (the expert constituency).

Table 50. IEE components: Resource perspective

Tentative SID	Affinity	Sub-Affinity	IEE Linkage	Descriptor	IEE Conceptual framework component?	
Primary Driver	I: Insurance		Insurance	Insurance is a means of financial inclusion and risk mitigation strategy for informal entrepreneurship. Insurance mitigates losses, promotes financial inclusion and reduces the perception of vulnerability for informal entrepreneurs.	✘	Risk and uncertainty
	B: Create an enabling environment	VC Funding	VC	VC Funding is a factor in the enabling environment for informal entrepreneurship as they support high-growth ventures with funding.	✘	Funding

Tentative SID	Affinity	Sub-Affinity	IEE Linkage	Descriptor	IEE Conceptual framework component?	
Secondary Outcome	F: Finance/funding	Access to capital and funding and financial literacy	Financial capital	Financial capital is an economic enabler of entrepreneurship and the IEE. Financial capital to start or grow a business through new markets or products is more relevant for growth-orientated ventures.	✘	Funding
Primary Outcome	B: Funding	Budget Funding	Working capital / financial resources	Financial resources are a factor of production for informal entrepreneurship activity and an outcome of entrepreneurship activities. Informal entrepreneurs require access to basic financial resources for working capital.	✓	Human capability
	C: Trading environment	Working and production facilities	Employment / human resources	Human resources (skills and capacity) are socio-economic enablers for informal entrepreneurship. Informal entrepreneurs have the potential to create employment, however, this is not a primary objective of the IEE.	✓	Human capability
	E: Human capital	Human capital	Human capital	Human capital is a socio-economic enabler of the IEE. Human capital is a product of the education system and is measured by the level of educational attainment.	✓	Human capital
Conceptual IEE elements	Formal institutions		Financial and Insurance institutions	Financial institutions moderate access to finances. Formal financial institutions do not enable development equitably. Informal entrepreneurs require access to basic financial resources for working capital. Insurance institutions moderate access to risk protection. Formal insurance institutions do not enable development equitably.	?	

Source: Author's construct (2022)

Legend	Micro-IEE components	Macro-IEE components	IEE conceptual framework dimensions
✓	Component identified in conceptual IEE and confirmed in research and fieldwork	✘	?
		New component identified in research and fieldwork and not included in conceptual IEE	Component identified in conceptual IEE and confirmed in subsequent literature review, but not identified by fieldwork

The entrepreneurship function therefore encompasses the search and application of resources wherein the critical role of the entrepreneur is to give effect to the nature and form of entrepreneurial activity (Vasapollo, 1996). Essentially, resources are associated with achieving certain socio-economic outcomes (Zhang, Zhang and Xi, 2017) and the primary resource drivers of the IEE are associated with financial inclusion and access to finance. The primary driver of the Micro-IEE is insurance, which is a strategy to deal with risk and uncertainty. This supports the view that the entrepreneurial function is influenced by the macroeconomic environment (Bjørnskov and Foss, 2016; Sutter *et al.*, 2019; Piano, 2022), which in the case of the IEE includes institutions, the context and culture. The Macro-IEE is not predominantly led by any resources, but venture capital funding is included in the enabling environment, which is a system driver.

The entrepreneurial function interacts with its environment and through information, enables decision-making. Importantly though for SMMEs in SA, crime is the greatest inhibitor to entrepreneurship, and not access to finance (Mthimkhulu and Aziakpono, 2015). This view is supported by this research study on both accounts. Finance is primarily needed for working capital by informal entrepreneurs and financial capital is required for new ventures or to grow businesses. Finances are an outcome of the IEE.

Similarly, human capital is viewed as a system outcome, and the creation of jobs by the IEE is not a key outcome, in support of prior EE research (Isenberg, 2016a).

Therefore, the resource perspective of the IEE reveals that entrepreneurs need access to resources to generate more resources. However, the nature of the resources needed by the IEE is unique and dependent on the context.

5.3.3 ENTREPRENEURIAL ACTIVITIES: A SCHUMPETERIAN PERSPECTIVE

In the preceding chapter, entrepreneurship is distinct from capitalism and may be pursued by individuals, groups or organisations. The neo-classical entrepreneur was a capitalist (Casson and Casson, 2014) and the firm and entrepreneur were one-in-the-same. In practice, however, there are varying degrees of separation between the roles of entrepreneur and capitalist (Hébert and Link, 2009). Jean-Baptiste Say positioned the functional role of the entrepreneur within the economic process as “an independent economic agent who combines and coordinates productive factors” (Grebel, 2004, p. 6). Entrepreneurship may be executed by an individual or by a group of actors which include individuals and public or private agents, regardless of social class (Piano, 2022) and economic status.

In 1934, Joseph A. Schumpeter coined the term “entrepreneurship” and visualised the entrepreneur as an innovator who creates new markets and products, thus triggering economic development and structural changes in the economy (Grebel, 2004; Casson, 2010). Schumpeter regarded entrepreneurial activity as leading to economic development and progress (Hebert and Link, 1989) and the Schumpeterian entrepreneur is seen as an economic agent who is a dynamic feature in the economy and capable of initiating creative destruction (Grebel, 2004), and is an academic or graduate entrepreneur or an innovative entrepreneur (Guerrero, Liñán and Cáceres-Carrasco,

2021). Austrian economics therefore advances the individualistic perspective of the entrepreneur and entrepreneurial activity.

“The entrepreneurial activity is centred on the individual, and how the latter acts within the market results in profit or loss. The context in which the individual acts can influence their behaviour and, implicitly, the results they achieve” (Lungu and Mursa, 2021, p. 26).

Using a Schumpeterian perspective to interpret entrepreneurial activities focuses on:

- The individual,
- Their knowledge and
- The application of their knowledge.

5.3.3.1 INFORMAL ENTREPRENEURIAL ACTIVITIES

Entrepreneurship manifests over time, varying in nature depending on its context because “entrepreneurship is best understood as a general human capability which contributes to survival and success” (Casson and Casson, 2014, p. 1224). Research reveals varying perspectives on the history or origins of the entrepreneur (Grebel, 2004; Hébert and Link, 2009; Casson and Casson, 2014), including the identity of the entrepreneur and their distinct economic role (Grebel, 2004). Entrepreneurs are embedded in their context and their associated entrepreneurial activities are also a function of social usefulness (Vasapollo, 1996). Entrepreneurship therefore evolves within a context; and entrepreneurs engage with and change the context over time. The context is thus an important factor to consider in understanding varied forms of entrepreneurship.

5.3.3.1.1 NECESSITY ENTREPRENEURSHIP

Entrepreneurship activity is largely contingent on an individual’s capacity to deal with risk and uncertainty and their skill and ability to perceive opportunity (Aštébro, Herz, Nanda and Weber, 2014). Economic volatility creates opportunities that entrepreneurs recognise and exploit for profits, in turn impacting the development pathway of a country (Casson and Wadson, 2007). Research suggests that the entrepreneur is an economic institution that acts within economic-social institutions, carrying out the planned economic activity (Vasapollo, 1996). As such, entrepreneurs act subjectively to derive entrepreneurial value attributed to their perception, experiences and context (Karp, 2006). Entrepreneurs therefore seek and exploit opportunities, but also require the ability to do so.

The capabilities approach reaches beyond seeking economic change and extends to triggering social change by expanding human freedom, enabling people to live a life they value and expanding opportunities for people to fulfil this through economic growth. Capabilities are a means to economic and social development and given the state of an individual's well-being and freedoms have a socio-economic impact (Sen, 1997a, p. 1960).

Capabilities are premised on the concept of empowerment where individuals have the opportunity and process freedom to do that which they value and can justify their choices (Prendergast, 2005).

The entitlement to capabilities is viewed as a basic human right and includes the right to dignity. The number of alternatives available to an individual reflects their opportunity freedom whereas process freedom reflects the extent to which individuals are free to make their own choices free from coercion and influence (González-Cantón, Boulos and Sánchez-Garrido, 2019).

Importantly, none of the informal entrepreneurs indicated that they did not want to be informal traders. Informal entrepreneurs also did not express any views that suggested any preference to operate or work in the formal sector. Informal entrepreneurship is indeed a conscious choice for economically excluded individuals in certain contexts (Williams and Round, 2009; Canclini, 2019). As observed in Section 5.3.1.3.3, informal entrepreneurship is a deliberate choice of individuals.

Informal entrepreneurship is associated with necessity entrepreneurship (Meyer *et al.*, 2016), which refers to entrepreneurial activity that emerges out of need (Dencker, Bacq, Gruber and Haas, 2021). Informal entrepreneurship is sometimes an involuntary survival practice (Davies and Thurlow, 2010) largely practised by the poor who engage in less productive and more subsistence activities (Bapuji, 2015).

Human capabilities are considered a means to the end and not the end in itself, embedding within it the concept of functioning that “reflects the various things a person may value doing or being” (Sen, 1997b, p. 394).

Necessity entrepreneurship is a capability, undertaken by informal entrepreneurs to meet their basic needs and a means to an end. Beyond understanding the individual-level factors contributing to necessity entrepreneurship, research suggests rather

comprehending the entrepreneurial process based on individuals' needs and their environments (Lent, 2022).

Unlike innovators and Schumpeterian-type entrepreneurs who strive to meet higher-order psychological and self-fulfilment needs, necessity entrepreneurship is a response aimed at meeting an individual's basic needs, and in the process of fulfilling their basic needs, "also engage in a process of opportunity identification and exploitation" (Dencker et al., 2021, p. 61).

To this end, this research finds that necessity entrepreneurs are also opportunity seekers. *This was evident in the focus group where entrepreneurs sought to attract more customers and make more money by looking at ways to change the by-laws, reduce the costs of goods bought and also promote manufacturing.* Therefore, opportunity entrepreneurship is evident in informal entrepreneurship and is not solely evident in high-growth and innovation-orientated entrepreneurship.

Informal entrepreneurs pursue necessity entrepreneurship, but also seek out opportunities through the entrepreneurial process.

5.3.3.1.2 SUPPLY CHAINS

At the outset, this research did not delve into the entrepreneurial process and the entrepreneurial activities of informal enterprises and informal businesses were seen as a necessity, and purely survivalist. However, it is now evident that informal enterprises are largely necessity-driven and despite this, they still seek means to exploit opportunity and deal with risk and uncertainty, the latter has already been discussed in *Section 5.3.2.3. Informal businesses are unable to buy stock in bulk and benefit from the savings of bulk buying. The ability to buy in bulk is enabled by having access to funding to make bulk purchases, having adequate insurance to cover against damage and loss of goods, and timely issuance of licenses for businesses to trade and sell their products and produce.* Informal businesses rely on business revenue to survive. Therefore, having to pay a higher price for goods reduces their profit margins, eating into their basic income.

Supply chains are a coordination function where active bargaining on price and quantity happens and the positions of buyers and suppliers are known and accepted. In an ecosystem, suppliers are one of the key actors, who together with

other participants leverage “the platform shared resources to create and capture value” (Legenvre, Hameri and Golini, 2022, p. 5).

The nature of buyer-supplier relationships is reliant on the quality of the relationship between parties, as reflected in levels of trust, commitment and satisfaction, and the power relations in the form of levels of dependency and interdependency between parties (Najafi-Tavani, Sharifi, Naudé and Parvizi-Omran, 2022, p. 115). *Informal entrepreneurs indicated “Market agent kill us” referring to their exorbitant pricing. They also indicated that they were powerless regarding price negotiation and choice of products with market agents.* This is reflective of the high level of dependency that informal entrepreneurs have on market agents, but also reveals the imbalance of power in this relationship.

Despite past research indicating the benefits of using market agents as a supply chain, informal entrepreneurs want the latitude to procure directly from suppliers and farmers.

Research on the township economy in South Africa found that “being part of any buying collectives enhances the profitability of the business. This buying strategy might be desirable for small businesses as it reduces the average cost while increasing revenue generated by the owner” (Udimal and Biyase, 2021, p. 455).

Informal entrepreneurs highlighted the importance of engaging in more efficient and cost-effective supply chain processes to be able to buy in bulk without having to buy from market agents, instead of buying directly from suppliers.

Institutions, through laws and regulations, influence the interaction between buyers and sellers thus determining the structure and operations of factor markets (Galdino, Gonzalo, Lamont and Holmes, 2022). The by-laws which govern procurement from market agents should therefore be re-evaluated. Market factors and the ability to access markets determine whether or not informal entrepreneurs can apply their skills (Brown, 2022). *The ability to buy directly from suppliers and negotiate prices will improve the variety of products traders can supply to their customers thus increasing sales and profits.*

Micro-IEE Secondary Outcome: Informal entrepreneurial activity is enhanced by bulk buying and having the freedom to procure directly from suppliers and farmers.

5.3.3.1.3 ACADEMIC ENTREPRENEURSHIP

Knowledge and academic spinoffs relate to commercialisation by employees of companies and universities respectively and do not feature as part of the IEE.

Knowledge via spinoffs occurs when employees can exploit a product, technology or business model idea which emanated from their employer. Academic spinoffs, on the other hand, are companies established by university faculty members based on intellectual knowledge derived from their research and generally occupy a niche, with limited competition (Parker, 2018).

Academic entrepreneurship promotes universities into a position of power, able to control the knowledge value-chain from inception to realisation.

Academic entrepreneurship is defined as a “process of transferring knowledge between the university and the external environment, to produce economic and social value, for both external actors and members of academia, and in which at least a member of academia maintains a primary role” (Cantaragiu, 2012 cited by Adelowo and Surujlal, 2020, p. 10).

The latter view is challenged because leading research universities should play an important enabling role in an EE and they do not create dependency on the university (Mason and Brown, 2014).

Unlike large established corporates, new entrepreneurial ventures lack the support and track record to introduce new product innovations that could bring about creative destruction (Parker, 2018). Research in SA recommends that venture development organisations within Universities can contribute to a country’s EE (Swartz, Marks and Scheepers, 2020).

Due to financial constraints, universities in South Africa and many globally, have expanded beyond their traditional teaching, research and community engagement roles, searching for financial resources via third-stream income initiatives and promoting entrepreneurship and commercial activities, despite the absence of institutionalised entrepreneurial policies (Govender, 2021).

Additionally, furthering income generation without the necessary institutionalised policies is a risk for both potential entrepreneurs and the university. Many authors have cautioned that the entrepreneurship agenda furthered by universities may distract from and be in conflict with their academic responsibilities. Furthermore, university resources allocated to its primary role of human capital development are diverted to improving research outcomes and pursuing commercialisation, resulting in a sub-standard performance of both activities (Adelowo and Surujlal, 2020). Research also highlights the appeal of

international publications by researchers due to the financial gain and reputational benefits (Doanh, Bernat, Hieu, Ngoc and Linh, 2021).

Universities play an important role in an EE supplying it with skills and innovations. The key contribution universities make to an EE is by developing new technologies that create entrepreneurial opportunities that enable entrepreneurs to take them to market, ultimately spilling over into start-ups or existing ventures (Spigel, 2017). Additionally, “the most effective role for universities is being a convenor of entrepreneurial activities and groups” (Feld, 2012 cited by Mason and Brown, 2014, p. 12). However, despite research recognising the value available in SA universities, *neither experts nor informal entrepreneurs recognised academic entrepreneurship or knowledge spinoffs in the IEE.*

Academic and knowledge spinoffs and academic entrepreneurship are not regarded as relevant in the IEE.

5.3.3.1.4 SUMMARY: INFORMAL ENTREPRENEURIAL ACTIVITIES

Informal entrepreneurship is a necessity practice and a deliberate choice made by individuals. Drawing on Sen's (1997b) human capabilities approach, necessity entrepreneurship is viewed as a capability, enabling informal entrepreneurs to meet their basic needs and a means to an end. This research also finds that opportunity entrepreneurship, mostly associated with high-growth and innovation-orientated entrepreneurship, is evident in informal entrepreneurship. This finding supports prior research by Dencker *et al.* (2021), who found that in the process of fulfilling their basic needs, informal entrepreneurs also identify opportunities which they exploit.

The transactional view posits that “the union of the preferences and constraints gives rise to context which did not exist prior to the transaction” (Khalil, 2003, p. 124). Therefore, informal entrepreneurial activity (context) is an outcome of individuals seeking economic activities (preferences) but are unable to access formal channels to do so (constraints). To this end, this research finds that necessity entrepreneurs are also opportunity seekers.

Research suggests that research universities play an important enabling role in an EE and do not create dependency on themselves (Mason and Brown, 2014). Universities play an important role in an EE by supplying it with skills and innovations. However, neither experts nor informal entrepreneurs recognised academic entrepreneurship or knowledge spinoffs in the IEE.

Academic entrepreneurship promotes universities into a position of power, where they control the knowledge value-chain. South African universities engage in third-stream income generation, pursuing an entrepreneurship agenda without institutionalised entrepreneurship policies, also detracting from their core academic responsibilities, putting pressure on already constrained university resources.

5.3.3.2 EDUCATION AND TRAINING

Entrepreneurship knowledge refers to knowledge of the entrepreneurship process and an understanding of the functioning of the EE (Stam and Spigel, 2016). In the IEE conceptual framework, it was argued that investment in entrepreneurship education and skills was important to grow informal entrepreneurship (Nguimkeu, 2014).

5.3.3.2.1 ENTREPRENEURSHIP ABILITY

Jean-Baptiste Say suggested that the demand for entrepreneurs exists because there is a demand for goods in the market. However, the supply of entrepreneurs is limited by the environment and the individual's context (Grebel, 2004). Furthermore, using a human capital lens, T. W. Schultz argued that the supply of entrepreneurship ability is a scarce resource and education has an effect on entrepreneurs' ability to identify and deal with risk and uncertainty (Hebert and Link, 1989). The education system can create entrepreneurs, but this process depends heavily on the quantity and quality of entrepreneurship (Fein *et al.*, 2009). *Education, training and support infrastructure are dependent on an enabling environment, COP and support, physical infrastructure, access to markets and a conducive policy environment.* Entrepreneurs are not just born, they can also be created, but this is contingent on the existence of an enabling environment.

A university's primary responsibility is to supply quality human capital. Higher education institutions' traditional mandate encompasses teaching and learning, research and community engagement (Govender, 2021). Their primary responsibility is to foster human capital production that promotes employment and cultivates entrepreneurial mindsets (Spigel, 2017). *Experts supported this view saying that basic and post-school entrepreneurship education as well as entrepreneurship training are required to support the growth of informal entrepreneurship.*

Universities are also charged with supplying the EE with students who are innovative and bring new ideas, thereby increasing "the intellectual capacity of the community" (Mason

and Brown, 2014, p. 12). To this end, research in Africa finds that students' entrepreneurship intentions are positively associated with entrepreneurship education and the institutional context (Fahinde, Abodohoui, Mayuto and Su, 2022). *Experts noted that education influences culture and promotes mindset changes whilst empowering entrepreneurs.* Research on refugee entrepreneurship in Sweden shows that education reduces cultural barriers, thus increasing entrepreneurship activity and promoting labour market integration (Backman, Lopez and Rowe, 2021). *Education and training also contribute to human capital creation and enable access to funding and products through knowledge and information sharing.* Therefore, education is central to strengthening human capital outcomes as well as entrepreneurship outcomes.

The limited supply of enterprising individuals is a present-day challenge which is attributed to the education sector's inability to integrate entrepreneurship education (Fein et al., 2009). South African universities are criticised for their inability to contribute towards the development of graduate entrepreneurship and for constraining entrepreneurship because of their inefficient entrepreneurial education programs (Guerrero et al., 2021). Higher levels of entrepreneurship are associated with better quality entrepreneurship support programs and where higher education institutions can institutionalise entrepreneurship (Khyareh and Torabi, 2018). *Experts advocate for the provision of a pipeline of just in time, just enough training and scaffolding for entry and advancement in PSET.* South African universities are criticised for not enabling youth and student entrepreneurship.

The technical and vocational education and training (TVET) sector is a place where entrepreneurship can be promoted and embedded into the education system. The TVET sector supports economic development and is charged with supplying the economy with skilled and technical human resources and plays a central role in exposing youth to entrepreneurship education and training to our youth. (Fein et al., 2009). *Entrepreneurship education inclusive of basic business principles should be infused into the school system from the Basic to Post-School Education and Training (PSET) levels and include practical and vocational entrepreneurship education.* Therefore, the TVET sector can aid in promoting entrepreneurship in the education system.

Macro-IEE Secondary Outcome: Education and training institutions are primarily responsible for supplying quality human capital and enabling informal entrepreneurship through education and training.

Growing youth entrepreneurship requires the integration of entrepreneurship education into the entire education system, predominantly TVET.

5.3.3.2.2 ENTREPRENEURSHIP EDUCATION AND TRAINING

Research in SA exploring the growth potential of micro-enterprises identified internal constraints associated with education and training that include lack of entrepreneurial training, lack of advice/information on how to start a business and poor educational background significantly limiting their growth (Mahadea and Khumalo, 2020b). Additionally, *this research finds that supporting infrastructure that empowers entrepreneurs to access business and entrepreneurship support is contingent on there being an enabling policy and environment, COP/support and funding.* Therefore, enabling policies, adequate support and funding drive entrepreneurship training which should empower entrepreneurs and share information, thus enabling the growth of their ventures.

Non-formal programmes targeted towards increasing employability and entrepreneurship often target generic skill needs and should instead be tailored to specific realities, also incorporating the needs of the local community in a manner that promotes community engagement and shares success stories (OECD, 2017a). Research has however noted that many adult learning programs do not deliver meaningful impact and “entrepreneurship programs often improve business knowledge, but they do not create employment” (World Bank Group, 2019c). Entrepreneurship programmes can also improve knowledge and therefore need to be supported with other initiatives to promote entrepreneurship.

Training targeting practical skills for starting a business improves opportunity recognition by entrepreneurs as well as providing essential business knowledge including tax, finance, law and accounting to support new ventures (Khyareh and Torabi, 2018). *Experts largely support the benefit of entrepreneurship education and training and suggest that financial knowledge, information about funding sources and sales and financial management training will ensure the growth of informal traders to enable them to migrate to the formal sector of the economy.* Training should therefore include business and technical (sales and financial management) knowledge, as well as provide necessary information depending on the various stages of entrepreneurship.

Entrepreneurship training improves knowledge and promotes access to resources. *Experts suggested that education and training are supporting infrastructure which*

enables access, influences culture, education and training, infrastructure, and access to markets/value chain participation and products. These views are reflected in research that finds entrepreneurship training may be effective in overcoming capital constraints when starting a business by improving the financial and mental models of individuals (Bischoff, Gielnik and Frese, 2020) and has a strong positive effect on human capital assets which encompass “entrepreneurial mindset, entrepreneurial knowledge, entrepreneurial cognitive skills, and entrepreneurial constructive skills” (Debarliev, Janeska-Iliev, Stripeikis and Zupan, 2022, p. 236). Therefore, education and training should further promote entrepreneurial mindsets, knowledge and cognitive skills.

Entrepreneurship education and training are important; however, research shows that they are not key drivers of entrepreneurship or EEs. Prior research suggests that entrepreneurship training should be perceived as an opportunity rather than a driver of entrepreneurship (Kah, O’Brien, Kok and Gallagher, 2022). *These sentiments are reflected in this research where informal entrepreneurs did not cite training or education in their system, whereas experts observed that education and training were secondary outcomes of the system.*

Macro-IEE Secondary Outcome: Entrepreneurship training is a socio-economic enabler for entrepreneurship. Non-formal training presents an opportunity to grow the skills of existing entrepreneurs. Relevant training can empower entrepreneurs by providing information, enabling access to institutions and providing necessary support.

5.3.3.2.3 SUMMARY: EDUCATION AND TRAINING

Entrepreneurship education and training are important, but are not key drivers of entrepreneurship or EEs (Kah *et al.*, 2022). “There is, however, some evidence that it is irrelevant” (Isenberg, 2014, p. 3). This research echoes the views evident in literature where entrepreneurship training should not be perceived as a driver of entrepreneurship. The Micro-IEE did not identify training or education as a system element, whereas the Macro-IEE presents education and training as secondary outcomes of the system.

Education, training and support infrastructure is a secondary Macro-IEE system outcome that influences culture, human capital, finance/funding and products. Education and training institutions are primarily responsible for supplying the EE with human capital that is innovative and generating new ideas and enabling informal entrepreneurship. As such,

basic and post-school entrepreneurship education as well as entrepreneurship training are required to support the growth of informal entrepreneurship. Education is therefore important to strengthen human capital and entrepreneurship outcomes. Entrepreneurs can thus be created. However, this is contingent on the existence of an enabling environment.

In the Macro-IEE, supporting infrastructure is a secondary driver that enables access, influences culture, education, training and support infrastructure, local, national and rural infrastructure, and access to markets/value chain participation and products. However, supporting infrastructure that empowers entrepreneurs to access business and entrepreneurship support is contingent on there being an enabling policy and environment, COP/support and funding. Therefore, enabling policies, adequate support and funding drive entrepreneurship training which should empower entrepreneurs and share information enabling the growth of their ventures.

Research notes that the supply of entrepreneurs is limited by the environment and the individual's context (Grebel, 2004) where the supply of entrepreneurship ability is a scarce resource and education has an effect on entrepreneurs' ability (Hebert and Link, 1989). This research finds in support of these views, that South African universities are criticised for not enabling student entrepreneurship. This research finds that the TVET sector is capable of embedding entrepreneurship into the education system and can aid in promoting entrepreneurship. Entrepreneurship programmes can also improve knowledge and access to resources. Training should include business and technical (sales and financial management) knowledge as well as provide necessary information depending on the various stages of entrepreneurship. Education and training should further promote entrepreneurial mindsets, knowledge and cognitive skills.

5.3.3.3 KNOWLEDGE CAPITAL

The entrepreneurship function, according to Schumpeter, prioritises technology and production and “designates entrepreneurship to be a part of the production – not a derivative of structures of finance, money, and price” (Piano, 2022, p. 727), as suggested by Keynes. The Schumpeterian entrepreneur, therefore, exploits technology and continuously innovates through creative destruction by creating new products, markets and new ways of doing things whilst consequently destroying the old (Parker, 2018). Although Schumpeter is widely known for presenting the individualistic view of the

entrepreneur, he also argued that the entrepreneurship function was at the forefront of economic development as it represented the production engine of the economy.

Knowledge is fluid, evolving, and influenced by context. Interpretivism views knowledge as the sinuous integration of experience and cognition and is the structure of a person's "mental model of reality" (Johnson-Laird, 1983 cited by Packard, 2017, p. 540). Paulo Freire's Theory of Praxis suggests that knowledge creation is all but a static process.

Knowledge is an evolutionary cycle of theory and practices through an unending process of action and reflection that ultimately translates into action, therefore "praxis is reflective, active, creative, contextual, purposeful, and socially constructed" (Breunig, 2005, p. 111).

Knowledge is both internally and externally generated, therefore an individual's knowledge capital is a combination of their level of human capital as well as knowledge derived through social capital (Audretsch and Keilbach, 2004). Technical, market and entrepreneurial knowledge are imperative in supporting the formation and growth of new ventures and the creation of an entrepreneurial culture (Spigel and Harrison, 2018). Knowledge capital is represented in the Macro-IEE in education and training infrastructure and community of practice.

The socio-economic, cultural and cognitive context influences knowledge and knowledge flows, knowledge development, learning and interpretation of knowledge (Qian, 2018). *The Macro-IEE presents knowledge as "Education, training and support infrastructure". The knowledge sub-system is part of the socio-economic enablers of entrepreneurship and is influenced by the environment, supporting and physical infrastructure, access to markets and the regulatory environment. The knowledge sub-system in turn influences culture, human capital, funding and products.* Literature also noted that context, particularly informal institutions influence the impact knowledge capital has on various types of entrepreneurship (Sahasranamam *et al.*, 2021). These observations are consistent with the dynamic nature of knowledge as articulated in literature.

Knowledge capital is a socio-economic enabler of entrepreneurship. Knowledge is both internally and externally generated and a function of human capital and knowledge from social capital.

5.3.3.3.1 TECHNICAL KNOWLEDGE

Technical knowledge in relation to an EE refers to knowing how to advance new products or technologies (Stam and Spigel, 2016). There are 3 sources of technical knowledge and expertise that enable new entrepreneurs to advance innovations, namely knowledge spill-overs, knowledge via spinoffs and academic spinoffs (Parker, 2018). General human capital in the form of primary education and work experience as well as specific human capital which includes industry and entrepreneurial experience are positively associated with generating new venture ideas (Canavati, Libaers, Wang, Hooshangi and Sarooghi, 2021). *Experts recognised the importance of formal entrepreneurship education at basic education and post-school levels as well as informal entrepreneurship training also suggesting that education and training play a critical role in entrepreneurs' ability to research products and enables new product development.*

Knowledge spill-overs are channelled through entrepreneurship. Knowledge spill-overs occur when entrepreneurs gain knowledge spilt out of research at universities and via research and development initiatives about new technologies, products and business models (Parker, 2018). Internally/endogenously generated knowledge is a function of an individual's imagination (Packard, 2017).

New knowledge triggers opportunities for entrepreneurs and results in knowledge spill-overs, leading to the commercialisation of inventions. In the Knowledge Spill-over theory of entrepreneurship, the entrepreneur enables knowledge-driven economic growth by serving as the diffusion channel for knowledge spill-overs (Audretsch and Belitski, 2013).

The creation of new products is the primary outcome of the Macro-IEE. *Creating innovative products is dependent on culture, the creation of an enabling environment, education, training and support infrastructure, COP, human capital, funding, supporting infrastructure, physical infrastructure, access to markets/value chain participation and policy/regulatory environment.* Entrepreneurship is the mechanism that enables knowledge to spill over from the source resulting in entrepreneurial diversity and increased competition (Audretsch and Keilbach, 2004). Developing countries can leverage knowledge enhancement as a source of growth (Stiglitz, 2011). Knowledge-intensive industrial contexts benefit entrepreneurs who pursue process and product innovation (Kah *et al.*, 2022) and to achieve this, *experts highlighted the importance of*

product innovation suggesting that an Entrepreneurship Development Fund will support MVP development.

In addition, thereto, innovation is also facilitated by complementary formal and informal institutions (Bennett and Nikolaev, 2021). Highly individualistic national cultures together with pro-market institutions are associated with higher levels of innovation (Bennett and Nikolaev, 2021). *Experts noted that product innovation relies on an entrepreneurship culture that is innovation and solution-oriented* where informal institutions promote entrepreneurs' confidence and tolerance towards failure (De Brito and Leitão, 2021). *However, informal entrepreneurs are largely focused on obtaining a broader variety of products for their customers as opposed to pursuing product innovation.* Although product innovation is important for economic growth, informal entrepreneurs are largely preoccupied with selling their current products and services, rather than innovating.

Macro-IEE Primary Outcome: Innovative products are an outcome of knowledge spill-overs and enable innovation and high-growth firms.

Products sold by informal entrepreneurs are a factor of production and are included in their trading environment. Product innovation is not pursued by informal entrepreneurs.

5.3.3.3.2 MARKET KNOWLEDGE

Externally/exogenously generated knowledge follows an iterative, evolutionary process where knowledge emanates from human experience; human experience is in effect a person's social; social reality is an outcome of those very individuals who act as agents reinforcing social norms and shared meaning; knowledge is then over time representative of an agent's social reality (Packard, 2017).

Although not explicitly articulated, informal entrepreneurs shared their frustrations about their context as and pleaded for improved conditions. They in many respects reflected their knowledge and understanding of how informal entrepreneurship should be supported, based on their social reality. The primary outcome of the Micro-IEE is 'marketing' and for informal entrepreneurs, this means being able to market their business and its offerings so that entrepreneurs can grow their business. *Marketing for informal businesses reflects the number of customers they sell to and their sales. To be able to market informal businesses, traders need to be able to access funding to buy in bulk*

thereby benefiting from lower costs. Informal entrepreneurs did not express interest in growing their markets internationally or even regionally.

Experts argue that formal businesses should be more supportive of including informal businesses in their value chains allowing them to participate in existing supply chain networks. However, it is incumbent on the government and municipalities to encourage such participation through policies. *Access to markets and value chain participation for informal business is guided by the creation of an enabling environment inclusive of infrastructure and corporate and government support, COP support, funding, human capital, supporting and physical infrastructure and an enabling policy environment.* Policies should therefore be more inclusive, encouraging informal business participation in supply value chains.

Experts noted that access to new markets and the ability to participate in value chains are contributing factors to creating a sustainable informal entrepreneurship ecosystem. New market access contributes to innovation and access to more products. Market knowledge encompasses the understanding of the market and product or service viability (Stam and Spigel, 2016) and although entrepreneurs may be skilled and knowledgeable individuals, their ability to create value requires them to analyse information and make critical links (Grebel, 2004). *According to experts, education and training enhance understanding of new markets, however, access to markets and value chain participation by informal entrepreneurs influences culture and behaviour thus creating new norms.*

Although there are opportunities for informal businesses to enter new regions and markets, the requisite support is needed to build the capacity to compete actively in those markets. *COPs provide a platform for businesses to access new markets and participate in new value chains. Experts suggested that informal business growth can occur through businesses finding a niche offering.* Research finds that South Africa's SMME programmes "have been biased towards the groups of small and medium-sized enterprises and, to a large extent, have bypassed micro-enterprises and the informal economy" (Rogerson, 2004, p. 765), *a view shared by experts who highlighted market access as a hindrance to informal business.*

However, despite this, experts proposed that informal entrepreneurs participate in inter-Africa trade. Expansion strategies should however be relevant and adequately supported and supportive of informal entrepreneurship.

Prior research observed that BOP capability development through internationalisation may inadvertently harm those intended to benefit by exclusion and recommends focusing on domestic-local innovation activities and stable institutional context to stimulate capacity development which enables access to opportunities and knowledge resources (Hall et al., 2012).

Macro-IEE Secondary Outcome: Access to new markets and participation in supply value chains are socio-economic enablers of IEE. Market knowledge is necessary for accessing new markets. Informal business participation in supply value chains should be enabled through policy.

Micro-IEE Primary Outcome: Growing sales and customers reflects an entrepreneur being able to market the business and its products/services.

5.3.3.3 SUMMARY: KNOWLEDGE CAPITAL

Knowledge is internally and externally generated. It is fluid, evolving, and influenced by context. Technical, market and entrepreneurial knowledge are imperative in supporting the formation and growth of new ventures and the creation of an entrepreneurial culture (Spigel and Harrison, 2018). The Schumpeterian entrepreneur engages in creative destruction (Parker, 2018) and is at the forefront of economic development. Knowledge capital is represented in the Macro-IEE in education and training infrastructure and community of practice and is part of the socio-economic enablers of entrepreneurship. This research supports prior research by Qian (2018) and finds that knowledge is influenced by the environment, supporting and physical infrastructure, access to markets and the regulatory environment. Knowledge in turn influences culture, human capital, funding and products.

The creation of new products is the primary outcome of the Macro-IEE. *Creating innovative products is dependent on culture, the creation of an enabling environment, education, training and support infrastructure, COP, human capital, funding, supporting infrastructure, physical infrastructure, access to markets/value chain participation and policy/regulatory environment.* Innovation is also facilitated by complementary formal and informal institutions (Bennett and Nikolaev, 2021). Technical knowledge in relation to an EE refers to knowing how to advance new products or technologies (Stam and Spigel, 2016) and is a source of innovation.

The primary outcome of the Micro-IEE is 'marketing' and for informal entrepreneurs, this means being able to market their business and its offerings so that entrepreneurs can grow their business. Informal entrepreneurs are largely preoccupied with selling their current products and services, rather than innovating. Although not explicitly articulated, informal entrepreneurs shared their frustrations about their context as and pleaded for improved conditions. They in many respects reflected their knowledge and understanding of how informal entrepreneurship should be supported, based on their social reality. Informal entrepreneurs did not express interest in growing their markets internationally or even regionally.

Experts argue that formal businesses should be more supportive of including informal businesses in their value chains allowing them to participate in existing supply chain networks. Experts noted that access to new markets and the ability to participate in value chains are contributing factors to creating a sustainable informal entrepreneurship ecosystem. New market access contributes to innovation and access to more products.

Experts viewed market access as a hindrance to informal business and support prior research in South Africa that indicated SMME programmes are not consistently applied, and exclude micro-enterprises and the informal economy (Rogerson, 2004), Policies should therefore be more inclusive, encouraging informal business participation in supply value chains. Although there are opportunities for informal businesses to enter new regions and markets, the requisite support is needed to build the capacity to compete actively in those markets. Expansion strategies should however be relevant and adequately supported and supportive of informal entrepreneurship.

5.3.3.4 CONCLUDING SUMMARY: ENTREPRENEURIAL ACTIVITIES

Primary and secondary outcomes dominate the Schumpeterian interpretation of the IEE. The following observations are made:

- Elements in support of the IEE conceptual framework include human capital (education and training), access to markets and innovative products.
- New areas identified in the IEE include the current business models / entrepreneurial activity undertaken by informal entrepreneurs which encompass supply chains and increased sales and customers.
- Areas included in the conceptual IEE and not identified in the fieldwork include the traits of the entrepreneur, knowledge capital and the support of Academia in the IEE.

- 4 of the 6 IEE components from the Schumpeterian perspective come from experts.

Table 51. IEE components: Schumpeterian perspective

Tentative SID	Affinity	Sub-Affinity	IEE Linkage	Descriptor	IEE Conceptual framework component?	
Secondary Outcome	D: Bulk buying	Bulk buying Market agents	Supply chains	Informal entrepreneurial activity is enhanced by bulk buying and having the freedom to procure directly from suppliers and farmers.	✗	Supply chains
	C: Education and training (and support infrastructure)	Basic and Post-school entrepreneurship education	Education	Education and training institutions are primarily responsible for supplying quality human capital and enabling informal entrepreneurship through education and training. Growing youth entrepreneurship requires the integration of entrepreneurship education into the entire education system, predominantly TVET.	✓	Human capital
		Entrepreneurship training	Entrepreneurship training	Entrepreneurship training is a socio-economic enabler for entrepreneurship. Non-formal training presents an opportunity to grow the skills of existing entrepreneurs. Relevant training can empower entrepreneurs by providing information, enabling access to institutions and providing necessary support.	✓	Human capital
I: Access to markets (and value chain participation)	New markets Value chain participation	New markets Value chain participation	Access to new markets and participation in supply value chains are socio-economic enablers of IEE. Market knowledge is necessary for accessing new markets. Informal business participation in supply value chains should be enabled through policy.	✓	New business model	
Primary outcome	A: Marketing		Sales and customer growth	Growing sales and customers reflect an entrepreneur being able to market the business and its products/services. Products sold by informal entrepreneurs are a factor of production and are included in their trading environment. Product innovation is not pursued by informal entrepreneurs.	✗	Existing business model
	J: Products		Knowledge spill overs	Innovative products are an outcome of knowledge spill-overs and enable innovation and high-growth firms.	✓	Technology and innovation
Conceptual IEE elements	Human capability	Access to resources and opportunities	Entrepreneur Traits	Informal entrepreneurs pursue necessity entrepreneurship, but also seek out opportunities through the entrepreneurial process.	?	
	New business model		Knowledge capital	Knowledge capital is a socio-economic enabler of entrepreneurship. Knowledge is both internally and externally generated and a function of human capital and knowledge from social capital.	?	
	Supports		Academic entrepreneurship (Not applicable)	Academic and knowledge spinoffs and academic entrepreneurship are not regarded as relevant in the IEE.	?	

Source: Author's construct (2022)

Legend	Micro-IEE components	Macro-IEE components	IEE conceptual framework dimensions
✓	Component identified in conceptual IEE and confirmed in research and fieldwork	✗	Component identified in conceptual IEE and confirmed in subsequent literature review, but not identified by fieldwork
		?	
		✗	

According to Pierre Bourdieu, capital is actualised as disposition and exhibited in an individual's behaviour:

“The dispositions durably inculcated by the possibilities and impossibilities, freedoms and necessities, opportunities and prohibitions inscribed in the objective conditions generate dispositions objectively compatible with these conditions and in a sense pre-adapted to their demands” (Bourdieu, 1990a, p. 54 cited by Yang, 2014, p. 1527).

The entrepreneurial function is dynamic and evolves over time (Vasapollo, 1996), in turn influencing “the entire environmental macro-system in which the entrepreneurial activity takes place” (Vasapollo, 1996, p. 201).

Firstly, in support of the innovative entrepreneur, who is intrinsically motivated (Ripsas, 1995) and although profit is an outcome of the entrepreneurial process, this entrepreneur in pursuing innovation is driven by value creation and distribution thus fulfilling both an economic and social function (Vasapollo, 1996). The outcomes associated with new products, innovation and accessing new markets as reflected in the Macro-IEE are enabled by education, training and knowledge capital. The Schumpeterian entrepreneur changes the environment by initiating creative destruction (Grebel, 2004) and in the IEE, creative destruction is enabled on a Macro-IEE and Micro-IEE level.

Secondly, in support of Austrian theories of entrepreneurship which are premised on human action (Grebel, 2004), the entrepreneur does not need an abundance of resources but relies on their ability to innovate and realise those innovations (Ripsas, 1995). Entrepreneurs are therefore identified by what they do and not their ownership of capital (Ripsas, 1995). Informal entrepreneurs expressed discontent with their predicament and highlighted several institutional, contextual and resource inhibitors. Their participation in this research was to express their dissatisfaction and advocate for changes in their environment. Their actions, as advocated for in Austrian Economic theory is to innovate, albeit at a grassroots level, and influence their trading environment, and the profitability of their businesses with the intention of changing the context.

The Schumpeterian perspective reveals the coexistence of innovation and non-innovation entrepreneurship. Creative destruction at a Macro-IEE level leverages knowledge capital for product innovation and enables new market entry.

Creative destruction at a Micro-IEE level leverages contextual dissatisfaction and restlessness to advocate for changes to the IEE and the context.

5.3.4 ENTREPRENEURSHIP ECOSYSTEM: AN INFRASTRUCTURE PERSPECTIVE

Drawing from the literature review, the **ecosystem** metaphor, derived from ecology, refers to the natural environment where living organisms interact with the physical environment they inhabit (Kabbaj *et al.*, 2016).

An entrepreneurship ecosystem is “a framework that allows private sector and social actors, often with different traditions and motivations, and of different sizes and areas of influence, to act together and create wealth in a symbiotic relationship” (Prahalad, 2005 cited by Kabbaj et al., 2016, pp. 1650021–1650022).

This research defined the entrepreneurship ecosystem as “an interconnected set of factors within a self-organising system, that fosters the development and growth of entrepreneurship”.

Resources are vital to the well-being and resilience of businesses as well as the ecosystems within which they operate. Resources within an EE context include “entrepreneurial knowledge, skilled workers, experienced mentors, early-stage investment capital, technological infrastructure, support organisations and cultural artefacts” (Roundy and Bayer, 2019, p. 5). Therefore, for EEs resources have a broader meaning. Infrastructure and support are important for creating an enabling environment for informal entrepreneurship however, they should be enabling to the IEE. Infrastructure and support are key attributes of a successful EE (Stam and Spigel, 2016). The interpretation of the entrepreneurship function using a broader resource perspective focuses on infrastructure

- Physical infrastructure.
- Support infrastructure.

5.3.4.1 PHYSICAL INFRASTRUCTURE

Physical infrastructure, environment and spatial settings reflect and enable human connectedness also influencing entrepreneurial activity (Johnson, Bock and George, 2019). Entrepreneurial activities are dependent on physical infrastructures like transport, land, operating spaces, energy, and co-working spaces like incubators and

communication facilities (Isenberg, 2016a). Physical infrastructure as well as digital infrastructure that enables communication and interaction amongst agents (Caccamo and Beckman, 2022) is important in an EE.

5.3.4.1.1 BASIC INFRASTRUCTURE AND SERVICES

In South Africa, basic infrastructure is lacking in many areas (The World Bank, 2018). Many informal businesses in SA have limited basic infrastructure in their trading vicinities (Mahadea and Khumalo, 2020b) and locations in which informal businesses are positioned, having poor and almost non-existent infrastructure (Lekhanya and Dorasamy, 2020, p. 2). *Experts identified local, national and rural infrastructure as a circulator in the Macro-IEE and noted that rural infrastructure including rural road networks, electricity and running water are all important for informal businesses. Local, national and rural infrastructure is influenced by an enabling support and policy environment, funding and supporting infrastructure.*

Although prior research found that electricity and transportation of goods are constraints that have a significant effect on SMMEs in South Africa (Mthimkhulu and Aziakpono, 2015), informal entrepreneurs did not cite this as a challenge. Informal entrepreneurs also did not cite the cost and supply of electricity as a challenge as identified by Udimal and Biyase (2021), *however as informal entrepreneurs have no storage facilities for their fresh produce, they are not directly impacted by electricity-related constraints.*

Research in SA found that informal traders were unable to access and afford the basic urban infrastructure like trading shelters with water and electricity provided by municipalities (Masuku and Nzewi, 2021). *Experts observed that informal businesses are exposed to inadequate infrastructure and services and have issues with access to infrastructure and affordability of services. Informal entrepreneurs echoed this saying that trading spaces lacked adequate water, had poor sanitation and were not well maintained.*

Macro-IEE Circulator / Pivot: National, local and rural infrastructure for informal entrepreneurs should include core infrastructure and provide basic services.

5.3.4.1.2 LOCATION AND TRADING ENVIRONMENT

As identified in the literature review, prior research found that informal businesses support their socio-economic context and rely heavily on location and proximity to customers (London *et al.*, 2010). By implication, street infrastructure is believed to be important for

informal businesses (Bernstein, 2016a). Therefore, many township businesses and informal traders in metro areas “operate in high traffic volume areas and spaces of high population density, such as taxi ranks, bus stops and train stations, large malls and shopping centres” (Lekhanya and Dorasamy, 2020, p. 2). Operating in such a context has historically been considered a “natural market for street vendors” (Khumalo and Ntini, 2021, p. 266). *This view was corroborated by experts who said that informal trader market stalls should be well located around transport hubs like taxi ranks, bus stations and train stations.*

Different from the expert view, informal entrepreneurs were unhappy with taxis impeding their space. *Informal entrepreneurs were dissatisfied with their location, saying that they had to share their spaces with taxi drivers who did not always respect the trading areas and hampered their businesses.* Demarcated trading areas for informal traders limit their exposure and inhibit their ability to market their products and increase their sales, but additionally, it is regarded as further marginalisation (Jiyane and Ocholla, 2012) reinforcing the perception that they belong on the periphery. Informal entrepreneurs had trading spaces that were allocated by the municipality, close to taxi ranks and in an area that has high levels of homelessness and crime.

The contextualised perspective on entrepreneurship elucidates entrepreneurship diversity, highlighting the various forms of entrepreneurship and the “when and where” entrepreneurial activity occurs (Baker and Welter, 2020). *Conducive trading environments, operational support and enabling infrastructure for informal business are all deemed important.* Informal traders are located on the periphery in a space that is poorly maintained and heavily policed and in line with prior research, this is illustrative of social exclusion (Chen, 2012; Williams and Nadin, 2013; Sallah, 2016). Barriers to informal entrepreneurship identified in prior research support these views also suggesting that issues include lack of infrastructure, service delivery, crime and vacant and available trading spaces (Meyer *et al.*, 2016). *Informal entrepreneurs were concerned about their and their customers' safety in the area.*

The trading environment is a primary system outcome for the Micro-IEE. Experts suggested that the trading environment should be improved and that market stalls for informal trading should be more conducive. *Informal entrepreneurs also revealed that the trading environment is un-sheltered and not well maintained. Municipal by-laws are cited as inhibiting informal entrepreneurial activities by being very strict concerning the trading*

environment and trading hours, limiting the location and size of trading spaces and compelling entrepreneurs to purchase from expensive market agents. Informal entrepreneurs were largely dissatisfied with the trading environment due to the unavailability of fresh goods storage facilities, manufacturing and production facilities, and a limited number of trading spaces available. Lack of storage spaces is a feature observed in prior informal entrepreneurship research in SA (Mahadea and Khumalo, 2020b) and *informal entrepreneurs suggested that this should be provided by the municipality.* Informal entrepreneurs are thus highly dependent on support from the government for trading spaces and basic services.

Informal entrepreneurs need more than just trading spaces, they also require access to manufacturing facilities. Research on knowledge communities notes that infrastructure allows community members to perform their work and the type of infrastructure needed depends on the nature of the work and its objective (Caccamo and Beckman, 2022, p. 2). *Informal entrepreneurs also claimed that they did not have production and working facilities for fashion design, manufacturing, nails and beauty. They argued that the municipality should provide manufacturing spaces and facilities. Experts supported the informal entrepreneur's calls for support and said that local Municipalities need to set up appropriate spaces for informal traders and provide reasonable local and national infrastructure for entrepreneurs.* However, research cautions that investing in physical infrastructure without the necessary cultural and social support could yield fruitless infrastructure (Wurth, Stam and Spigel, 2022).

Macro-IEE Circulator / Pivot: The trading environment should be conducive to business operations. Trading spaces should be well located for businesses to thrive.

Micro-IEE Primary Outcome: Manufacturing and storage facilities should be provided by the municipality. Municipal by-laws should not be restrictive and allow more trading spaces. Trading spaces should be safe and respected by other stakeholders.

5.3.4.1.3 INFORMATION AND COMMUNICATION INFRASTRUCTURE

To enable informal businesses to leverage information, communication and technology resources (ICT) to thrive, there is a need to make ICT services and infrastructure more accessible.

Africa has low internet penetration with Nigeria and South Africa having the highest levels of internet penetration. Despite relatively higher penetration levels, there are extreme discrepancies across South Africa between rural, urban, formal and informal settings, and townships and informal settlements are largely excluded. Research recommends considering free internet hotspots in localities and communities housing informal entrepreneurs and zero-rated websites for informal businesses to trade and transact with entrepreneurs (Etim and Daramola, 2020).

Experts emphasised the need for access to technology and geolocation support for informal businesses as part of the enabling environment. Informal entrepreneurs, however, did not cite technology as an element in the IEE. There is also a need to reduce the cost of data as many informal traders are reliant on technology to sell their products and services, however the cost of communications proves to be a hindrance for their competitiveness. Quality, accessible infrastructure influences education, training and support infrastructure, human capital, access to markets/value chain participation and products.

Better access to communication facilities will enable informal entrepreneurs to be more visible and expose them to opportunities that technology can provide. Whereas the focus group for experts was held online via MS Teams, the informal entrepreneurs' focus group could not be held online and had to be converted into a physical meeting. Many informal entrepreneurs were not familiar with MS Teams, others did not have data to connect, and a large number of people were not comfortable engaging via an online platform. Information for informal traders cannot be found online and the focus group with informal entrepreneurs was made possible with the assistance of the eThekweni Municipality and ACHIB.

Macro-IEE Primary Driver: Access to technology and technology platforms in an affordable manner is part of the enabling environment for informal businesses.

5.3.4.1.4 SUMMARY: PHYSICAL INFRASTRUCTURE

The literature review found that informal businesses support their socio-economic context and rely heavily on location and proximity to customers (London *et al.*, 2010) therefore, street infrastructure was deemed important for them (Bernstein, 2016a). This view was corroborated by experts who said that informal trader market stalls should be well located around transport hubs like taxi ranks, bus stations and train stations. However, informal

entrepreneurs were unhappy with the location of their trading spaces which is close to taxi ranks and in an area that has high levels of homelessness and crime, expressing concern for their and their client's safety.

Informal traders are located on the periphery in a space that is poorly maintained and heavily policed and in line with prior research, this is illustrative of social exclusion (Chen, 2012; Williams and Nadin, 2013; Sallah, 2016). Informal entrepreneurs lack access to basic infrastructure and services, needing access to road networks, electricity and running water.

The trading environment is a primary system outcome for the Micro-IEE. Both constituencies called for improved and a more conducive trading environment for informal entrepreneurs, including better-sheltered market stalls, availability of more stalls, larger trading spaces and stalls, fresh goods storage facilities, manufacturing and production facilities, and working facilities for fashion design and nails and beauty. Informal entrepreneurs are of the view that government should create enabling infrastructure while experts suggest that reasonable local and national infrastructure should be provided by government.

To enable informal businesses to leverage information, communication and technology resources (ICT) to thrive, there is a need to make ICT infrastructure and services more accessible.

5.3.4.2 SUPPORT INFRASTRUCTURE

EEs encompass both subtle and salient features. Salient features which are noticeably called EE “hardware” includes “start-up incubators, angel investor meetings, tech transfer offices, innovation centres, entrepreneurship courses, and business plan competitions” (Isenberg, 2015, p. 3). Entrepreneurs manage risk and uncertainty created by institutional voids by relying on institutional intermediaries like incubators, accelerators and business development and trade associations for supporting infrastructure (Sydow *et al.*, 2022). Enabling support infrastructure is associated with reducing entrepreneurial barriers to entry, new venture creation and commercialisation of innovation (Stam and Spigel, 2016).

5.3.4.2.1 BUSINESS SUPPORT

The efficacy of infrastructure supporting informal entrepreneurs is contingent on the creation of an enabling support and policy environment, COP and funding. Commercial

and legal infrastructure should include business support for informal entrepreneurs. Business and professional services ensure the availability of competencies like legal, financial and advertising services as well as banking and communications services needed by entrepreneurs (Khyareh and Torabi, 2018). *This was supported by experts who noted that supporting infrastructure for entrepreneurs includes access to business support, legal and support information and accessible institutions. Business support for informal entrepreneurs should include how to write a plan and information for accessing funding. Experts suggested that as part of the local, national and rural infrastructure, operational support mechanisms including access to bank accounts should also be in place for informal entrepreneurs.*

Support organisations also enable opportunities for informal businesses. Informal business skills utilisation is improved then there is greater access to support like government, financial institutions, service and training providers and community organisations (Brown, 2022). *Access to information and knowledge enhances the support of entrepreneurs.* Entrepreneurship research into SMMEs in the eThekweni area found that personal, opportunity and strategic competencies are important factors in business performance (Agbenyegah and Mahohoma, 2020). Thus, business support provides entrepreneurs with improved access to information and guidance to enable them to exploit opportunities.

Peer learning through mentoring is more of an enabling support infrastructure for informal entrepreneurs. Mentoring and nurturing new entrepreneurs via engagements with entrepreneur role models contribute to reciprocity towards other new entrepreneurs suggesting that “entrepreneurship, therefore, has a ‘cumulative’ self-perpetuating effect on future levels of entrepreneurship” (Brown and Mason, 2017, p. 18). *Experts also promoted mentorship as an important enabler for informal businesses within a COP.* Education is important in an EE and support through coaching from successful entrepreneurs, peer learning at universities, and mentorship from academics (Meoli, Fini, Sobrero and Wiklund, 2020). Therefore, there are many sources of mentorship including academics, peers and successful entrepreneurs.

The entrepreneurial agency is enabled in a supportive context, where success stories are shared, and peer learning is promoted. Research also finds that learning from the stories of peers and others in the ecosystem is a source of support for entrepreneurs (Hafeez, Foroudi, Nguyen, Gupta and Alghatas, 2018). Entrepreneurial agency exercised through

storytelling, within the institutional context enables entrepreneurs to respond to a context that they have created to gain legitimacy and facilitate the creation of wealth and acquisition of resources (Patriotta and Siegel, 2019). *Experts note that supporting infrastructure leads to better access to new markets for entrepreneurs and information about markets and support provided for product development promotes product innovation.*

The Macro-IEE reflects that supporting infrastructure in turn influences culture, education and training infrastructure, access to markets/value chain participation and products. This is echoed in literature that finds entrepreneurial networks are social institutions that assist entrepreneurs to enhance ideas (Kah *et al.*, 2022). By implication, *a culture of support is created by supportive environments and enables access for entrepreneurs where “supporting infrastructure to enable access, if consistently applied, becomes a culture of doing things”.* Culture is therefore an important feature in the support landscape for the IEE.

Supporting organisations in developing economies need to be broadened to include the private sector. Research recommends that there is a need to understand the role and means to involve broader stakeholders in EEs because in developing economies, “investors, academia, universities, accelerators and incubators are the primary ecosystem entities” (Wadichar, Manusmare and Burghate, 2022, p. 11). Therefore, the government needs to engage formal businesses and the private sector from the outset as they have the desire and motivation to make profits whilst also ensuring the sustainability of the source of such profits (Isenberg, 2010). The noticeable absence of formal sector organisations and large corporates from the IEE is a cause for concern. This is an area that can be explored in future research.

Macro-IEE Secondary Driver: Entrepreneurship and business support are socio-economic enablers of entrepreneurship. Business support enables access to information and knowledge sharing. Operational support enables access to resources and institutions. The private sector should be more engaged in the IEE in SA.

5.3.4.2.2 BUSINESS INCUBATION

Incubators are viewed as an important support in EEs and may vary in terms of “their structure, support services and operational processes, but they generally share a common purpose: to promote entrepreneurship, innovation, the creation of new firms, and

economic development” (Theodoraki, Messeghem and Rice, 2018, p. 154). *Experts put forward that an enabling policy environment which promotes innovation uses incubators to support new firms to take an idea through the development stage into an MVP.* Many countries have however implemented incubation programmes that provide mentoring, finances and support, but there is little evidence that this contributes to the sustained organic growth of entrepreneurship (Isenberg, 2010). Incubators may be beneficial, however, they are not an essential feature in an EE because “there is no systematic evidence that co-working spaces contribute significantly to growing ventures” (Isenberg, 2014, p. 3).

The proliferation of university-based incubators and accelerators promotes growth and innovation-orientated entrepreneurship. University incubators are increasingly advocated for in EE theory (Theodoraki *et al.*, 2018; Nicholls-Nixon, Valliere, Gedeon and Wise, 2021). Research suggests that entrepreneurial universities can act as natural entrepreneurship incubators (Govender, 2021) and that universities fulfil a critical role in an EE as incubation sites (Fernández *et al.*, 2015). South Africa’s universities are increasingly introducing and strengthening incubators and accelerators that support the EE by promoting growth-orientated entrepreneurship (Swartz *et al.*, 2020). University and government research laboratories are viewed as poor incubators because the research they generate is not immediately commercialised and they lack basic commercial exposure to markets (Mason and Brown, 2014). Additionally, universities need to be adequately geared to support research commercialisation, which would require them to learn business skills and be organised in a fashion that is enabling towards entrepreneurship (Doanh *et al.*, 2021), which is not the case in many universities. However, despite academic institutions’ importance as knowledge spill-overs, their most critical responsibility is to produce skilled entrepreneurs and workers (Spigel and Harrison, 2018). Universities are therefore not natural incubators for the IEE and lack the commercial and market knowledge to support commercialisation.

Government support programmes are capable of supporting business growth by providing seed capital necessary for incubation. Government-funded regional development programmes found to facilitate more diverse interactions to create new opportunities (Nordling, 2019). In the case of Start-up-Chile, the government provided seed capital and supported the EE with enabling government policy (Espinoza *et al.*, 2019). *Experts largely supported the view highlighting the need for an enabling policy*

environment that supports innovation by using incubators that support start-ups. MVP / incubation funding may not attract private capital hence government and public funds should be made available for this purpose, in the form of an Entrepreneurship Development Fund. Experts also suggested other sources of funding like soft loans and funding from the Small Enterprise Foundation (SEF). Research however cautions that support structures like incubators or clusters that are established through policy may not be necessary and have the potential of being “white elephants” because their existence is contingent on the presence of entrepreneurship and where these structures in any event constitute the overall ecosystem (Isenberg, 2011).

Macro-IEE Primary Driver: Policies supporting an enabling environment should include incubation spaces for high-growth firms.

Universities are not seen as likely incubators for informal businesses and are not regarded as key support organisations in the IEE. Government could support this through enabling policies and entrepreneurship development programmes, but this should be done sustainably and organically.

5.3.4.2.3 COMMUNITIES OF PRACTICE

Situated Learning theory is premised on interactional learning as well as the relational features of learning and knowledge within communities (Handley, Sturdy, Fincham and Clark, 2006; Caccamo and Beckman, 2022). A COP is a context in which agents participate, practice and develop identities representative of their community (Handley *et al.*, 2006).

A COP is a type of knowledge community and comprises three common structural elements, namely knowledge objectives, mutual engagement and common identity. Knowledge communities derive their power and legitimacy through the participation of members who are actors without any form of formal association. In a COP “communities of actors (are) bounded by a shared practice” (Caccamo and Beckman, 2022, p. 2).

The COP is an intrinsically Social theory that suggests agents share information and engage meaningfully in the COP, agents are willing and able to share knowledge in a meaningful manner (Duguid, 2005) and have the freedom and trust to share information (Roberts, 2006). Participation entails involvement and mutual respect and recognition (Handley *et al.*, 2006) and mutual engagement between agents (Caccamo and Beckman,

2022). COPs are therefore socially constructed and premised on mutual respect, recognition and engagements between community members.

Knowledge communities may either be emergent where they are the outcome of self-organizing actors involved in knowledge work or cultivated where they are established to achieve certain goals (Caccamo and Beckman, 2022).

COPs were not identified as a component of the IEE in the initial literature review. However, this feature is prominent in the Macro-IEE as a secondary driver of the Macro-IEE. *COPs provide a space for support, knowledge sharing and learning through entrepreneur stories, mentorship, and exposure to successful entrepreneurs and business success stories and serve as a platform for networking.* Therefore, the Macro-IEE views COPs as a place for engagement and knowledge sharing. It is unclear whether the COP will be emergent or cultivated. Nevertheless, research cautions against overengineering spaces like clusters (and in this case, the COP), but proposes rather aiding them to grow organically, preferably reinforcing existing and emerging structures instead of trying to create new ones (Isenberg, 2010).

COPs interact dynamically with the context which may enable or inhibit it (Roberts, 2006), *a perspective supported by experts who noted that COPs depend heavily on the enabling environment within which they operate. A COP is an outcome of its context.* COPs rely very heavily on a balance of power in the creation and dissemination of information and knowledge, and power determines the nature and form of social interaction influencing perceptions and trust in the COP (Roberts, 2006). *According to experts, COPs are immersed in the culture that creates and sustains them which is reflected in their shared learning, rules and support for informal businesses.* A COP is therefore determined by the context and an enabling environment. A COP is reflective of trust and the balance of power between actors and the culture.

Although research notes the role of COPs in supporting knowledge development and accumulation, they may also inhibit radical innovation. On the other hand, smaller organisations in a COP may not have the resources or knowledge to contribute to the COP, they may be adversely impacted by the COP environment and also unable to utilise the opportunities, knowledge and methods shared in the COP (Roberts, 2006).

This may very well be the case for existing informal entrepreneurs who would find themselves in a COP with individuals who have more influence and access to more resources than they have. The Macro-IEE is heavily reliant on the COP to drive the engine room of the IEE, however principles inherent in COPs need to be in place to ensure that the COP is constructive and not destructive.

In knowledge communities, joint enterprise reflects what the objective is, and reinforces the knowledge objectives (Caccamo and Beckman, 2022). COPs are created by people and in turn, contribute to education and training and support infrastructure. *Information and knowledge sharing in COPs influence the demand for education and training as well as support infrastructure for businesses. Furthermore, engagements in COPs provide information and support to businesses that need it. Knowledge sharing between businesses enables product development and marketing. A conducive COP with appropriate support influences education, training and support infrastructure, human capital, funding, supporting infrastructure, and access to markets and products.* A constructive COP should work in synergy with the IEE, and therefore reflect the joint enterprise/objectives that are aligned with that of the IEE.

According to experts, COPs are influenced by education and training and support infrastructure, culture and creating an enabling environment. Practice or praxis in a social context refers to the actions of agents that embody meaning and purpose (Handley *et al.*, 2006). Boundary objects like “symbolic monuments, infrastructural instruments, and conceptual points” (Wenger, 1998 cited by Thompson, 2005, p. 152) embody representations of interactions between agents, revealing the nature of social interaction between members. COP design should support the nuanced interpretation of boundary objects rather than attempting to standardise best practices (Thompson, 2005) which may not yield the desired value for COP members. *Experts noted that “communities of practice are critical for the creation of an enabling, supportive, knowledge-sharing business environment”.* Learning, the identity of self, values, norms and relationships are integral parts of identity (Handley *et al.*, 2006) and common identity in COPs is a representation of who the actors are and their shared culture, values, norms and roles (Caccamo and Beckman, 2022). COPs evolve as members change and their social configuration is a representation of the institutional and societal structures supporting the individuals in the COP (Roberts, 2006). The COP should therefore not standardise and hard-code

boundary objects, ensuring that the identity of individuals and the shared identity of the COP are synergistic.

Macro-IEE Secondary Driver: COPs are socio-economic enablers of informal entrepreneurship. COPs should be enabled to emerge and grow organically and promote mutual respect, recognition and engagements between actors. COPs should enable information and knowledge sharing and support for informal entrepreneurs.

5.3.4.2.4 SUMMARY: SUPPORT INFRASTRUCTURE

The Macro-IEE reflects that supporting infrastructure in turn influences culture, education and training infrastructure, access to markets/value chain participation and products. Business support provides entrepreneurs with improved access to information and guidance to enable them to exploit opportunities. Supporting infrastructure inclusive of business support in the IEE should include access to business support, legal and support information, accessible institutions, how to write a plan, information to access funding and access to bank accounts. Culture is an important feature in the support landscape for the IEE.

Peer learning through mentoring is an enabling support infrastructure for informal entrepreneurs and mentors can include academics, peers and successful entrepreneurs. Entrepreneurial agency is enabled in a supportive context, where success stories are shared, and peer learning is promoted.

Neither system viewed universities as a context for incubation or as a support to the EE. This is quite divergent from recent research in South Africa that posits universities as key support organisations. This research, therefore, finds that the absence of universities as a key support function in the IEE is an indication that universities are not viewed as relevant or value-adding to constituencies. This does however present an opportunity for universities to become more engaged in the IEE. This is an area that can be explored in future research.

Supporting organisations in developing economies need to be broadened to include the private sector which is presently not engaged in the IEE. This research, therefore, supports the call to involve a broader range of stakeholders in the IEE and for government to engage formal businesses and the private sector from the outset (Isenberg, 2010). This is an area that can be explored in future research.

COPs were not identified as a component of the IEE in the initial literature review, however, this feature is prominent in the Macro-IEE as a secondary driver of the Macro-IEE. This research finds that COPs depend heavily on the enabling environment within which they operate. The COP is also an outcome of its context. This research finds that the Macro-IEE is heavily reliant on the COP to drive the engine room of the IEE, however principles inherent in COPs need to be in place to ensure that the COP is constructive and not destructive towards the IEE. A constructive COP should work in synergy with the IEE, and therefore reflect the joint enterprise/objectives that are aligned with that of the IEE.

Participation in a COP entails involvement and mutual respect and recognition (Handley *et al.*, 2006) and mutual engagement between agents (Caccamo and Beckman, 2022). Therefore, the culture of the COP, trust and having the balance of power between actors are important. This research finds that maintaining a balance of power between members who have varying degrees of influence and resources is critical in the COP. Boundary objects should be reflective of members' identities and the shared identity of COP members.

COPs are socially constructed and premised on mutual respect, recognition and engagements between community members, providing a safe space for entrepreneurs to engage, share knowledge and garner support. Although experts highlighted the importance of the COP, it is unclear whether the envisaged COP will be emergent or cultivated, but it is important that the COP is grown organically, and not over-engineered. This may be an area that can be explored in future research.

5.3.4.3 CONCLUDING SUMMARY: THE ENTREPRENEURSHIP ECOSYSTEM

Using supports and infrastructure to interpret the IEE, reveals mostly primary and secondary drivers and system pivots. The following observations are made:

- Elements in support of the conceptual IEE include the location of informal businesses, ICT, physical infrastructure and business and government support.
- Trading environment for informal businesses, innovation and incubation as well as COPs are new dimensions identified in this research.
- Importantly, there is a call for formal businesses to be more engaged in the IEE, but on the other hand, there is no suggestion that universities are potential support organisations for the IEE.

- 7 of the 8 IEE components from a support/infrastructure perspective come from experts.

Table 52. IEE components: Infrastructure perspective

Tentative SID	Affinity	Sub-Affinity	IEE Linkage	Descriptor	IEE Conceptual framework component?	
Primary Driver	K: Policy / regulatory environment (Enabling environment)	Innovation	Incubators	Policies supporting an enabling environment should include incubation spaces for high-growth firms. Universities are not seen as likely incubators for informal businesses and are not regarded as key support organisations in the IEE.	✗	Technology and innovation
		Technology	ICT Infrastructure	Access to technology and technology platforms in an affordable manner is part of the enabling environment for informal businesses.	✓	Technology and innovation
		Government support	Incubators	Government could support this through enabling policies and entrepreneurship development programmes, however, this should be done sustainably and organically.	✓	Policy
Secondary Driver	D: COP (Community of practice / support)		COP	COPs are socio-economic enablers of informal entrepreneurship. COPs should be enabled to emerge and grow organically and promote mutual respect, recognition and engagements between actors. COPs should enable information and knowledge sharing and support for informal entrepreneurs.	✗	COP
	G: Supporting infrastructure (To enable access)	Business support Access to information and institutions	Business support	Entrepreneurship and business support are socio-economic enablers for entrepreneurship. Business support enables access to information and knowledge sharing. Operational support enabled access to resources and institutions. Formal businesses should be more engaged in the IEE in SA.	✗	Business support
Circulator or Pivot	H: Infrastructure (Local, national, rural)	Trading environment for informal businesses	Trading environment	The trading environment should be conducive to business operations. Trading spaces should be well located for businesses to thrive.	✓	Location & infrastructure
		Enabling infrastructure for informal business and Operational support	Basic infrastructure	National, local and rural infrastructure for informal entrepreneurs should include core infrastructure and provide basic services.	✓	Infrastructure
Primary Outcome	C: Trading environment	Storage, working and production facilities, Trading spaces, Trading environment	Location and trading environment	Manufacturing and storage facilities should be provided by the municipality. Municipal by-laws should not be restrictive and allow more trading spaces. Trading spaces should be safe and respected by other stakeholders.	✗	Trading environment

Source: Author's construct (2022)

Legend	<div style="border: 1px solid black; background-color: #e0f2f1; padding: 2px; display: inline-block;">Micro-IEE components</div> Component identified in conceptual IEE and confirmed in research and fieldwork	<div style="border: 1px solid black; background-color: #ffe0b2; padding: 2px; display: inline-block;">Macro-IEE components</div> New component identified in research and fieldwork and not included in conceptual IEE	<div style="border: 1px solid black; background-color: #e2efda; padding: 2px; display: inline-block;">IEE conceptual framework dimensions</div> Component identified in conceptual IEE and confirmed in subsequent literature review, but not identified by fieldwork
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EE research has largely focused on supporting commercial and legal infrastructure and less so on access to physical infrastructure and services (Khyareh and Torabi, 2018). This is very evident in the Macro-IEE which presents 3 levels of support, initially driven through policy, then institutionalised through a COP and supporting infrastructure and pivoted on physical infrastructure. The prominence of supporting infrastructure within the Macro-IEE supports its emphasis on innovation and new products and markets.

The structural interpretation of the Macro-IEE observed the risks associated with socio-economic enablers in the IEE, where there is a dominant social dimension woven into the feedback loop through the COP and underpinned by culture. This feedback loop is highly reliant on social justice principles and principles like Ubuntu, and on human capital being attracted to the system and giving back to the system to support other entrepreneurs. Theoretically, this makes sense, however, if the iterative feedback loop is not appropriately championed and participants don't derive mutual value from it, there is a high risk of it imploding.

The Micro-IEE on the other hand sees physical infrastructure as a system outcome and does not recognise the need for other supporting infrastructure.

This research initially defined the entrepreneurship ecosystem as “*an interconnected set of factors within a self-organising system, that fosters the development and growth of entrepreneurship*”.

- The ecosystem, its elements and the relationship between elements are viewed differently by constituencies who have unique social realities.
- The connection between ecosystem elements is varied, with certain factors driving the system and others pivoting the system.
- The ecosystem is not a single system. It is a collection of systems. This research has been able to demonstrate two such systems, the Macro-IEE and Micro-IEE sub-systems.

The infrastructure and support lens reveal that innovation-orientated entrepreneurship should have the appropriate physical and supporting infrastructure.

5.3.5 CONCLUSION: THEORETICAL INTERPRETATION

The value associated with interpreting findings is largely associated with the approach adopted for the interpretation.

“The first task of interpretation is deciding how to interrogate the data, or, to put it another way, deciding what questions to ask. Only after the method of interrogation is clear do issues of how to document the answers to the questions matter” (Northcutt and McCoy, 2004, p. 341).

The table below is a representation of the observations made from the theoretical interpretation in this section. It tabulates the affinities and sub-affinities and reflects the theoretical and constituency source.

Table 53. IEE System components

Tentative SID Assignment	Affinity	System components	Theoretical source	IEE Linkage
Primary Drivers	J: Homelessness	1. Homelessness	Institutional	Context
	I: Insurance	2. Insurance	Resource	Insurance
	K: Policy / regulatory environment (Enabling environment)	3. Enabling policy environment	Institutional	Legislative compliance
		4. Business compliance requirements	Institutional	Business regulations
		5. Enforcement of by-laws	Institutional	Enforcement of by-laws
		6. Crime	Institutional	Context / Policy
		7. Innovation	Infrastructure	Incubators
		8. Technology	Infrastructure	ICT Infrastructure
		9. Government support	Infrastructure	Incubators
	B: Create an enabling environment	10. Informal business forums	Institutional	Informal business associations
		11. VC Funding	Resource	VC
Secondary Drivers	G: Police and By-laws	12. Police enforcement of by-laws	Institutional	Context, Police enforcement
		13. The dignity of informal traders	Institutional	Context, Dignity
		14. By-laws	Institutional	Legislative compliance
		15. Governance	Institutional	Municipal support
	H: Crime	16. Crime	Institutional	Context / Policy
	F: Committees	17. Committees 18. Informal business associations	Institutional	Informal business associations
	D: COP (Community of practice / support)	19. Community of practice / support	Infrastructure	COP
G: Supporting infrastructure (To enable access)	20. Business support, Access to information and institutions	Infrastructure	Business support	
Circulator or Pivot	E: Licensing	21. Licensing	Institutional	Business regulations
	H: Infrastructure (Local, national, rural)	22. Trading environment for informal businesses	Infrastructure	Trading environment
		23. Enabling infrastructure for informal business and Operational support	Infrastructure	Basic infrastructure
Secondary Outcomes	A: Culture	24. Culture	Institutional	Culture
	F: Finance/ funding	25. Access to capital and funding and financial literacy	Resource	Financial capital
	D: Bulk buying	26. Bulk buying, Market agents	Schumpeter	Supply chains
	C: Education and training (and support infrastructure)	27. Basic and Post-school entrepreneurship education	Schumpeter	Education
28. Entrepreneurship training		Schumpeter	Entrepreneurship training	

Tentative SID Assignment	Affinity	System components	Theoretical source	IEE Linkage
	I: Access to markets (and value chain participation)	29. New markets, Value chain participation	Schumpeter	New markets Value chain participation
Primary outcomes	B: Funding	30. Budget, Funding	Resource	Working capital / financial resources
	E: Human capital	31. Human capital	Resource	Human capital
	A: Marketing	32. Marketing	Schumpeter	Sales and customer growth
	J: Products	33. Products	Schumpeter	Knowledge spill overs
	C: Trading environment	34. Storage, working, production facilities, Trading spaces, Trading environment	Infrastructure	Location and trading environment
		35. Working and production facilities (included in #34)	Resource	Employment / human resources
36. Regulations governing informal businesses		Institutional	Business regulations	
Conceptual IEE elements	Economic growth		Institutional	Informal entrepreneurship
	Informal institutions			Context
	Formal institutions		Resource	Financial/Insurance institutions
	Human capability		Schumpeter	Entrepreneur Traits
	New business model		Schumpeter	Knowledge capital
	Supports		Schumpeter	Academic entrepreneurship

Source: Author's construct (2022)

Legend	Micro-IEE components	Macro-IEE components	Conceptual-IEE components
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This section, therefore, responds to the research question below.

Question 3: How do the systems compare, in terms of components, intra-systemic relationships, and inter-systemic relationships?

The theoretical interpretation entailed the interpretation of informal entrepreneurship using institutional theory, analysis of the entrepreneurship function from a resource perspective, evaluation of entrepreneurial activities using the Schumpeterian perspective and understanding of the ecosystem using an infrastructure perspective.

The varied theoretical lenses enabled a dynamic analysis and evaluation of the system elements and properties and the results presented in the table above reflect the following:

Primary and secondary drivers are largely centred around Institutional Theory which encompasses policy, business regulations and institutions. However, Schumpeterian Theory, which encompasses innovation and creative destruction and largely

represents an individual's actions, is more evident as primary and secondary outcomes. The results reflect what is largely evidenced in literature; that the form or nature of human action is influenced by external factors outside the control of individuals. Infrastructure and Resource theories are evident as system drivers and outcomes and could therefore be seen as factors sustaining an ecosystem.

Each section presented the main observations derived from the literature, and lead to the inferential interpretation presented in the section below.

5.4 INFERENCE INTERPRETATION

The purpose of IQA is to draw mind maps (SIDs) of how people understand or construct a phenomenon, and to draw inferences based on a comparison of these (Northcutt and McCoy, 2004, p. 314).

The preceding sections presented the structural and theoretical interpretation of constituencies' SIDs. The structural interpretation resulted in the presentation of the Micro-IEE and Macro-IEE sub-systems. The theoretical interpretation enabled the triangulation of these sub-systems to present the components of the IEE. This section presents the inferential interpretation of the IEE.

*Intra-systemic inferential interpretation looking at prospective and retrospective scenarios is applicable where there is a single constituency with multiple SIDs. However, **extra-systemic inferential interpretation** of the systems is pertinent for this research because, despite the common problem statement, there are two different constituencies (Northcutt and McCoy, 2004, p. 343) that generate two systems.*

The inferential interpretation below encompasses:

- **IEE framework:** The components of the IEE derived from the theoretical interpretation above are analysed. The IEE is presented where IEE components are clustered into thematic areas to derive system dimensions.
- **Revisiting the conceptual framework:** The IEE conceptual framework generated in the literature review is revisited.
- **Roles and responsibilities:** The roles and responsibilities of IEE agents is analysed using Transactional Analysis theory.

5.4.1 ECOSYSTEM FOR INFORMAL ENTREPRENEURSHIP IN SOUTH AFRICA

This section interprets and analyses the theoretical interpretation in the preceding chapter and triangulation these results to formulate a framework for a sustainable ecosystem for informal entrepreneurship in SA.

5.4.1.1 IEE COMPONENTS

Drawing from *Table 53*, the table below reflects the triangulation of system components into thematic areas. The components are replicated from the Macro-IEE and Micro-IEE according to their systemic priorities (i.e.: driver, pivot, outcome) and colour-coded to reflect their origin. These components are thematically grouped below based on their shared or common meaning as articulated in the theoretical interpretation section.

Table 54. IEE – Thematic grouping of components

Thematic groups	Primary Driver	Secondary Driver	Circulator / Pivot	Secondary Outcome	Primary Outcome
Context	Policy: Crime	Context: Crime			
	Context: Homelessness	By-law enforcement: Dignity			
Legislation	Policy: enabling environment	Policy co-creation			
Policy enforcement	Policy: Enforcement of by-laws	By-Laws: Police enforcement			
Government / corporate support	Enabling environment: Government and formal business support	COP			
Informal business associations	Enabling environment: Business associations	Committees, Informal business associations			
Business regulations	Policy: Business regulations and compliance	By-Laws: Legislative compliance	Business regulations: Licenses		Regulations governing informal businesses: Business operations impact
Entrepreneurial activity	Insurance: Risk and uncertainty		Infrastructure: Trading environment for informal businesses	Supply chains: Bulk buying	Marketing: Sales and customer growth
Infrastructure	Enabling environment: ICT infrastructure		Basic infrastructure: Enabling infrastructure for informal business and Operational support		Location and trading environment Storage, working and production facilities Trading spaces
Funding	Enabling environment: VC Funding			Access to capital and funding and financial literacy	Working capital / financial resources

Thematic groups	Primary Driver	Secondary Driver	Circulator / Pivot	Secondary Outcome	Primary Outcome
Products and markets	Policy: Innovation and incubation			New markets and Value chain participation	Knowledge spill overs, new, innovative products Knowledge capital
Human capital				Basic and Post-school entrepreneurship education	Human capital
Entrepreneurship knowledge		Business support Access to information and institutions		Entrepreneurship training	Trading environment: Employment / human resources
Culture				Culture	

Source: Author's construct (2022)

Legend

Micro-IEE components

Macro-IEE components

New components not in conceptual IEE

Of the 35 components identified by constituencies, 18 elements (51%) are new and were not identified in the conceptual IEE. 11 of these new components (61%) are from the informal entrepreneurs' system.

Table 55. IEE – Component statistics

Dimension	Primary Driver	Secondary Driver	Circulator / Pivot	Secondary Outcome	Primary Outcome	Total
Total	11	8	3	6	7	35
New	5	6	1	2	4	18
Included in conceptual IEE	6	2	2	4	3	17
Macro-IEE component	9	2	2	5	2	20
Micro-IEE component	2	6	1	1	5	15
Total	11	8	3	6	7	35

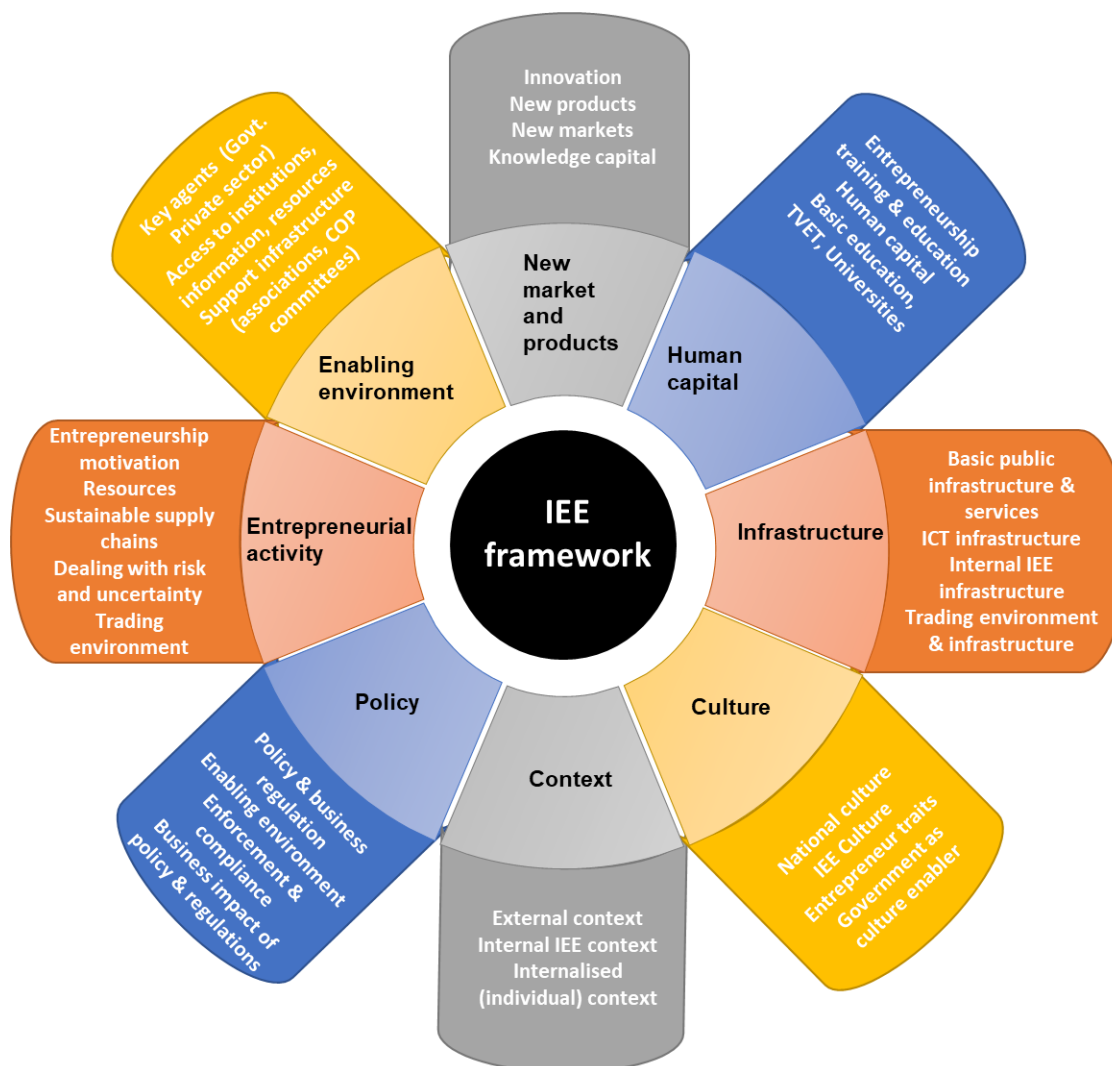
Source: Author's construct (2022)

5.4.1.2 IEE FRAMEWORK

A **framework** was defined as: “A collection of elements and factors that are interrelated and not mutually exclusive, which operate in unison to create a sustainable informal entrepreneurship ecosystem”.

The framework for the IEE below is a graphic representation of the elements contained in Table 54. The 35 elements are clustered and presented as the informal entrepreneurship ecosystem comprising 8 dimensions. The 8 dimensions of the ecosystem for informal entrepreneurship (IEE) in South Africa are new markets and products, human capital, infrastructure, culture, context, policy, entrepreneurial activity and enabling environment.

Figure 55. The Informal Entrepreneurship Ecosystem Framework



Source: Author's construct (2022)

The dimensions as identified in the IEE above are explained with reference to the literature and fieldwork below.

5.4.1.3 DIMENSIONS OF THE IEE

Ecosystems are by their very nature, complex and non-linear wherein system elements interact dynamically via feedback loops (Anderson, 1999) therefore suggesting that minute interventions could significantly change the entire system. As is evident above, each of the 2 systems neatly inter-twine, sometimes overlapping, whilst displaying unique elements that when combined, reveal what the necessary components of the IEE are.

The IEE is a system, comprising 8 components that interact sinuously, evolving over time. Research highlights the need to see the EE as an “ongoing process through which resources develop within an ecosystem, flow between entrepreneurs and other actors,

and create or attract more resources over time, changing the overall structure of the ecosystem” (Spigel and Harrison, 2018, p. 164).

5.4.1.3.1 CONTEXT

The context is inclusive of the **external** context (outside the IEE), the **internal** context (within the IEE) and the **internalised** context (the individual agent’s context). Entrepreneurial action is enabled and constrained by its context and in turn influences and changes the context (Stam, 2016).

External and internal contexts: Context incorporates the salient visible factors like homelessness and crime and police enforcement. Crime is the most cited constraint to starting and running a business successfully in South Africa (World Bank Group, 2014; Mthimkhulu and Aziakpono, 2015), while homelessness is often associated with poverty (Roets *et al.*, 2016), criminality, individuals being displaced (Cross *et al.*, 2010) and societal exclusion (Mangayi, 2017). The visible and observable factors which are the context impacts the IEE and informal entrepreneurship and is in turn influenced by the IEE and informal entrepreneurship. In addition to their responsibility for crime prevention, police are also charged with enforcing municipal by-laws (Bruce and Stone, 2022).

Internalised context: The salient observable factors like dignity and respect and informal institutions are derived from and directed towards the IEE. Internalised context is associated with the external and internal context. Unfair and heavy-handed police enforcement is disrespectful and shaming towards informal entrepreneurs, and could support economic exclusion (Bruce and Stone, 2022) of informal entrepreneurs, whilst also losing the trust and respect of people (BMI Research, 2016).

The context is a system driver comprising institutional proximal factors identified in the Micro-IEE.

5.4.1.3.2 POLICY

The policy dimension includes policy creation, enforcement and evaluation of policies and regulations at the national, provincial and local government levels.

Creation of policies and business regulations: The policy environment must be enabling and inclusive. Policies relevant to the IEE should focus on the external context including crime. Business regulations include licensing and compliance requirements.

Prior research suggests monitoring and controlling policies are more relevant for the informal sector (Goel and Nelson, 2016; Loayza, 2016). Informal entrepreneurs and experts call for policy consultation and co-creation. Policies and regulations are co-created by those impacted by them as co-creation of policies to legitimise the informal economy and promote its growth (Webb *et al.*, 2009; Ganiyu *et al.*, 2018). The creation of business regulations is led by municipalities.

Policies creating an enabling environment: Policies focused on creating an enabling environment are led by the government and address the external context including factors like crime. This view is supported by research which suggests that government fulfils the role of fostering entrepreneurship through more enabling regulations, lower levels of bureaucracy and less punitive legal frameworks (Isenberg, 2010).

Policy enforcement and compliance: Policy and by-law enforcement are factors within the policy realm and are enforced by the Metro Police. Enforcement of informal business by-laws should be legally sound and encourage economic inclusion (Bruce and Stone, 2022).

Evaluate the business impact of policies and business regulations: The business impact of policies and business regulations needs to be evaluated to determine whether policies have the intended outcomes. Confiscation of licences (Khumalo and Ntini, 2021) and delays in licensing impact business revenues for entrepreneurs.

On a Macro-IEE level, policy is a primary system driver via institutions and infrastructure. Policy is a secondary driver of the Micro-IEE and also impacts entrepreneurial activity, which is a system outcome.

Also evident from the IEE and the systems generated by the 2 constituencies, is varying preferences for what the role and responsibility of government should be.

As mentioned above, the government's role should be one of restraint, "it has a constructive and catalytic role – in promoting entrepreneurship, providing the social and physical infrastructure, ensuring access to education and finance, and supporting technology and innovation" (Stiglitz, 2011, p. 231).

5.4.1.3.3 ENABLING ENVIRONMENT

An enabling environment for a sustainable IEE includes support from key agents, access to resources and information, enabling institutions and supporting infrastructure.

Support from key agents: The appropriate levels of support from the government and formal business and corporate sector for the IEE. Government support in the form of Government-funded regional development programmes (Nordling, 2019) and provision of seed capital and creating an enabling environment through government policy (Espinoza *et al.*, 2019). The noticeable absence of corporates and the private sector in the IEE requires the government to engage them from the outset (Isenberg, 2010).

Access to institutions and information: Entrepreneurs use information to plan and make decisions (Vasapollo, 1996; Etemad, 2020) and information is a critical source of power. As many micro-enterprises are constrained by a lack of advice/information access to business and entrepreneurship support should enable access to information and institutions.

Access to resources: Access to financial resources and funding via VC firms and from other sources like banks and support funds. Access to financial resources enables investments in new ventures (Stam and Spigel, 2016).

Enabling financial and insurance institutions: Access to insurance as a risk mitigation tool is also important for entrepreneurs. Market institutions facilitate access to finance and new markets (Junaid *et al.*, 2022) and resource providers are seen “as ‘carriers of institutional logics’ who shape how EEs evolve through their choices and actions in the capital sourcing process” (Korber *et al.*, 2022, p. 159).

Supporting infrastructure: Including business associations / committees / forums, Community of Practice and Business support. Informal business associations and informal business committees are important supporting infrastructure that enables constructive policy consultation and engagements with the municipality. Supporting COPs are built on trust and mutual engagement, respect and recognition (Handley *et al.*, 2006). Business support includes a range of professional and critical competencies and skills to support entrepreneurs (Khyareh and Torabi, 2018).

The enabling environment is created by policy on the Macro-level. In the Micro-IEE, enablement is facilitated through access to institutions and resources.

It is evident from the IEE presented in the section above that there are two very diverse sets of entrepreneurial activities and entrepreneurship processes within the overarching IEE system.

It is necessary to recognise that “ecosystems are not typically designed, created, established or built. Rather they can be affected, influenced, facilitated, and occasionally restored” (Isenberg, 2016a, p. 568).

To give effect to a sustainable IEE, it is necessary to find a balance between the present and future form/s and means of informal entrepreneurship.

5.4.1.3.4 ENTREPRENEURIAL ACTIVITY

Entrepreneurial activity refers to the present, lived and practised range of informal entrepreneurial activities and includes:

Entrepreneurship motivation: The reason for engaging in entrepreneurial activities including but not limited to profitability, sales and customer growth. Informal entrepreneurs pursue profits and higher sales, whilst also seeking to reduce costs.

Resources: Access to working capital and human resources to conduct entrepreneurial activities. Financial inclusion and access to basic financial products stimulate new venture creation and support early-stage ventures (Charfeddine and Zaouali, 2022). Access to skills for business growth is also important.

Sustainable and accessible supply chains: Access to supply chains that are cost-effective and enable the entrepreneur to negotiate pricing. Buyer-supplier relationships should be built on trust, commitment and satisfaction, as well as a balance of power between them (Najafi-Tavani *et al.*, 2022, p. 115).

Dealing with risk and uncertainty: Having access to insurance mitigates business risks associated with loss. Insurance is a means of mitigating risk, providing compensation for losses (Ardington *et al.*, 2004), and also ensuring financial inclusion (Bernards, 2018).

Conducive trading environment: A safe trading environment, has basic services and infrastructure and is conducive to doing business.

Entrepreneurial activity reflects the proximal factors associated with the Micro-IEE and is driven by risk and uncertainty, with outcomes associated with increased sales,

marketing and profits. This is largely reflective of the resource perspective of the entrepreneurship function.

Informal entrepreneurship is a present-day feature in South Africa, and amidst conditions of hardship, many entrepreneurs seek to grow their businesses. Entrepreneurship occurs in diverse settings influenced by the context through local institutions (Daniel, de Villiers Scheepers, Miles and de Klerk, 2022), interacting with both the internal ecosystem environment as well as the environment external to the ecosystem (Cobben, Ooms, Roijakkers and Radziwon, 2022). The entrepreneurial potential displayed by informal entrepreneurs is no longer disputed (Venter, 2012). “Hardships of resource-scarce, even hostile, environments often promote entrepreneurial resourcefulness” (Isenberg, 2010, p. 47) and amidst this, it is critical to grasp how entrepreneurial leadership and individual entrepreneurial orientation emerge within the informal sector (Musara and Nieuwenhuizen, 2020).

Observation: It is important to understand the factors that perpetuate the existence of informal entrepreneurship and the socio-economic value derived from it and created by it.

Whereas EE literature suggests that EEs are not defined by their levels of entrepreneurial activity or venture creation (Spigel and Harrison, 2018), the IEE emanating from this research suggests that they are the primary outcomes of the system.

Research suggests that “entrepreneurial activity is the driver of the ecosystem... it places the outcomes of EE in the hands of the entrepreneurial actors and their interactivity” (Audretsch, Mason, Miles and O’Connor, 2021).

5.4.1.3.5 CULTURE

The cultural domain considers the overarching culture and formation of a conducive culture within the IEE:

External context: Individualism vs. collectivism and its interaction with the IEE culture. Individuals are intrinsically linked with their context (Baker and Welter, 2020). South Africa’s collectivistic culture embraces Ubuntu and Harambe and reflects the community, caring and sharing and compassion (Venter, 2012) however South Africa has a highly individualistic and less community-orientated culture (Sriram *et al.*, 2021) according to

Hofstede's cultural dimensions. There may be a need to integrate traditional and western values and culture (Venter, 2012) for informal entrepreneurship.

Internal IEE context: Creation / sustaining an IEE culture and the role of government as culture enabler and changing attitudes towards informal entrepreneurship. Government should enable the IEE by creating a conducive culture through institutions (Isenberg, 2010). Culture is the representation of attitudes toward entrepreneurship (Spigel and Harrison, 2018) and the IEE culture is dependent on changing the overall views towards informal entrepreneurship.

Internalised context: The traits of the entrepreneur and its interaction with the IEE culture. Informal entrepreneurs have demarcated trading areas, face marginalisation (Jiyane and Ocholla, 2012) and are exposed to hard-handed policing, are located in high-crime areas, and the police meant to protect them also regulate them.

Culture is a non-proximal factor in the Macro-IEE and an outcome of institutions.

The attitudes and perceptions towards informal entrepreneurship need to be addressed, by the government which should lead the cultivation of a culture that changes attitudes in favour of the IEE.

Hence, central to striking a balance of present and future forms of entrepreneurship in the IEE, is the role of government, in fostering a culture that develops an entrepreneurial society that becomes self-sustaining (Spigel and Harrison, 2018).

The role of government is thus a facilitative one that contributes to existing venture sustainability whilst also enabling the creation of new businesses (Charfeddine and Zaouali, 2022). The South African government has yet not been able to enable informal / micro-entrepreneurship, with much of their policies directed to small and medium enterprises (Rogerson, 2004).

Observation: For the government to fulfil its role of creating an enabling culture for informal entrepreneurship, it would need to refocus its attention beyond policies and economic levers.

5.4.1.3.6 NEW MARKETS AND PRODUCTS

New markets and products refer to the envisaged growth of the IEE and the means to achieve this “future”. Key components include innovation and knowledge capital which lead to new products and new markets.

Innovation and new products: Knowledge-intensive industrial contexts benefit entrepreneurs who pursue process and product innovation (Kah *et al.*, 2022). Innovation is also facilitated by complementary formal and informal institutions (Bennett and Nikolaev, 2021).

New markets: Expansion strategies should be relevant and adequately supported and supportive of informal entrepreneurs. Focus on domestic-local innovation activities and stable institutional context to stimulate capacity development which enables access to opportunities and knowledge resources (Hall *et al.*, 2012). Market knowledge encompasses the understanding of the market and product or service viability (Stam and Spigel, 2016).

Knowledge capital: Knowledge is internally and externally generated. Knowledge capital is a synthesis of human capital and knowledge derived through social capital (Audretsch and Keilbach, 2004). Entrepreneurs need to be able to analyse information and make critical links (Grebel, 2004) to plan and implement actions.

New markets and innovative products are driven by policy in the Macro-IEE.

EE research has largely focused on promoting innovation and high-growth entrepreneurship, but no research is evident on sustainable IEEs.

EEs are not defined by regions, places or sectors, and should be supportive of different variations of entrepreneurship (Isenberg, 2016a).

Therefore, context is an important dimension in an EE. The nature of the venture, the stage of the EE and contextual variations are important considerations because entrepreneurs are not homogenous and there isn't a one-size-fits-all ecosystem (Audretsch *et al.*, 2021). Additionally, entrepreneurial activity and EE motivations are a function of individual agents' needs and meeting the needs of the ecosystem (Grebel, 2004).

Observation: The IEE would need to synergise the creation of innovation and growth-orientated ventures with existing informal entrepreneurial activities.

5.4.1.3.7 HUMAN CAPITAL

Human capital refers to skills and education, including basic education, post-school education, TVETs, entrepreneurship training and education and skills. The primary role of education institutions is to supply skills for the IEE.

Entrepreneurship training: Knowledge needs vary based on the stage of entrepreneurship. Training should be focused on practical skills for starting a business and provide essential business knowledge including tax, finance, law, and accounting to support new ventures (Khyareh and Torabi, 2018). Entrepreneurship training should be focused on inculcating entrepreneurial and cognitive skills (Debarliev *et al.*, 2022, p. 236) and be tailored to specific realities, also incorporating the needs of the local community to promote community engagement, sharing success stories (OECD, 2017a).

Entrepreneurship education: Formal entrepreneurship education, although important, is not a key driver of the IEE or successful entrepreneurship (Isenberg, 2014). Higher education institutions should have better quality entrepreneurship support programs (Khyareh and Torabi, 2018) and more efficient entrepreneurial education programs (Guerrero *et al.*, 2021).

Human capital: Education as a whole should be skill, vocational and entrepreneurially orientated (Fein *et al.*, 2009), supporting both employment and self-employment.

Basic education, TVET, Universities: Higher education institutions' traditional mandate encompasses teaching and learning, research and community engagement (Govender, 2021). Their primary responsibility is to supply human capital for employment and entrepreneurial mindsets for entrepreneurship (Spigel, 2017). The TVET sector supplies skilled and technical human resources and exposes youth to entrepreneurship education and training (Fein *et al.*, 2009).

Human capital is the primary outcome of the Macro-IEE and is influenced by education and training outcomes.

5.4.1.3.8 INFRASTRUCTURE

External contextual infrastructure elements include basic public infrastructure, ICT infrastructure and basic services like water, electricity and sewage. Internal IEE infrastructure includes the location of businesses, the trading environment (shelter, space sizes) and trading infrastructure (manufacturing, storage, services).

External contextual infrastructure: Access to basic public infrastructure, basic services like water, electricity and sewage and ICT infrastructure. Electricity and transportation of goods are constraints that have a significant impact on SMMEs in SA (Mthimkhulu and Aziakpono, 2015). Informal businesses have limited basic infrastructure in their trading vicinity (Mahadea and Khumalo, 2020b). Townships and informal settlements are largely excluded from ICT access and could benefit from more accessible communication infrastructure (Etim and Daramola, 2020).

Internal IEE infrastructure: Includes the location of businesses, the trading environment (shelter, space sizes) and trading infrastructure (manufacturing, storage, services). Locations housing informal businesses have poor infrastructure (Lekhanya and Dorasamy, 2020). Informal entrepreneurs were largely dissatisfied with the trading environment due to the unavailability of fresh goods storage facilities (Mahadea and Khumalo, 2020b), manufacturing and production facilities, a limited number of trading spaces available and the small size of spaces (Masuku and Nzewi, 2021).

Supporting infrastructure is a secondary system driver of the Macro-IEE, whilst physical infrastructure is a system pivot.

5.4.1.4 CONCLUDING SUMMARY: IEE FRAMEWORK

This section presented the components of the IEE as identified by constituencies. Following the theoretical interpretation, these components were clustered, and concepts were triangulated to generate the dimensions of the framework for an IEE in South Africa.

5.4.2 REVISITING THE CONCEPTUAL FRAMEWORK

The IEE conceptual framework was derived from the empirical literature review as presented in *Chapter 2*. The IEE conceptual framework was used to articulate the problem statement to each focus group and to theoretically interpret the research findings emanating from focus groups.

This section re-visits the conceptual framework, PEST analysis of the informal economy and the FFF analyses of informal entrepreneurship in a new light, post the analysis of the IQA focus group outcomes.

5.4.2.1 IEE CONCEPTUAL FRAMEWORK (REVISITED)

In addition to the system elements identified by constituencies, components within the IEE conceptual framework were also reinforced in the preceding theoretical analysis. However, these components were not identified during fieldwork. The table below reflects these components and how they are incorporated. Economic growth and academia as a support in the IEE were not identified and are therefore not included. All other elements are included in the areas indicated below.

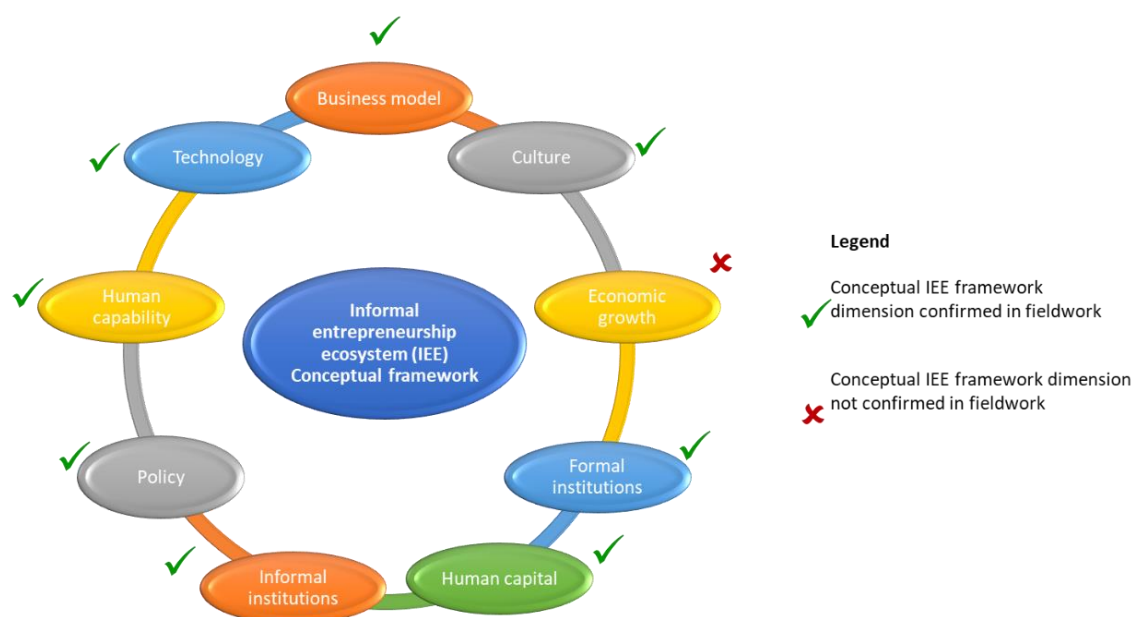
Table 56. Conceptual IEE components not identified in fieldwork

Conceptual IEE	Descriptor	Actions
Economic growth Informal entrepreneurship	Informal businesses form part of the economic landscape in South Africa, engaging in retail, consumer, services and manufacturing markets. Micro-entrepreneurship refers to registered entrepreneurial activities that are governed by by-laws and provincial legislation in SA.	The Economic growth element was not identified in either system and is therefore not included. Informal entrepreneurship is however included in the entrepreneurial activity dimension
Informal institutions Context	The context was not identified as an IEE element, however, it is represented in the lived experiences of informal entrepreneurs and represented in homelessness, crime and policing.	Informal institutions are included in the context dimension
Formal institutions Financial and Insurance institutions	Financial institutions moderate access to finances. Formal financial institutions do not enable development equitably. Insurance institutions moderate access to risk protection. Formal insurance institutions do not enable development equitably.	Formal institutions are included in the enabling environment dimension
Human capability Entrepreneur traits	Informal entrepreneurs pursue necessity entrepreneurship, but also seek out opportunities through the entrepreneurial process.	Human capability and the traits of the entrepreneur are included in the cultural dimension
New business model Knowledge capital	Knowledge capital is a socio-economic enabler of entrepreneurship. Knowledge is both internally and externally generated and a function of human capital and knowledge from social capital.	Knowledge capital is included in the new products and markets dimension
Supports	Academic and knowledge spinoffs and academic entrepreneurship are not regarded as relevant in the IEE.	Academia is not seen as a support to the IEE and is therefore not included

Source: Author's construct (2022)

The IEE conceptual framework reproduced below reflects the components of an informal entrepreneurship ecosystem as synthesised in the literature review contained in **Chapter 2**. Additionally, it highlights the common components identified in the IEE.

Figure 56. IEE conceptual framework (Figure 8 Revisited)



Source: Author's construct (2022)

5.4.2.2 INFORMAL ECONOMY PEST ANALYSIS (REVISITED)

In re-visiting the PEST analysis of the informal economy conducted in the literature review, this research study reveals that all PEST factors present opportunities for informal entrepreneurship in South Africa. However technological and political forces could threaten it. The table below reproduces the PEST analysis and summarises the findings emanating from the interpretation of the fieldwork.

Table 57. PEST analysis of the informal economy (Table 4 Revisited)

PEST Dimension	Source	Findings	Strength	Force	Impact
Political	Literature review	Political factors are considered strong and negative and present potential threats to the context.	Strong	Negative	Threat
	Focus groups	Political factors including Municipal by-laws, by-law enforcement and trading conditions of informal entrepreneurs. This presents both threats and opportunities for informal entrepreneurship in SA. Informal sector associations and informal entrepreneurs want to co-create policies affecting them.	Strong	Negative	Threat /opportunity
Economic	Literature review	Economic factors have a strong impact on the informal economy and can be both positive or negative, presenting either threats or opportunities	Strong	Positive /Negative	Threat /opportunity
	Focus groups	Informal entrepreneurship is necessity orientated, and a means to an end. These entrepreneurs navigate their context to seek opportunities to generate income.	Strong	Positive	Opportunity
Social	Literature review	Social factors are largely internal to the informal economy, are generally strong and positive and could be either a strength or a weakness	Strong	Positive	Strength /weakness

PEST Dimension	Source	Findings	Strength	Force	Impact
	Focus groups	Informal entrepreneurs have shared social realities. This is evident in the focus group outcomes. This is both a strength and an opportunity for those wanting to engage the informal sector on issues of mutual interest.	Strong	Positive	Strength /opportunity
Technology	Literature review	Technological factors do not feature prominently in the informal economy and are weak and negative. This could present both an opportunity or a threat to informality	Weak	None	Opportunity /threat
	Focus groups	Findings in the literature review were confirmed. Many informal entrepreneurs and association members were not able to engage using online platforms	Weak	None	Opportunity /threat

Source: Author's construct (2022)

Focus group findings

Red text

PEST outcomes that were changed post-focus group

5.4.2.3 INFORMAL ENTREPRENEURSHIP FFF ANALYSIS (REVISITED)

The table below reproduces the FFF analysis of the informal entrepreneurship industry in South Africa and summarises the findings emanating from the interpretation of the fieldwork. Although the literature review viewed all forces as presenting opportunities for informal entrepreneurship in South Africa, following the analysis of focus group outcomes, the researcher revisited the FFF analysis and finds the following:

- Threat of entrants is limited by disparate business regulations and heavy-handed enforcement of the by-laws.
- Supplier power is strong as informal businesses are compelled to procure from municipality-appointed market agents, unable to negotiate prices and obtain varying products to differentiate their businesses. As such these businesses are unable to compete on price or product and continue to exist as survivalist and necessity economic activities.
- Buyer power is moderate, and buyers are deterred by the unsafe and unkempt trading environment.

Table 58. FFF analysis of informal entrepreneurship (Table 6 Revisited)

Porter's FFF Dimension	Source	Findings	Strength	Potential impact
Threat of entrants	Literature review	Barriers to entry into informal entrepreneurship are low because of ease of entry and exit and low levels of regulatory compliance. While low barriers to entry in the formal economy imply a highly competitive context; for informal businesses, this is an advantage. Informal entrepreneurship is not constrained by complex and costly business regulations, therefore thriving in the informal space, also presents an opportunity for businesses to grow.	Weak	Opportunity
	Focus groups	There are barriers to entry for trading micro-enterprises in the form of business regulations that vary across Municipalities. Informal business regulations are also enforced by the Metro Police.	Medium	Opportunity, Threat

Porter's FFF Dimension	Source	Findings	Strength	Potential impact
		Although this remains an opportunity, inconsistent by-laws and hard-handed enforcement threaten informal entrepreneurship.		
Supplier power	Literature review	Supplier power in relation to informal entrepreneurship is weak as employees are readily available and entrepreneurs can start a business easily.	Weak	Opportunity
	Focus groups	Informal entrepreneurs are keen to grow their business to create employment. This therefore presents an opportunity to grow this industry. However, informal entrepreneurs are required to procure from market agents appointed by the Municipality who are cited as expensive and have a limited range of stock. This arrangement limits the revenue-generation potential of these businesses.	Moderate - Strong	Opportunity, Threat
Substitution threats	Literature review	Substitutes including unemployment, subsistence activities and formal activities are a weak to moderate force. Considering the level of education and skills base of individuals, the threat of substitutes for informal entrepreneurship is weak, however, this threat increases as informal businesses mature and grow.	Weak - moderate	Opportunity
	Focus groups	Informal entrepreneurship is a necessity practice for individuals. The findings emanating from the literature were not contradicted in any way.	Weak - moderate	Opportunity
Buyer power	Literature review	Informal businesses service local communities that they operate in and supply largely consumption-related products and services. Buyer power is low, and competition is based on price and availability rather than product differentiation and innovation.	Weak	Opportunity
	Focus groups	Informal entrepreneurs are not necessarily situated within communities. They are located in high traffic areas like taxi ranks where crime and poor trading conditions deter consumers.	Weak - Moderate	Opportunity, Threat
Competitor rivalry	Literature review	Competitor rivalry for informal businesses is generally moderate, depending on the location of the business and the market it services. Informal businesses generally compete on price but do not aim to outcompete their rivals.	Moderate	Opportunity
	Focus groups	Although informal entrepreneurs may indirectly compete with formal business, they are unable to actively compete with each other on price and product range due to them having to procure from market agents. By implication, these businesses continue to exist as survivalist and necessity economic activities.	Weak - Moderate	Opportunity, Threat

Source: Author's construct (2022)

5.4.2.4 CONCLUDING SUMMARY: CONCEPTUAL FRAMEWORK RE-VISITED

This section re-visited the conceptual framework, PEST analysis of the informal economy and the FFF analyses of informal entrepreneurship. The conceptual framework aided in the formulation of an IEE framework and the analysis reveals that “economy” was the only dimension that was not identified in fieldwork. The PEST and FFF analyses further reveal the opportunities and threats faced by informal entrepreneurship in SA.

Importantly, the industry analysis of informal entrepreneurship presents key insights on the perceived opportunities for growing entrepreneurship in South Africa. Key threats

related to supplier power, buyer power and competitor rivalry that are evident, and that need to be addressed.

5.4.3 ROLES AND RESPONSIBILITIES

During the fieldwork stage of this research, it was evident that the 2 constituencies had different perspectives on the role of government in the ecosystem. While experts viewed government's role as the enabler of the ecosystem via policy and an enabling environment; informal entrepreneurs perceived government as a provider of resources and services. Additionally, although experts mentioned the role of other corporates, neither constituency drew prominence to their functions and responsibility in the IEE. This observation thus warranted an analysis that sought to understand these roles and responsibilities.

This section analyses the roles and responsibilities of IEE agents using Dr Eric Berne's Transactional Analysis (TA) theory.

The IEE responsibilities fall on many agents, as no one stakeholder has a dominant authority over the IEE.

An EE has is no owner, controller manager or governor (Isenberg, 2016a).

Dr Eric Berne's Transactional Analysis (TA) theory (1968) presents three ego-states of an individual's personality all of which are important and reflect an individual's state of mind and the congruent behaviour they display (Crichton, 2007; De Luca and Tosi, 2011). However, when one ego state disrupts the healthy balance there is cause for concern (Cornell, 2015).

Ego states are defined as "schemas and working models made of constraint networks typically correlated, that define each specific ego state type. For example, three types of constraints involve creativity, normativity, and reality analysis and description. In transactional analysis, those correlated constraint networks have been called Child, Parent and Adult" (Scilligo, 2009 cited by De Luca and Tosi, 2011, p. 210).

This theoretical approach is critical for this research as it is reflective of the mindset of stakeholders engaged in the IEE. Although government, informal entrepreneurs, support organisations and formal businesses are led by adults, their engagements are very reflective of the mindset they adopt in respect of informal entrepreneurship.

5.4.3.1 INFORMAL ENTREPRENEURS

The entrepreneur is an important agent in the EE, but the EE is not primarily centred around the entrepreneur as all agents are critical in the success of the EE (Isenberg, 2016a). Ecosystems are, however, primarily led by entrepreneurs who often leverage social networks when scaling or starting a new venture to obtain resources like “risk capital, talented workers and mentorship from experienced entrepreneurs” (Spigel and Harrison, 2018, p. 153). Resources are therefore important in the IEE and social networks are important in sourcing them.

The Child ego state is adopted by informal entrepreneurs.

The child ego-state is generally considered the best part of an individual's personality, it is influential, energetic, creative and highly resourceful (Crichton, 2007).

Informal entrepreneurs display resourcefulness in the way they continue to trade and make living despite their conditions. Further to the resourcefulness view, informal entrepreneurs are also largely dependent on the government (their parents) to provide manufacturing spaces, shelter etc. for them. Informal entrepreneurs are also very dissatisfied with their predicament and seek to find assistance to influence change in their context.

Pio Scilligo's Social-cognitive Transactional Analysis (SCTA) theory (2011) built on TA theory on ego states in relation to understanding the power-relations between individuals, where the Initiator who gives or takes power from the person they are relating to; the Responder's behaviour matches the behaviour of the initiator; and Self which reflects the individual's internal dynamics The outcome of these relationships could be characterized as rebellious, free, protective, and critical (De Luca and Tosi, 2011).

Based on the typology of public policy intervention ideal types (Candeias and Sarkar, 2022) and depending on the policy approach government takes, responses from informal entrepreneurs could be varied.

However, entrepreneurship is dynamic, involves complex functions and relationships, and is a sub-system of the context that it operates in, therefore, its complexity cannot be understood solely through economic models or sociological models (Ripsas, 1995).

The cultural view of entrepreneurship sees “entrepreneurs are neither passive receptors of cultural norms nor heroic change agents that throw off cultural influences, but rather, skilled cultural actors who may navigate their cultural environments to obtain needed and valued resources” (Patriotta and Siegel, 2019, p. 1195).

5.4.3.2 GOVERNMENT

The Parent ego state is largely reflective of the role government and municipality take on.

A parent's ego states may be reflective of a nurturing parent or a neglectful parent (Crichton, 2007).

Informal entrepreneurs, placed in the periphery of society, amidst high levels of crime and homelessness, are subject to visible police enforcement which at times appears to be akin to harassment. When compared to their formal sector counterparts, who have more latitude when it comes to trading hours and has access to basic infrastructure and services, informal entrepreneurs appear to be neglected by their parents (government).

Policy responses to a myriad of developmental issues have swung between top-down and bottom-up approaches. Economic theories that position government as the lead role player in driving market transitions, are deemed inappropriate when it comes to growing and sustaining entrepreneurship and innovation with research proposing a more blended top-down/bottom-up approach for EEs (Candeias and Sarkar, 2022). The figure below presents the 4 types of policy interventions.

Figure 57. Typology of public policy intervention ideal-types

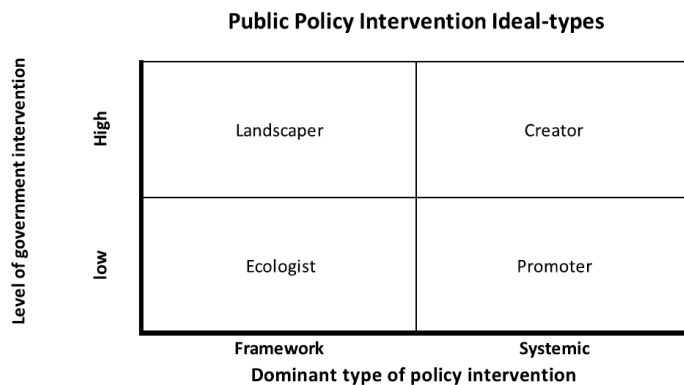


Figure 7. Typology of public policy intervention ideal-types.

Source: Candeias and Sarkar (2022, p. 363)

Creator: Continuous intervention by the creator to manage the system they have created.

The top-down approach of EE policy development is associated with the ‘artificial’ creation of EEs, led by government intervention second promoting the importance of government policy “in creating framework conditions, positioning government or local authorities as relevant feeders of the system” (Candeias and Sarkar, 2022, p. 360).

Top-down policy approaches led by government do not adequately address local challenges, are not considerate of communities’ realities, risks and opportunities and fail to create self-sustaining growth and development (Turok and Habiyaremye, 2020, p. 1777).

Informal entrepreneurs view the government and the municipality as being too hands-on and overly prescriptive to the extent that it hampers their business growth. The government on the other hand views itself as a creator and in many by-laws, its need to control its creation is evident.

Ecologist: Policy-driven from the bottom-up premised on the natural evolution of a dynamic and self-regulating system.

The bottom-up and EE policy development approach is premised on the natural evolution of EEs which is viewed as dynamic and self-regulating whilst acknowledging its actors and networks (Isenberg, 2014; Candeias and Sarkar, 2022).

The bottom-up or decentralized policy approach is associated with less government intervention and aims “to promote growth and development from within by bolstering local capabilities, enhancing indigenous strengths and branching out into new and related economic activities” (Turok and Habiyaremye, 2020, p. 1777).

Decentralizing policy formulation to local actors is however a risk in countries like South Africa because the prevalence of inequality and uneven levels of development can inadvertently be exacerbated and weak and ineffective institutions may not be appropriate for this purpose (Turok and Habiyaremye, 2020).

Landscaper: Policies that are directed towards getting the basics right.

The landscaper is the role government fulfils under high levels of intervention, but with a focus on framework policies which are targeted at developing and improving

the basics and are largely suited to clusters and not EEs (Candeias and Sarkar, 2022)

Government has to also fulfil a landscaper role in SA due to the poor levels of basic services like education, water, sanitation and electricity.

Promoter: Policies directed at strengthening systems and networks.

Government as a promoter maintains low levels of intervention, but the systemic policy focus is aimed at establishing institutions which are non-intrusive and put effort into developing and strengthening networks. This approach is favoured for EEs as it focuses on strengthening the systems associated with the EE but is more appropriate where resources are not constrained (Candeias and Sarkar, 2022).

There is no clear answer for the most appropriate policy approach for the IEE, but what is evident, is that there needs to be a clear understanding of what the intended outcomes are.

Echoing the sentiments of Laing, van Stel and Storey, “decide what type of entrepreneurship you want for your country and, only then, choose your policies, because one size doesn’t fit all” (2021, p. 1).

Several paths lead to the conceptualisation and realisation of an EE and the approach adopted by government should consider the evolutionary nature of ecosystems “characteristics of the ecosystem, the degree of intervention and implicitly the expected results” (Candeias and Sarkar, 2022, p. 364).

5.4.3.3 SUPPORTS

The Adult ego state is driven by logic, making decisions based on data and information and is reflective of autonomy (Crichton, 2007) but also is open to engaging and cooperation and supportive of equality (Steiner, 2010).

Ideally, this should be the role taken on by informal entrepreneurs. However, their submissiveness does not permit them to do so. The other adults in the room, formal business and supports, are very absent. Therefore, there is a need to look at how to empower informal entrepreneurs to take on the adult-ego states. In addition, there is room to introduce the private sector adults into the relationship to both support informal entrepreneurs’ growth as well as to serve as a support structure in

government engagements. The informal sector associations do assist in this regard, however, there is scope for strengthening the middle (adults).

5.4.3.4 CONCLUDING SUMMARY: ROLES AND RESPONSIBILITIES

Using Dr Eric Berne's Transactional Analysis (TA) theory (1968) to analyse the roles and responsibilities of IEE agents, this research uncovers the following:

- The Child ego state is adopted by informal entrepreneurs.
- The Parent ego state is reflective of the role government and municipality take on.
- The Adult ego state should be inclusive of informal entrepreneurs and other provide sector agents, is presently not visible in the IEE.

The use of TA theory reveals the need to reduce the power distance between government and informal entrepreneurs. Firstly, informal entrepreneurs should be empowered to take on the role of adult in their relationship with government. Secondly, Government should encourage the private sector, institutions and universities to become more actively engaged in the IEE, thus increasing the adult presence. Finally, Government, should be more inclusive and consistent in its policy and approach towards informal entrepreneurship. As such, government policy in respect of the IEE should be appropriate and consider the nature and form of entrepreneurship that is being promoted.

5.4.4 CONCLUSION: INFERENCE INTERPRETATION

The IEE is varied in its outcomes due to the diversity of stakeholders who participate in the system.

The IEE should not reflect the views of a single or a certain group of agents, and as seen in EE theory, it should be representative of the overall intentions of the IEE (Isenberg, 2016a).

This section presented the inferential interpretation of the Micro-IEE and Macro-IEE and formulated a framework for the IEE in SA. The roles and responsibilities of government, informal entrepreneurs and the private sector were also analysed.

This section, therefore, responds to the research question below.

Question 4: What is the framework for a sustainable Informal Entrepreneurship Ecosystem in South Africa?

This section presented the framework for a sustainable IEE in SA. The IEE framework is made up of 8 dimensions, namely, Culture, Infrastructure, Context, Policy, Human capital, Entrepreneurial activity, New products and markets, and Enabling environment.

The IEE comprises 8 dimensions which collectively consist of 35 components. The IEE is supported by two underlying sub-systems, the Macro-IEE and the Micro-IEE. Based on TA theory, the current Parent-Child relationship between government and informal entrepreneurs needs to be re-evaluated if the IEE is to be sustainable. The Policy approach taken by government should also consider the context and the desired impact.

5.5 CONCLUSION

“Interpretation is more a matter of searching for questions than answers, of highlighting possibilities rather than closing off avenues of understanding. Comparison between and within systems is a fundamental tool for interpretation, allowing the investigator to raise ever more refined and focused questions with which to interrogate systems” (Northcutt and McCoy, 2004, p. 389).

This chapter presented the analysis and evaluation of the research findings resulting in the formulation of a framework for an IEE in SA. Thus, the following research questions have been addressed:

Question 3: How do the systems compare in terms of components, intra-systemic relationships, and inter-systemic relationships?

The critical analysis of the constituency systems and an evaluation of the differences between the systems structurally and theoretically resulted in the formulation of a Micro-IEE and Macro-IEE. The IEE is supported by these two underlying sub-systems.

The theoretical interpretation of informal entrepreneurship using Institutional Theory, analysis of the entrepreneurship function from a resource perspective, evaluation of entrepreneurial activities using the Schumpeterian perspective and understanding of the ecosystem using an infrastructure perspective compared and contrasted systems and system elements.

Question 4: What is the framework for a sustainable Informal Entrepreneurship Ecosystem in South Africa?

The framework for a sustainable IEE in SA is presented. The IEE framework is made up of 8 dimensions, namely Culture, Infrastructure, Context, Policy, Human capital, Entrepreneurial activity, New products and markets, and Enabling environment.

The IEE collectively consist of 35 components.

The final chapter concludes this research and summarises the research outcomes; presents the theoretical implications; and makes pertinent policy, business and methodological recommendations.

CHAPTER 6: OVERVIEW AND RECOMMENDATIONS

6.1 INTRODUCTION

The previous chapter presented the framework for a sustainable IEE in SA comprising 8-dimensions. This final chapter presents an overview of the research outcomes; articulates the policy, business, theoretical and methodological recommendations; highlights areas for future research; and states the limitations of this study.

The framework for a sustainable IEE in SA was derived from a mixture of empirical and theoretical research. While the limitations of the framework are acknowledged in this chapter, the strength of the framework resulting from the use of the IQA methodology and empirical and theoretical analysis is evident in the research recommendations and contributions.

The IEE as a framework is a collection of elements and factors that are interrelated and not mutually exclusive, which operate in unison to create a sustainable informal entrepreneurship ecosystem.

Therefore, it serves as a guiding piece that can be adopted in its present form or modified based on the unique context of its application. The IEE can also serve as a corrective framework for practitioners to strengthen the current IEE and grow informal entrepreneurship.

As this research adopted a social constructivist ontology and epistemology, this study's theoretical framework can be used to understand the behaviour and views of individuals. Additionally, the theoretical framework may be used to instigate behavioural, mindset and cognitive changes of constituencies towards phenomena.

6.2 OVERVIEW OF THE RESEARCH OUTCOMES

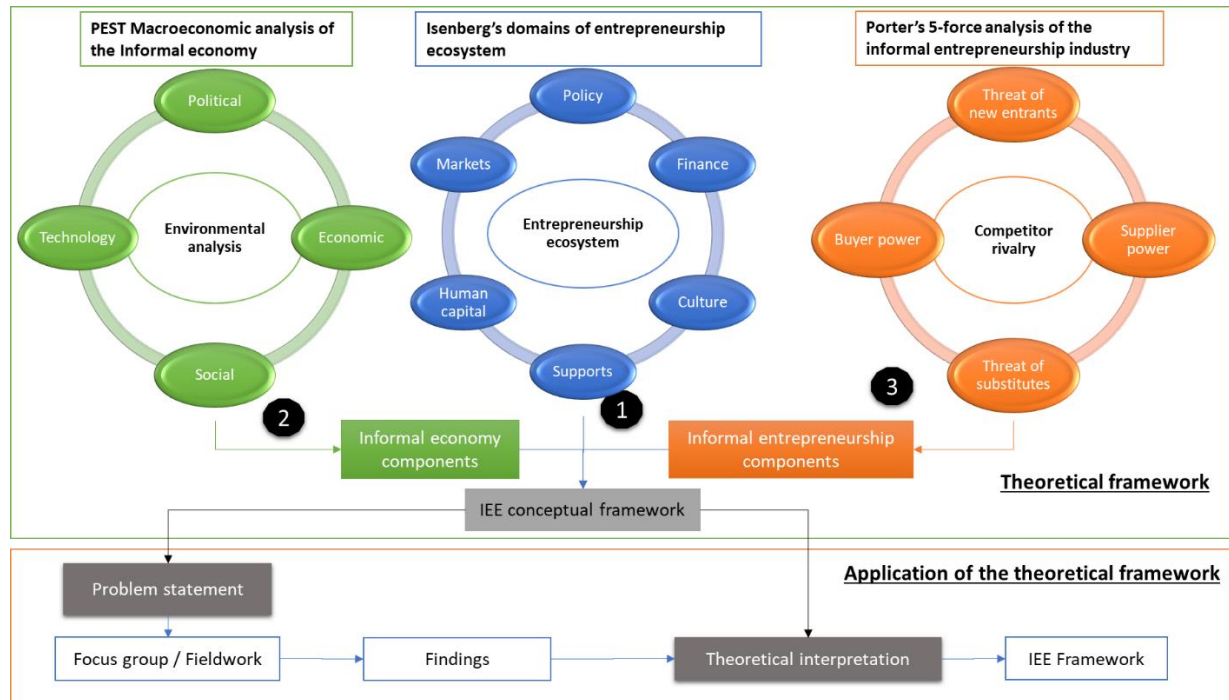
6.2.1 LITERATURE REVIEW AND IEE CONCEPTUAL FRAMEWORK

The terminal objective of this research was: *“To craft a framework to facilitate the creation of a sustainable informal entrepreneurship ecosystem in South Africa”.*

The main research question to achieve this objective was: *“What constitutes a sustainable ecosystem for informal entrepreneurship in South Africa?”*

With this end in mind, the literature review, which was based on the theoretical framework reproduced below, derived key insights from research publications and academic literature towards understanding the informal entrepreneurship ecosystem from a theoretical perspective.

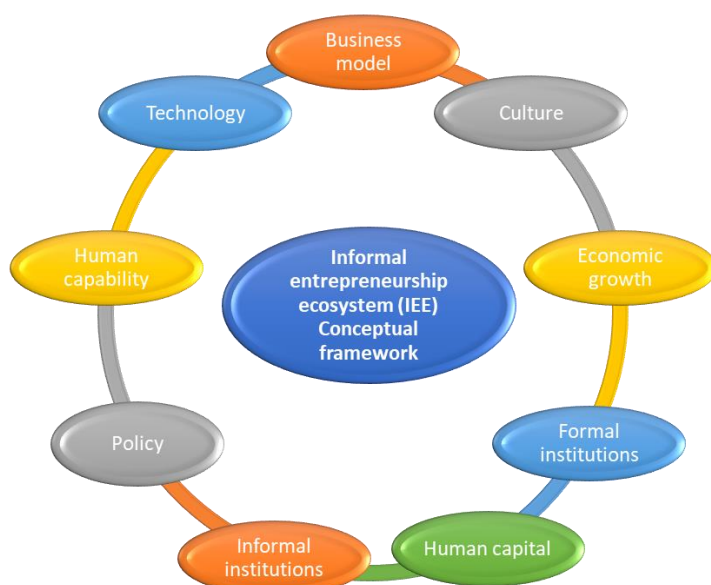
Figure 58. Theoretical framework (Figure 2 Reproduced)



Source: Author's construct (2022); Isenberg (2016a); Gupta (2013); Ho (2014); Porter (2008)

The empirical literature review culminated in an IEE conceptual framework that is reproduced below. The Conceptual IEE was derived by triangulating the theoretical findings from the environmental analysis of the informal economy using the PEST framework and the FFF industry analysis of informal entrepreneurship. The main theoretical base of this research was Isenberg's "Domains of the entrepreneurship ecosystem" (Isenberg, 2016a).

Figure 59. IEE conceptual framework (Figure 8 Reproduced)



Source: Author's construct (2020)

6.2.2 IQA RESEARCH METHODOLOGY

This qualitative research study utilised the interactive qualitative analysis (IQA) research methodology which supports the interpretivist research philosophy and the social constructivist ontology and epistemology (Northcutt and McCoy, 2004).

The phenomenon: An Informal Entrepreneurship Ecosystem in South Africa

This research study sought to understand the phenomenon from the perspective of constituencies whose views are constructed based on their social realities (Saunders *et al.*, 2009) and derived from contextual and cultural experiences, schemas and interpretations (Leung and Morris, 2015). Therefore, the interpretivist and social constructivist research philosophies contribute to the richness of the research outcomes.

This research varies its application of the IQA methodology in limiting its application of the IQA process to focus groups, thus excluding interviews. The limitation of this research to two focus groups was deemed appropriate given the rich insights emanating from constituencies, warranting an in-depth analysis of these findings without diluting them with the potentially dominant views likely to emanate from interviews.

The adapted IQA research flow for this study encompassed research design, focus groups and findings. Two constituencies participated in this research, namely:

Informal entrepreneur key informants: Representing the constituency within the phenomenon, Focus Group 1 comprised 15 participants who were informal entrepreneurs and informal sector association members from the eThekweni Municipality. This was an in-person focus group held at the Small Enterprise Development Agency (SEDA) offices in Durban on 5 April 2022. FG1 participants were identified through key contacts.

Subject matter experts: Representing the constituency outside the phenomenon, with the power to change it, Focus Group 2 comprised 7 experts and academics who are outside the phenomenon. This was an online focus group held on 18 March 2022 via MS Teams. FG2 participants were identified directly by the researcher.

6.2.3 ADDRESSING THE RESEARCH QUESTIONS

This section summarises the key research outcomes and shows how this research study has addressed each of the four-research questions and objectives.

6.2.3.1 RESEARCH QUESTION 1

Secondary objective 1 was: “*To identify and define the components of a sustainable informal entrepreneurship ecosystem*”.

Research question 1 supporting the secondary objective above was: “*What are the components of a sustainable informal entrepreneurship ecosystem in South Africa?*”

This research question was addressed in this study and in the box below, an indication is provided of how the question was addressed.

Each constituency identified and defined components of an IEE system.
FG1 identified 10 affinities and FG2 identified 11 affinities.
The findings, as detailed in *Chapter 4*, are summarised below.

Focus group 1: The Informal entrepreneur constituency identified and defined 10 affinities / system components as reproduced in the figure below. Sub-affinities were determined by the researcher.

Figure 60. FG1 System elements/affinities (Figure 12 Reproduced)



Source: Focus group 1; Author's construct (2022)

Focus group 2: The Subject matter expert constituency identified and defined 11 affinities / system components as reproduced in the figure below. Sub-affinities were determined by the researcher.

Figure 61. FG2 System elements / affinities (Figure 27 Reproduced)



Source: Focus group 2; Author's construct (2022)

6.2.3.2 RESEARCH QUESTION 2

Secondary objective 2 was: “To assess the relationship between the components of a sustainable informal entrepreneurship ecosystem”.

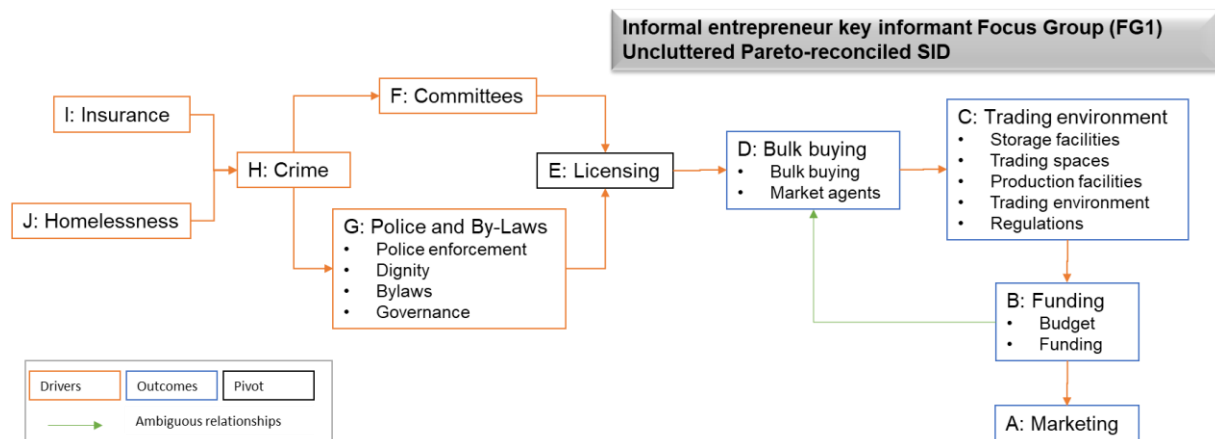
Research question 2 supporting the secondary objective above was: “How do the components of a sustainable informal entrepreneurship ecosystem relate to each other in a perceptual system?”

The relationships between system components identified by constituents on an ART were assessed, coded and analysed using Pareto Protocol statistical analysis. Individual and group IRDs, affinity SIDs and group SIDs were prepared for each constituency.

The uncluttered group SIDs reflecting system drivers, pivots and outcomes, as detailed in *Chapter 4*, which are summarised below.

Focus group 1: The Informal entrepreneur constituency’s SID reflecting the relationship between the 10 system components is reproduced in the figure below.

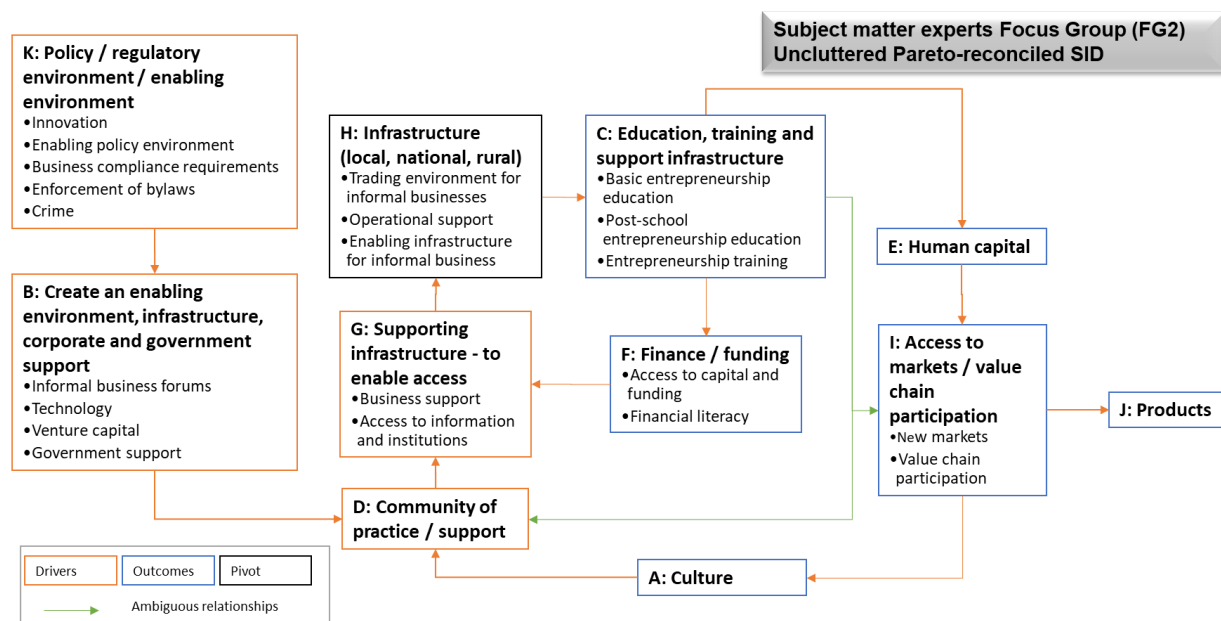
Figure 62. FG1 Uncluttered Pareto reconciled SID (Figure 26 Reproduced)



Source: Focus group 1; Author’s construct (2022)

Focus group 2: The Subject matter expert constituency’s SID reflecting the relationship between the 11 system components is reproduced in the figure below.

Figure 63. FG2 Uncluttered Pareto reconciled SID (Figure 42 Reproduced)



Source: Focus group 2; Author's construct (2022)

6.2.3.3 RESEARCH QUESTION 3

Secondary objective 3 was: "To critically evaluate the differences between the sustainable informal entrepreneurship ecosystems identified by constituencies".

Research question 3 supporting the secondary objective above was: "How do the systems compare in terms of components, intra-systemic relationship, and inter-systemic relationships?"

A Structural interpretation of each constituency's SID resulted in the formulation of a Micro-IEE and Macro-IEE and a graphic representation of the harmonised Micro-IEE and Macro-IEE sub-systems.

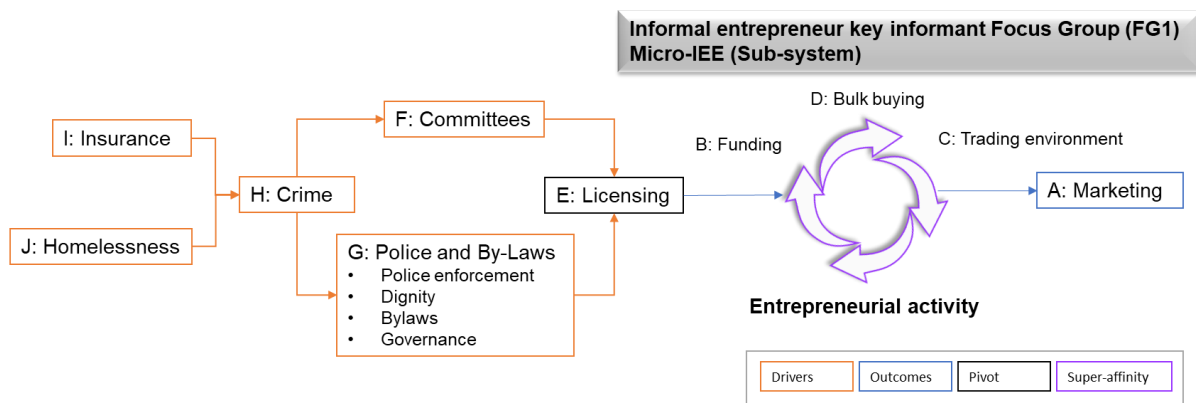
A Theoretical interpretation using Institutional, Infrastructure, Schumpeterian and Resource theories critically evaluated the systems and identified 35 system components.

The findings, as detailed in *Chapter 5*, are summarised below.

The Micro-IEE: This system emanates from the informal entrepreneur constituency which is located in the phenomenon itself and which has little or no power to influence or change the phenomenon. The Micro-IEE contains proximal factors emanating from the informal entrepreneur constituency.

The restrictive nature of by-laws, a punitive police enforcement approach, inaccessible resources and the unsafe, unkempt and inaccessible trading environment is very much an indication of the status attributed to informal entrepreneurs, the perceived legitimacy as well as the dignity that society ascribes to these entrepreneurs. The institutional drivers predominantly comprising the “rules of the game” determine whether entrepreneurial activity occurs, who can engage in entrepreneurial activities and the context in which such activity is conducted.

Figure 64. The Micro-IEE sub-system (Figure 47 Reproduced)

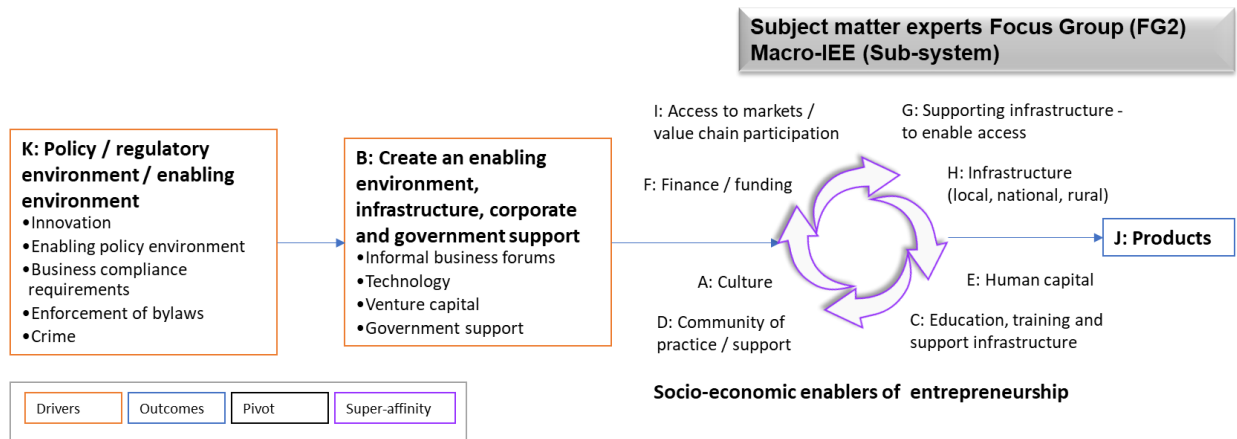


Source: Author's construct (2022)

The Macro-IEE: This system emanates from the subject matter expert constituency which is located outside the phenomenon and has the power to influence or change the phenomenon. The Macro-IEE contains distal factors emanating from the subject matter expert constituency.

Government policy and formal institutions largely drive the creation of an enabling environment for informal entrepreneurs where they have access to infrastructure, resources, education and business support. The system relies heavily on a contextually relevant, self-sustaining support mechanism, like a COP, which enables access to economic resources for entrepreneurial activity to happen whilst also driving product innovation. Although being legitimised through policy, the COP also derives legitimacy from its ability to increase the entrepreneurial activity of its participants.

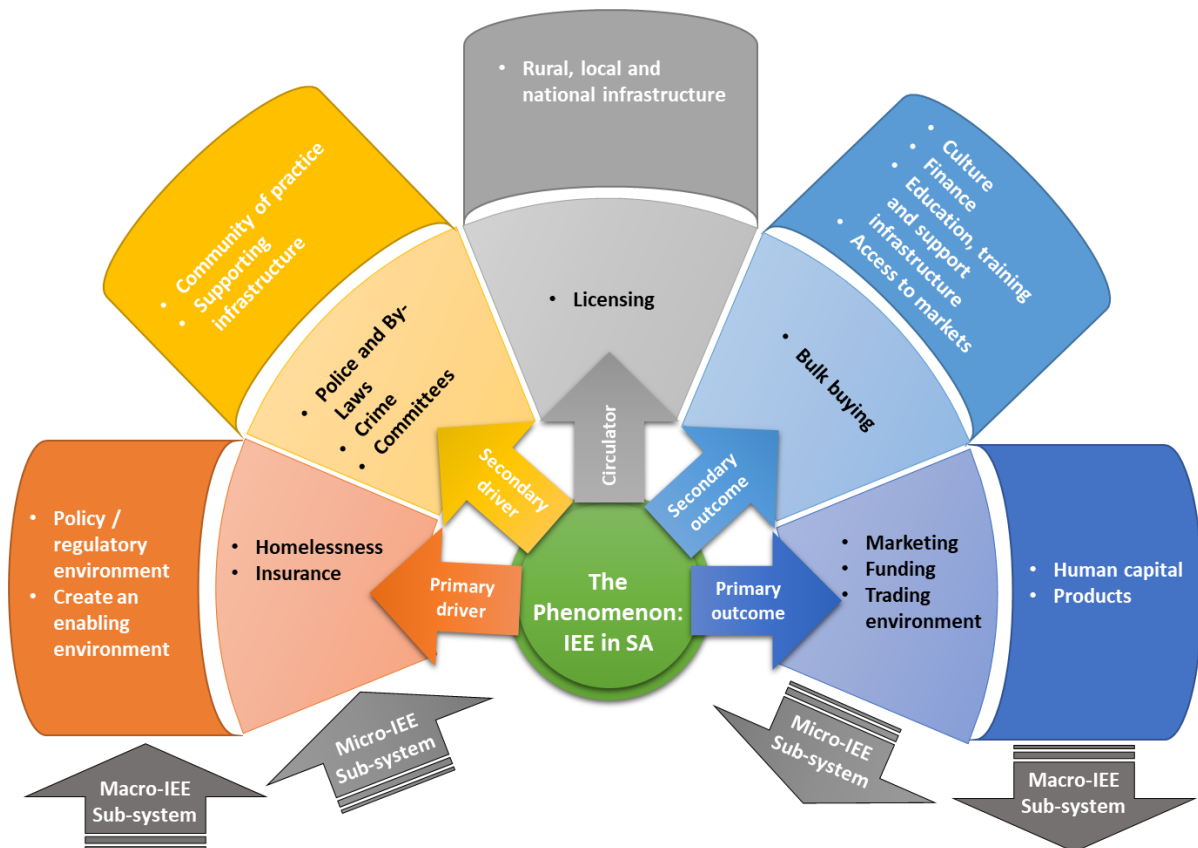
Figure 65. The Macro-IEE sub-system (Figure 53 Reproduced)



Source: Author's construct (2022)

Harmonised Macro-IEE and Micro-IEE sub-systems: The Structural interpretation of the Macro-IEE and Micro-IEE revealed the co-existence of these underlying sub-systems within the IEE. The figure below is a graphic representation of these sub-systems depicting the elements of each sub-system as primary or secondary drivers, circulators or primary or secondary outcomes, as identified by constituencies.

Figure 66. Harmonised Macro and Micro-IEE sub-systems (Figure 54 Reproduced)



Source: Author's construct (2022)

The **theoretical interpretation** of informal entrepreneurship using Institutional Theory, analysis of the entrepreneurship function from a resource perspective, evaluation of entrepreneurial activities using a Schumpeterian lens and understanding of the ecosystem from an infrastructure perspective provided a unique approach to evaluating system components and relationships.

6.2.3.4 RESEARCH QUESTION 4

Secondary objective 4 was: “*To propose a framework for a sustainable informal entrepreneurship ecosystem in South Africa*”.

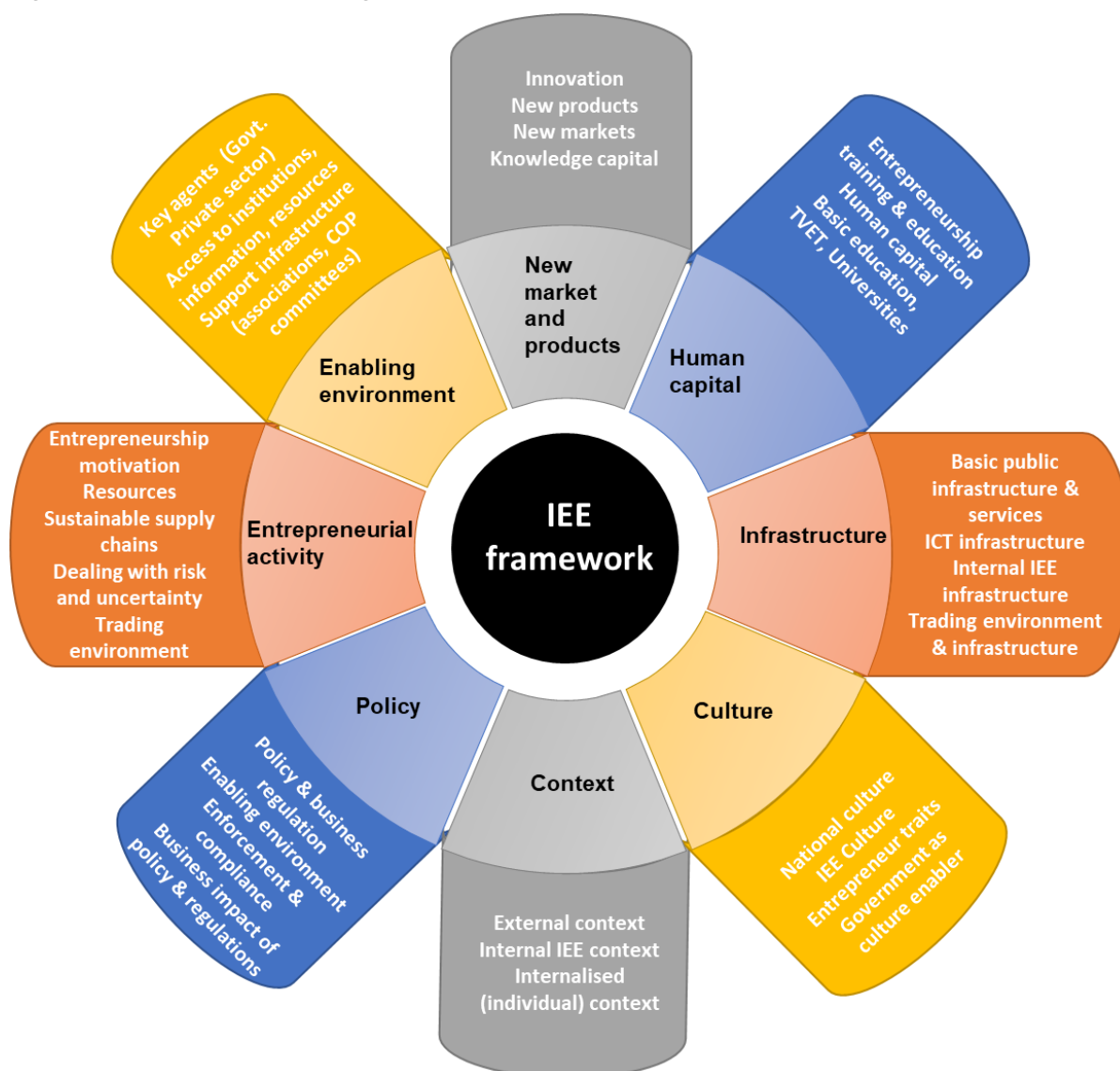
Research question 4 supporting the secondary objective above was: “*What is the framework for a sustainable informal entrepreneurship ecosystem in South Africa?*”

The framework for a sustainable IEE in SA comprises 8-dimensions which collectively consist of 35 components. The Dimensions of the IEE framework are culture, infrastructure, context, policy, human capital, entrepreneurial activity, new products and markets and enabling environment.

The findings, as detailed in *Chapter 5*, are summarised below.

As in EE theory, there is a sinuous relationship between the 8 IEE dimensions. The IEE dimensions are also not solely focused on the internal IEE context, but also encompass the external (macro) as well as the internalised (individual) contexts. Furthermore, the framework incorporates both present and envisaged activities in the dimensions of “entrepreneurial activity” and “new products and markets” respectively.

Figure 67. The IEE framework (Figure 55 Reproduced)



Source: Author's construct (2022)

A summary of each dimension is provided below.

Context: The context is inclusive of the external context (outside the IEE), the internal context (within the IEE) and the internalised context (the individual agent's context). Entrepreneurial action is enabled and constrained by its context and in turn influences and changes the context (Stam, 2016). External and internal contexts incorporate the salient visible factors like homelessness and crime and police enforcement. The Internalised context includes salient observable factors like dignity and respect, and informal institutions are derived from and directed towards the IEE.

Policy: The policy dimension includes policy creation, as well as the enforcement and evaluation of policies and regulations at the national, provincial and local government

levels. The policy environment must be enabling and inclusive. Policies focused on creating an enabling environment are led by the government (Isenberg, 2010) and address the external context, including factors like crime. The enforcement of informal business by-laws should be legally sound and encourage economic inclusion (Bruce and Stone, 2022). The business impact of policies and business regulations needs to be evaluated to determine whether policies have the intended outcomes. Informal entrepreneurs and experts call for policy consultation and co-creation. Moreover, the creation of business regulations is led by municipalities.

Enabling environment: An enabling environment for a sustainable IEE includes support from key agents, access to resources and information, enabling institutions and supporting infrastructure. The appropriate levels of support from the government and formal business and corporate sectors are needed for the IEE. The noticeable absence of corporates and the private sector in the IEE requires government to engage them from the outset (Isenberg, 2010). Entrepreneurs use information to plan and make decisions (Vasapollo, 1996; Etemad, 2020) and information is a critical source of power. Access to financial resources and funding via VC firms and from other sources like banks and support funds enables investments in new ventures (Stam and Spigel, 2016). Furthermore, market institutions facilitate access to finance and new markets (Junaid *et al.*, 2022) and resource providers are seen “as ‘carriers of institutional logics’ who shape how EEs evolve through their choices and actions in the capital sourcing process” (Korber *et al.*, 2022, p. 159). Supporting infrastructure includes business associations / committees / forums, Communities of Practice and Business support. Supporting organisations are built on trust and mutual engagement, respect and recognition (Handley *et al.*, 2006). Business support includes a range of professional and critical competencies and skills to support entrepreneurs (Khyareh and Torabi, 2018).

Entrepreneurial activity: Entrepreneurial activity refers to the present, lived and practiced range of informal entrepreneurial activities. The reason for engaging in entrepreneurial activities includes, but is not limited to, profitability, sales and customer growth. Access to working capital and human resources is necessary to conduct entrepreneurial activities. Moreover, buyer-supplier relationships should be built on trust, commitment and satisfaction, as well as a balance of power between them (Najafi-Tavani *et al.*, 2022). Insurance is a means of mitigating risk, providing compensation for losses (Ardington *et al.*, 2004), as well as ensuring financial inclusion (Bernards, 2018). A safe

trading environment has basic services and infrastructure and is conducive to doing business.

Culture: The cultural domain considers the overarching culture and the formation of a conducive culture within the IEE. Individuals are intrinsically linked with their context (Baker and Welter, 2020). South Africa's collectivistic culture embraces Ubuntu and Harambe (Venter, 2012) but is highly individualistic (Sriram *et al.*, 2021) according to Hofstede's cultural dimensions, suggesting a mixture of traditional and western values and culture (Venter, 2012) for informal entrepreneurship. Government is the cultural enabler of the IEE (Isenberg, 2010). Informal entrepreneurs face marginalisation (Jiyane and Ocholla, 2012) and reflect the ego-state of the child, which needs to be collectively addressed to ensure that the IEE is sustainable.

New markets and products: New markets and products refer to the envisaged growth of the IEE and the means to achieve this "future". Knowledge-intensive industrial contexts support process and product innovation (Kah *et al.*, 2022). Thus, expansion strategies should be relevant and focus on domestic-local innovation activities and stable institutional context (Hall *et al.*, 2012). Knowledge capital (Audretsch and Keilbach, 2004) is important for entrepreneurs to be able to analyse information and make critical links (Grebel, 2004).

Human capital: Human capital refers to skills and education including basic education, post-school education, TVETs, entrepreneurship training and education and skills. The primary role of educational institutions is to supply skills for the IEE. Knowledge needs vary based on the stage of entrepreneurship. Training should be focused on practical skills for starting a business (Khyareh and Torabi, 2018), inculcating entrepreneurial and cognitive skills (Debarliev *et al.*, 2022, p. 236) and tailored to specific realities (OECD, 2017a). Formal entrepreneurship education, although important, is not a key driver of the IEE or successful entrepreneurship (Isenberg, 2014). Hence, education should be skill, vocational and entrepreneurially orientated (Fein *et al.*, 2009), supporting both employment and self-employment. Higher education institutions' primary responsibility is to supply human capital for employment and entrepreneurial mindsets for entrepreneurship (Spigel, 2017), while TVETs supply skilled and technical human resources and expose youth to entrepreneurship education and training (Fein *et al.*, 2009).

Infrastructure: External contextual infrastructure elements include basic public infrastructure, ICT infrastructure and basic services like water, electricity and sewage. SMMEs are exposed to constraints including electricity and transportation of goods, according to Mthimkhulu and Aziakpono (2015), limited basic infrastructure in the trading vicinity (Mahadea and Khumalo, 2020b) and limited ICT access (Etim and Daramola, 2020). Internal IEE infrastructure includes the location of businesses, the trading environment (shelter, space sizes) and trading infrastructure (manufacturing, storage, services). Locations where informal businesses have poor infrastructure (Lekhanya and Dorasamy, 2020) and entrepreneurs were dissatisfied with the trading environment, needed access to fresh goods storage facilities (Mahadea and Khumalo, 2020b), manufacturing and production facilities and more and larger trading spaces (Masuku and Nzewi, 2021).

6.3 THEORETICAL IMPLICATIONS

This research makes several theoretical contributions in the areas of the informal economy, informal entrepreneurship and entrepreneurship ecosystems by addressing the research objectives and research questions as set out in the preceding section. Practical business recommendations are also presented.

6.3.1 THE INFORMAL ENTREPRENEURSHIP ECOSYSTEM

6.3.1.1 THE IEE

This research introduces a framework for an informal entrepreneurship ecosystem in South Africa and defines IEE and IEE framework.

This research makes a valuable contribution to Entrepreneurship Ecosystems theory by introducing a framework for an informal entrepreneurship ecosystem in SA. It also contributes to existing research on entrepreneurship ecosystems, offering a variation to Isenberg's (2016a) identified domains of entrepreneurship ecosystems.

Finding 1: This research paper has achieved the intended primary research objective by presenting the framework for a sustainable IEE in SA. The framework for a sustainable IEE comprises 8-dimensions, namely culture, infrastructure, context, policy, human capital, entrepreneurial activity, new products and markets and enabling environment.

Although past research suggests that EEs should be supportive of different variations of entrepreneurship (Isenberg, 2016a), it is evident from this research that EE frameworks are not all-encompassing, and may vary based on the context. As such, this research adds to the existing literature on EEs by offering a variation to Isenberg's (2016a) identified domains of entrepreneurship ecosystems and introduces a new IEE framework in an emerging economy.

Having used Isenberg's (2016a) domains of entrepreneurship ecosystems as a theoretical base for this research, the IEE echoes 3 of Isenberg's 6-domains, albeit with certain contextual nuances, namely "policy, culture and human capital". The IEE also re-conceptualises and re-groups the remaining 3-domains where "supports and finance" are consolidated into the enabling environment; "markets" are expanded to include new products; and knowledge capital and infrastructure is a stand-alone domain, separated out of supports). The IEE further introduces 2 new domains, namely context and current entrepreneurial activity.

This research finds that the ecosystem, its elements and the relationship between elements are viewed differently by constituencies that have unique social realities. The connection between ecosystem elements is varied, with certain factors driving the system and others pivoting the system. The ecosystem is not a single system. It is a collection of systems. This research has been able to demonstrate two such systems, the Macro-IEE and Micro-IEE sub-systems.

Finding 2: This research defines the informal entrepreneurship ecosystem, IEE framework and micro-entrepreneurship in South Africa.

*The **IEE** is defined as "An interconnected set of factors within a self-organising system, that fosters the development and growth of informal entrepreneurship and micro-entrepreneurship".*

*An **IEE framework** is defined as "A collection of elements and factors that are interrelated and not mutually exclusive, which operate in unison to create a sustainable informal entrepreneurship ecosystem".*

***Micro-entrepreneurship** is defined as "Entrepreneurship that falls outside tax thresholds where entrepreneurial activities are registered and / or governed by by-laws and legislation in SA".*

6.3.1.2 THE MACRO-IEE AND MICRO-IEE SUB-SYSTEMS

This research presents two underlying sub-systems that co-exist within the IEE.

This study makes an added contribution to entrepreneurship ecosystems research by supporting the IEE framework in SA with two underlying sub-systems. The Micro-IEE is closer to the phenomenon than the Macro-IEE.

This research, in its contribution to ecosystems literature, also demonstrates that which many researchers have alluded to: that ecosystems are networks. By utilising the IQA methodology, this research has not only been able to present a framework for a sustainable IEE but has also presented 2 underlying systems and realities embedded in the ecosystem. The underlying Macro-IEE and Micro-IEE are strong supports for the IEE presented and also reflect the diversity of views, perceptions and experiences that exist in the IEE.

Finding 3: The Micro-IEE contains **proximal factors** and is representative of the lived and experienced social realities of informal entrepreneurs. These findings are representative of people within the phenomenon having little or no power to influence the phenomenon.

The Micro-IEE is largely driven by contextual factors (homelessness, crime and police enforcement). This research finds that informal entrepreneurs associate homelessness in the area with high crime rate, and in order to mitigate losses from crime, entrepreneurs require insurance.

Licences are a circulator in the system that enables informal entrepreneurs to trade and generate profits and revenue. Prior research found that licensing informal businesses makes them susceptible to crime, and the inability of legal institutions to protect informal entrepreneurs contributes to the risk and uncertainty of doing business (Kistruck et al., 2015).

Prior research also established that for SMMEs in SA, crime is the greatest inhibitor of entrepreneurship (Mthimkhulu and Aziakpono, 2015) and whereas this research finds that crime is one of the drivers of the system, it is not the primary system driver.

Finding 4: The Macro-IEE **distal factors** are reflective of the perceived and experienced social realities of subject matter experts. These findings are representative of a

constituency outside the phenomenon with the power to influence or change the phenomenon.

The Macro-IEE is driven by institutional factors in the form of an enabling policy and regulatory environment, which in turn creates an enabling environment inclusive of infrastructure and corporate and government support. The outcome of this system is innovative products which are made possible by the socio-economic enablers in the IEE. The components identified by experts largely resemble those reflected in Isenberg's (2016a) domains of the entrepreneurship ecosystem, except for communities of practice and policies to address crime.

Finding 5: A dynamic feedback loop exists in the Macro-IEE which is heavily reliant on the COP, which is influenced by culture, having the potential to collapse the entire system.

Physical infrastructure and supporting infrastructure are dominant features in the Macro-IEE and are initially driven through policy and institutionalised via COPs within the enabling environment. Infrastructure should be delineated into physical infrastructure and supporting infrastructure as they support the overall IEE differently. Supporting infrastructure in the form of COPs and other business support within the Macro-IEE reinforces its emphasis on innovation and new products and markets. Prior research cautions that supporting infrastructure that constitutes the overall ecosystem and whose existence is contingent on the presence of entrepreneurship has the potential of being a “white elephant” (Isenberg, 2011).

The structural interpretation of the Macro-IEE observed that the socio-economic enablers constituting supporting infrastructure have a dynamic feedback loop through the COP and are underpinned by a culture that relies heavily on social justice principles and principles like Ubuntu. If the iterative feedback loop is not appropriately championed and participants do not derive mutual value from it, there is a high risk of it imploding and collapsing the entire system.

6.3.2 INFORMAL ENTREPRENEURSHIP

6.3.2.1 INFORMAL ENTREPRENEURSHIP IN SA

This research contributes to strengthening existing literature on the informal sector and informal entrepreneurship and offers a deeper understanding of informal entrepreneurship in South Africa.

This research finds that certain forms of informal entrepreneurship adhere to legislative and business registration requirements and operate with a high degree of formality.

The initial literature review understood informal entrepreneurship as “the process of creating a new venture that is lawful in all respects, with the exception that it operates in an unregistered manner”. This study finds that informal entrepreneurial activities occur within the applicable legislation (by-laws and provincial legislation) and certain forms of entrepreneurial activities are registered, adhering to applicable business requirements as contained in this legislation.

Finding 6: Informal entrepreneurial activities occur within the applicable legislation (by-laws and provincial legislation) and certain forms of entrepreneurial activities are registered, adhering to applicable business requirements as contained in this legislation.

Certain forms of micro-enterprises are legitimised by government policies and regulated by municipal by-laws and provincial legislation. Municipal by-laws and provincial legislation applicable to informal entrepreneurs are an extension of the government’s legislative framework. Furthermore, by-laws and provincial legislation require micro-enterprises to register their business and obtain a license or permit to trade. Therefore, informal businesses that are recognised in legislation are legal and do not operate outside the law. Furthermore, those informal businesses that are required to register their business to trade, are registered for business purposes. This finding implies that certain forms of “informal entrepreneurship” are in fact “formal”.

Finding 7: This research confirms that informal businesses are part of the entrepreneurship landscape in South Africa and are classified as small, medium and micro-enterprises (SMMEs) (Bureau for Economic Research, 2016).

Informal businesses form part of the economic landscape in South Africa, engaging in retail, consumer, services and manufacturing markets and sectors. As identified in the literature review, the informal economy in South Africa is made up of a variety of sectors and includes a services sector, micro-manufacturing sector, arts and craft sector, agriculture sector, retail sector, food and drink sector (Sustainable Livelihoods Foundation, 2016) and an informal rental sector (The Housing

Development Agency, 2012). Informal entrepreneurs who were in FG1 operated in the services, retail and micro-manufacturing sectors.

Prior research found that micro-enterprises and the informal economy are largely excluded from SMME programmes in SA (Rogerson, 2004). This research supports such findings and recommends that policies should be more inclusive, encouraging informal business participation in supply value chains. The requisite support is also needed to build the capacity to compete actively in new markets.

Finding 8: This research finds that unlike other SMMEs, the enforcement of by-laws governing informal enterprises/micro-enterprises is done by the police.

Informal entrepreneurs should depend on the police for safety and security. However, the constituency did not view the police as protectors. The informal entrepreneur constituency almost exclusively associated policing with the enforcement of municipal by-laws. There may thus be a need to consider separating the enforcement and crime-prevention roles as it pertains to micro-enterprises.

Finding 9: This research finds that the informal sector embodies a greater degree of formalisation than originally envisaged. Informal business associations provide a platform for stakeholder engagement to enable informal entrepreneurial activities and operate formally, and members interact and engage in accordance with informal institutions.

Contrary to the literature review in Chapter 2, this research finds that informal entrepreneurs are members of informal entrepreneurship associations which operate in a formalised manner. This study also found that the informal sector comprises elements of formalisation, more so than originally envisaged. Informal sector associations are registered with the municipality, and the contact details of association chairs are maintained by various Municipalities. Additionally, institution members have established committees where they engage with the municipality on matters of common interest.

This finding contributes to the existing literature on the informal sector and informal entrepreneurship by revealing that formal structures and formations are used as a means to represent the interests of informal agents whilst also serving as a coordination mechanism to engage with informal entrepreneurs. This supports prior research by Steer and Sen (2010) who observed the increasing prominence of business associations and higher degrees of formalisation in informal networks.

Finding 10: Informal entrepreneurship is a necessity practice that is a deliberate choice made by individuals. In line with research on human capabilities (Sen, 1997b), this research finds that informal entrepreneurship is a capability that enables entrepreneurs to meet their basic needs and is a means to an end.

This research was premised on the Mainstream and Neoliberal theories of the informal economy from the outset. This perspective presents informal entrepreneurship as a legitimate choice of individuals. However, this research has established the following:

Informal entrepreneurship is a choice made by individuals whose existence is not an outcome of burdensome regulations. Informal businesses are legitimate, operating in accordance with applicable laws, and co-exist with formal businesses.

This research also finds that informal entrepreneurs are largely preoccupied with selling their current products and services, rather than innovating. Informal entrepreneurs did not express interest in growing their markets internationally or even regionally.

6.3.2.2 ENTREPRENEURIAL ACTIVITIES

This study contributes to enhancing existing literature pertaining to informal entrepreneurial activity.

This research finds that creative destruction occurs at both a Macro-IEE level and Micro-IEE level. Additionally, both innovation and action-orientated entrepreneurship co-exist within the IEE.

Creative destruction at the Macro-IEE level is reflective of Schumpeterian Entrepreneurship theory, whilst at a Micro-IEE level, creative destruction assimilates principles inherent in Austrian theories of entrepreneurship. The creation of new products is the primary outcome of the Macro-IEE. The primary outcome of the Micro-IEE is 'marketing' (market to grow the business).

Finding 11: This research finds that opportunity entrepreneurship is evident in informal entrepreneurship, supporting prior research observations that informal entrepreneurs also identify and exploit opportunities in the process of fulfilling their basic needs (Dencker *et al.*, 2021).

This research finds that creative destruction in the Micro-IEE is reflective of Austrian theories of entrepreneurship, which are premised on human action (Grebel, 2004), where informal entrepreneurs take action and create opportunities from market imperfections to change their context. Informal entrepreneurs, discontent with their predicament (highlighting institutional, contextual and resource inhibitors), pursue actions (like participation in this research) to advocate for changes in their environment. This is a form of creative destruction at a grassroots level. Their participation in this research was to express their dissatisfaction and advocate for changes in their environment. Their actions, as advocated for in Austrian Economic theory, is to innovate, albeit at a grassroots level, and influence their trading environment and the profitability of their businesses with the intention of changing the context.

Finding 12: This study finds that creative destruction in the Macro-IEE is representative of the Schumpeterian entrepreneur who is at the forefront of economic development. Informal entrepreneurs have the potential to create new and innovative products, enter new markets, participate in value chains and trade in Africa.

This research finds that innovation and accessing new markets are proximal factors in the IEE. The Schumpeterian entrepreneur changes the environment by initiating creative destruction (Grebel, 2004) in the IEE. The innovative entrepreneur, who is intrinsically motivated (Ripsas, 1995), albeit with a profit motive, pursues innovation to create and distribute value, fulfilling both an economic and social function (Vasapollo, 1996). The outcomes associated with new products, innovation and accessing new markets as reflected in the Macro-IEE are enabled by education, training and knowledge capital.

6.3.2.3 ENTREPRENEURSHIP PROCESS

This research contributes to strengthening existing literature on the entrepreneurship process.

This study finds that informal entrepreneurs deal with risk and uncertainty and have resource requirements that are specific to their context.

The entrepreneurial function interacts with its environment and, through information, enables decision-making. Importantly though for SMMEs in SA, crime is the greatest

inhibitor to entrepreneurship and not access to finance (Mthimkhulu and Aziakpono, 2015). The entrepreneurship function therefore encompasses the search and application of resources wherein the critical role of the entrepreneur is to give effect to the nature and form of entrepreneurial activity (Vasapollo, 1996). Essentially, resources are associated with achieving certain socio-economic outcomes (Zhang et al., 2017) and the primary resource drivers of the IEE are associated with financial inclusion and access to finance. The primary driver of the Micro-IEE is insurance, which is a strategy to deal with risk and uncertainty.

Finding 13: This research finds that insurance, which is a risk mitigation mechanism, is one of the primary drivers of the Micro-IEE. This research also confirms that informal entrepreneurs are unable to access insurance coverage via formal channels.

Insurance was not identified as a conceptual IEE element but was highlighted as one of the Micro-IEE primary drivers. Within a context of high crime and poor infrastructure, informal entrepreneurs view insurance as a strategy to deal with risk and uncertainty. Entrepreneurship activity is a consequence of entrepreneurs dealing with risk and uncertainty, and insurance is a source of safety and security for entrepreneurs. Insurance is seen to reduce vulnerability, ensure financial inclusion (Bernards, 2018) and provide compensation for losses (Ardington et al., 2004). Access to insurance is however moderated by financial and insurance institutions. There is thus a need for short-term insurers to focus on providing risk solutions for the poor as well as small business (Rusconi, 2020). However, informal entrepreneurs should consider the cost of insurance in relation to its value.

Finding 14: The resource perspective of the IEE reveals that entrepreneurs need access to resources to generate more resources. However, the nature of the resources needed by the IEE is unique and dependent on the context. This research identifies finances inclusive of working capital, financial capital and VC funding. While access to VC funding is a primary Macro-IEE driver, financial capital and working capital are both system outcomes.

EE theory suggests that access to finances is important for venture growth and this is echoed by experts who identified venture capital funding within the enabling environment of the Macro-IEE. However, this research concurrently finds support for prior research in SA where access to finance is not identified as the greatest

inhibitor of entrepreneurship (Mthimkhulu and Aziakpono, 2015). Informal entrepreneurs primarily require finance for working capital as part of entrepreneurial activities. Finances are an outcome of the IEE and are both a means to an end and the end in itself.

This research echoes the views of Isenberg (2010) and finds that it is necessary to ensure that the form of financial support provided is relevant to the IEE, and that financial resources should be allowed to grow organically from within the ecosystem.

This research finds that access to VC funding is part of the enabling environment for the IEE. Whereas strong institutions are important for VC emergence, high-growth entrepreneurship, legitimised by formal institutions, creates the demand for VCs.

Finding 15: This research finds that although labour is an important resource, it is not a critical factor of production for informal entrepreneurship.

In line with EE literature, this research finds that job creation is not a primary objective of the IEE. Additionally, in support of Sen (1997a), the findings indicate that human capital is an outcome of the Macro-IEE.

6.3.2.4 INFORMAL ENTREPRENEURSHIP RESEARCH

This research contributes to strengthening informal entrepreneurship research by utilising Porter's FFF to understand the informal entrepreneurship industry, and applying Institutional Theory to analyse informal entrepreneurship in South Africa.

Finding 16: Porter's FFF is a useful framework for researchers seeking to understand economic activities that share linkages and contexts. Using a combination of PEST and FFF analysis, this research finds that the informal entrepreneurship industry in SA presents many opportunities. However, there are also threats that become evident in the course of this research.

This research study made use of Porter's Five Forces Framework to analyse informal entrepreneurship from an industry perspective. The literature review outcome emanating from the FFF analysis was rich and enabled a contextual understanding of informal entrepreneurship in SA, contributing to the conceptualisation of the IEE conceptual framework. This research therefore

evidences the value of using the FFF analysis outside a competitive context, as a tool to gain a broader understanding of the context and its dynamism.

Findings emanating from this analysis are reproduced below. Strong forces present threats to the company, while weak forces present opportunities that can be exploited (Bell and Rochford, 2016).

Table 59. FFF analysis of informal entrepreneurship (Table 58 Reproduced)

Porter's FFF Dimension	Findings	Strength	Potential impact
Threat of entrants	There are barriers to entry for trading micro-enterprises in the form of business regulations that vary across Municipalities. Informal business regulations are also enforced by the Metro Police. Although this remains an opportunity, inconsistent by-laws and hard-handed enforcement threaten informal entrepreneurship.	Medium	Opportunity, Threat
Supplier power	Informal entrepreneurs are keen to grow their business to create employment. This therefore presents an opportunity to grow this industry. However, informal entrepreneurs are required to procure from market agents appointed by the Municipality who are cited as expensive and have a limited range of stock. This arrangement limits the revenue-generation potential of these businesses.	Moderate - Strong	Opportunity, Threat
Substitution threats	Informal entrepreneurship is a necessity practice for individuals. The findings emanating from the literature were not contradicted in any way.	Weak - moderate	Opportunity
Buyer power	Informal entrepreneurs are not necessarily situated within communities. They are located in high traffic areas like taxi ranks where crime and poor trading conditions deter consumers.	Weak - Moderate	Opportunity, Threat
Competitor rivalry	Although informal entrepreneurs may indirectly compete with formal business, they are unable to actively compete with each other on price and product range due to them having to procure from market agents. By implication, these businesses continue to exist as survivalist and necessity economic activities.	Weak - Moderate	Opportunity, Threat

Source: Author's construct (2020)

Finding 17: The application of Institutional Theory to distinguish between formal and informal sector/ economy/ entrepreneurship does not consistently consider all relevant formal institutions.

Institutional Theory forms the basis for determining whether businesses or activities are formal or informal. In the literature review, the informal economy was seen to encompass legal economic activities that are not taxed or registered by the government (Webb et al., 2009; Schneider, 2013; OECD, 2017c; Sutter et al., 2017) and informal entrepreneurship was viewed as the process of creating a new venture that is lawful in all respects, with the exception that it operates in an unregistered manner. However, it is observed that certain forms of "informal entrepreneurship" are formal as they are legitimised by legislation and compliant with business registration requirements. Therefore, this finding makes a theoretical contribution to

the application of Institutional Theory to informal entrepreneurship. Institutional theory is a useful perspective for differentiating between different forms of entrepreneurship, as was done in the initial literature review. However, it also illuminates the potential biases and perceptions held by researchers towards their research subjects when inconsistently applied.

The table below is reproduced to reflect informal entrepreneurship in SA in relation to the Post-structuralist and Neoliberal theories.

Table 60. South African informal entrepreneurship (Table 49 Reproduced)

Dimensions	Source	Post-structuralist (mainstream) Chosen alternative thesis	Neoliberal Chosen alternative thesis
Economy	Literature review	An informal economy is part of economic growth and development and contributes to economic development using informal practices through informalisation.	The informal economy is a by-product of burdensome state regulations and controls, and not because of deliberate avoidance.
	Research findings	This research did not explore the economic growth contribution of informal entrepreneurship.	Informal entrepreneurs' businesses were not an outcome of state regulations, instead, they represented subsistence activities conducted out of necessity.
Legislation	Literature review	Informality is legitimate and prevalent operating per its own norms, values and rules.	Informality prevalence is because of high taxes, public sector corruption and state interference in the free market.
	Research findings	Informal entrepreneurship is recognised as SMME's in the SA context. They are regulated by-laws and these laws are enforced.	Informal businesses are not associated with tax or regulatory avoidance. Many informal businesses could fall under the tax threshold.
Choice	Literature review	Participation in informality is a legitimate rational choice and is a chosen alternative to the formal economy.	Economic participation in informality is a choice. Informal employment is a survival practice and a substitute for formal employment.
	Research findings	Informal entrepreneurship is a choice made by individuals.	Informal entrepreneurship is a necessity/survival practice. It is not necessarily an employment substitute.
Formal / Informal	Literature review	There is a complementary or competitive relationship where the informal economy is dependent on the formal economy	Informal and formal economies coexist, and informal businesses operate according to their own norms, values and networks.
	Research findings	Informal businesses coexist with formal businesses.	Both types of businesses operate under legislation governing them. Micro-enterprises are in fact regulated and operate in accordance with by-laws. They are therefore formal in nature.

Source: Author's construct (2022) (Adapted from prior research)

6.3.3 THE CONTEXT

This research contributes to an understanding of the context in which informal entrepreneurship occurs.

The context is an important component in an IEE and is represented by the lived experiences of informal entrepreneurs, who cited “homelessness, crime and policing”.

Informal entrepreneurship occurs in a context and while the context influences entrepreneurship, entrepreneurs in turn shape their context and change it over time. Entrepreneurial action is both enabled and constrained by its context in addition to affecting the context (Stam, 2016). Initiatives to support entrepreneurship should thus be contextually relevant, leveraging local conditions. EEs should be fashioned around local conditions.

Finding 18: This research finds that crime, policing and the enforcement of by-laws /legislation /regulations are drivers of the Micro-IEE.

Drawing from Kistruck et al. (2015, p. 437), the informal entrepreneur constituency engaged in this research had to register and were only eligible to trade in the designated location if they had a valid license. These entrepreneurs are further located in an area that is in the vicinity of a local taxi rank, which houses many homeless people. Therefore, given the sheer volume of people who transit to their trading locations, they are at higher risk of being exposed to crime.

Finding 19: This research also finds that homelessness is a proximal primary driver of the Micro-IEE, but was not cited as a driver or inhibitor of entrepreneurial activity.

The trading location exposes businesses to homelessness and a high volume of people who transit the trading area, exposing them to high levels of crime. Informal entrepreneurs are concerned about their safety and that of their customers due to the high levels of homelessness and crime in their locality, which although heavily policed, has high crime rates.

Finding 20: This research supports findings in prior research and found that informal entrepreneurs face social exclusion (Chen, 2012; Williams and Nadin, 2013; Sallah, 2016). They are located in a space that is poorly maintained and that lacks access to basic infrastructure and services.

Although informal entrepreneurs are of the view that government should create enabling infrastructure, experts propose that government should provide reasonable local and national infrastructure. This may be an area for future research.

In order to enable informal businesses to leverage information, communication and technology resources (ICT) to thrive, there is a need to make ICT infrastructure and services more accessible.

Finding 21: This study supports prior research by Qian (2018) and finds that knowledge is influenced by the environment, supporting and physical infrastructure, access to markets and the regulatory environment.

Knowledge capital is represented in the Macro-IEE in education and training infrastructure and communities of practice and is part of the socio-economic enablers of entrepreneurship. Knowledge in turn influences culture, human capital, funding and products.

Finding 22: This research finds that the Macro-IEE is heavily reliant on the COP to drive the engine room of the IEE. COPs are an outcome of their context and depend heavily on the enabling environment within which they operate.

A constructive COP should work in synergy with the IEE; reflect objectives that are aligned with that of the IEE; and encompass involvement, mutual respect, mutual recognition and mutual engagement. Maintaining a balance of power between members who have varying degrees of influence and resources is critical in the COP. Boundary objects should be reflective of members' identities and the shared identity of COP members. Although experts highlighted the importance of the COP, it is unclear whether the envisaged COP will be emergent or cultivated, but it is important that the COP is grown organically and not over-engineered. This may be an area that can be explored in future research.

Finding 23: Supporting infrastructure which includes entrepreneurial knowledge is a secondary driver of the Macro-IEE and is contingent on there being an enabling policy and environment, COP/support and funding.

Business support to enable entrepreneurs to exploit opportunities should provide them with funding, legal and support information, accessible institutions, support on business plans and access to bank accounts. This research finds that informal entrepreneurs are financially excluded from the banking system, not having access to basic financial products. Financial institutions should be more inclusive and there is also a need to find alternative sources of financial resources for informal entrepreneurship.

Finding 24: South Africa is observed to be an individualistic nation according to Hofstede's cultural dimensions, and the co-existence of collectivism as reflected in Ubuntu and Harambe is evident. This research finds that the principles embedded in Ubuntu and Harambe practices are reflective of individuals' embodied cultural states.

The embodied state reflects the essence of a person, intrinsically linked to an individual's habitus and is their ability to interpret 'cultural codes' (Yang, 2014). The embodied cultural state is not always evident or expressly articulated as it is intertwined with the very essence of an individual (Thompson et al., 2020). Therefore, this research finds support for Venter's (2012) view that entrepreneurship in Africa cannot solely be viewed through conventional lenses and should include local cultural nuances.

Finding 25: It is important to create an entrepreneurial culture in an IEE. However, this research finds that the culture and perceptions towards informal entrepreneurship also need to be addressed.

Culture is the representation of attitudes toward entrepreneurship and while experts as well as literature observe the importance of an entrepreneurial culture, the culture and perceptions towards informal entrepreneurship also need to be addressed. Government should play a less direct role in the IEE and focus on creating a culture that is more receptive, respectful and inclusive of informal entrepreneurship.

Finding 26: This study supports the view expressed in research and finds that although entrepreneurship education and training are important, it is not a key driver of sustainable entrepreneurship ecosystems or successful entrepreneurship (Isenberg, 2014; Kah et al., 2022). This research finds that education and training is a secondary outcome of the Macro-IEE.

This study finds that universities play an important role in an EE by supplying it with skills and innovations. Education is therefore important to strengthen human capital and entrepreneurship outcomes. This research finds that the TVET sector is capable of embedding entrepreneurship into the education system and promoting entrepreneurship. Entrepreneurship programmes can also improve knowledge and access to resources. Training should improve business and technical knowledge, share relevant information and promote entrepreneurial mindsets, knowledge and cognitive skills.

Finding 27: This research finds that physical infrastructure, basic services and trading facilities are important for the IEE

Experts supported the views expressed in prior research and suggested that market stalls should be well located around transport hubs like taxi ranks, bus stations and train stations because informal entrepreneurs rely on street infrastructure and proximity to customers. However, informal entrepreneurs expressed dissatisfaction with sharing their trading spaces with taxis.

The trading environment is a primary system outcome for the Micro-IEE. This research finds that a more conducive trading environment should include sheltered stalls, a larger number of stalls, larger trading spaces, fresh goods storage facilities, manufacturing and production facilities and working facilities services.

6.3.4 IEE STAKEHOLDERS

This study contributes to the existing literature on EE stakeholders/agents /supports.

Using Dr Eric Berne's Transactional Analysis (TA) theory, this study contributes to understanding the roles adopted by stakeholders in the IEE.

The TA theoretical approach is critical for this research as it is reflective of the mindset of stakeholders engaged in the IEE. Although government, informal entrepreneurs, support organisations and formal businesses are led by adults, their engagements are very reflective of the mindset they adopt in respect of informal entrepreneurship.

Finding 28: This research finds that the child ego state may be attributed to informal entrepreneurs; the parent ego state is taken on by government; and the adult ego state is largely absent of the private sector and other stakeholders.

The Child ego state is adopted by informal entrepreneurs. The child ego-state is generally considered the best part of an individual's personality as it is influential, energetic, creative and highly resourceful (Crichton, 2007). Informal entrepreneurs display resourcefulness in the way they continue to trade and make a living despite their conditions. Further to the resourcefulness view, informal entrepreneurs are also largely dependent on the government (their parents) to provide manufacturing

spaces, shelter etc. for them. Informal entrepreneurs are also very dissatisfied with their predicament and seek to find assistance to influence change in their context.

The Parent ego state is largely reflective of the roles that government and the municipality take on. A parent's ego state may be reflective of a nurturing parent or a neglectful parent (Crichton, 2007). Informal entrepreneurs, placed in the periphery of society amidst high levels of crime and homelessness are subject to visible police enforcement which at times appears to be akin to harassment. When compared to their formal sector counterparts who have more latitude when it comes to trading hours and have access to basic infrastructure and services, informal entrepreneurs appear to be neglected by their parents (government).

The Adult ego state is driven by logic, making decisions based on data and information and is reflective of autonomy (Crichton, 2007), but also is open to engagement and cooperation and is supportive of equality (Steiner, 2010). Ideally, this should be the role taken on by informal entrepreneurs, but their submissiveness does not permit them to do so. The other adults in the room, formal business and supports, are very absent. Therefore, there is a need to look at how to empower informal entrepreneurs to take on the adult ego states. In addition, there is room to introduce the private sector adults into the relationship to both support informal entrepreneurs' growth as well as to serve as a support structure in government engagements. The informal sector associations do assist in this regard, but there is scope for strengthening the middle (adults).

Finding 29: This research supports the call to involve a broader range of stakeholders in the IEE, as well as for government to engage formal businesses and the private sector from the outset (Isenberg, 2010). The private sector is presently not engaged in the IEE.

Current support for the IEE is dominated by government and municipalities, and large corporate and private sector institutions are absent. In EE theory, the EE draws on support from universities, financial institutions, VC providers, other firms and government (Isenberg, 2016a). This research finds that instead of government at all levels taking on a passive and more supportive role, in the context of an IEE government presently plays a leading role in formulating policy, business registration, enforcement and determining the supply chains. Additionally, the

Macro-IEE advocates for corporate and institutional support in the IEE. However, at present, corporates and private-sector do not feature in the IEE landscape.

Peer learning through mentoring is an enabling support infrastructure for informal entrepreneurs and mentors can include academics, peers and successful entrepreneurs.

Finding 30: Although research suggests that universities play an important enabling role in an EE (Mason and Brown, 2014), neither constituency recognised academic entrepreneurship or knowledge spinoffs in the IEE.

The role of academic institutions is recognised in EE literature as key support infrastructure. However, in the IEE, universities are not mentioned nor are they considered key support organisations. Contrary to recent research in South Africa, neither constituency viewed universities as a context for incubation or as a key support organisation in the IEE. Instead, experts have supported prior research which calls for universities to focus on producing quality human capital and for increased skills to be generated from the TVET sector. This does however present an opportunity for universities to become more engaged in the IEE. This is an area that can be explored in future research.

Finding 31: This research finds that government is the primary IEE change agent whose role is to enable informal entrepreneurship by co-creating and driving proximal and distal IEE policies; improving informal business regulations and the enforcement thereof; encouraging private sector and institutional involvement in the IEE; and providing IEE support and infrastructure.

The role of government is presently one that is controlling. Government takes on the role of “creator” by continuously intervening with policy changes to manage the system they have created.

Informal entrepreneurs view the government and the municipality as being too hands-on and overly prescriptive to the extent that it hampers their business growth. The government on the other hand views itself as a creator and in many by-laws, its need to control its creation is evident. Top-down policy approaches led by government do not adequately address local challenges and are not considerate of communities’ realities and risks. There is no clear answer for the most appropriate policy approach for the IEE, but what is evident is that there needs to be a clear

understanding of what the intended outcomes are. Echoing the sentiments of Laing, van Stel and Storey, “decide what type of entrepreneurship you want for your country and, only then, choose your policies, because one size doesn’t fit all” (2021, p. 1).

6.4 RECOMMENDATIONS

6.4.1 METHODOLOGICAL IMPLICATIONS

6.4.1.1 IQA RESEARCH METHODOLOGY

This research derived great value in its application of the IQA methodology but also makes valuable and unique methodological contributions to the application and use of the IQA methodology.

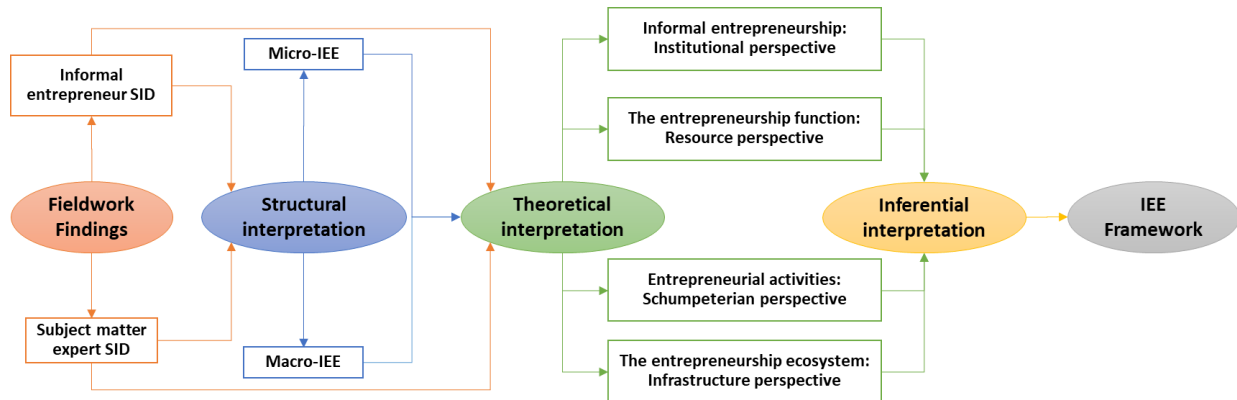
This study pioneers the use of the IQA research methodology in the area of entrepreneurship ecosystems. It further utilises this largely Western methodology to understand the African phenomenon of an IEE in SA.

Recommendation 1: The interpretation of focus group-only findings should encompass diverse theoretical and inferential lenses, and it is recommended that the process as presented in the figure below be used.

With limited IQA resource material available and a relatively small population of research that uses the IQA research methodology, this research contributes to strengthening the application of the IQA methodology.

This research was limited to focus groups and did not conduct interviews. Per Northcutt and McCoy (2004) and in line with IQA methodology, the findings were interpreted from three different frames of reference, namely structural, theoretical and inferential interpretation. Future research may benefit from this research approach.

Figure 68. Process for the interpretation of results (Figure 43 Reproduced)



Source: Author's construct (2022)

Recommendation 2: As constituencies provide rich insights, the constitution of IQA focus groups should be deliberate in order to ensure that maximum value is derived for research. In addition, IQA focus group outcomes should be evaluated for key insights before proceeding to interviews.

This study supports the views of Northcutt and McCoy (2004) and finds that defining and constituting the constituencies for the research is of paramount importance to ensuring that the views expressed by constituencies are reflective of their lived reality.

The IQA research methodology views focus group outcomes as being presented in a single consolidated focus group SID (Northcutt and McCoy, 2004). As this research used two focus groups, each representative of a different constituency, the SIDs / systems emanating from each focus group, although containing similarities, were very different and representative of each constituency's lived reality. This research consequently found that the richness and depth of constituency realities would likely be lost if the constituency SIDs were consolidated into a single composite SID. Therefore, the researcher conducted a theoretical interpretation of both constituencies' composite SIDs, which led to a richer and more dynamic comparison of each system.

Recommendation 3: The IQA focus group is unique and unlike traditional focus groups. It is recommended that IQA focus groups be re-named "IQA Constituency groups".

This study found that as most participants were unfamiliar with the IQA methodology, the focus group format for engaging constituencies was not well

understood and participants could not relate the IQA experience with past focus group experiences.

This study therefore contributes to IQA research methodology by suggesting that the use of the term “focus group” needs to be re-visited. This will aid researchers who use the IQA methodology as the use of this methodology grows.

6.4.1.2 RESEARCHING INFORMAL ENTREPRENEURSHIP IN SA

As the informal sector in South Africa is increasingly a subject of research, this study contributes to improving future research involving informal sector agents and informal entrepreneurs in SA.

Recommendation 4: Information communicated to the informal sector should be easy to understand and relevant.

This research found that in order to ensure that engagement with the informal sector is understood and relevant, traditional research engagement tools like the research information sheet need to be simplified and made more succinct so that the research intent, participants’ roles as well as research value are easily understood and related to. As such, researchers who wish to have broader participation from informal sector agents may need to make use of flyers, as was done in this research. It is also important that Universities and research organisations recognise the value of such tools and amend their research ethics protocols to consider this.

Recommendation 5: When conducting fieldwork in the informal sector, consider the need for an interpreter.

This study found that it is important to have an interpreter to deal with potential language barriers that could be experienced during the fieldwork stage. Additionally, this research found that capturing the sentiments of participants in their language is valuable as it is impactful.

Recommendation 6: Research focusing on the informal economy should be able to demonstrate the impact of the undertaking.

This study also identified that due to the increased focus of research on the informal economy, research fatigue is being experienced by participants. Importantly, participants yearn for their contributions to bear some fruit. Therefore, in researching

sectors like the informal economy, it is important for research organisations and researchers to also ensure that the research produced is indeed impactful.

6.4.2 POLICY IMPLICATIONS

This research makes significant recommendations pertaining to the role of government in a sustainable IEE, policies and regulations for a sustainable IEE, as well as the process of policy formulation.

Policy implications include enhancements to proximal policies which directly impact the IEE, and distal policies which have an indirect impact on the IEE, but which aim to change the context.

6.4.2.1 PROXIMAL POLICIES

Recommendation 7: Government policies should be strengthened to support the IEE, and areas of focus should target both proximal factors of homelessness, business risks and crime, as well as by-laws and policing.

It is recommended that the IEE findings emanating from this research be considered in municipal by-laws pertaining to informal entrepreneurship.

Recommendation 8: Regulations pertaining to micro-enterprises should be reviewed to ensure that they are enabling and consistent.

Government fosters entrepreneurship through more conducive regulations, lower levels of bureaucracy and less punitive legal frameworks (Isenberg, 2010). Both experts and informal entrepreneurs observed that the current repressive regulatory environment, which is very punitive, needs to be addressed. There needs to be a supportive and enabling policy environment for informal entrepreneurship that is fair, indiscriminate and considerate of the business impact of institutional provisions. Some areas of focus emanating from this research include:

Business regulation, registration and licensing of informal businesses should be simplified and turnaround times to issue a licence should be reduced and monitored.

The use of market agents should be looked at in consultation with entrepreneurs in order to assist them to procure goods at the lowest price.

6.4.2.2 DISTAL POLICIES

Recommendation 9: Government should create an enabling policy and regulatory environment, which in turn creates an enabling environment inclusive of infrastructure and corporate and government support.

Government policy should ensure that financial and insurance institutions are inclusive and enable access to resources.

Policies on entrepreneurship education should infuse entrepreneurship into the entire curriculum from the BED level through to TVET and university levels.

Recommendation 10: Government policy should be equally beneficial and enabling for all SMMEs and should consider extending SMME benefits to registered informal businesses.

Informal entrepreneurship, which is part of the economic landscape in South Africa, is a form of micro-enterprise and is considered an SMME. Certain forms of micro-enterprises are legitimised by government policies, regulated by municipal by-laws and provincial legislation, and therefore “formal” enterprises, albeit micro.

Recommendation 11: It is recommended that the concept of the IEE as formulated in this research be incorporated into the NDP.

This research has the potential to influence existing government policies, including the NDP. A sustainable IEE has the potential to increase economic activities and potentially create employment, thus supporting SA’s pursuit of improving GDP growth.

6.4.2.3 ROLES AND RESPONSIBILITIES

Recommendation 12: It is recommended that policies and by-laws should be consulted on and reviewed in conjunction with informal entrepreneurs or their associations.

Informal entrepreneurs expressed discontent with their conditions and expressed their willingness to engage on policies and by-laws governing their activities. However, their contributions and policy suggestions are not engaged meaningfully. There is a need for municipalities to perhaps consider co-creating IEE policies with informal entrepreneurs and their associations. Making use of informal business forums or committees established at the municipality itself may also promote

stakeholder engagement. Informal entrepreneurs additionally advocated for a more supportive Business Support Unit in the Municipality, where their views in respect of laws governing their businesses are taken into consideration.

Recommendation 13: The enforcement of by-laws should be done by an entity other than the Metro Police, and enforcement should be subject to review and monitoring to ensure fairness.

Police enforcement of the by-laws governing informal businesses should be distinguishable from their safety and security mandate. The enforcement of these laws should be legally acceptable and encourage economic inclusion (Bruce and Stone, 2022). Municipalities and local government structures should consider the fairness of by-laws. Furthermore, monitoring mechanisms should also seek to protect informal businesses from exploitation.

Recommendation 14: Government's role is that of a change agent for the IEE.

The role of government in leading the culture change in shifting mindsets towards informal entrepreneurship is a critical one. All levels of government need to ensure the provision of basic services and infrastructure to all citizens. Additionally, government should encourage the engagement of a broader range of stakeholders in the IEE.

6.4.3 BUSINESS IMPLICATIONS

6.4.3.1 MICRO-ENTREPRENEURSHIP

One of the main business implications concerning informal entrepreneurship emanating from this research is the potential for Informal entrepreneurship to take its place as a duly-recognised SMME in the SA economic landscape.

This could afford informal businesses an opportunity to participate in value chains, enabling them to enter new markets, albeit locally. The innovation potential and opportunity recognition capacity of informal entrepreneurs becomes evident in this research. The enterprising nature of these individuals, who continue to survive amidst rather unfavourable conditions, needs to be recognised. Informal entrepreneurs are actively seeking to improve their businesses as well as the context in which they operate. Informal entrepreneurs also expressed their intention

to create jobs through manufacturing, thus presenting business opportunities for themselves and potential collaborators.

6.4.3.2 PRIVATE SECTOR

The current support for the IEE is dominated by government and municipalities, and large corporate and private sector institutions are absent. There exists an opportunity for corporates to get involved with the informal economy and give effect to the IEE.

Informal business associations are a key point of contact in the informal sector and may prove to be a valuable resource for engaging with informal entrepreneurs. This creates an opportunity for formal and private businesses to openly engage with and support these businesses. The private sector and large corporates, including banks and insurance institutions, need to take a more active role in enabling the IEE. Corporations can play an important role in supporting informal businesses and partnering with them to transition current entrepreneurial activities into future-focused businesses.

Informal entrepreneurs want access to basic financial services and non-life insurance products.

This presents an opportunity for insurance and financial institutions that can find suitable products to meet their needs. There is also an opportunity for specialised VC funding solutions to be made available to the IEE to support high-growth ventures.

6.4.3.3 UNIVERSITIES

The absence of Universities as a key support structure for the IEE presents an opportunity for them to re-evaluate their community engagement core mandate, and to become more accessible and relevant to entrepreneurs at grassroots levels.

The IEE therefor, presents an ideal opportunity for universities to play a supportive role in growing informal entrepreneurship. Additionally, as the IEE also encompasses product innovation, universities could serve as a space to incubate businesses. Additionally, higher education institutions should be measured in terms of their ability to supply relevant skills, including entrepreneurs.

6.5 FUTURE RESEARCH

The framework for an IEE in SA: Future research could build on the framework for a sustainable IEE framework as presented in this research study in the following ways:

- Continuing the IQA process and conducting expert interviews, thus contributing to refining the IEE by extending this research beyond the 2 focus groups that were conducted;
- Extending this study could also focus beyond South Africa, and into other forms of entrepreneurship; and
- Building on the Macro-IEE and Micro-IEE produced in this research.

Dimensions of the IEE: This research also identified the following possible areas for future research:

- The Micro-IEE viewed homelessness as a primary driver of the system and linked it to crime. No research could be found to substantiate homelessness as a primary system driver. Additionally, no research has looked at the impact and consequences of pervasively high levels of homelessness on economic activities in their context.
- The Micro-IEE also viewed insurance as a primary system driver. Literature could be found on life insurance, but the absence of research on non-life insurance, and that too in respect of the informal economy, is an area that may warrant future research.
- The noticeable absence of formal sector organisations and large corporates from the IEE is a cause for concern. Additionally, the absence of universities as a key support structure was also unexpected. This is an area that can be explored in future research.

Beyond the IEE framework: Future research could explore other areas identified in this study that are not IEE dimensions, and:

- As this research limited itself to the conceptualisation of an IEE framework, future research could explore the viability of the IEE in the South African context.
- This research did not ascertain the systemic differences between the current and proposed IEE. Future research could perform a gap analysis of the proposed IEE emanating from this research against the current IEE (although undocumented).
- The demand structure (elasticities) for goods and services from the informal sector has not been determined as a study on its own, and future research could study the demand and supply structure of the informal sector.

IQA research methodology: Future research could also be directed at strengthening the IQA methodology. The IQA methodology is not a prominent research methodology that is widely utilised, and students and researchers utilising this methodology have limited available resources which serve as points of reference to guide the research process and assist in addressing methodological contestations that arise during research. Some areas of future research should include:

- The focus group process within the IQA methodology. Future research could also strengthen the IQA methodology's use of interviews, how to realise quality out of the focus group outcomes, and the composition of interview constituencies to not lose the essence of focus group contributions.
- Analyses of ARTs and the impact on research outcomes where there are no responses or where responses select bi-directionality, which is currently dissuaded in the IQA approach.
- Exploring participant engagement in lengthy focus group interactions, and the impact thereof on research outcomes.

6.6 LIMITATIONS OF THE STUDY

6.6.1 RESEARCH METHODOLOGY

Research methodology: Researcher bias in the selection of the research methodology, data analysis and sample selection could exist, but the application of 'methodological fit' (Edmondson and McManus, 2007) techniques that included a detailed literature review, application of the IQA research methodology and adherence to the UNISA ethical clearance process minimise this risk. The research methodology chapter also articulates the key considerations of research rigour, thus limiting researcher bias.

Sample selection: As this research was conducted during a time when Covid-19 was prevalent, many potential participants did not attend the focus groups, while some were not able to attend the online sessions. The IQA research methodology is very time-consuming and certain participants may have disengaged in this process. However, given the richness of the insights that emanated from both focus groups and the clear constitution of each group, these risks are minimised.

Data-gathering process: This research made use of two focus groups, representative of 2 constituencies. One constituency was representative of informal entrepreneurs and

the other comprised subject matter experts. One focus group was held online via MS Teams and the other was held in person in Durban. The interactions of each focus group were very different, which could have potentially impacted the engagement levels and nature of contributions emanating from the different groups.

6.6.2 GENERALISABILITY

Population: This research was focused on informal entrepreneurship and although Focus Group 1 comprised informal traders and association members from the eThekweni Municipality, the full range of informal businesses across the country was not included in the population. However, in the interpretation of results, by-laws from other municipalities were reviewed, and prior research focusing on the informal sector in South Africa formed part of the final literature pool used to interpret the results and to generate the framework for IEE in SA.

Applicability: This research may therefore be generalisable to micro-enterprises or informal entrepreneurship entities that are required to adhere to business requirements and are trading businesses in SA. Additionally, as the IEE framework is a collection of dimensions that are heuristic in nature, it is not a “generic model” that may simply be implemented. Therefore, the applicability of the IEE and supporting dimensions is dependent on the context and the form of entrepreneurship.

Exclusions: This research is not applicable to transport, passive informal entrepreneurial activities like rental, and illegal economic activities. This research is further limited to micro-enterprises and its applicability to other SMMEs was not included in the scope of this research.

6.7 CONCLUSION

To date, Entrepreneurship Ecosystem theories have largely focused on high-growth and innovation-orientated entrepreneurship. There is no evidence of research having been done on informal entrepreneurship ecosystems. This study therefore introduces a **framework for an informal entrepreneurship ecosystem in South Africa**. The IEE framework has 8-dimensions encompassing proximal / Micro-IEE factors emanating from informal entrepreneurs and distal / Macro-IEE factors emanating from subject matter experts.

This research contributes to South Africa's achievement of the Sustainable Development Goals and Agenda 2030 in the following manner:

- SDGs 1, 2, 8: The IEE encourages informal entrepreneurship, which in turn leads to economic activity that supports poverty reduction, the alleviation of hunger and a reduction in inequality.
- SDG 4: Quality education and improved human capital are IEE system outcomes.
- SDG 9: The IEE encompasses opportunity and innovation entrepreneurship, and is further premised on supporting and physical infrastructure.
- SDGs 10, 16, 17: The IEE is reliant on collaboration and support from communities, government, institutions and the private sector. A sustainable IEE is reflective of sustainable communities and partnerships.

This chapter has presented the overview of the research outcomes and made several theoretical contributions in the areas of the informal economy and informal entrepreneurship and entrepreneurship ecosystems, also introducing the informal entrepreneurship ecosystem. Policy, business and methodological recommendations are also presented. This chapter concludes this study by proposing areas for future research and stipulating the limitations of this research.

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ANNEXURES

ANNEXURE A: FG1 – INDIVIDUAL IRD

Legend	Description
	Primary driver
	Secondary driver
	Circular / Pivot
	Secondary outcome
	Primary outcome
P	Refers to the participant number

A: Marketing
B: Funding
C: Trading environment
D: Bulk buying
E: Licensing
F: Committees
G: Police and By-Laws
H: Crime
I: Insurance
J: Homelessness

P1	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
I			↑	↑	↑	↑	↑	↑			0	6	0	6
J			←				↑	↑			1	2	0	1
B											0	0	0	0
C							←	↑	←	↑	2	2	0	0
G			↑		↑	↑		←	←	←	3	3	0	0
H			←	↑		↑	↑		←	←	3	3	0	0
A				←							1	0	0	-1
D	↑				←	←		↑	←		3	2	0	-1
F				↑	↑		←	←	←		3	2	0	-1
E				↑		←	←		←		3	1	0	-2

P2	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
I			↑	↑	↑	↑	↑	↑			0	6	0	6
J			↑				↑	↑			0	3	0	3
H			↑	↑		↑	↑		←	←	2	4	0	2
B	↑										0	1	0	1
G	↑		↑		↑	↑		←	←	←	3	4	0	1
A		←	↑				←				2	1	0	-1
F				↑	↑		←	←	←		3	2	0	-1
E				↑		←	←		←		3	1	0	-2
D					←	←		←	←		4	0	0	-4
C	←						←	←	←	←	5	0	0	-5

P3	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
I	↑	↑	↑		↑	↑	↑	↑			0	7	0	7
J		↑	↑				↑	↑			0	4	0	4
H		↑	↑	↑		↑	↑		←	←	2	5	0	3
F		↑	↑	↑	↑		←	←	←		3	4	0	1
G		↑	↑		↑	↑		←	←	←	3	4	0	1
D	↑	↑	↑		←	←		←			3	3	0	0
E		↑	↑	↑		←	←		←		3	3	0	0
A		←		←					←		3	0	0	-3
C		↑		←	←	←	←	←	←	←	7	1	0	-6
B	↑		←	←	←	←	←	←	←	←	8	1	0	-7

P4	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
I	↑		↑	↑	↑	↑	↑	↑			0	7	0	7
H			↑	↑		↑	↑		←		1	4	0	3
F	↑	↑	↑	↑	↑		←	←	←		3	5	0	2
J			↑				↑				0	2	0	2
G			↑		↑	↑		←	←	←	3	3	0	0
D	↑	↑	↑		←	←		←	←		4	3	0	-1
A		←	↑	←	↑	←			←		4	2	0	-2
B	↑			←	←	←					3	1	0	-2
E	←	↑	←	↑		←	←		←		5	2	0	-3
C	←			←	↑	←	←	←	←	←	7	1	0	-6

P5	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
H	↑										0	1	0	1
I							↑				0	1	0	1
J	↑										0	1	0	1
B											0	0	0	0
C											0	0	0	0
D											0	0	0	0
E											0	0	0	0
F											0	0	0	0
G	↑								←		1	1	0	0
A							←	←		←	3	0	0	-3

P6	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
H			↑	↑		↑	↑				0	4	0	4
I			↑	↑		↑	↑				0	4	0	4
F				↑	↑		↑	↑	←		1	4	0	3
B	←		↑	↑			↑				1	3	0	2
G		←	↑	↑	↑	↑		←	←		3	4	0	1
J			↑								0	1	0	1
A		↑	←	←							2	1	0	-1
E				↑		←	←				2	1	0	-1
C	↑	←					←	←	←	←	5	1	0	-4
D	↑	←			←	←	←	←	←		6	1	0	-5

P7	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
H		↑	↑	↑			↑				0	4	0	4
G	↑				↑	↑		←			1	3	0	2
J	↑	↑									0	2	0	2
E			↑	↑			←				1	2	0	1
D		↑	↑		←			←			2	2	0	0
F		↑					←				1	1	0	0
I											0	0	0	0
A							←			←	2	0	0	-2
C		↑		←	←			←			3	1	0	-2
B			←	←		←		←		←	5	0	0	-5

P8	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
D	↑	↑	↑								0	3	0	3
F	↑	↑	↑								0	3	0	3
E	↑		↑								0	2	0	2
G		↑									0	1	0	1
I	↑										0	1	0	1
H											0	0	0	0
J											0	0	0	0
C	↑			←	←	←					3	1	0	-2
B				←		←	←				3	0	0	-3
A			←	←	←	←			←		5	0	0	-5

P9	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
B				↑							0	1	0	1
D		←				↑	↑				1	2	0	1
E						↑					0	1	0	1
I							↑				0	1	0	1
A											0	0	0	0
C											0	0	0	0
H											0	0	0	0
J											0	0	0	0
F				←	←						2	0	0	-2
G				←					←		2	0	0	-2

P10	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
D	↑	↑	↑								0	3	0	3
I	↑	↑					↑				0	3	0	3
F		↑	↑								0	2	0	2
H		↑									0	2	0	2
J		↑			↑		↑	←			1	3	0	2
E		↑	↑							←	1	2	0	1
G		↑							←	←	2	1	0	-1
C		↑		←	←	←					3	1	0	-2
A		←		←					←		3	0	0	-3
B	↑		←	←	←	←	←	←	←	←	8	1	0	-7

P11	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
I	↑	↑	↑	↑	↑	↑		↑			0	7	0	7
C	↑	↑			←				←		2	2	0	0
D	↑	↑			←				←		2	2	0	0
E			↑	↑		←			←		2	2	0	0
F					↑				←		1	1	0	0
H							↑		←		1	1	0	0
J											0	0	0	0
G								←			1	0	0	-1
A			←	←					←		3	0	0	-3
B			←	←					←		3	0	0	-3

P12	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
B			↑	↑							0	2	0	2
D		←				↑	↑			↑	1	3	0	2
J				←			↑		↑		1	2	0	1
A											0	0	0	0
E											0	0	0	0
I								↑		←	1	1	0	0
C		←									1	0	0	-1
F				←							1	0	0	-1
H									←		1	0	0	-1
G				←						←	2	0	0	-2

P13	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
H	↑	↑	↑	↑	↑	↑	↑		↑	↑	0	9	0	9
I	↑	↑	↑	↑	↑	↑	↑	↑		↑	0	9	0	9
J	↑	↑	↑	↑	↑	↑	↑	↑	↑		0	9	0	9
B			↑	↑	↑	↑	↑	↑	↑	↑	0	8	0	8
C		↑		↑	↑	↑	↑	↑	↑	↑	0	8	0	8
D		↑	↑		↑	↑	↑	↑	↑	↑	0	8	0	8
G	↑	↑	↑	↑	↑	↑		←	↑	↑	1	8	0	7
A							↑	↑	↑	↑	0	4	0	4
E		↑	↑	↑		↑	↑	←	←	←	3	5	0	2
F		↑	↑	↑	↑		←	←	←	←	4	4	0	0

P14	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
F		↑	↑	↑	↑		←		↑		1	5	0	4
G		↑	↑	↑	↑	↑		←			1	5	0	4
I	↑	↑	↑	↑	↑	←					1	5	0	4
H		↑					↑				0	2	0	2
J		↑									0	1	0	1
E		↑	↑	↑		←	←		←		3	3	0	0
D	↑	↑	↑		←	←	←		←		4	3	0	-1
A		←		←					←		3	0	0	-3
C		↑		←	←	←	←		←		5	1	0	-4
B	↑		←	←	←	←	←	←	←	←	8	1	0	-7

P15	A	B	C	D	E	F	G	H	I	J	IN	OUT	N/A	Delta
I	↑	↑	↑	↑		↑					0	5	0	5
G		↑	↑	↑	↑	↑		←			1	5	0	4
H		↑					↑				0	2	0	2
J		↑				↑					0	2	0	2
E		↑	↑	↑		←	←				2	3	0	1
F		↑	↑	↑	↑		←		←	←	3	4	0	1
D	↑	↑	↑		←	←	←		←		4	3	0	-1
A		←		←					←		3	0	0	-3
C		↑		←	←	←	←		←		5	1	0	-4
B	↑		←	←	←	←	←	←	←	←	8	1	0	-7

ANNEXURE B: FG2 – INDIVIDUAL IRD

Legend	Description
	Primary driver
	Secondary driver
	Circular / Pivot
	Secondary outcome
	Primary outcome
P	Refers to the participant number

A: Culture
 B: Create an enabling environment (Infrastructure, corporate and government support)
 C: Education, training and support infrastructure
 D: Community of practice (COP)/ support
 E: Human capital
 F: Finance / funding
 G: Supporting infrastructure (To enable access)
 H: Infrastructure (local, national, rural)
 I: Access to markets / value chain participation
 J: Products
 K: Policy / regulatory environment (Enabling environment)

P1	A	B	C	D	E	F	G	H	I	J	K	IN	OUT	N/A	DELTA
B			↑	↑	↑	↑	↑	↑	↑	↑	↑	0	9	2	9
F		←	↑	←	↑		↑	↑	↑	↑		2	6	3	4
G		←	↑	↑	↑	←		↑	↑			2	5	4	3
A			←	↑	↑				←	↑	↑	2	4	5	2
H		←	↑	↑	↑	←	←		↑			3	4	4	1
I	↑	←	↑		↑	←	←	←		↑		4	4	3	0
K	←	←	↑		↑							2	2	7	0
D	←	←	↑			↑	←	←				4	2	5	-2
J	←	←	↑		↑	←			←			4	2	5	-2
E	←	←	↑			←	←	←	←	←	←	8	1	2	-7
C	↑	←		←	←	←	←	←	←	←	←	9	1	1	-8

P2	A	B	C	D	E	F	G	H	I	J	K	IN	OUT	N/A	DELTA
K	↑	↑	↑	←	↑	↑	↑	↑	↑	↑		1	9	1	8
D	↑	←	←		↑	↑	↑		↑	↑	↑	2	7	2	5
H	↑	↑	↑		↑	←	↑		↑	↑	←	2	7	2	5
C	↑	←		↑	↑	↑	←	←	↑	↑	←	4	6	1	2
A		↑	←	←		↑	↑	←	↑	↑	←	4	5	2	1
F	←	↑	←	←			↑	↑	↑	↑	←	4	5	2	1
B	←		↑	↑	←	←	↑	←	↑		←	5	4	2	-1
E		↑	←	←			↑	←	↑		←	4	3	4	-1
G	←	←	↑	←	←	←		←	↑	↑	←	7	3	1	-4
I	←	←	←	←	←	←	←	←		↑	←	9	1	1	-8
J	←		←	←		←	←	←	←		←	8	0	3	-8

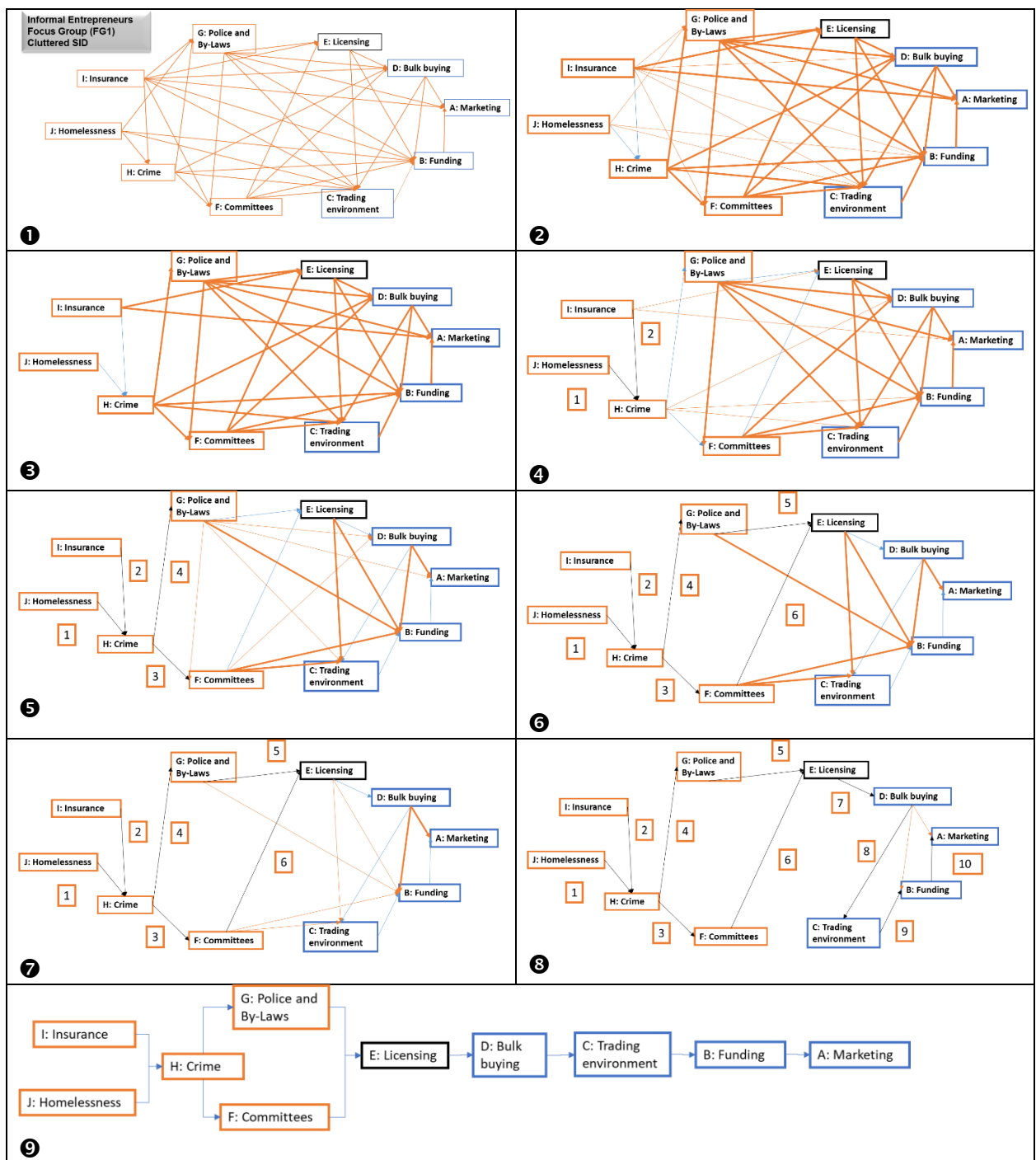
P3	A	B	C	D	E	F	G	H	I	J	K	IN	OUT	N/A	DELTA
C	↑	↑		↑	↑	↑	↑	↑	←	↑	↑	1	9	1	8
E	↑	↑	←	↑		↑	↑	↑	↑	←	↑	2	8	1	6
B	↑		←	↑	←	↑		↑	↑	↑		2	6	3	4
K	↑		←		←	↑		↑	↑	↑		2	5	4	3
G	↑		←		←	←			↑	↑		3	3	5	0
F		←	←		←		↑	↑	←	↑	←	5	3	3	-2
H		←	←		←	←			↑	↑	←	5	2	4	-3
J		←	←	↑	↑	←	←	←	↑		←	6	3	2	-3
A		←	←		←		←		↑		←	5	1	5	-4
D		←	←		←					←		4	0	7	-4
I	←	←	↑		←	↑	←	←		←	←	7	2	2	-5

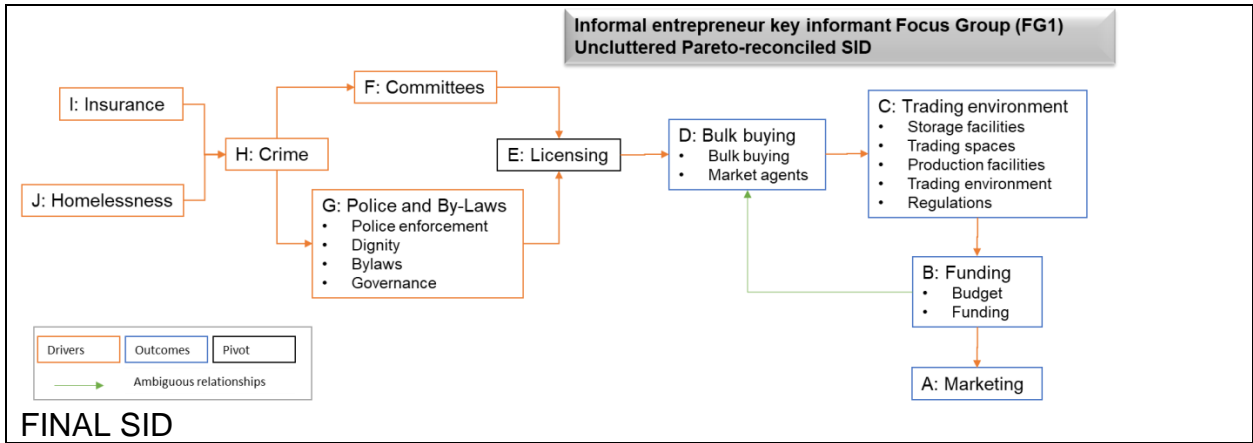
P4	A	B	C	D	E	F	G	H	I	J	K	IN	OUT	N/A	DELTA
B	←		←	↑	↑	↑	↑	↑	↑	↑	↑	2	8	1	6
D	←	←	↑		↑	↑	↑	↑	↑	↑	↑	2	8	1	6
A		↑	←	↑	↑	↑	←	↑	←	↑	↑	3	7	1	4
C	↑	↑		←	↑	↑	←	←	↑	↑	↑	3	7	1	4
G	↑	←	↑	←	↑	←		↑	↑	↑	←	4	6	1	2
F	←	←	←	←	↑		↑	↑	↑	↑	←	5	5	1	0
K	←	←	←	←	↑	↑	↑	↑	←	↑		5	5	1	0
H	←	←	↑	←	↑	←	←		↑	↑	←	6	4	1	-2
I	↑	←	←	←	←	←	←	←		↑	↑	7	3	1	-4
E	←	←	←	←		←	←	←	↑	↑	←	8	2	1	-6
J	←	←	←	←	←	←	←	←	←		←	10	0	1	-10

P5	A	B	C	D	E	F	G	H	I	J	K	IN	OUT	N/A	DELTA
K	↑	↑	↑	↑	↑					↑		0	6	5	6
B	↑		↑		↑	↑	↑	←	↑	↑	←	2	7	2	5
F	↑	←	↑				↑	↑	↑	↑		1	6	4	5
H		↑				←	↑		↑			1	3	7	2
C	↑	←		↑	↑	←			←	←	←	5	3	3	-2
D			←		←		↑		↑	←	←	4	2	5	-2
E	←	←	←	↑					↑		←	4	2	5	-2
G		←		←		←		←	↑	↑		4	2	5	-2
A		←	←		↑	←					←	4	1	6	-3
J		←	↑	↑		←	←		←		←	5	2	4	-3
I		←	↑	←	←	←	←	←		↑		6	2	3	-4

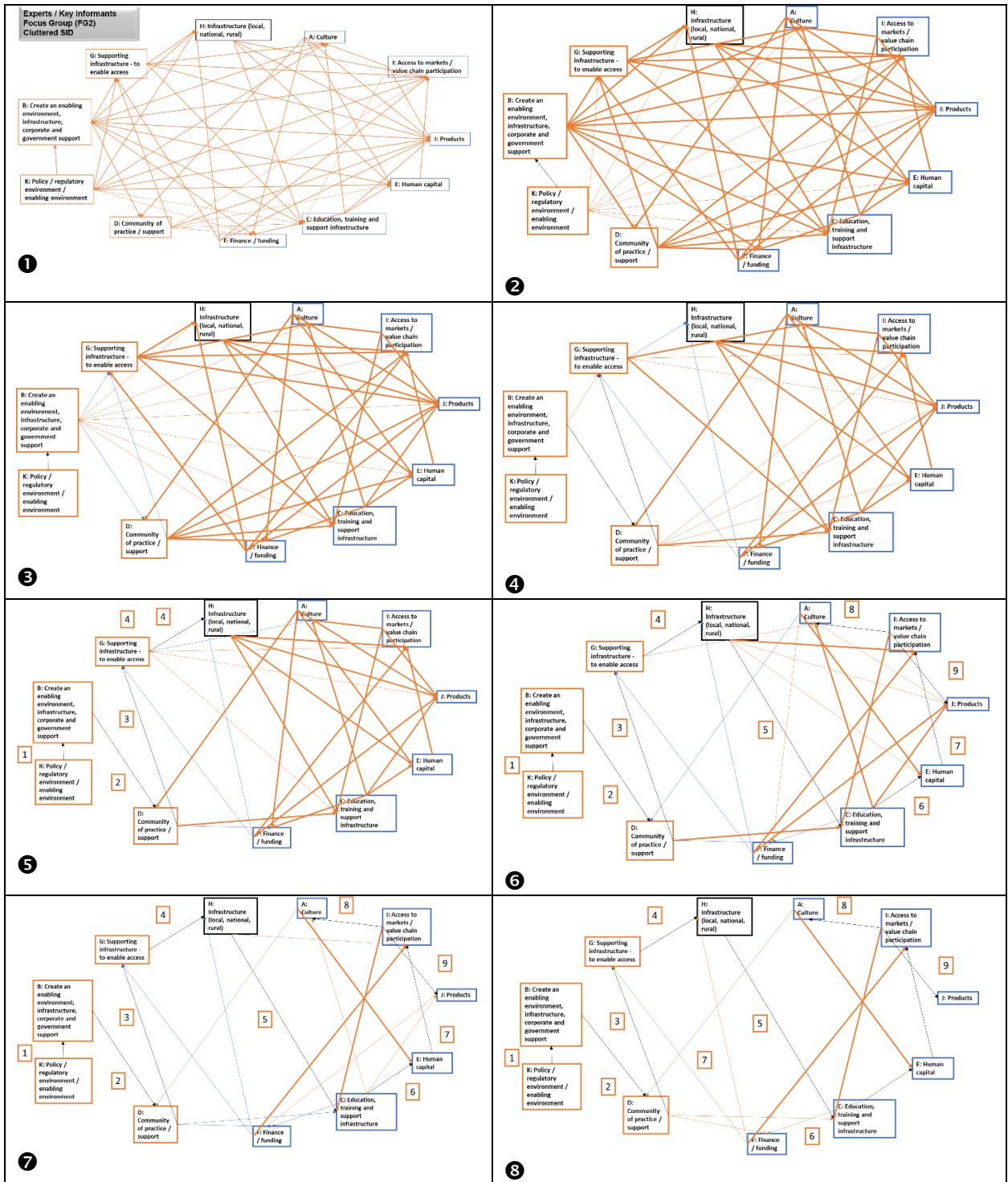
P6	A	B	C	D	E	F	G	H	I	J	K	IN	OUT	N/A	DELTA
K	↑	↑	↑	↑		↑	↑	↑	↑			0	8	3	8
B	↑			↑		↑	↑	↑	↑	↑	←	1	7	3	6
G	↑	←		↑		↑		↑	↑	↑	←	2	6	3	4
C	↑			←	↑	↑			↑	↑	←	2	5	4	3
H	↑	←		↑		↑	←		↑	↑	←	3	5	3	2
D	←	←	↑		↑	↑	←	←	↑	↑	←	5	5	1	0
E	←		←	←					↑	↑		3	2	6	-1
A		←	←	↑	↑	↑	←	←	←	↑	←	6	4	1	-2
F	←	←	←	←			←	←	↑	↑	←	7	2	2	-5
I	↑	←	←	←	←	←	←	←		↑	←	8	2	1	-6
J	←	←	←	←	←	←	←	←	←			9	0	2	-9

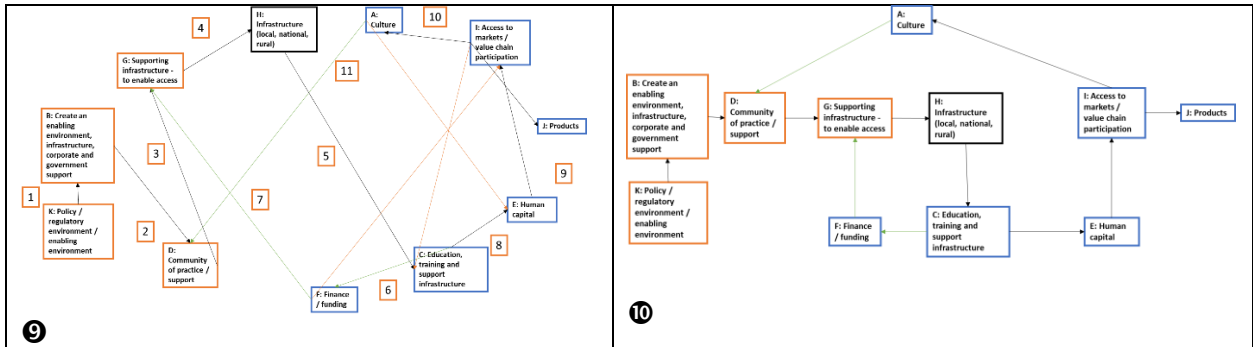
ANNEXURE C: FG1 – PREPARATION OF THE COMPOSITE SID



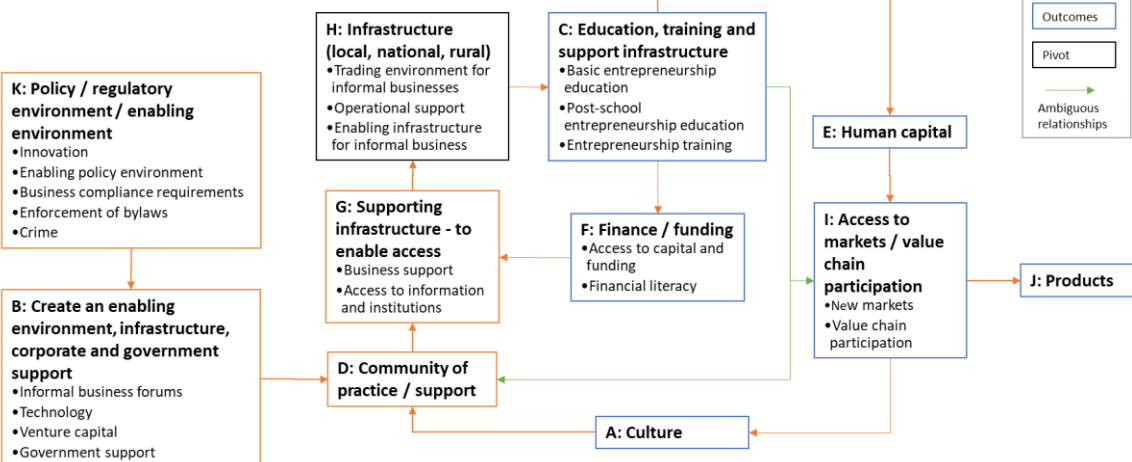


ANNEXURE D: FG2 – PREPARATION OF THE COMPOSITE SID





**Subject matter experts Focus Group (FG2)
Pareto-reconciled Composite SID**



FINAL SID

ANNEXURE E: LANGUAGE EDITOR CERTIFICATE

EDITING LETTER

696 Clare Road

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4091

20 January 2023

To: Whom it may concern

Editing of Doctoral Thesis: Reshma Mathura

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This letter serves as confirmation that the aforementioned thesis has been language edited. Requisite academic writing conventions have been adhered to.

Any queries may be directed to the author of this letter.

Regards



MP MATHEWS

Lecturer and Language Editor

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083 676 4778

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TOWARDS A FRAMEWORK FOR
A SUSTAINABLE ECOSYSTEM
FOR INFORMAL ENTREPRENEURSHIP
IN SOUTH AFRICA

A research thesis presented to the
Graduate School of Business Leadership
University of South Africa

In fulfillment of the requirement for the
DOCTOR OF BUSINESS LEADERSHIP

Prepared by
Reshma Mathura (67136702)

SUPERVISOR: Prof. C.J. van Aardt
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