

Master thesis

Joint Degree Sustainable Development
Track Sustainable Business Management

Author

Pauline Kors (3666492)
paulinekors@gmail.com
Herengracht 63
1015 BC Amsterdam

Project duration

November 2011 – September 2012
45 ECTS

Supervision

Dr. W. V. J. Vermeulen,
Utrecht University
Prof. A. C. Brent,
Stellenbosch University

*Associated with the theses of
Bretlyn Curtis and Anne Floor van Dalzen*



Universiteit Utrecht



Abstract

Purpose – The main purpose of this study is to contribute to a better understanding of how different dimensions of the institutional climate in the Western Cape region in South Africa are perceived by sustainability-driven entrepreneurs (SdEs) and to evaluate the relationship between perceptions and business performance based on the triple bottom line.

Design – Acknowledging earlier work on institutions, where Kostova (1997) classified the formal and informal institutions that impact entrepreneurial activity into normative, cognitive and regulatory categories, this study builds in this direction by investigating how the perceptions of sustainability-driven entrepreneurs of the three dimensions of the institutional framework influence the level of success of sustainability-driven entrepreneurs. The level of success is expressed in terms of the triple bottom line, integrating the three pillars of ‘prosperity’, ‘people’ and ‘planet’.

Findings – A total of 38 participants were included in this study, of which the majority was interviewed and also completed a questionnaire. In-depth interviews were conducted to support and help interpret the results of the quantitative data analysis. Using linear regression modelling on data from 31 filled out questionnaires, it was found that entrepreneurs’ assessment of the institutional environment is not significantly related to the level of financial, social and environmental success. The only institutional factor that does influence the environmental success of SdEs is part of the normative dimension and measures entrepreneurs view on the status that comes with entrepreneurship and society’s need to become more sustainable, as perceived by the general public. The fact that entrepreneurs’ perception of the three dimensional institutional framework does not show a significant statistical relationship with the level of success of SdEs suggests that there is a gap between institutional bodies and entrepreneurs. This finding has potential implications for policy makers as well as academics and requires more attention.

Originality/value – Literature about institutional theory and sustainability-driven entrepreneurship has been descriptive and fragmented. A large part of research on institutions and entrepreneurship is based on case studies or predominantly examined either the formal (governments’ role) or informal (national culture’s role) institutional environment. This research adds to the existing literature in that it looks at the functioning of both formal and informal institutions as perceived by sustainability-driven entrepreneur at an intra-country basis, whereas the majority of studies investigate the functioning of institutions as perceived by entrepreneurs at a cross-country basis.

Keywords Institutional environment, normative dimension, cognitive dimension, regulatory dimension, sustainability-driven entrepreneurship, South Africa

Table of contents

Abstract	I
List of tables	III
List of figures	IV
Acronyms and abbreviations.....	V
1. Introduction	1
1.1 Research project.....	2
1.2 Research objective and relevance	3
1.3 Research questions	4
2. Theoretical framework	5
2.1 The concept of sustainability-driven entrepreneurship	5
2.2 The concept of ‘macro dimension’	6
2.3 The institution-based view	7
2.3.1 The role of institutions in entrepreneurship.....	8
2.4 Three-dimensional institutional profile of entrepreneurship	9
2.4.1 Normative dimension	9
2.4.2 Cognitive dimension.....	10
2.4.3 Regulatory dimension	10
2.5 Three-dimensional institutional profile of SdEs	10
2.5.1 Normative dimension for SdEs.....	12
2.5.2 Cognitive dimension for SdEs.....	12
2.5.3 Regulatory dimension for SdEs	12
2.6 Hypotheses.....	13
2.7 Conceptual framework.....	14
3. Research methodology	15
3.1 Research type	15
3.2 Data collection.....	16
3.3 Methods	17
3.3.1 Dependent variable.....	17
3.3.2 Independent variables	22
3.3.3 Control variables	27
4. Contextualizing the study: institutions in South Africa	28
4.1 Historical and socio-economic context	28
4.2 Normative context	29
4.2.1 Entrepreneurship as a desirable career choice.....	30
4.2.2 (Sustainability-driven) entrepreneurship and status	30
4.2.3 Entrepreneurship and fear of failure	31
4.2.4 Need to be more sustainable.....	31
4.3 Cognitive context	32
4.3.1 Media exposure on entrepreneurship	32
4.3.2 Media exposure on sustainability	33
4.3.3 Media exposure on sustainability-driven entrepreneurship.....	34
4.4 Regulatory context	34
4.4.1 Regulatory <i>quality</i> in South Africa	36
4.4.2 Regulatory <i>support</i> in South Africa	39
5. Findings	51

5.1 Descriptive characteristics of participating SdEs.....	51
5.1.1 Business characteristics	51
5.1.2 Owner-manager characteristics.....	53
5.1.3 Drivers and motives for starting SdEs	54
5.1.4 Business performance.....	55
5.2 Institutional environment (quantitative and supportive qualitative findings).....	59
5.2.1 Normative dimension	59
5.2.2 Cognitive dimension.....	65
5.2.3 Regulatory dimension	65
5.3 Institutional entrepreneurship	76
5.4 The mentorship model.....	78
5.5 Statistical analysis: institutional framework and success.....	79
5.5.1 Dependent variables – reliability	79
5.5.2 Independent variables – factor analysis	80
5.5.3 Correlations.....	82
5.5.4 Multiple linear regression	83
5.6 Comparison findings literature review, qualitative and quantitative data	84
5.6.1 Comparison: normative dimension.....	84
5.6.2 Comparison: cognitive dimension.....	85
5.6.3 Comparison: regulatory dimension.....	85
6. Conclusions	86
7. Discussion	90
7.1 Limitations and challenges	90
7.2 Recommendations for future research	91
7.3 Recommendations for policy makers.....	92
References.....	95
Appendices	105
Appendix A List of case studies and interviewees	105
Appendix B List of interviewed experts in the field	106
Appendix C Questionnaire sustainability-driven entrepreneurship in the Western Cape	107

List of tables

Table 1 Characterization of different types of sustainability-oriented entrepreneurship	5
Table 2 Characteristics of informal and formal institutions	8
Table 3 Types of institutions	8
Table 4 Example calculations for output variable	19
Table 5 Operationalization of success of SdEs	22
Table 6 Items for the measurement of the normative dimension	24
Table 7 Items for the measurement of the cognitive component	25
Table 8 Items for the measurement of the regulatory component	25
Table 9 Operationalization of control variables	27
Table 10 Normative context	29
Table 11 Entrepreneurship as a desirable career choice	30
Table 12 (Sustainability-driven) entrepreneurship and status	31
Table 13 Entrepreneurship and fear of failure	31
Table 14 Need to be sustainable	32
Table 15 Media exposure on entrepreneurship	33

Table 16	Regulatory quality	36
Table 17	Level of corruption	37
Table 18	Legal and administrative procedures and costs	38
Table 19	Security of property rights	39
Table 20	Legal structures for SdEs	43
Table 21	B-BBEE verification scorecards	46
Table 22	Range of B-BBEE scores and recognition level	46
Table 23	Legend for figure 14 - sectors and industries	52
Table 24	Descriptive characteristics of businesses	54
Table 25	Demographic profile of participants	54
Table 26	Success score on prosperity dimension	57
Table 27	Most important regulations for SdEs	69
Table 28	Pattern matrix for factor analysis of 5 variables on normative dimension (network	80
Table 29	Pattern matrix for factor analysis of 5 variables on normative dimension (country	81
Table 30	Pattern matrix for factor analysis of 5 variables on cognitive dimension	81
Table 31	Pattern matrix for factor analysis of 5 variables on regulatory dimension	81
Table 32	Significant correlations between independent variables and dependent variables	82
Table 33	Multiple regression analysis of possible explanations for 'profit', 'prosperity', 'planet' and 'total'	83
Table 34	Comparison for the normative dimension	84
Table 35	Comparison for the cognitive component	85
Table 36	Comparison for the regulatory component	85

List of figures

Figure 1	Overall theoretical framework	7
Figure 2	Interaction between formal and informal institutions	11
Figure 3	Theoretical framework	14
Figure 4	Conceptual framework	17
Figure 5	Composition of variable of total success 'prosperity'	19
Figure 5	Composition of variable of total success 'people'	21
Figure 7	Composition of variable of total success 'planet'	33
Figure 8	6-month moving average of number of articles on the topic of sustainability per issue	34
Figure 9	6-month moving average of number of articles on the topic of corporate sustainability per issue	35
Figure 10	Regulatory functions of the government	40
Figure 11	General laws, regulations and policies	42
Figure 12	Business specific regulations	45
Figure 13	Societal regulations	48
Figure 14	Skills Development Levy distribution	51
Figure 15	Map of participating enterprises	53
Figure 16	Business model	53
Figure 17	Typology enterprises	56
Figure 18	Financial performance	56
Figure 19	Percentage of inputs bought locally	57
Figure 20	Answer pattern for success 'people'	57
Figure 21	Answer pattern for success 'planet'	58
Figure 22	Total level of success 'prosperity'	58
Figure 23	Total level of success 'people'	58
Figure 24	Total level of success 'planet'	58

Figure 25 Total level of success ‘total’	58
Figure 26 Theoretical framework	59
Figure 27 Entrepreneurship is seen as a desirable career choice within my..	60
Figure 28 Those successful at running a (sustainability-driven) enterprise have a high(er) level of status and respect within my..	60
Figure 29 There is a culture of fear of failure within my..	61
Figure 30 Most people believe that there is a need to be more sustainable within my..	61
Figure 31 In my country, you will often see stories in the media about..	65
Figure 32 Regulatory quality	67
Figure 33 In my country, over the last three years, the government has been stimulating..	68

Acronyms and abbreviations

ANC	African National Congress
B-BBEE	Broad-Based Black Economic Empowerment
BCEA	Basic Conditions of Employment Act
CC	Closed Corporation
CIPC	Companies and Intellectual Property Commission
CIPRO	Companies and Intellectual Property Registration Office
DA	Democratic Alliance
dti	Department of Trade and Industry
EEA	Employment Equity Act
EME	Exempted Micro-Enterprise
ED	Enterprise Development
GE	Generic Enterprise
GEM	Global Entrepreneurship Monitor
NCA	New Companies Act
NPC	Non-Profit Company
NPO	Non-Profit Organization
PBA	Public Benefit Activity
PBO	Public Benefit Organization
PP	Preferential Procurement
QSE	Qualifying Small Enterprise
SANAS	South African National Accreditation System
SARS	The South African Revenue Service
SDA	Skills Development Act
SdE	Sustainability-driven Entrepreneurship
SDL	Skills Development Levies Act
SED	Socio-Economic Development
Seda	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SME	Small and Medium Enterprises
VAT	Value-Added Tax
WCG	Western Cape Government

1. Introduction

Entrepreneurship is generally considered to be a crucial factor for socio-economic development and an engine of economic growth, as it has the potential to create economic as well as environmental and social value. A long-term solution for South Africa's growth problem lies not only in the encouragement of existing entrepreneurship, but more so in the stimulation of a new entrepreneurial class (Mahadea 2003).

The challenges facing South Africa are complex and by no means insignificant: it is a relative young democratic country with large socio-economic problems. Although South Africa's long-run economic growth path has seen some growth accelerations, these economic expansions were not sufficient for a fundamental transformation of the economy (Mahadea et al. 2010). In addition, the unemployment rate in South Africa is amongst the highest in the world, standing at over 25 percent in 2010 (Luiz & Mariotti 2011). At the society level, unemployment also contributes to rising levels of crime and political instability as well as poverty and income inequality (Mahadea 2003). Poverty and inequality are still common in South Africa with more than 20 million people living in poverty and the distribution of poverty across racial groups remains reminiscent of the apartheid era, with black Africans accounting for 93 percent of the total number of poor households (Sibisi 2011). Thus, owing to the low economic growth, high unemployment level and a persistent high level of poverty in South Africa, entrepreneurship becomes a critical component of the development strategy (Van Vuuren & Groenewald 2007).

The South African government has expressed its commitment in the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, to develop the economy and create more job opportunities (Republic of South Africa 1995). Despite governments' commitment to encourage entrepreneurship, South Africa has low levels of entrepreneurial activity. Recent data by the Global Entrepreneurship Monitor (GEM) shows that the total early stage entrepreneurial activity (5.9 percent) is considerably lower than the average for efficiency-driven economies (11.2 percent) as well as the average for all middle to low-income countries (14.8 percent) (Herrington 2010). According to findings in the GEM report, a country at South Africa's stage of development is typically expected to have a total early stage entrepreneurial activity of around 13 percent, which is more than double South Africa's actual rate. How to foster entrepreneurship effectively, has therefore it been a central issue with policy makers in South Africa.

Most scholars as well as policy makers recognize that SMEs are the most effective way to stimulate the development of the South African economy. Small and Medium Enterprises (SMEs) make a substantial contribution to economic growth and can be seen as a mechanism to stimulate economic change, improve the distribution of income, enhance employment creation and reshape the economic structure (Aidis et al. 2008). It is estimated that there are approximately two million SMEs in South Africa, which are responsible for about 50 percent of the total level of employment and 45 percent of total Gross Domestic Product (GDP) (Farrington et al. 2011). The state of small business activity and development in South Africa lags behind in comparison with other countries in similar phases of development. For example, SMEs constitute 95 percent of all business ventures in Asia and provide jobs to almost 80 percent of the total labour force and account for 45 percent of GDP (Luiz & Mariotti 2011).

South Africa faces not only low levels of entrepreneurial activity; it also experiences severe environmental problems. South Africa is amongst the most carbon intensive economies and thus responsible for almost 40 percent of the continent's total greenhouse gas emissions. In addition, there is a growing potential for resource depletion across a broad range of sectors and industries. Major current environmental issues are related to the increasing energy demand and dependence on coal-fired power stations, the scarcity and unevenly distribution of water and increasing waste volumes. Furthermore, the critical limits to agricultural production are likely to be exceeded due to a shortage of fertile land, degradation of soil and the projected effects of climate change on water supply (Sibisi 2011).

According to Hamann et al. (2012), the changing contexts of social and environmental challenges that face South Africa are intractable for the policy mechanisms that have been relied on over the past couple of years. In other words, traditional instruments applied by the government, such as the implementation of laws and regulations, do not seem effective enough to address these issues at local, national or international levels. Civil society organizations form another group of actors that have played an important role in the transition to a more sustainable world, but they also appear to be falling short in meeting the scale and scope of the challenges (Hamann et al. 2012).

The market is another mechanism that can tackle social and environmental challenges, since it is responsible for the efficient and responsible allocation of resources. However, it is also believed to be a major source of current issues (Schaltegger & Wagner 2011). Dean & McMullen (2007) and Austin et al. (2006) discuss how market failures contribute to environmental degrading as well as diminishing social welfare, arguing that these simultaneously provide opportunities for sustainability-driven entrepreneurship to create business models, which can fulfill the social and environmental needs that are currently not met by commercial market forces.

Hence, there is an urgent quest for new ways of addressing social and environmental challenges. The past decades have witnessed a growing interest and attention to the role of entrepreneurship in driving sustainability and the ability of entrepreneurs to promote environmental and social welfare. The notion of *sustainability-driven entrepreneurship* is currently embraced as one of the approaches that can assist in filling this identified gap, and lead the way toward a sustainable society. This new form of entrepreneurship, which addresses the pursuance of opportunities for profit realization and simultaneously delivers social or environmental benefits, kills two birds with one stone. Not only has it the potential to take on social and environmental challenges, it can also take South Africa's economy onto a higher road.

1.1 Research project

This research is part of an overarching study on the success factors of sustainability-driven enterprises in the Western Cape in South Africa that is performed by three master students Sustainable Development.

Prior to conducting this research, an extensive literature study has been performed in order to identify and compile a list of all factors that are related to the rate of success of sustainability-driven enterprises. From this list of factors, three subsets of independent variables have been identified, which have then been assessed through different lenses. Figure 1 shows the different dimensions and corresponding theoretical models that are used to answer the three individual research questions. The three adopted lenses are the micro, meso and macro level, as is discussed further in the following section.

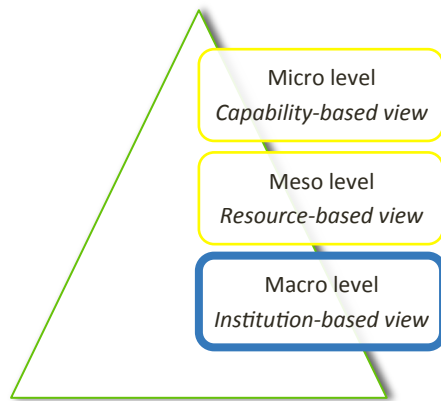


Figure 1 | Overall theoretical framework

The micro level is concerned with distinct organizational characteristics of sustainability-driven enterprises (SdEs) and looks at which factors at the enterprise level contribute to their success. It adopts a capability-based view in order to analyse which aspects of sustainability-driven enterprises' organizational design, enables them to create businesses that successfully survive and thrive in a competitive context.¹

Factors that are addressed at the meso level have to do with access to resources, which are split up in three categories: education, networks and finance. This study aims to explain the relationship between the degree to which SdEs have access to both formal and informal resources and the level of success they achieve.²

Finally, this research investigates the extent to which the Western Cape is conducive to SdE initiatives with respect to factors that play a role at the macro level. The macro environment identifies and describes the landscape that facilitates entrepreneurial activity. This entails factors that are completely independent of a single business unit, irrespective of how large that business might be.

1.2 Research objective and relevance

This study looks at the relationship between sustainability-driven entrepreneurship, the macro institutional climate and the level of success based on the triple bottom line. All three of these topics are complex issues in itself and empirical research to date has not yet come up with valid universally accepted definitions or scales to measure these phenomena.

Sustainability-driven entrepreneurship is a relatively new concept. There is no unified and commonly adopted definition of what this term entails, impeding the establishment of legitimacy and generalization of research findings on this topic (Short et al. 2009). Measuring the performance of businesses based on the triple bottom line is also problematic as defining boundaries of responsibility for individual organizations across economic, ecological and social systems is difficult (Norman & MacDonald 2004). Finally, there has been a lack of research on entrepreneurs' perceptions of institutions (Baldegger 2011). This is remarkable as Van Vuuren & Groenewald (2007) state that issues associated with the macro level are the most influential to the failure problems

¹ For more information, see A. F. van Dalssen (2012)

² For more information, see B. A. Curtis (2012)

experienced by SMEs. This study aims to expand the existing literature on how sustainability-driven entrepreneurs perceive the regulatory, cognitive and normative institutions around them.

Hence, the purpose of this study is twofold. First and foremost, it aims to enhance the understanding of sustainability-driven entrepreneurship and its relation to the institutional climate. While entrepreneurship is recognized as an important tool in the process of transitioning to a more sustainable society, major gaps remain in our knowledge on how this unfolds. The purpose of this study is to address this gap by examining the macro factors that are believed to positively influence the success of sustainability-driven entrepreneurs. Secondly, it aims to build awareness on the value of research in this area and to stress the importance to policy makers by providing the necessary data in order to indicate where opportunities, weaknesses and strengths of current structure and policies are.

The results of this research can be used as a basis for further research on sustainability-driven entrepreneurship and can assist policy makers in creating a more stimulating environment for sustainability-driven entrepreneurial phenomena. Uncovering critical success factors enables analysing whether sustainability-driven entrepreneurs receive appropriate assistance and indicates possible areas for improvement. It also helps demonstrating whether assumptions that are taken for granted and used to build entrepreneurship research on, are still valid or no longer appropriate.

1.3 Research questions

As this research is part of an overarching study, it aims to answer one of the three sub-questions that combined try to answer the central research question. The central research question is constructed as follows:

Joint research question: *“To what extent do identified factors at the macro, meso and micro levels explain the success of sustainability-driven entrepreneurship in the Western Cape region of South Africa?”*

Within this overarching study, the present research is focused on the broader picture, the macro level. Therefore, the research question for this specific research was formulated as follows:

Individual research question: *“To what extent do identified variables at the macro level create an environment that is conducive to successful sustainability-driven enterprises in the Western Cape area of South Africa?”*

This central research question is addressed through the following sub-questions:

- What factors play a role at the macro level according to the literature?
- What does the existing macro (institutional) environment in South Africa look like?
- What are the characteristics of the enterprises included in this sample?
- How successful are these businesses in terms of their environmental, social and economic impact?
- How do entrepreneurs perceive the (macro) institutional environment and how does this relate to their level of success?
- What conclusions can be drawn from these findings and what recommendations can be made for policy makers as well as future research?

2. Theoretical framework

Before the research question can be answered, two terms need to be defined in order to delimit the subject under investigation: *sustainability-driven entrepreneurship* on the one hand and *macro factors* on the other hand. The first section of this chapter further investigates the concept of SdEs in order to provide a clear focus for this research. This is followed by an explanation of how this study approaches factors that play a role at the macro level. It then presents an overview of the theoretical framework that is adopted for this study, followed by a set of hypotheses and the conceptual model.

2.1 The concept of sustainability-driven entrepreneurship

There is a growing recognition that the business sector needs to work with and support, rather than undermine, the ecological and social processes on which society depends. The relationship between entrepreneurship and sustainable development, with special regard to how the former can usefully contribute to the latter, has been increasingly addressed by scholars. This link has been described within a growing body of literature and builds on research on entrepreneurship driven by alternative sets of values and norms, including social entrepreneurship (e.g. Sharir & Lerner 2006; Mair & Marti 2006; Dees 2007), ecopreneurship (e.g. Dixon & Clifford 2007) and responsible entrepreneurship (e.g. Weerawardena & Mort 2006; Azmat & Samaratunge 2009). All these different business structures aim to address and help solve social and/or environmental issues.

Hence, there is no consensus in the literature on the definition of the new form of entrepreneurship that is driven by alternative motives and aimed at creating social, environmental and/or community value. Schaltegger & Wagner (2011) sum up the existing literature and definitions in the following table.

Table 1 | Characterization of different types of sustainability-oriented entrepreneurship by Schaltegger and Wagner (2011)

	Ecopreneurship	Social entrepreneur	Sustainable entrepreneurship
Core motivation	Contribute to solving environmental problem and create economic value	Contribute to solving societal problem and create value for society	Contribute to solving societal and environmental problems through the realization of a successful business
Main goal	Earn money by solving environmental problems	Achieve societal goal and secure funding to achieve this	Creating sustainable development through entrepreneurial corporate activities
Role of economic goals	Ends	Means	Means and ends
Role of non-market goals	Environmental issues as integrated core element	Societal goals as ends	Core element of integrated end to contribute to sustainable development
Organizational development challenge	From focus on environmental issue to integrating economic issues	From focus on societal issues to integrating economic issues	From small contribution to large contribution to sustainable development

In this research the term sustainability-driven entrepreneurship (SdE) is used, adopted from Parrish (2010) and inclusive of all three concepts covered in table 1.

Certo & Miller (2008) stress the importance of establishing concrete definitions by stating that these will help overcome the vagueness of the notion of sustainability-related forms of entrepreneurship and remove obstacles that it places on research. For the purpose of this study, the concept of sustainability-driven entrepreneurship is defined as ‘any entrepreneurial activities of individuals and/or organizations whose core operations are driven by sustainability-related motives, values, and goals that are internal and/or external to the business’.

This definition is based on three explicit notions found in literature:

1. The entrepreneurial activities are driven by *motives and values* alternative to those of commercial entrepreneurship, such as simply profit-maximization (Parrish 2010). Schlange (2009) states that sustainability-driven entrepreneurship can be distinguished from other types of entrepreneurship based on their distinct approach to balance the requirements of the triple bottom line.
2. The entrepreneur and/or enterprise must have a *sustainability-related goal* – based on the widely accepted definition of social entrepreneurship put forth by Herrington et al. (2010) in the GEM report. The goal(s) may be of a social, environmental, and/or community-oriented nature, as well as internal and/or external to the business operations. It is noted that many scholars view sustainability-driven entrepreneurship as the simultaneous pursuit of social and environmental goals (Schlange 2009; Parish 2010), however, the working definition for this research does require the entrepreneur and/or enterprise to explicitly adopt such a holistic approach. This decision is based on the rationale that the Western Cape is a relatively small geographical region with an already limited amount of entrepreneurial activity and by adopting guidelines that are too strict the chances of success for conducting valuable and representative empirical research decrease significantly.
3. The sustainability-related focus of the entrepreneur and/or enterprise must be *integrated into the core* of the business, thus going beyond merely ‘responsible practices’ (Schaltegger & Wagner 2011).

2.2 The concept of ‘macro dimension’

The macro dimension deals with the *external* context and looks at factors that affect the nature and outcome of opportunities, but that are outside of the control of the entrepreneur (Austin 2006). In other words, the macro dimension addresses a set of factors that altogether form the *landscape* in which entrepreneurs operate. This overarching level includes variables that facilitate or constrain sustainability, entrepreneurship and its combination: sustainability-driven entrepreneurship.

Factors that constitute the macro-environment are economic, socio-demographic, political, physical, international and technological, over which individual business owners have no control (Van Vuuren & Groenewald 2007). Thus, the macro environment comprises the *institutional foundations* for entrepreneurial activities. Factors that play a role at the macro level are therefore addressed by means of the *Institution Based View* as developed by Peng et al. (2008).

Now that it has been made clear what business ventures are referred to as SdEs and how the macro dimension is interpreted in this research, the following section presents the theoretical framework, based on the institutional perspective on sustainability-driven entrepreneurship, which is used to assess the factors that are embedded in this dimension.

2.3 The institution-based view

What determines the success of entrepreneurial ventures? This is one of the most important questions facing entrepreneurship research. Generally, there are two perspectives that are used to address this question. The industry-based view as developed by Porter (1991) assumes that conditions within industries are strongly related to the performance of businesses. The resource-based view, represented by Barney (1991), stresses that entrepreneurial success is dependent on firm-specific resources and capabilities. According to Peng et al. (2008), the industry- and resource-based view do indeed contribute largely to our understanding of drivers of success. Nevertheless, they are criticised for disregarding the institutional environment that provides the context by which entrepreneurial activities are conditioned. These theories are built on the assumption that the institutional framework is stable and transparent, but this assumption does not hold true in case of emerging economies. The following paragraph explains the institution-based view of entrepreneurship which, in combination with the traditional industry- and resource-based view, helps to shed light on the question as posed at the beginning of this paragraph.

The second question that needs to be asked is: what exactly are institutions? North (1990, p.3) defines institutions as “the rules of the game” or, more formally, as “the humanly devised constraints that shape human interaction”. Institutions provide guidance, stimulate the development of routines and customs and reduce the uncertainty of social interactions (Sautet 2005).

These rules of the game have informal as well as formal constraints. Examples of informal institutions include norms, values and shared knowledge, beliefs and morals that are not formally codified, but are backed by social custom. Formal institutions include legal and political structures (including written rules such as laws and regulations) and all additional standards and rules that are known to all members of a group and therefore legally binding (Boettke & Coyne 2007).

Informal institutions create the climate that underpins formal institutions. This means that informal rules are often codified in practice to become formal law (Boettke & Coyne 2007). For example, the informal norm of keeping promises is reflected in the formal law of contract. The extent to which formal rules are self-enforcing and embedded in informal institutions determines the degree to which external enforcement by governments and other national bodies is required. In other words, whether individuals follow formal rules as legislated by governments depends on the alignment between formal rules and informal norms (Sautet 2005). Figure 2 provides a description of how these formal and informal rules are related.

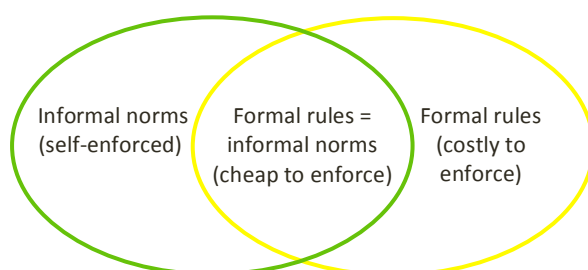


Figure 2 | Interaction between formal and informal institutions (*Source: Sautet 2005, p.5*)

Institutions only affect people’s behaviour when they are legally enforced. If there is no overlap between the formal rules and informal norms, informal rules take priority, making it very costly and challenging to enforce formal rules. Policy makers should therefore aim to maximize the overlap when possible. Table 2 summarizes the most important features of informal and formal institutions.

Table 2 | Characteristics of informal and formal institutions (Source: Florkowski & Jogmark 2011)

	Informal institutions	Formal institutions
Enforcement	Self-enforced Sanctioned by group members	Not self-enforced Sanctioned by law
Identification	Embedded in culture	Written rules
Scope	Differences per area Applicable to respective group members	Nation-wide Applicable to all groups in society
Content	Can contradict each other	Cannot contradict each other

Williamson (2000) argues that there are various levels of institutions that all require a different amount of time to change them. Table 3 lists the four types of institutions and their corresponding rate of change. The four different levels form a system in which the higher levels constrain the lower levels, which means that the informal institutions have an influence on the functioning of the formal institutions. This in turn, constrains the interactions within these institutions and eventually has an impact on the allocation of resources. Also, the higher the level, the more permanent the institutions are and the longer it takes to change them. According to Williamson's hierarchy, it can take up to a century for informal institutions to evolve, whereas resource allocation is a continuous process of change.

Table 3 | Types of institutions (Source: Williamson 2000)

Level	Type of institution	Time to change
1	Embeddedness: informal institutions	100 to 1000 years
2	Institutional environment: 'rules of the game' – formal institutions	10 to 100 years
3	Governance: 'play of the game' within formal institutions	1 to 10 years
4	Resource allocation and employment	Continuous

2.3.1 The role of institutions in entrepreneurship

Entrepreneurship can not exist without rules. Institutions are responsible for creating the structure in which the game is played. Lee & Peterson (2000) view entrepreneurship as a response to certain environmental conditions that can help or hinder entrepreneurship success by providing the broader context for enterprises' operations and by the nature of the business climate they establish. Thus, the institutional environment in which entrepreneurs act, shapes the set of opportunities available at any point in time (Boettke & Coyne 2007).

According to Baumol (1990), there are two types of entrepreneurship: productive and unproductive entrepreneurship. He argues that the productive contribution of a society's entrepreneurial activities varies, due to the differences in relative payoffs that societies offer for productive activities, like innovation and largely unproductive activities, like rent seeking or organized crime. Such relative payoffs are thus the result of the opportunities in a society that are shaped by institutions. The institutional framework dictates the incentives that control which type of skills and knowledge will result in the maximum payoff (North 2005). In the case of productive entrepreneurship, formal institutions reflect the informal norms and stimulate entrepreneurs to seize socially beneficial opportunities (Sautet 2005). Bowen & De Clercq (2007) also find that a country's institutional environment significantly influences the allocation of entrepreneurial effort and the extent to which this is directed at high-growth activities that have significant job creation potential.

Boettke & Coyne (2007) stress the connection between Williamson's (2000) institutional hierarchy and Baumol's (1990) entrepreneurship typology, by suggesting that alterations in institutions change relative payoffs, simultaneously influencing the type of entrepreneurial activity. This means that it may be possible to change the rules in ways that help redirect entrepreneurial activity toward more productive goals (Baumol 1990).

2.4 Three-dimensional institutional profile of entrepreneurship

The fact that entrepreneurial activities are both constrained and enabled by the institutional environment has been widely accepted in literature (Bruton et al. 2010). However, there is no agreement on what exactly constitutes the institutional environment that affects entrepreneurs.

Researchers have used different measures to determine the operation of institutions and their role in entrepreneurship. These measures encompass indicators that range from characteristics of political regimes (i.e. executive powers) and political stability (i.e. wars and riots) to social characteristics (i.e. historical background) and social capital (i.e. civic engagement) (Aron 2000). Each of these indicators has the potential to influence the level of entrepreneurial success, but they are not easy to quantify.

Therefore, Kostova (1997) introduced the concept of a three-dimensional *country institutional profile* to explain how a country's government regulations and policies (constituting a regulatory dimension), widely shared social knowledge (a cognitive dimension) and value systems (a normative dimension) affect *domestic business activity*. Busenitz et al. (2000) and Scott (2001), building on this research, have further developed and adapted this framework in order to better understand the role of institutions in *entrepreneurship*. The following paragraph identifies and describes these normative, cognitive and regulatory dimensions of the institutional environment for entrepreneurship.

2.4.1 Normative dimension

The normative component reflects values (what is preferred) and norms (how things are to be done) that are not backed by formal law, but are grounded in society (North 1990). These customs and beliefs establish ground rules to which people conform. It represents models of individual behaviour based on subjectively constructed rules and meanings that result in certain beliefs and actions that are considered to be appropriate (Veciana & Urbano 2008).

The set of norms within societies affect the entrepreneurial mind set in a country and can either facilitate and promote entrepreneurship or constrain private business behaviour (Bruton et al. 2010). The normative component therefore measures the degree to which entrepreneurial activity is accepted and admired within society (Busenitz et al. 2000).

This pillar is increasingly important to entrepreneurship research, in terms of the extent to which societies accept and respect entrepreneurs and create a cultural environment within which entrepreneurship is encouraged. Some societies and countries are characterized by a social and cultural norm system which stimulates individual actions leading to more entrepreneurial action, whereas other societies discourage it by making entrepreneurial action difficult (Baumol 1990). In short, institutions can stimulate entrepreneurial activities by altering society's values and culture.

2.4.2 Cognitive dimension

The cognitive element reflects the cognitive structures and social knowledge that is widely shared amongst people in a certain country or region. This component reflects “perceptions, sense making, categorization, judgments, memories, emotions and assumptions on how the world operates” (Scott 2001). With respect to entrepreneurial activities, cognitive structures determine how information is processed and interpreted (Krammer 2012).

Veciana & Urbano (2008) argue that the cognitive element consists of the knowledge and skills possessed by people in a certain country pertaining to the process of founding and managing a business. This means that a particular knowledge set, such as having a general understanding of the basic steps that are required to start a business, becomes institutionalized at a certain point in time and forms part of a shared social understanding (Gómez-Haro et al. 2011). These shared cognitive conceptions about entrepreneurial activities can be influenced through adequate education systems.

2.4.3 Regulatory dimension

The third dimension of a country’s institutional context that influences entrepreneurial activity is concerned with the role of the state or government.

Two government-related aspects are particularly relevant for the allocation of entrepreneurial effort: the extent to which government provides an environment that is conducive to entrepreneurial phenomena (*regulatory quality*) and the extent to which government policies favour business activities (*regulatory support*).

The first regulatory sub-dimension measures the quality of the government and consists of the degree to which the state exerts good governance. An environment that is conducive to entrepreneurship is for example characterized by a high degree of security of property rights, a fair judicial system, freedom of choice, contract enforcement and effective constitutional limits (Vives & Bank 2006; Lee & Peterson 2000).

The second pillar stems directly from government legislation and consists of laws, regulations, and government policies that provide support for businesses. Entrepreneurs are able to take advantage of the resources that are provided through government-sponsored programs and enjoy privileges stemming from government policies that favour entrepreneurial activity (Busenitz et al. 2000).

2.5 Three-dimensional institutional profile of SdEs

In the previous section, the different roles that the normative, cognitive and regulatory dimensions play in determining levels of entrepreneurship have been acknowledged. This concept of a three-dimensional country institutional profile has been valuable in studying how and why levels of entrepreneurship differ per country (e.g. Descotes et al. 2007; Eunni 2010; Gupta et al. 2012; Manolova et al. 2008; Parboteeah et al. 2009; Shaw & Urban 2001). The majority of these studies adopt a comparative cross-country approach to explore the ways in which institutions influence

entrepreneurial activity and performance in one specific sector (e.g. Aidis et al. 2008; Bhaumik et al. 2012).

This study is different from other empirical studies on the relation between entrepreneurship development and institutional frameworks, since it looks at *intra-country* variation in perceptions of the institutional climate by analysing how different types of entrepreneurs *across all sectors* experience this and how it affects them.

In addition, Kostova (1997) stresses that institutional profiles cannot be generalized, since they are domain specific. While institutional profiles exist in the domain of entrepreneurship, no framework has been developed for the domain of sustainability-driven entrepreneurship. This research aims to investigate the relationship between institutions and *sustainability-driven entrepreneurship*. Therefore, the objective of this study is to fill this gap by identifying and describing the relevant normative, cognitive and regulatory dimensions of the country institutional profile for sustainability-driven entrepreneurship.

To examine the relationship between institutions and sustainability-driven entrepreneurship, Kostova’s (1997) country institutional profile is extended to provide a framework for SdEs, which captures the institutional elements that are relevant for SdEs.

The theoretical framework that is used to assess variables that play a role at the macro (institutional) level is depicted in figure 3. This figure shows that the macro level forms the landscape in which sustainability-driven entrepreneurs operate and is predominantly concerned with the cultural and political climate as the following paragraphs further explain.

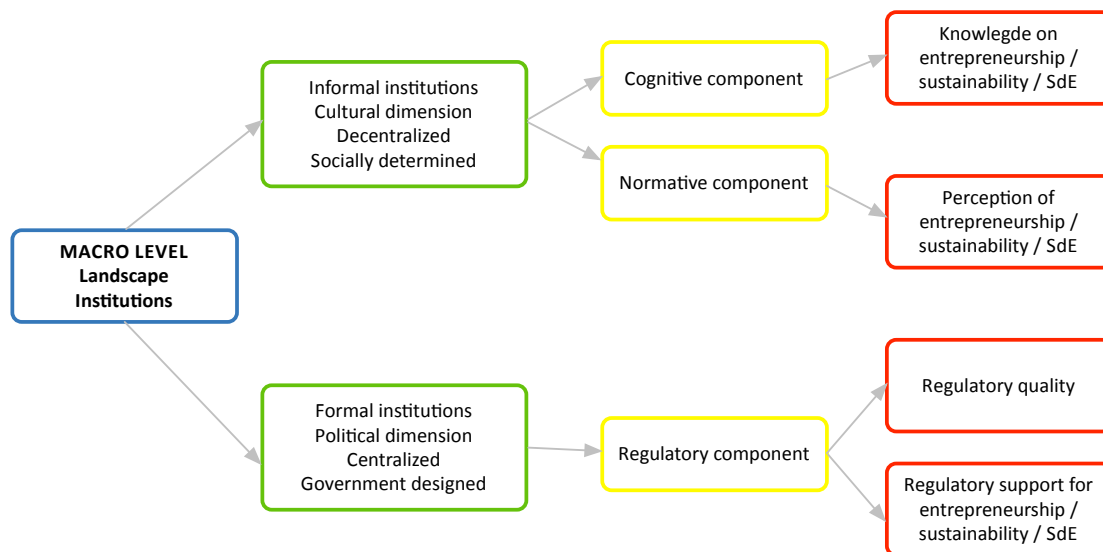


Figure 3 | Theoretical framework

2.5.1 Normative dimension for SdEs

A country's normative institutional context consists of the extent to which values and behaviours are orientated towards entrepreneurship. In the specific case of SdEs, the normative dimension is extended with questions that focus on the degree to which South Africans value and respect sustainability-driven entrepreneurial activities. If caring for the planet and caring for people is part of the set of shared values that is strongly held by the entrepreneurs' direct network or the general public, entrepreneurs are more likely to conform to these norms to gain support from society.

2.5.2 Cognitive dimension for SdEs

The cognitive component reflects those elements of society that are 'taken for granted' and captures knowledge that is shared by individuals in a given country (Kostova 1997). In the case of entrepreneurship, this dimension reflects the knowledge and capacities possessed by people in a certain country with regard to establishing businesses.

Most scholars tend to exclude the cognitive dimension in their attempts to measure the institutional environment. The main reason for disregarding this dimension is the fact that there is a theoretical overlap with the normative dimension, since both dimensions address perceptions and beliefs (Gupta et al. 2012).

This study does not disregard the cognitive dimension as such, but it does attach a new meaning to the cognitive pillar of institutions. There are two motives for changing the cognitive scale. First, this dimension is similar to the analysis at the micro level (since both dimensions address capabilities) and at the meso level (since both dimensions address access to education). The second reason is that data are collected from entrepreneurs, and not from students as most other studies (e.g. Manolova 2008; Shaw & Urban 2001) who are supposed to have sufficient knowledge on starting a business, since they already have been through the process (in contrast to students).

In this research, the cognitive dimension refers to the extent to which people in South Africa are exposed to the activities of SdEs through public media. Thus, this study argues that a strong cognitive institutional environment is associated with a high degree to which individuals are confronted with the existence and success of sustainability-driven entrepreneurship.

2.5.3 Regulatory dimension for SdEs

The regulatory dimension refers to the existence of national government policies and regulations that are aimed at promoting or restricting certain behaviour. In the specific domain of SdEs, this is extended to include the degree to which government encourages sustainability-driven entrepreneurship. It also refers to the different environmental and social laws and regulations that enterprises have to comply with. According to Roxas & Coetzer (2012), the government can shape entrepreneurs' attitudes toward sustainability issues through imposition and inducement. Imposition refers to governmental bodies imposing restrictions on business actors through orders and rules. Inducements are incentives to influence the behaviour of entrepreneurs, such as taxes and subsidies.

2.6 Hypotheses

Based on the findings within the literature, the following overall hypothesis is proposed:

Hypothesis 1.0: The more positive the entrepreneurs' assessment of the regulatory, cognitive and normative environment for sustainability-driven entrepreneurship, the better their assessment of the firms' success.

In line with the definition of the normative dimension of the institutional environment for SdEs, which is concerned with prevailing cultural tendencies and societal attitudes with regard to sustainability and (sustainability-driven) entrepreneurship, it is hypothesized that:

Hypothesis 1.1: Positive perceptions of the favourability of the normative institutional environment are associated with higher levels of success.

Given the definition of cognitive institutions, which refers the level of media exposure on sustainability and (sustainability-driven) entrepreneurship, the second hypothesis predicts that:

Hypothesis 1.2: Positive perceptions of the favourability of the cognitive institutional environment are associated with higher levels of success.

Recognizing that the regulatory dimension reflects the quality of regulatory system and the extent to which sustainability and (sustainability-driven) entrepreneurship is fostered by the government, the final hypothesis predicts that:

Hypothesis 1.3: Positive perceptions of the favourability of the regulatory institutional environment are associated with higher levels of success.

2.7 Conceptual framework

Figure 4 presents the conceptual model that is based on the hypotheses stated in the previous paragraph. It shows that there is an expected relationship between the three dimensions of the institutional environment (as well as the control variables) and the level of success. The next chapter explains how the conceptual model is implemented and further investigated.

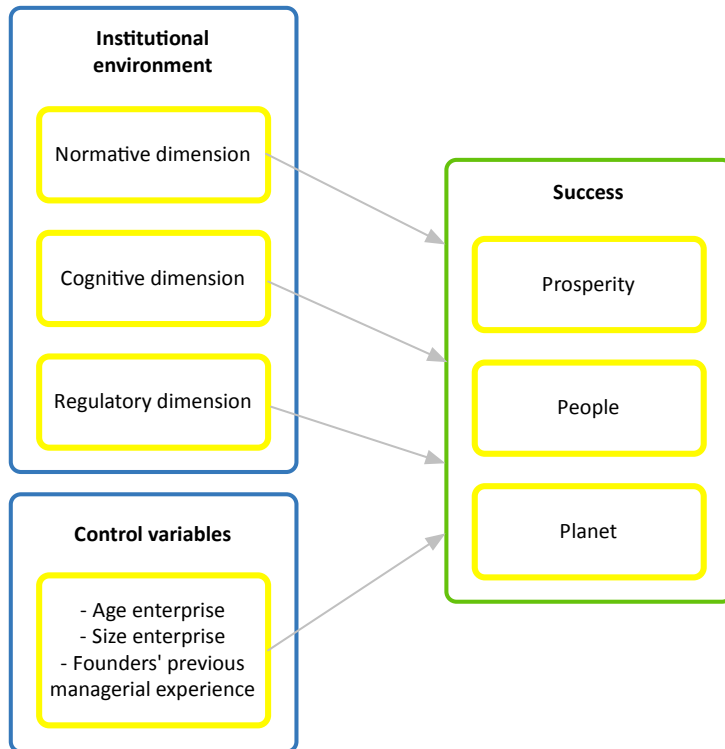


Figure 4 | Conceptual framework

3. Research methodology

The purpose of this research is to gain insight into the relation between institutions and the success rate of sustainability-driven SMEs in the Western Cape by uncovering and analysing the macro factors that influence such enterprises. This chapter provides an overview of the methodological framework that is used. The chapter starts off with a description of the research type, followed by a paragraph on the data collection procedure. The final section concludes with a description of the methodology that is used to measure the institutional climate as well as the level of success of SdEs.

3.1 Research type

Mixed methods are rarely used in entrepreneurship research. However, the use of a mixed method makes it possible to increase the validity of this study since the weaknesses in each single method are compensated by the strengths in another method (Hohenthal 2006). This research adopts such a mixed methodology and combines quantitative and qualitative data to improve the accuracy and strength of the research outcome. The quantitative data is captured by means of a questionnaire in order to elucidate key elements and to create a broad understanding of SdE. It also makes it possible to check for generalization in a way that qualitative research does not. On the other hand, qualitative data allows for an in-depth analysis of each enterprise and makes it possible to obtain rich data, which could not have been retrieved from the questionnaires. Hence, the multiple case study approach, consisting of face-to-face interviews, is used to further interpret and explain the findings.

The dominant qualitative methodology in entrepreneurship research is the case study approach (Short et al. 2009). Such interpretive research is based on the assumption that creating a better understanding of a phenomenon is only possible by understanding the interpretations of that phenomenon from those who experience it firsthand (Shah & Corley 2006). The in-depth interviews, which form the qualitative segment of this research, also aim to gather data from those people directly experiencing the institutional climate. These interviews are of a flexible nature, allowing participants to decide what aspects they consider to be most important.

The quantitative element of this research includes a questionnaire that is subdivided in five different parts. The first section of the measuring instrument consists of a number of general questions relating to the business and owner or manager. Then, entrepreneurs are asked questions about their business performance, which is split up in three different segments covering the level of success in terms of people, planet and profit. The final sections are concerned with questions relating to the three identified dimensions, namely the macro, meso and micro level.

The independent variable, the level of success, is based on a selection of sustainability performance indicators that address financial, environmental and social issues. Numerous different indicators have been developed over the years, but there is no consensus on which set of indicators is most suitable to measure success based on the triple bottom line principle (United Nations 2004). Therefore, only those indicators that seemed to be most relevant and important have been selected.

This study is exploratory of nature, since it is concerned with measuring the complex effect of the institutional framework for unlocking successful sustainability-entrepreneurship. Instead of using hard objective data, this study adopts a soft approach by making use of subjective performance

measures obtained from self-assessment by the entrepreneurs. This could lead to socially desirable responses, as participants may have the tendency to present themselves more favourably with respect to current social norms and standards (Zerbe & Paulhus 1987).

The dependent variables, the functioning of institutions in South Africa, are also measured in a subjective way. Capturing the institutional environment through entrepreneurs' perceptions is different from the traditional analysis of institutions, which is based on hard facts on objective features of institutions themselves (Scott 2001), whereas this research looks at the entrepreneurs' subjective interpretation of objective conditions.

3.2 Data collection

The participants in this study are all entrepreneurs, because those are the ones directly influenced by institutional dynamics. The selection of businesses that could be included in this research was subject to a number of key criteria. In order for companies to qualify as participants, the following requirements were to be met: (a) the enterprise needs to be located in the Western Cape area; (b) the enterprise has to be established, as defined by a 'formal age' of at least 12-18 months, meaning that businesses in the start-up phase are excluded; and (c) the focus of this research is on micro enterprises (1-5 people) and Small and Medium Enterprises (SMEs). Based on the definition of SMEs by Eyaa et al. (2010, p.237), this means that the sample contains firms that have 5-50 employees (small enterprise) and 51-500 employees (medium enterprise). In terms of the nature of the enterprises, non-profit entities as well as for-profit business structures are included.

Potential participants were mostly found through University Utrecht and Stellenbosch University contacts, as well as by means of searches on the internet and through the use of directories that list green businesses, such as Cape Town Green Map (2012), The Trickle out Project (2012) and Urban Sprout (2012). In addition to online searches, a snowball effect took place as a number of businesses were recommended by participating entrepreneurs during interviews. A database was then created, that entailed a very diversified collection of cases in terms of different sectors, industries and business activities. The process of approaching entrepreneurs was mainly done by email, with some phone follow-ups.

A total of 95 entrepreneurs have been contacted and requested to participate in this research. From this sample, 35 people agreed to be interviewed from which 28 questionnaires were obtained. In addition to this number, three questionnaires have been received from entrepreneurs who participated solely through the questionnaire. The total response rate for this study is rather high and equals 37.8 percent (38 participants out of 101 approached entrepreneurs). The response rate for interviews was 34.6 percent (35 out of 101) and of those interviews, 80 percent (28 out of 35) returned the filled out questionnaire.

The face-to-face interviews were semi-structured and allowed for changes and spontaneous responses through the interview process, but remained limited to the constraints of the questionnaire and the relevant subject matter. The interviews lasted between 1 and 2.5 hours in order to ensure sufficient data collection. All interviews, given the permission of the interviewees, were recorded for the purpose of accurate data capturing.

The interviewees were predominantly the owners of the businesses, but also included managing and sustainability directors. In most cases, the owner and manager of the business were one and the same person, but in case of bigger organizations interviewees were asked to answer questions on

behalf of the founder of the organization. Towards the end of the research phase and after having obtained enough qualitative data, entrepreneurs were requested just to fill out the online questionnaire without doing an extra interview.

In addition to the interviews with entrepreneurs, a number of interviews with experts in the field have been conducted to form a more complete picture of the phenomenon of SdE. An overview of the interviewees and their occupation is included in Appendix B.

3.3 Methods

3.3.1 Dependent variable

The only dependent variable is the level of success of sustainability-driven enterprises. While it remains difficult and ambiguous to evaluate the performance of a sustainable enterprise, a framework has been developed to make this measurable. In order to determine the impact and success of sustainable enterprises, a unit of analysis is selected that goes beyond the accrued benefits to the individual entrepreneur and business venture. Three sets of indicators, based on the triple-bottom line as introduced by Elkington (1998), have been created in order to be able to quantify business performance on a prosperity, people and planet scale. In addition, a distinction is made between the internal dimension (direct impact, on owners and employees) and external dimension (indirect impact, on other stakeholders) that contribute equally to the total performance on that subscale. The following section explains how the level of success is calculated per subscale.

3.3.1.1 Success on prosperity scale

The measurement for the level of prosperity that an SdE brings, consists of three elements (figure 5). Two of these elements are aimed at measuring external impact, while one other looks at the achieved internal impact.

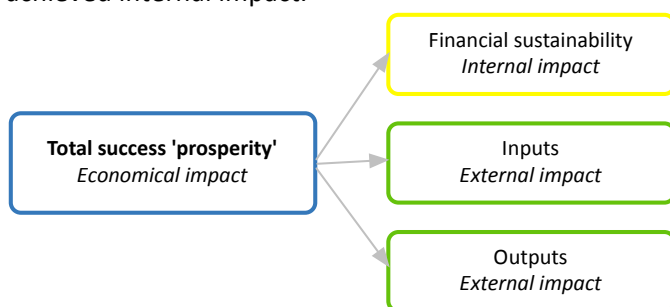


Figure 5 | Composition of variable of 'total success prosperity'

Financial sustainability – internal impact

“The higher the profit, the higher the success”

The first element that measures internal impact, is concerned with the yearly profit that the business makes. This question was originally intended to measure the percentage of average profit over the past three year. However, not all entrepreneurs had this information freely available or they did not interpret the question in the right way.

Therefore, a different approach has been used through which enterprises were divided over three categories according to whether they are encountering losses, break even or make a profit. These three variables were then translated into 5-point Likert scale equivalents, whereby the value 1 equals losses, 3 stands for breaking even and 5 refers to making profits.

Inputs – external impact

“The higher the amount of inputs bought locally, the higher the success”

The first measurement of external impact is the amount of inputs that have been sourced locally. Participants were asked to answer this questions by ticking one of the five boxes that specified what percentage of their inputs were purchased within the Western Cape or within 50 kilometre outside this range. As there were already 5 options to choose from, no changes were needed to capture the level of success through a 5-point Likert scale.

Outputs – external impact

“The higher the amount of outputs delivered locally, the higher the success”

The second component of external impact of businesses is measured by the percentage of products and services that are going to the local market, national market, African market and international markets. There are four categories in this one question that can all be subdivided in boxes that refer to the percentage of products and services that go to that particular market.

For each category of markets, six boxes are designed: box 0 = 0%, box 1 = 1 – 19%, box 2 = 20 – 39%, box 3 = 40 – 59%, box 4 = 60 – 79%, box 5 = 80 – 99% and box 6 = 100%. Next, all these boxes are assigned a value, thus box 0 = 0, box 1 = 1, box 2 = 2 and so on. After determining the values for each market, these numbers are weighted since serving the local market gets a higher rate then supplying the national market, which is still a bit better than the continental and finally other international markets. Therefore, the ‘local market’ gets a weight attributed to it of 3, ‘national market’ of 2, ‘African market’ of 1 and ‘international market’ of 0. Per case, the scores for the four market shares are added up in order to get the final outcome. These outcomes are then transformed into a 5-point Likert scale by multiplying them by (5/19), as 19 was the highest possible maximum score and now gets a score of 5. Box 1 shows an example of how this calculation is performed.

Box 1 | Example of calculation for output value

The case in this example delivers 40% of its services/products to the local market, 30% to the national market, 22% to the African and 8% to the international market. From the table below, it can be seen that the scores for this division of market shares are 3, 2, 2 and 1 respectively. After weighing and adding up the scores, the final outcome is equal to 15. In order to translate this number to a Likert equivalent, it is multiplied by (15/9) which results in a value of 3.95 = 4.

Table 4 | Example calculations for output variable

Percentage	Value	Output local	Output national	Output African	Output other
0%	0				
1 – 19%	1				8%
20 – 39%	2		30%	22%	
40 – 59%	3	40%			
60 – 79%	4				
80 – 99%	5				
100%	6				
Score		3	2	2	1
Weight		3	2	1	0
Weighted score		9 (3*3)	4 (2*2)	2 (2*1)	0 (1*0)

Composition of ‘total success prosperity’

The final variable ‘total success prosperity’ is a function of the three variables as discussed above and can be subdivided in internal and external prosperity impact. Profit is concerned with internal values, whereas inputs and outputs result in external impacts. To assign equals weights to the internal and external dimension, the following equation is used:

Equation 1 | ‘Success prosperity’ calculation

$$\text{Success Prosperity} = [(\text{Profit} * 2)_{\text{internal}} + \text{Inputs}_{\text{external}} + \text{Outputs}_{\text{external}}] / 4$$

3.4.1.2 Success on people scale

The extent to which a company is successful on the people dimension is dependent on two internal factors and one external factor. The factors that are used to determine the value for ‘total success people’ are all measured through a 5-point Likert scale, which makes additional changes unnecessary.

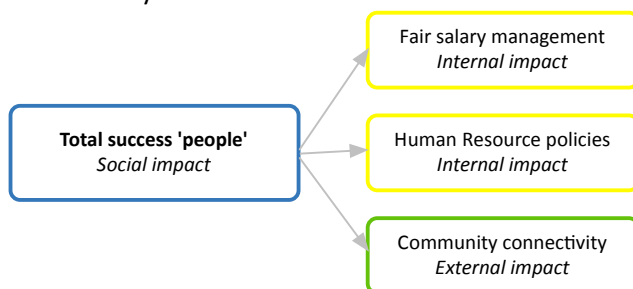


Figure 6 | Composition of variable of ‘total success people’

Fair salary management – internal impact

“The lower the factor of difference between the lowest and highest salaries, the higher the success”

This component was originally included with the intention to measure the internal social impact of SdEs. However, due to too much invalid and missing data this variable has been left out of the final equation for success on the social scale.

Human Resource policies – internal impact

“The better the policies, the higher the success”

The second component addresses the extent to which entrepreneurs have implemented policies on minimum wage, health and safety procedures and equality of gender and race. The question on minimum wage has been excluded from the calculation since there were too many missing values. This is most likely correlated with the fact that South Africa already has very strict labour laws, but it could also be a result of unclear phrasing in the questionnaire. That is, entrepreneurs are asked about their policies on social issues, whereas many small companies do not have real policies. Finally, some participants left this question blank intentionally because it did not apply to them as a one-person enterprise. Therefore, the ‘Human Resource policies’ scale is based on two principles instead of the original three.

Community connectivity – external impact

“The more invested in the community, the higher the success”

This third pillar measures the external impact and is concerned with capturing the amount of time and money that entrepreneurs have invested in their local community.

Composition of ‘total success people’

The final variable ‘total success people’ is a function of the three variables as discussed above and can again be subdivided in internal and external impact. ‘Fair salary management’ and ‘Human Resource policies’ are concerned with internal values, whereas ‘community connectivity’ results in external impacts. To assign equal weights to the internal and external dimension, equation 2 is used.

Equation 2 | ‘Success people’ calculation

$$\text{Success People} = \left[\begin{array}{c} \text{Policies H\&S} \\ \textit{internal} \end{array} + \begin{array}{c} \text{Policies Equality} \\ \textit{internal} \end{array} + \begin{array}{c} (\text{Community Conn} * 2) \\ \textit{external} \end{array} \right] / 4$$

3.4.1.3 Success on planet scale

The degree to which a company is successful in terms of its environmental contribution, is determined based on two internal aspects and one external aspect of its business activities (figure 7). Again, the factors that are used to determine the value for ‘total success planet’ are measured on a 5-point Likert scale.

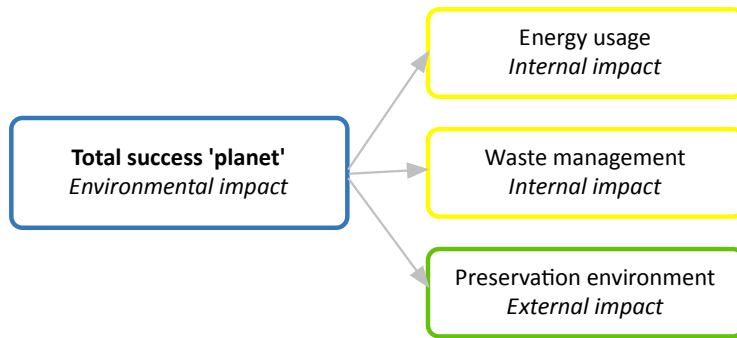


Figure 7 | Composition of variable of ‘total success planet’

Energy usage – internal impact

“The lower the energy use, the higher the success”

The first element that measures the internal impacts of the SdEs environmental impact, addresses the extent to which entrepreneurs have minimized their energy usage or aim to do so in the near future.

Waste management – internal impact

“The lower the waste, the higher the success”

Waste management consists of three sub-dimensions, namely reducing of material usage, re-using of materials and recycling of materials. These three elements combined make up the second internal pillar of total success on the planet dimension.

Preservation environment – external impact

“The more invested in the environment, the higher the success”

This last component is concerned with external values and indicates whether companies invest time and money in the preservation of the natural environment.

Composition of ‘total success planet’

The score on the planet scale is calculated based on five questions. Equation 3 is used to attach equal value to both internal and external environmental impact.

Equation 3 | ‘Success planet’ calculation

$$\text{Success Planet} = \left[\left(\text{Energy Use} * 3 \right)_{\text{internal}} + \left(\text{W Red} + \text{W Reu} + \text{W Rec} \right)_{\text{internal}} + \left(\text{Nat Invest} * 6 \right)_{\text{external}} \right] / 12$$

3.4.1.4 Aggregated success

The overall success of SdEs in terms of the triple bottom line is measured by the variable ‘total success’. This variable refers to the average of the rate of success measured for each of the three pillars of success, which are prosperity, people and planet. Whereas the previous section explained the composition of success per dimension, equation 4 shows how the dependent variable ‘total

success' is calculated. If the value for one of the three measurements of success is lacking, the average degree of success is based on the average of the score for the two other dimensions.

Equation 4 | 'Total success' calculation

$$\text{Success Total} = [\text{Success Prosperity} + \text{Success People} + \text{Success Planet}] / 3$$

Table 5 summarizes the operationalization of the three indicators for success of SdEs.

Table 5 | Operationalization of success of SdEs

Sub-dimensions	Composition	Measurement
Prosperity	<i>Based on 3 items:</i> 1. Financial sustainability 2. Inputs 3. Outputs	5-point Likert scale (ordinal)
People	<i>Based on 3 items:</i> 1. Fair salary management 2. Human Resources policies 3. Community connectivity	5-point Likert scale (ordinal)
Planet	<i>Based on 3 items:</i> 1. Energy usage 2. Waste management 3. Preservation environment	5-point Likert scale (ordinal)

3.3.2 Independent variables

In order to define the institutional profile for sustainability-driven entrepreneurship, a pool of items for each of the three dimensions is generated.

3.3.1.1 Normative scale for SdEs

There is no such thing as one universal entrepreneurial culture. However, the key to initiate the process of entrepreneurship lies within members of a society and is tied to their attitude towards entrepreneurship. If a culture is characterized by pro-entrepreneurial values, it will most likely positively influence the number of entrepreneurial ventures and serve as an incubator in the entrepreneurship initiation process (Morrison 2000).

The normative notion of institutions is often associated with national cultural values as introduced by Hofstede (1980). Hofstede (1980, p.25) defines culture as “the collective programming of the mind which distinguishes the members of one human group from another”. This ‘collective programming’ has four aspects to it, which are labelled as individualism, masculinity, power distance and uncertainty avoidance.

The first dimension, the degree of individualism, measures how people define themselves and their relationships with others. Individualistic societies are characterized by loose ties and integration between individuals, in which goals are set with minimal consideration given to groups other than immediate family. A collective culture is considered to be very tight and its members prefer to act as

a group instead of individuals. Societies in which traits such as competition, success and assertiveness, are highly valued are referred to as masculine cultures, whereas values as personal relationships, service and quality of life are associated with feminine cultures. Masculine societies aim to establish a clear distinction of the different gender roles, femininity stands for an overlap between male and female roles. Power distance addresses the extent to which people consider the level of inequality to be acceptable. It measures to what degree less powerful members within the society consider the unequal distribution of power to be normal. Finally, uncertainty avoidance reflects the degree to which members within society feel threatened by the unknown and prefer structured over uncertain situations.

Hofstede (1980) argues that cultures that support entrepreneurs to act independently, encourage experimentation, take risks, take initiative and aggressively compete, experience a higher degree of entrepreneurial action. These types of societies are usually described by *individualistic* and *masculine* values and show *low power distance* and a *low level of uncertainty avoidance*. The greater the cultural criteria are from the ideal type that is most conducive to business, the lower the level of entrepreneurship.

Even though Hofstede's (1980) typology does provide a valuable insight into the norms and values that form the foundation of national cultures, it is primarily used to capture cultural differences between countries. Also, the findings of empirical studies aimed at determining the relationship between cultural dimensions and national level of entrepreneurship have been mixed. Especially the statement that individualistic cultures encourage entrepreneurship has been criticized, since collectivist objectives are argued to be primary drivers of entrepreneurial activities in some societies (Spencer & Gómez 2004).

Therefore, other studies have put more emphasis on how society's attitudes toward entrepreneurship influence the level of entrepreneurial activity (Spencer & Gómez 2004). This group of researchers argues that the degree to which people admire and respect entrepreneurs is a better measurement for normative institutions than Hofstede's (1980) general cultural measure.

This research combines these two approaches in order to develop a normative dimension that is specific to the domain of SdEs. The questions that construct the normative pillar, 5 in total, focus on the belief that starting a business is an acceptable and respected career path and society's admiration for individuals running their own (sustainability-driven) business. It also touches upon the question whether a culture of fear of failure exists and whether people believe that there is a need to be more sustainable.

Most scholars agree that the informal institutional environment varies widely across countries and many studies have been performed on why these institutions differ per country and how this relates to entrepreneurial activity. However, not much is known about differences in perceptions of informal institutions *within* countries. In order to analyse whether there are intra-country variances in values, norms and attitudes, entrepreneurs were asked to indicate the extent to which they agree with the 5 statements in table 6 both with regard to the general public and their own network.

Sustainability-driven ventures that introduce a new way of doing business are often exposed to an environment that does not recognize or value the contribution that these enterprises can make to society (Sharir & Lerner 2006). By comparing the outcomes, it can be examined whether the value attributed to the activity of SdEs, and thus the framework of prevailing norms and beliefs, differs between the general public and the entrepreneurs' own networks.

Table 6 | Items for the measurement of the normative dimension

1. In my country/network, most people consider starting an enterprise a desirable career choice
2. In my country/network, those successful at running an enterprise have a high level of status and respect
3. In my country/network, those who succeed at maintaining a sustainable enterprise get a higher level of status and respect than those successful at running a 'regular' enterprise
4. In my country/network, there is a culture of fear of failure
5. In my country/network, most people believe there is a need to be more sustainable

* Network is defined as 'circle of business related contacts'

3.3.1.2 Cognitive scale for SdEs

For the cognitive dimension, 3 items were generated that focused on the extent to which the entrepreneurs believe that public is aware of successful entrepreneurship, sustainability and SdE.³ The extent of media coverage on developments in the field of entrepreneurship and sustainability can potentially serve as an indicator of the degree to which those concepts are embedded in society (Holt & Barkemeyer 2012).

Hindle & Klyver (2007) used a set of variables from the Global Entrepreneurship Monitor (GEM) research to determine the influence of public media on rates of entrepreneurship. It is confirmed by the GEM findings (Herrington et al. 2010) that there is a positive association between stories in the media about entrepreneurship and the number of people running young businesses (between 3 months and 3.5 years of existence). Ernst & Young (2011b) also found that success stories are very important. They confirmed that countries with stronger entrepreneurial cultures tend to put more effort in promoting entrepreneurship success stories in the public media.

In addition, Coyne & Leeson (2009) argue that public media create common knowledge that can alter existing institutional structures. They find that mass media are a mechanism of institutional evolution in three ways: through a gradual effect, a punctuation effect and a reinforcement effect. The gradual effect refers to marginal changes, which leave essential features intact. These marginal institutional changes are the result of society's evolving mental models that create pressure on the institutions to evolve in the same manner. The punctuation effect describes a rapid institutional overhaul bringing about social change. This sort of dramatic change is only likely to happen if the gap between private and public preferences increases significantly. Finally, the reinforcement effect involves public media contributing to the strengthening of the institutional framework. In this case, the media create common knowledge centred around the value system of the institutions in place rather than promoting new beliefs.

The fact that the mass media can facilitate change in institutions is an important given for SdE activities, as it suggests that the public's mental models can be altered if they are presented with new ideas and information. That is, if people are often exposed to stories about successful enterprises they will eventually change their perceptions toward entrepreneurship. The same goes for publications on sustainability and successful sustainability-driven enterprises.

³ NB. This dimension originally contained four questions, but one item (statement 3.14: "Social, environmental or community problems are generally solved more effectively by entrepreneurs than by the government") was omitted due to the fact that it turned out to be a reflection of entrepreneurs' *own* beliefs instead of their perception on the beliefs of the average South African citizen.

Table 7 | Items for the measurement of the cognitive component

1. In my country, you will often see stories in the public media about successful enterprises
2. In my country, you will often see stories in the public media about sustainability
3. In my country, you will often see stories in the public media about successful sustainability enterprises

3.3.1.3 Regulatory scale for SdEs

The regulatory items, numbering 7 in all, measure the institutional environment that is likely to affect the domain of SdE as a whole. The first 5 questions are concerned with assessing entrepreneurs' perception of the regulatory quality, whereas the latter 3 aim to capture entrepreneurs' view on the level of support for entrepreneurship, sustainability and SdEs in particular.

Table 8 | Items for the measurement of the regulatory component

1. In my country, there is a low level of corruption which facilitates running a business
2. In my country, legal and administrative procedures are not an important obstacle to starting a business
3. In my country, the costs associated with formally registering a business are an obstacle to starting a business
4. In my country, property rights are clearly delineated and protected by law
5. In my country, generally speaking, the government has been stimulating entrepreneurship over the last 3 years
6. In my country, generally speaking, the government has been stimulating sustainable development over the last 3 years
7. In my country, generally speaking, the government has been stimulating sustainability entrepreneurship over the last 3 years

The questionnaire also included a number of open questions that attempted to gather information regarding entrepreneurs' experiences with the regulatory framework. The first set of open questions aimed to measure entrepreneurs' familiarity and experience with three particular regulations. In the second group of questions, entrepreneurs were requested to indicate which laws and regulations affected them with regard to starting, as well as maintaining their business. Finally, entrepreneurs were requested to list those regulatory requirements that hindered their business activities in general.

Regulatory quality

According to Ngobo & Fouda (2012), underdevelopment in African countries has been primarily attributed to issues of poor governance. In the absence of institutional mechanisms, high transaction costs of business operations inhibit the efficient functioning of markets. An institutional climate in which good governance is ensured leads to more productive entrepreneurship (Schlange 2009). As can be seen from table 8, there are four statements that measure the regulatory quality component, which captures the degree to which good governance is implemented.

The four factors that constitute the regulatory quality pillar are the level of corruption, the legal and administrative procedures that are associated with starting a business, the costs of formally registering an enterprise and the security of property rights.

Prior research by Bowen & De Clercq (2007) shows that the absence of a strong institutional structure, resulting in individuals misusing public power for their own benefit, constrains economic activity and promotes the presence of an unofficial (informal) economy. They also found that there is a negative relationship between a country's level of corruption and the allocation of

entrepreneurial effort toward high-growth activities. Harbi & Anderson (2010) also state that if the level of perceived corruption decreases, the rate of self-employment increases.

Regulatory complexity presents a barrier for people considering an entrepreneurial career as well as for existing entrepreneurs wanting to expand their business. If individuals perceive administrative and legal requirements to be relatively uncomplicated, they are more inclined to start a business (Bowen & De Clercq 2007). Sriram & Mersha (2010) also state that an enabling business climate is characterized by low costs and streamlined procedures required to register a business.

The protection of property and contractual rights is a significant determinant for sustained economic growth (Bowen & De Clercq 2007; Knack & Keefer 1995; Sautet 2005). North (1990, p.54) even argues that “the inability of societies to develop effective, low-cost enforcement of contract is the most important source of contemporary underdevelopment”, since the absence of secure property rights discourages investment. Baumol (1990) agrees with this statement, asserting that a lack of regulatory protection and weak enforceability of contracts results in some societies not being able to grow through entrepreneurial activities.

No thorough study has been performed on the impact of a country’s institutions on companies’ performance. Nevertheless, it is assumed that a high level of good governance drives economic prosperity by lowering the costs of doing business and providing incentives to develop market capabilities (Knack & Keefer 1995). Ngobo & Fouda (2012) state that the degree of regulatory quality is crucial for successful business operations in uncertainty environments. However, their research also showed that improvements in good governance can result in lower outcomes of companies’ performance. Further improvements in good governance can impose additional constraints upon firms if countries are relatively economically developed and already have a high level of regulatory quality.

Regulatory support

Roxas & Coetzer (2012, p.1) argue that if owner-managers perceive the institutional environment to be supportive of “sound natural environment practices”, they are more likely to develop a positive attitude towards environmental issues and focus more on integrating sustainability-related goals in their business mission.

Three statements are used to measure regulatory support. The first item addresses the perceived support for entrepreneurship in general, whereas the second item refers to the level to which the entrepreneurs perceives the government to be focused on sustainability issues. The last statement aims to capture the degree to which governmental bodies support activities of SdEs.

3.4.3 Control variables

At the firm level, there are three control variables: the size and age of the organization and the type of entrepreneurial activities. The last control variable measures the entrepreneurs' personal previous managerial experience. These four variables can all potentially explain variations in the level of success and are therefore included in the regression analysis as control variables.

Table 9 | Operationalization of control variables

	Measurement
Size of organization	7-point Likert scale (ordinal)
Age of organization	Scale
Previous managerial experience	3-point Likert scale (ordinal)
Type of entrepreneurial activities	Scale

4. Contextualizing the study: institutions in South Africa

In order to interpret the findings from the questionnaire as well as from the interviews, it is crucial to understand the context of South Africa's current institutional environment. Therefore, this chapter sketches a profile of the entrepreneurial climate and the role of institutions in South Africa. The first paragraph provides a brief overview of historical events that have shaped the existing business environment and is followed by a short section on national socio-economic characteristics. Hereafter, an overview of existing literature on the three dimensions (normative, cognitive and regulatory) and their functioning in South Africa is presented.

4.1 Historical and socio-economic context

In order to understand the current socio-economic conditions in South Africa, it is important to have a basic understanding of the South Africa's history and the legacy of the apartheid era in particular, which is associated with the historical exclusion of the majority of citizens from economic participation and sharing the country's wealth. Apartheid was a political system "predicated on racially exclusive institutional framework that eroded political rights, freedoms, property rights and generated high levels of political uncertainty" (Ncube et al. 2012, p.7). During this period, black citizens were not only excluded by law to partake in political activities, but were also discriminated with regard to employment and education as well as access to basic infrastructures. It has been noted that more than 500 laws and regulations were in place during the era of apartheid that in one way or the other inhibited black South Africans from participating in the economy as owners or managers of a business (Co 2003).

The end to apartheid in 1994 ushered in a new era of regained constitutional freedom for black South Africans, but also came with the challenge to build a democratic all-inclusive and non-racial society. The African National Congress (ANC) came into power after winning the first multi-racial elections with a majority of just over 60 percent of the more than 22 million and has been in power ever since (African National Congress 2012).

The Western Cape Government (WCG), with Helen Zille as Premier, works in cooperation with the national government. The Democratic Alliance (DA) has the majority of 22 out of 42 seats in parliament, followed by the ANC who holds 14 seats and three smaller parties that together hold the remaining six (Western Cape Government 2012). Thus, the ruling party in the Western Cape is not the ANC, but the DA.

To address the racial economic inequalities as inherited from the apartheid regime, the government tried to reshape South Africa by laying a new political foundation. Among the many new policy frameworks, the most influential has been the launch of Black Economic Empowerment (BEE, now known as B-BBEE (Broad-Based Black Economic Empowerment)), which is aimed at fostering inclusion (Ncube et al. 2012). The government recently stepped up the challenge to create a society that is built on inclusion and cohesion by introducing a New Growth Path (NGP) in 2009. The mission of the NGP is to assign areas that have the potential to create a significant increase in employment opportunities and promote a more inclusive economy, of which investing in the green economy is a key component (Ncube et al. 2012).

4.2 Normative context

Entrepreneurial activity differs significantly across societies and countries. One commonly used explanation for these differences is purely concerned with cultural characteristics as described by Hofstede's (1980) values. According to Hofstede (1980), some cultures are lacking in entrepreneurial spirit. The assertion that South Africa qualifies as such a culture, is a recurring theme and is further examined in this paragraph.

As previously discussed in chapter 2, Hofstede (1980) claims that an entrepreneurial society is individualistic, masculine and shows a low degree of power distance and uncertainty avoidance. In his description of South Africa, Hofstede (2012) does indeed qualify South African culture as individualistic and masculine, making it conducive to entrepreneurial orientation. However, the scores for power distance and uncertainty avoidance are high, meaning that people accept hierarchical order and prefer to avoid taking risk, constraining entrepreneurial phenomena.

Pretorius & Van Vuuren (2003) categorized African culture as showing a high level of power distance and uncertainty avoidance. In contrast to Hofstede (1980), they found African culture to be feminine and collective, further impeding the development of an entrepreneurial orientation. A cross-country study performed by Morrison (2000) confirmed these findings by stating that South Africans show strong anti-entrepreneurial behaviour due to the formal education and historical political system that did not promote entrepreneurship.

Thus, literature on the existence of a general entrepreneurial culture in South Africa tends to contradict itself and highlights the need for additional research. Therefore, table 10 shows the findings of empirical studies on the individual perceptions of the entrepreneurial environment in South Africa.

Table 10 | Normative context

Author	Relation	Methodology	Findings
Ernst & Young (2011a)	Positive	Opinions of 50 entrepreneurs in South Africa, which forms part of a perception survey of 1001 entrepreneurs across the G20 countries based on a 5-point Likert scale	74% of respondents think that the culture in South Africa encourages entrepreneurship
Herrington et al. (2010)	Negative	Survey of 2000 randomly selected adults	South Africa scores below average for all measurement of entrepreneurial attitudes and perception
	Negative	Experts' assessment	Out of a 5-point Likert scale, experts give 'cultural and social norms' a 2.5, which is below the average of 3.
Gallup (2012)	Positive	Results are based on face-to-face interviews with 1000 adults in South Africa, a total of 101 nations were surveyed.	69 percent of respondents believe that the area in which they live is a good place to found a new business
Endeavor South Africa (2010)	Negative	Reflection of what was said in debates between experts during the State of Entrepreneurship on South Africa conference in 2009	South Africa's environment is not supportive in terms of regulations and policies. Existing and aspirant entrepreneurs face many challenges running their business

When looking at table 10 it can be seen that there is no consensus on whether South African culture is perceived as conducive to entrepreneurial activities. All studies listed are based on soft data, meaning that it captures subjective perceptions, feelings and opinions. It can however be noted that experts express a negative attitude towards the entrepreneurial climate (Herrington et al. 2010; Endeavor South Africa 2010), while studies that use data collected from the general public tend to be more positive.

4.2.1 Entrepreneurship as a desirable career choice

The findings in the literature on whether entrepreneurship is considered to be a good career choice are outlined in table 11. It can be seen that the majority of participants in these studies perceive entrepreneurship to be a desirable career choice. However, it is interesting to note that most studies address students' perceptions, which is not an adequate representation of the whole country.

Table 11 | Entrepreneurship as a desirable career choice

Author	Relation	Methodology	Findings
Burger et al. (2004)	Positive	Questionnaire distributed amongst 370 Grade 12 learners between 17 and 19 years old in Stellenbosch, Western Cape	66.5 percent of students think that people within their direct environment have the opportunity to make a living of being an entrepreneur
Stellenbosch University (2011)	Positive	The Global University Entrepreneurial Spirit Students' Survey research project investigates tertiary students' entrepreneurial intent by providing insight into the views on entrepreneurship of 697 South African students at 15 universities	70.6 percent of South African students view themselves as intentional founders of business, which is considerably higher than the 42 percent in the global sample. In addition, 42.8 percent of all students are interested in starting a sustainability-driven business, placing more emphasis on addressing social issues than on protecting the environment
Luiz & Mariotti (2011)	Positive	Survey amongst 609 university students in Gauteng	Students have a very positive attitude towards entrepreneurship and more than half intends to start own business
Herrington et al. (2010)	Positive	Survey of 2000 randomly selected adults	77% of South African respondents see entrepreneurship as a good career choice, meaning that it scores above the average of 73%

4.2.2 (Sustainability-driven) entrepreneurship and status

Table 12 illustrates that there is a discrepancy between attitudes of experts and the general public regarding the extent to which entrepreneurs are respected. Experts tend to believe that entrepreneurs are viewed to be disrupters, while studies on the public's perception prove the opposite. However, Visser (2011) did establish that there is a narrow-minded and isolated attitude in South Africa towards social entrepreneurship and that the role of social entrepreneurship is not recognized or rewarded.

Table 12 | (Sustainability-driven) entrepreneurship and status

Author	Relation	Methodology	Findings
Endeavor South Africa (2010)	Negative	Reflection of what was said in debates between experts during the State of Entrepreneurship on South Africa conference in 2009	Successful entrepreneurs are viewed as disrupters who do things differently and their potential to stimulate the South African economy is not recognized. Respect and recognition of entrepreneurs in South Africa is not sufficient
Burger et al. (2004)	Slightly positive	Questionnaire distributed amongst 370 Grade 12 learners between 17 and 19 years old in Stellenbosch, Western Cape	40.6 percent of students believe that entrepreneurs have a higher status compared to 38 percent that believed managers of large firms to be perceived more favourably by the community (other 21.4 is neutral)
Herrington et al. (2010)	Slightly positive	Survey of 2000 randomly selected adults	78% of South African respondents believe successful entrepreneurs have a high status, meaning that it scores above the average of 70%
Luiz & Mariotti (2011)	Positive	Survey amongst 609 university students in Gauteng	Over 83 percent of students perceive entrepreneurship as an honourable profession and respect entrepreneurs

4.2.3 Entrepreneurship and fear of failure

Table 13 indicates that both entrepreneurs and experts in the field do not consider South African culture to be supportive of entrepreneurial failure.

Table 13 | Entrepreneurship and fear of failure

Author	Relation	Methodology	Findings
Endeavor South Africa (2010)	Negative	Reflection of what was said in debates between experts during the State of Entrepreneurship on South Africa conference in 2009	South African culture does not support entrepreneurs who have failed
Ernst & Young (2011a)	Negative	Opinions of 50 entrepreneurs in South Africa, which forms part of a perception survey of 1001 entrepreneurs across the G20 countries bases on a 5-point Likert scale	56% of respondents think that the business environment views business failure as resulting from a lack of appropriate skills

4.2.4 Need to be more sustainable

Several studies have been conducted over the past couple of years that aim to capture the South African attitude towards environmental values. There are mixed results when comparing the results of attitude surveys displayed in table 14. Nevertheless, both findings by the South African Social Attitudes Survey (2010) and Berndt & Petzer (2011) do show that people are not motivated or in the position to take action with regard to environmental concerns.

Table 14 | Need to be more sustainable

Author	Relation	Methodology	Findings
South African Social Attitudes Survey (2010)	Negative	Questionnaire distributed amongst 5734 adults	Almost half of South Africans agreed with the statement 'people worry too much about the future of the environment and not enough about jobs'
	Positive		Just over half of South Africans agreed with the statement 'economic progress would slow down unless the environment was looked after better'
	Neutral		A third of South Africans agreed with the statement 'there are more important things to do in life than protect the environment'
	Negative		More than half of South Africans agreed with the statement 'it is just too difficult for someone like me to do much about the environment'
Berndt & Petzer (2011)	Negative	Questionnaire distributed amongst 139 adults	Awareness of South Africans regarding environmental issues scores a 3.75 (on a 5-points Likert scale), based on an average of 23 statements. Attitude of South Africans towards environmental issues scores a 3.65, based on an average of 13 statements. Actions South Africans take with regard to environmental concerns scores a 2.75, based on an average of 13 statements. This indicates that action score is considerably lower
Anderson et al. (2010)	Negative	Data used from the 2004 General Household Survey conducted by Statistics South Africa, containing 26214 households	There does not seem to be a high level of awareness about environmental concerns, as only one third of the households reported perceiving any environmental pollution

4.3 Cognitive context

The following section shows the findings of empirical studies on the extent to which the topics of (sustainability-driven) entrepreneurship and sustainability in general are covered in South African media.

4.3.1 Media exposure on entrepreneurship

As is displayed in table 15 all studies found that there is a lack of media attention on successful entrepreneurship and stress that the focus needs to be shifted from stories about businesses that have failed to success stories about entrepreneurs who can function as role models for aspiring entrepreneurs.

Table 15 | Media exposure on entrepreneurship

Author	Relation	Methodology	Findings
Van Vuuren & Groenewald (2007)	Negative	Survey amongst 312 entrepreneurs in Gauteng, who are asked to reflect back on their start-up days	The emphasis in the public media is on enterprises that have failed. Too little attention is paid to success stories of SMEs, there is a lack of role models
Ernst & Young (2011a)	Negative	Opinions of 50 entrepreneurs in South Africa, which forms part of a perception survey of 1001 entrepreneurs across the G20 countries bases on a 5-point Likert scale	When asked what actions will improve the entrepreneurial culture in South Africa the most, 9 out of 10 people answered 'improve communication around entrepreneurs' success stories'.
Herrington et al. (2009)	Negative	Data is gathered from a survey of at least 2000 randomly selected adults and from a survey of national experts	Entrepreneurship is not sufficiently reported on and celebrated in the public media. There is a lack of role models, especially in the black communities

4.3.2 Media exposure on sustainability

The TiS tool (Trends in Sustainability 2010) makes it possible to compare the frequency with which concepts that are related to sustainable development are published in print media on a global scale. Their database consists of articles that appeared over the last two decades in 115 newspapers spread out over 41 different countries. As is displayed in figure 8, the number of articles that have been published in 8 of the most commonly read newspapers in South Africa on the topic of sustainability has increased significantly since the year 2002, but has slowed down over the past 5 years. Nevertheless, the average of 0.5 articles per newspaper issue is still slightly above the global average.

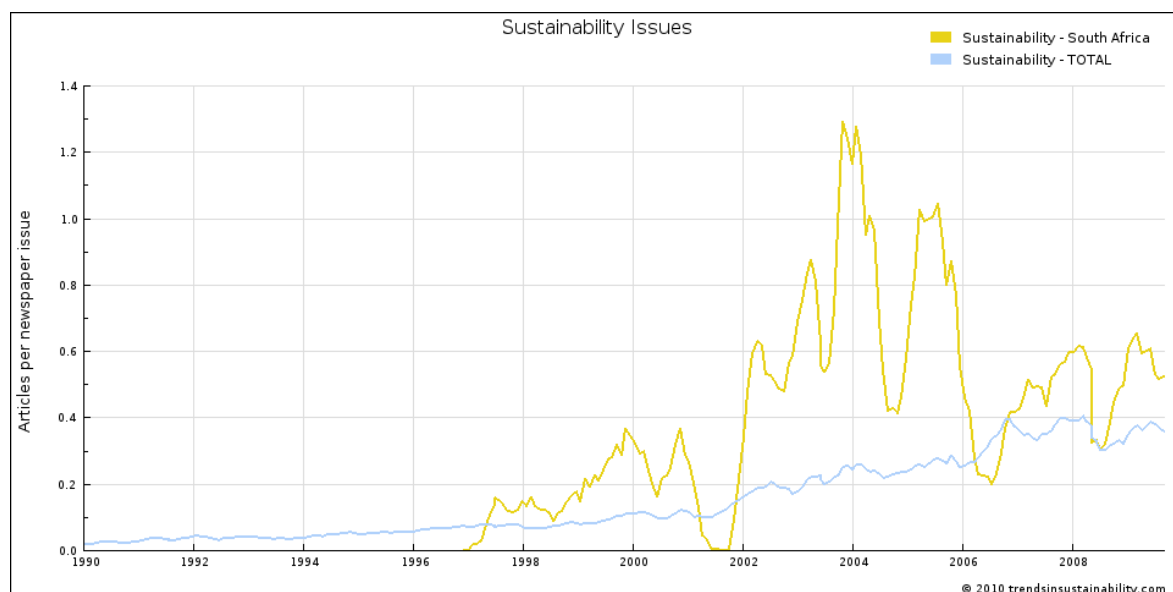


Figure 8 | 6-month moving average of number of articles on the topic of sustainability per issue

4.3.3 Media exposure on sustainability-driven entrepreneurship

The same tool was used to analyse the media exposure on SdEs. Figure 9 indicates that number of articles per newspaper issue on the topic of corporate sustainability is considerably lower than the average of the total global publications, as this number is virtually equal to zero.

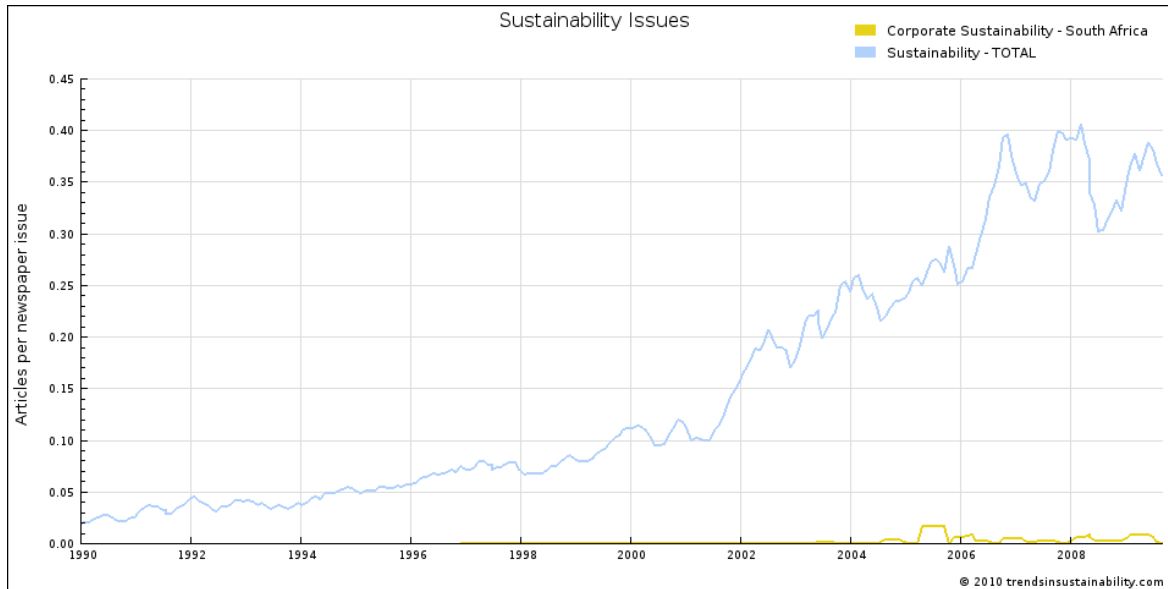


Figure 9 | 6-month moving average of number of articles on the topic of corporate sustainability per issue

4.4 Regulatory context

The following paragraph provides insight into the regulatory climate in South Africa by presenting an overview of the existing literature on the functioning of the regulatory institutions. In order to better understand how the regulatory environment affects small-scale sustainability-driven enterprises, the most relevant regulations and policies are discussed as well.

Figure 10 illustrates the different functions of the government that are analysed in this paragraph. As it is difficult to describe and provide insight into the current situation of the regulatory *quality* climate in South Africa, it was decided to perform a literature study on this topic and to compare the findings of different studies in order to determine whether there is consensus among researchers. Special attention also has been paid to the methodology of the study, with 'soft' data referring to perception-based information, whereas 'hard' data is concerned with objective numeric information. First, general findings regarding regulatory quality are listed, followed by outcomes of studies on the four individual components that have been introduced in chapter 3 and together constitute the regulatory *quality* scale. The paragraph on regulatory *support* provides an overview of the most important laws, regulations and other policies that affect (sustainability-driven) entrepreneurs.

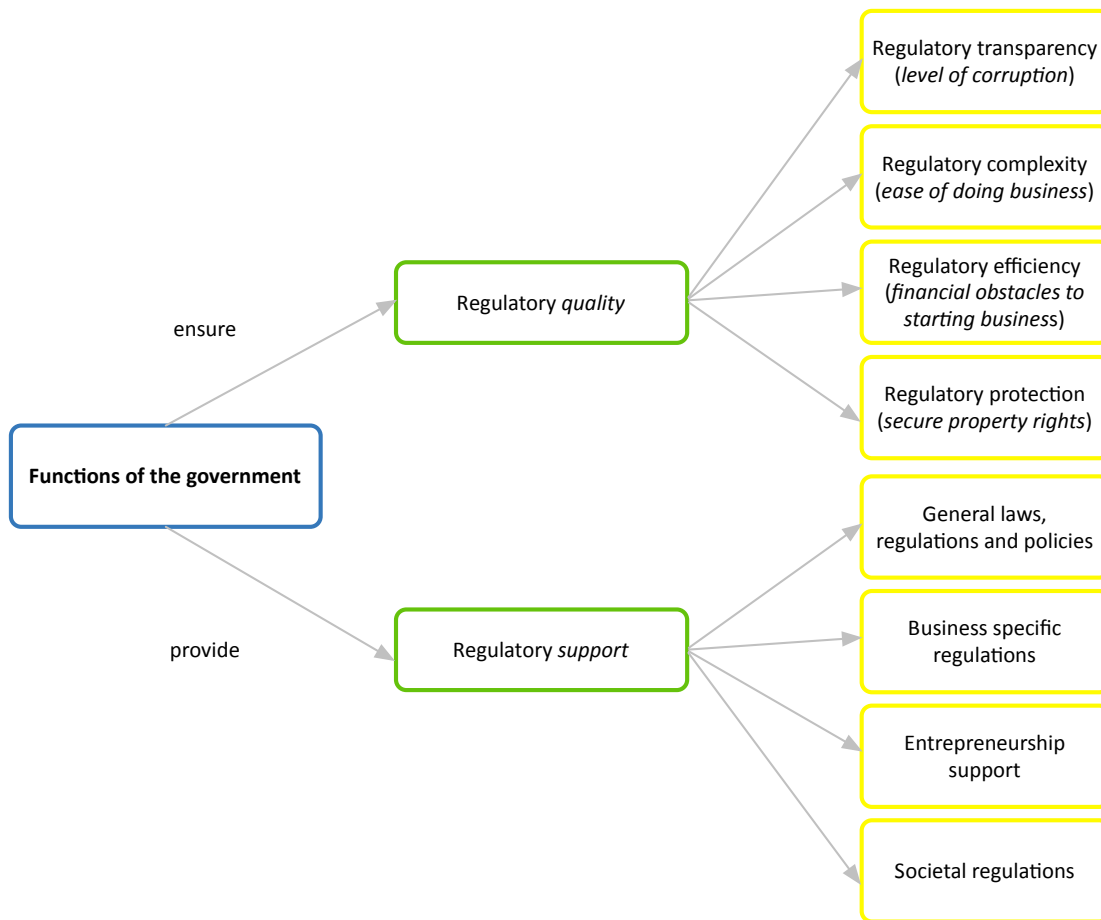


Figure 10 | Regulatory functions of the government

4.4.1 Regulatory quality in South Africa

As can be seen from table 16, previous studies have found that the South African regulatory quality, or good governance, is relatively high. Both objective hard data as well as subjective soft data show that the government has created a well-functioning institutional environment that is conducive to entrepreneurial activity.

Table 16 | Regulatory quality

Author	Relation	Data	Methodology	Findings
Legatum Institute (2011)	Positive	Soft	Results are based on face-to-face interviews with 1000 adults in South Africa, a total of 101 nations were surveyed	6 out of 10 South Africans have confidence in the national government. South Africa scores above average for the effectiveness of regulation
World Bank (2006)	Slightly positive	Soft	Government Effectiveness Indicator (GE) is calculated to measure perceptions of 'the quality of public services, the quality of the civil service, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies'	South Africa scores a 0.51 on the GE scale, which ranges from -2.5 for weak governance to 2.5 for strong governance performance
	Slightly positive	Soft	Regulatory Quality (RQ) reflects perceptions of 'the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development'	South Africa scores a 0.39 on the RQ scale, which ranges from -2.5 for weak governance to 2.5 for strong governance performance
Gallup (2012)	Slightly positive	Soft	The National Institutions Index measures residents' confidence in key institutions: the military, the judicial system, the national government and the honesty of elections. Results are based on face-to-face interviews with 1000 adults in South Africa, a total of 101 nations were surveyed.	The National Institutions Index for South Africa is equal to 70.4 on a scale of 0 to 100, where 100 indicates that a country is perceived to have good institutions. In addition, 63 percent of respondents says to have confidence in the national government, whereas 70 percent believes in the honesty of elections
World Bank (2012)	Positive	Hard	Ease of Doing Business is measured using a set of quantitative indicators (starting a business, dealing with licenses, hiring and firing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing business)	South Africa ranks 35 th out of 183 countries. The government has created an environment that is conducive to entrepreneurial activity

4.4.1.1 Level of corruption

Even though studies show that South Africa has relatively good institutions, corruption is still perceived to be an important issue. As is displayed in table 17, all studies found that the perceived level of corruption is high for both government and the business sector.

Table 17 | Level of corruption

Author	Relation	Data	Methodology	Findings
Transparency International (2011)	Negative	Soft	Corruption Perception Index (CPI) is defined as 'the failure of integrity in the system' and relates to the perception of the level of corruption as indicated by business people, risk analysts and the general public	South Africa scores a 4.1 on the perceived level of public sector corruption on a scale of 0 - 10, where 0 means that a country is perceived as highly corrupt and 10 means that a country is perceived as highly clean. Corruption is higher than average
Gallup (2012)	Negative	Soft	The Corruption Index measures the corruption within government and businesses. Results are based on face-to-face interviews with 1000 adults in South Africa, a total of 101 nations were surveyed.	The Corruption Index for South Africa is equal to 80.8 on a scale of 0 to 100, where 100 indicates that a country is perceived as highly corrupt. In addition, 74 percent of respondents perceives businesses to be corrupt, whereas 87 percent perceives the government to be corrupt
World Bank (2006)	Neutral	Soft	Control of Corruption (CC) reflects perceptions of 'the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests'	South Africa scores a 0.09 on the RQ scale, which ranges from -2.5 for weak governance to 2.5 for strong governance performance
Scheers (2010)	Negative	Soft	Survey among 300 owners and managers of small family grocery stores in Gauteng on issues that are perceived to negatively influence the success of their business	Corruption is mentioned to be one of the most prominent problems

4.4.1.2 Legal and administrative procedures and costs

When looking at table 18, it becomes apparent that there is difference in outcomes of studies that use hard data, and findings based on soft data. Research by Heritage (2012), World Bank (2012) and Legatum Institute (2011) all show that starting an enterprise in South Africa is positively related to regulatory institutional indicators, meaning that it is a relatively easy and inexpensive process. However, some other qualitative studies found that bureaucracy is a barrier to entrepreneurial activity.

Table 18 | Legal and administrative procedures and costs

Author	Relation	Data	Methodology	Findings
Cupido (2002)	Negative	Review	Literature study on reasons for venture failure in the Western Cape	Complicated tax law and lack of provision of information. Lot of red tape
Heritage (2012)	Positive	Hard	Business Freedom is concerned with assessing the 'individual's right to establish and run an enterprise without interference from the state through burdensome regulations' and is based on the data from the World Bank Doing Business report, measuring the ease of starting, operating and closing a business.	South Africa scores a 75.8 on the Business Freedom scale, which ranges from 0 to 100. This is based on the fact that there is no minimum capital required to establish a business and the relatively little amount of time and costs it takes to register
Herrington et al. (2010)	Negative	Soft	Experts' assessment	Out of a 5-point Likert scale, experts give 'government policies: taxes, bureaucracy' a 2.15, which is below the average of 3. Over half of the experts state that government policies are a crucial factor constraining entrepreneurial development
World Bank (2012)	Positive	Hard	Start-up procedures include obtaining permits and licenses and the completion of all inscriptions, verifications, and notifications to start operations.	Starting up a business takes 19 days and 6 procedures, the global average is 31 days and 7.5 procedures (2011 data)
	Positive	Hard	Time to prepare and pay taxes is the time that it takes to complete compliance with corporate income tax, value added tax and labour taxes	It takes 200 hours per year to file taxes, the global average is 275 hours (2011 data)
	Positive	Hard	The total tax rate measures the amount of taxes as a share of commercial profits.	The tax rate is 33.1 percent, the global average is 44.8 percent. The labour tax is equal to 4.1 percent, whereas the global average is 16.2 percent (2011 data)
Gallup (2009)	Neutral	Soft	Results are based on face-to-face interviews with 1000 adults in South Africa, a total of 101 nations were surveyed.	51% of participants in this study indicated that the government makes obtaining the right licenses to start a business easy enough
Legatum Institute (2011)	Positive	Hard	Start-up business costs are measured as the share of GNI per capita, based on World Development Indicators	Business start-up costs are 6% of Gross National Income. Lower than average start up costs

4.4.1.3 Security of property rights

Analysing the existing pool of literature on the security of property rights in South Africa resulted in contradicting outcomes (table 19). Studies by the Heritage (2012) and World Economic Forum (2011) both find that property rights are relatively protected, whereas a study by Ernst & Young (2011a) on perceptions shows that people believe that the protection of property rights has deteriorated over the last couple of years.

Table 19 | Security of property rights

Author	Relation	Data	Methodology	Findings
(World Bank 2006)	Neutral	Soft	'Rule of Law (RL)' captures the perceptions of 'the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence'	South Africa scores a 0.06 on the RQ scale, which ranges from -2.5 for weak governance to 2.5 for strong governance performance
Heritage (2012)	Neutral	Hard	'Property rights' measures 'the ability to accumulate private property and wealth'	South Africa scores a 50 on the Property Rights scale, which ranges from 0 to 100. This means that property rights are relatively effectively protected, but the court system is slow and inefficient
(World Economic Forum 2011)	Positive	Soft	The Global Competitiveness Index (GCI) measures 12 different aspects of competitiveness	South Africa ranks 54 th on the GCI out of 139 countries. South Africans perceive property rights to be fairly secured
(Ernst & Young 2011a)	Negative	Soft	Opinions of 50 entrepreneurs in South Africa, which forms part of a perception survey of 1001 entrepreneurs across the G20 countries bases on a 5-point Likert scale	The perception of South Africans on the protection of property rights has deteriorated over the last 5 years (2005-2010)

4.4.2 Regulatory support in South Africa

The previous sections presented an overview of the existing literature on the institutional environment with regard to the normative and cognitive dimension as well as the regulatory quality in South Africa. This section describes the current institutional climate in terms of regulatory support for sustainability-driven enterprises. It does so by listing the most relevant laws, regulations and policies and their implications for SdEs.

4.4.2.1 General laws, regulations and policies

As can be seen in figure 11, the generic laws and regulations that apply to SdEs are mainly related to the process of officially registering a business. The following paragraph explains the New Companies Act, Non-profit Organizations Act and the Co-operatives Act.

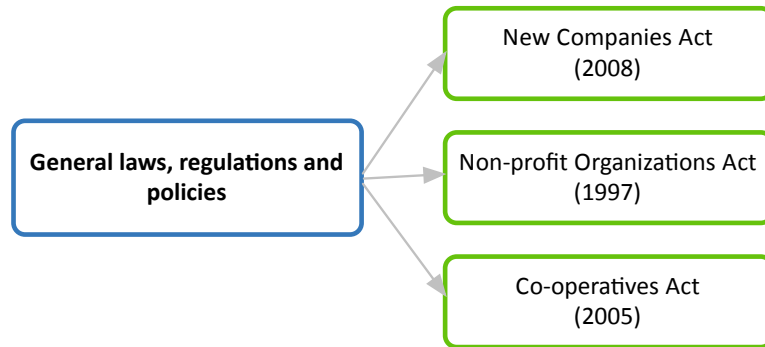


Figure 11 | General laws, regulations and policies

New Companies Act (NCA) (2008)

The New Companies Act is concerned with the development of a strategy ensuring that the regulatory framework for enterprises of all types and sizes promotes “growth, employment, innovation, stability, good governance, confidence and international competitiveness” (Department of Trade and Industry 2010). By giving SMEs fewer responsibilities than large public companies it intends to create a level playing field on which companies can compete fairly.

The New Companies Act (NCA) was established in 2008 to do away with the shortcomings of the Companies Act of 1973, and the Closed Corporation Act in particular (Mmotlane 2010). The replaced Companies Act was more concentrated on the creation of an enabling business climate for larger companies, burdening SMEs who had difficulty complying with the high regulatory demands. The aim of the new Act is to make SMEs more competitive in both the local and the global market. The part that is most relevant to SMEs is the fact that the Act states to protect the small and medium sized businesses (Mmotlane 2010). It accommodates SMEs by exempting them from complying with strict financial statement regulations by providing them with the option of voluntary audits, reducing unnecessary administrative requirements and expenses of hiring an auditor.

This new framework is complemented with a revised unitary registration system that makes the registration process easier and less costly for SMEs. In this new framework, there are only two types of companies, namely non-profit and profit companies. The Closed Corporation Act has been repealed, making registering as a Closed Corporation (CC) not possible anymore. However, there is no automatic process of conversion to the new type of company classification. CCs will remain their status indefinitely, but have the freedom to decide if and when they want to convert to a company (Department of Trade and Industry 2010). Being registered as a private company under the new Act brings the advantage of limited liability (to the director of the company) and easier access to funding from financial institutions (Mmotlane 2010). Another advantage is that the new registration system is acknowledged and recognized by international standards, increasing business opportunities for exporting companies. Non-Profit Companies (NPC) replace section 21 companies under the Companies Act from 1973, and are incorporated for ‘public benefit purposes’.

With the introduction of a new business form, also comes the establishment of a new institution, the Companies and Intellectual Property Commission (CIPC or The Commission). This organization is a merging of the Companies and Intellectual Property Registration Office (CIPRO) and the enforcement division of the dti (Department of Trade and Industry). The commission is not only concerned with registering companies, co-operatives and property rights, but also with monitoring and promoting awareness of relevant legislation.

Non-Profit Organizations Act (NPO Act) (1997)

The Non-Profit Organizations Act promises to create an environment that enables NPOs to flourish (Republic of South Africa 1997b). NPOs can make usage of a set of benefits, such as tax exemption and access to funding. In order to be qualified as an NPO, organizations need to have a public purpose and resources and profit may not be distributed among the members.

There are three types of organizations that can register under the Non-profit Organizations Act, namely Trusts, Voluntary Associations and Non Profit Companies (NPCs, which have replaced section 21 companies). Trusts are written arrangements between an owner or founder and trustees, who administer the handed over assets for the benefit of other people. Voluntary Associations are informal agreements between three or more people to form an NPO with a shared non-profit mission. NPCs are the most frequently adopted structure for organizations with non-profit goals, as they have the same legal structure as for-profit companies (Education and Training Unit (ETU) n.d.).

Co-operatives Act (2005)

Co-operatives (co-ops) are voluntary organizations in which members aim to meet their common economic, social and cultural goals to provide for their own benefit through a jointly owned and democratically controlled enterprise. The Co-operatives Act intends to create a legal and institutional framework that encourages the development of co-ops and increases the level of government support (Republic of South Africa 2005)

A co-operative does not qualify as a non-profit organization as there are a number of differences. The main feature of co-ops that distinguishes them from NPOs is the fact that the benefits from a co-op accrue primarily to its members, whereas an NPO provides services to a broader group of beneficiaries, beyond their own members. Co-ops are treated as companies and are therefore excluded from tax exemption (Southern African NGO Network 2007).

4.4.2.2 Business specific regulations

There are a number of key laws and policies that SMEs have to comply with. Figure 11 shows that the main components of business regulations are laws concerning employment, taxation and consumer protection. The following section discusses the implications of this legislation for SMEs. Sector specific requirements and optional certification schemes are not reviewed, since they are too numerous and fall outside the scope of this study.

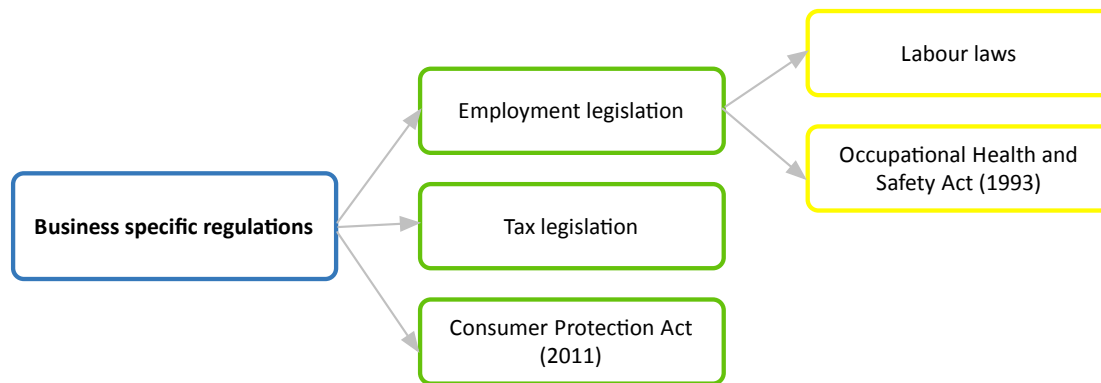


Figure 11 | Business specific regulations

Employment legislation

There are a lot of laws that aim to ensure good working conditions for employees, with labour laws and health and safety laws being the critical ones. In fact, a clear understanding of the labour law is the most important legal consideration for SMEs to tackle. Labour laws do also apply to SMEs, with the Basic Conditions of Employment Act (BCEA) spelling out the guidelines on basic working conditions such as hours of work, payment, leave, notice periods and administration requirements (Republic of South Africa 1997a). The BCEA also specifies that minimum wages can be set by the Minister of Labour for certain sectors or areas that are considered to be economically vulnerable (SME Toolkit South Africa 2012a). Other legislation around labour rights includes the Employment Equity Act and the Skills Development Act, which are discussed in more detail in the last paragraph.

Small business owners also need to ensure that their employees are not exposed to working conditions that might put their health and safety at risk. The Occupational Health and Safety Act (1993) lists the general duties of employers to their employees in order to protect them and to create a safe working environment (The South African Labour Guide n.d.).

Many studies that have been conducted on the influence of labour laws on SMEs show that South Africa's labour laws are identified to be the most important regulatory constraint to SMEs (Rogerson 2008). Mahadea (2003) argues that labour laws have greatly increased the expenditures for wages and time of compliance, decreasing the incentive to create employment. Herrington et al. (2010) support this finding by emphasizing that South Africa has extremely restrictive labour policies, which results in increased costs of labour. These laws also discourage entrepreneurs to expand their business, since the hassle of hiring and firing staff outweighs the benefits of hiring additional employees.

South Africa scores a 57.3 on the Labour Freedom scale as developed by Heritage (2012), which ranges from 0 to 100 and measures the legal and regulatory dimension that affects the functioning of the labour market. This indicates that labour laws are ineffective and that the labour market lacks flexibility. Finally, in comparison with other countries, South Africa ranks 97th out of 139 countries in total on 'labour market efficiency', due to inflexible hiring and firing practices (135th), lack of flexibility in wage determination by employers (131st) and poor labour-employer relations (132nd) (World Economic Forum 2011).

Within the standard tax system, companies are liable to Value-Added Tax (VAT), Income Tax (IT), Provisional Tax, Capital Gains Tax and Secondary Tax on Companies. Of all these taxes, VAT and Income Tax are the most relevant for SMEs. VAT is a levy on the consumption of good and services and registration is only compulsory if businesses exceed the turnover threshold of 1 million Rand (South African Revenue Service n.d.). Independent of its size, business owners who employ at least one person have to register and pay employees' taxes to the South African Revenue Service (SARS).

In order to support small businesses, the South African Revenue Service has made a few changes in the tax system for SMEs. First, in order to assist small businesses in the informal sector, SMEs with a turnover of 1 million Rand or less are offered the opportunity to register for the simplified turnover tax instead of taking part in the standard tax system. In this simplified system, turnover tax is the only tax that is charged, replacing all the taxes under the standard system. Within this system, micro businesses only become liable to pay taxes if their annual turnover exceeds R150,000. The fact that it is based on a progressive tax rates system and does not require detailed bookkeeping, further lowers the time and costs of submitting tax returns are the (South African Revenue Service n.d.).

In addition, organizations that meet the criteria for Public Benefit Organizations (PBOs) are recognized for the significant role they play in society and are relieved from a number of taxes. However, with the introduction of the Taxation Laws Amendment Act in 2000, NPOs are no longer automatically exempted from income and other related taxes, duties and levies (income tax, donations tax, VAT and skills development levy). Only Voluntary Associations, Trusts and non-profit companies are eligible to a Public Benefit Organizations status (as is shown in table 20).

Table 20 | Legal structures for SdEs

Legal structure	Profit / non-profit	Tax benefits
VA	Non-profit	Yes, if qualified as PBO
Trust	Non-profit	Yes, if qualified as PBO
NPC (= section 21)	Non-profit	Yes, if qualified as PBO
Co-operation	Profit	No
Public company (Ltd.)	Profit	No
Private company (Pty. Ltd. = CC)	Profit	No

However, a PBO will only be qualified as such if its sole object is to carry on at least one of the listed Public Benefit Activities (PBAs). These PBAs are activities that are “of a benevolent nature having regard to the need, interests and well-being of the general public” (Legal and Policy Division, South African Revenue Service (SARS) 2007). If an organization qualifies as a PBO, it is permitted to perform business activities on a tax-free basis as long as those activities are directly related to approved PBAs, conducted on a cost recovery basis and do not result in unfair competition in relation to taxable entities.

Studies have pointed out that high taxes are one of the most important factors that have an adverse effect on SMEs (Legatum Institute 2011; Human Science Research Council 2005; Rogerson 2008; Scheers 2010). Mahadea & Pillay (2011), in their study on environmental conditions that influence the development of small enterprises in KwaZuluNatal, found that the annual costs of tax compliance with the standard system as a percentage of the turnover is regressive and higher for SMEs than for larger firms. According to Rogerson (2008), there are two types of costs that are associated with tax compliance. Compliance costs are incurred by businesses in terms of fulfilling reporting requirements, whereas efficiency costs arise in case SMEs decide to keep the annual turnover below the VAT threshold. Finally, a perception survey by Ernst & Young (2011a) showed

that less than 20 percent of the total respondents thinks that there are enough tax incentives to start a business in South Africa.

Consumer Protection Act

The Consumer Protection Act came into effect in 2011 and applies to all types and sizes of businesses. It aims to ensure that consumers are educated in their rights and prevented from exploitation by addressing power imbalances between individuals and suppliers (Khanye & Sekati n.d.). Since every transaction is subject to this Act, SMEs need to understand its implications.

In sum, from the literature it becomes clear that there are two main issues regarding regulatory requirements for entrepreneurs. First, regulations and policies seem to create more barriers for entrepreneurial initiatives than opportunities (Endeavor South Africa 2010). The second point of interest is that entrepreneurs experience difficulties in finding out what laws and policies apply to them and what they entail (Rogerson 2008). The SME Toolkit, a joint initiative between Business Partners and the International Finance Corporation, is one of the few platforms that offers access to this information, but even they recommend entrepreneurs to hire specialists to deal with regulatory compliance issues (SME Toolkit 2012).

4.4.2.3 Entrepreneurship support

The foundation for a specific framework for fostering the growth of SMEs in South Africa was laid down in 1995 and is embedded in the White Paper on Small Business. The White Paper is enacted in the National Small Business Development Act of 1996, and was South Africa's first step toward paving the way for the launch of support institutions and programs that can reduce or eliminate the institutional barriers hampering entrepreneurial activities (Republic of South Africa 1996b).

Besides obtaining legitimacy for the governments' new SME framework, the White Paper announced two other primary objects: addressing the disempowerment culture within black communities and establishing new institutions and agencies that can provide support and guidance to entrepreneurs.

There are two main support agencies that are facilitated by the Department of Trade and Industry, which provide entrepreneurs with monetary as well as non-monetary assistance. Khula Enterprise Finance functions as a wholesale finance institution, offering different types of funding to small businesses (Khula n.d.). Non-financial business development and support services are provided by Small Enterprise Development Agency (Seda, replacing Ntsika Enterprise Promotion Agency in 2004 (sbp 2009)). The main responsibilities of Seda are coordinating the provision of training, advice, counselling and other services to small business (Seda n.d.).

The White Paper presented the development of Local Business Service Centers (LBSC), the most crucial vehicle for small business support. These LBSCs offer a range of support services, such as management advice and network opportunities, to both established SMEs and start-ups. Another pivotal institutional pillar was the creation of Tender Advice Centers, assisting entrepreneurs with tendering and public procurement procedures (Rogerson 2004).

The South African government has assigned itself the mission of providing an enabling environment but often fell short at meeting the expectation that this raised among SMEs. Berry et al. (2002) note

that the majority of entrepreneurs, and the target group of emerging black owned SMEs in particular, have never heard of support institutions. Another related issue is the limited service capacity of institutions. For example, Seda can only account for 10 percent of all entrepreneurs applying for assistance (Republic of South Africa 1996b). The Department for Trade and Industry (2010) also acknowledges that there is limited coordination of SME support programs, resulting in small businesses not being able to fully utilize the services of governmental institutions. Findings by Herrington et al. (2010) exemplify this as experts give ‘concrete government policies: entrepreneurship priority and support’ a 2.7 on a 5-point Likert scale, which is below the average of 3.

4.4.2.4 Societal regulations

In addition to the general laws and entrepreneurial legislation as discussed above, entrepreneurs are also required to comply with societal regulations. As can be seen in figure 13, these regulations address social and environmental issues, which are further analysed in the following section.



Figure 13 | Societal regulations

Social legislation: B-BBEE

The underrepresentation of black people who are involved in entrepreneurial activities led the government to the development of the most important social policy: Broad-Based Black Economic Empowerment (B-BBEE). The government defines B-BBEE as “an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities” (Department of Trade and Industry 2003).

The Broad-Based Black Economic Empowerment Act of 2003 provides the legal framework for achieving an economic transformation, with the Codes of Good Practice (2007) discussing practical implications. The B-BBEE Act is also supported by a number of other Acts, such as the Employment Equity Act (1998), Skills Development Act (1998), Skills Develop Levy Act (1999) and the Preferential Procurement Policy Framework Act (2000), which are discussed in the next paragraphs.

In order to measure the progress of companies to achieve the B-BBEE objectives, a ‘balanced scorecard’ is used, which provides a basic framework, against which the compliance level of enterprises is measured. The scorecard measures progress on three core components of B-BBEE, namely direct empowerment, human resource empowerment and indirect empowerment (M’Paradzi & Okorafor 2009). As displayed in table 21, these three categories are subdivided in seven B-BBEE elements.

The idea behind B-BBEE is that companies set long-term goals, which they aim to achieve within a ten-year time period. Companies do not become compliant instantly, but get a score based on the progress they make toward achieving those goals. For example, the Ownership element within the Generic Scorecard is equal to 20 points. If a company has a target of 80 percent and it achieves 40 percent, it receives $(40\% \text{ (actual score)} / 80\% \text{ (target score)}) * 20 \text{ (available points)} = 10$ points for this element. Hence, it can take years before companies acquire a high score on their B-BBEE scorecard.

Table 21 | B-BBEE verification scorecards (Source: SME Toolkit South Africa 2012)

Category	B-BBEE elements	Weighting Generic Scorecard (GS)	Weighting Qualifying Small Enterprise (QSE)
Direct	Ownership	20	25
Empowerment	Management Control	10	25
Human Resource	Employment Equity	15	25
Empowerment	Skills Development	15	25
Indirect	Preferential Procurement	20	25
Empowerment	Enterprise Development	15	25
	Socio-Econ. Development	5	25
	Total	100	150

Table 22 shows the range of B-BBEE scores and the corresponding recognition level. B-BBEE compliance is measured by means of a scorecard that is based on elements covering various aspects of the economy, society and the company itself. There is no registration process; in order to comply businesses keep an internal scorecard. If a company has enough points to get the B-BBEE status it aspires and has kept all the records to proof that it made the desired progress, it can get verified by a Verification Agency to obtain an official rating. This means that the B-BBEE status gets converted to a recognition level. In order to ensure credibility, these Verification Agencies also need to comply with accreditation standards that have been established by the dti appointed South African National Accreditation System (SANAS) (EconoBEE 2008).

Table 22 | Range of B-BBEE scores and recognition level (Source: Department of Trade and Industry 2007a)

B-BBEE Status	B-BBEE Score	B-BBEE Recognition level
Level One Contributor	≥ 100	135%
Level Two Contributor	$\geq 85 \text{ but } < 100$	125%
Level Three Contributor	$\geq 75 \text{ but } < 85$	110%
Level Four Contributor	$\geq 65 \text{ but } < 75$	100%
Level Five Contributor	$\geq 55 \text{ but } < 65$	80%
Level Six Contributor	$\geq 45 \text{ but } < 55$	60%
Level Seven Contributor	$\geq 40 \text{ but } < 45$	50%
Level Eight Contributor	$\geq 30 \text{ but } < 40$	10%
Non-Compliant Contributor	< 30	0%

Keeping a B-BBEE scorecard is not mandatory, but it can increase business opportunities if companies attain a high recognition level. There are no rules or guidelines with regard to the points a company needs. This means that companies can decide upon the B-BBEE status they want to achieve, based on what they think will be sufficient. For many businesses the main reasons for applying for a scorecard is if customers ask for this or if they wish to distinguish their business from competitors. Another advantage of being B-BBEE compliant is that B-BBEE companies get priority if they apply for financial assistance from banks and other lending institutions (Standard Bank n.d.). A final driver for keeping a scorecard is that B-BBEE compliant companies can gain access to government business. Thus, B-BBEE legislation does not place a legal obligation on the private sector to comply with its requirements, but uses market-based incentives instead.

The Recognition level that corresponds to the B-BBEE status shows how much recognition one business can obtain on its Preferential Procurement scorecard by buying goods or using services from another business. In other words, if company A buys 100 Rand worth of products from business B that is registered as a Level One Contributor, company A can claim 135 Rand as B-BBEE spent (AQRate 2012). The concept of Preferential Procurement is further explained in the next section.

The framework that is used to measure the B-BBEE compliance depends on the classification of the enterprise. There are three categories of enterprises: Exempted Micro-Enterprises (EME), Qualifying Small Enterprise (QSE) and Generic Enterprises (GE). Any enterprise, independent of its legal structure, with an annual revenue of less than 5 million Rand is automatically qualified as an EME and is assigned a Level Four Contributor by default, which corresponds to a good 100% B-BBEE status. An organization with more than 50 percent black ownership, receives a Level Three Contributor status (SME Toolkit South Africa n.d.). Companies qualify as QSEs if their revenue is between 5 and 35 million Rand per annum and are thus verified according to the measures of the QSE scorecard system. In order to acquire a scorecard, QSEs select four out of the seven elements of B-BBEE, whereas GEs are measured according to their performance on all items (Department of Trade and Industry 2007a). SMEs are also allowed to be scored in terms of the QSE scorecard if they aim to maximize their level of B-BBEE recognition (Department of Trade and Industry 2007a).

The following paragraph discusses the seven B-BBEE elements, as laid down in the Codes of Good Practice (2007), which together construct the scorecard. It also touches upon its implications for SMEs in particular.

Direct Empowerment

Ownership

Ownership counts for 20 points and businesses can score these points if black people get more economic interest in the business, more exercisable voting rights, or more shares. Extra points can be earned if black women become more involved in the business activities.

Management Control

Management Control refers to the extent to which black people, and black women in particular, are represented in the top management of the business. This element makes up 10 points of the total scorecard.

Human Resource Empowerment

Employment Equity

Employment Equity counts for 15 points and measures the proportion of black people at each management level of a business. The Employment Equity Act (EEA) is enforced separately from the B-BBEE Act and poses additional legislative requirements on businesses with a workforce of 50 people or over and employers with fewer than 50 employees, but who have a higher profit than applicable for small businesses. The EEA applies to designated groups of black people, women and disabled people and specifies actions that employers need to take to promote the development of equal opportunities and treatment in the workplace (Department of Labour 1998).

Employers who are required by law to comply with the EEA do this by implementing an employment equity plan, on which they must report on an annual basis. The presentation of this plan to the Department of Labour is preceded by conducting an analysis to assess all procedures and policies, in order to pinpoint possible factors that adversely affect the representation of workers from designated groups. Based on the outcome of this review, objectives and goals are formulated to address those working conditions that form barriers to the employment of members of designated groups (Department of Labour n.d.).

Skills Development

Skills Development measures a business' expenditures on creating learning programs for black employees and is awarded with a maximum score of 25 points. As long as entrepreneurs can prove that they train their staff by demonstrating the costs they incurred, they can get points.

Whereas keeping a B-BBEE Scorecard is voluntary, the Skills Development Act (1998) makes it compulsory for employers to invest in training and development of employees. Enterprises only receive points on the Skills Development scorecard if they *exceed* the requirements of the Skills Development Act and the Skills Development Levies Act (1999) and have registered with the applicable Sector Education and Training Authority (SETA) (Department of Trade and Industry 2007a).

The purpose of the Skills Development Act is to develop the skills of the South African workforce by increasing the levels of investment in education and training in the labour market, subsequently improving the labour productivity (SDA 1998). The Skills Development Levy is a levy of one percent of the payroll that has to be paid by employers who believe that their total amount payable to all employees exceeds 500,000 Rand per year (Republic of South Africa 1999).

The South African Revenue Service (SARS) collects all levies, which go to a fund that supports training and development of employees, on a monthly basis and keeps 8 percent as a collection fee. Another 12 percent goes to the National Skills Fund, which provides financial assistance to skills development projects that are not addressed by SETAs. The remaining 80 percent of this levy goes to SETAs. SETAs retain 12.5 percent of this amount for their own administration, assign 62.5 percent as Mandatory grants to employers and the other 25 percent as Discretionary grant to employers (see figure 14) (Siyaya Skills Institute n.d.).

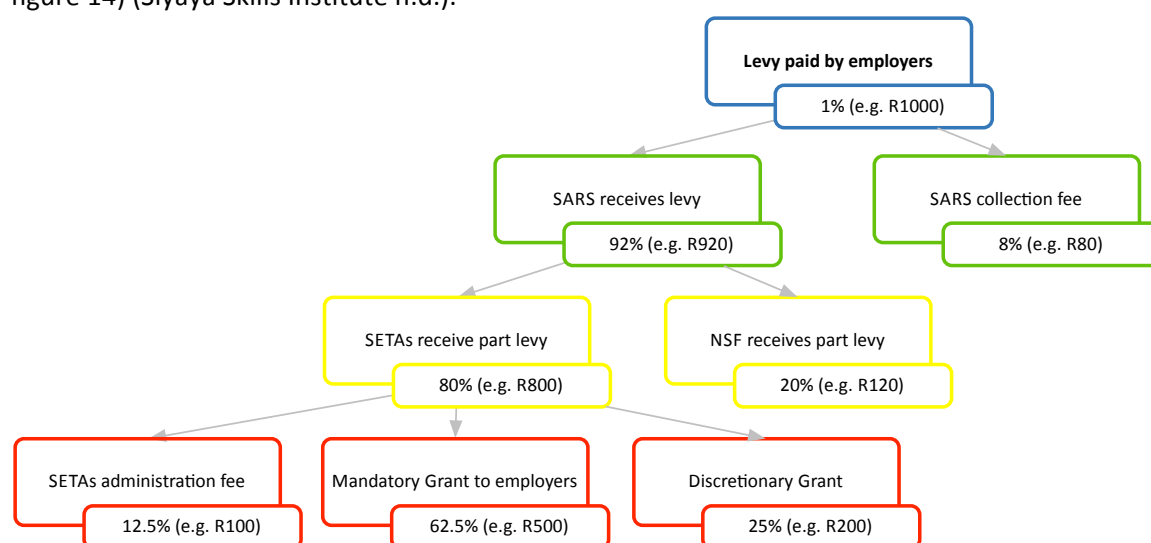


Figure 14 | Skills Development Levy distribution

The relevant SETA develops a sector skills plan within the framework of the national skills development strategy. This sector specific plan is implemented by establishing learning programs, approving workplace skills plans, allocating grants for education and training and by monitoring this (Republic of South Africa, Government Gazette 1998). If a company meets the criteria as outlined in the Skills Development Act, meaning that it submitted a workplace skills plan, annual training report and grant application to the Department of Labour, it is entitled to claim up to 70 percent of its original contribution back via Mandatory and Discretionary Grants.

If enterprises have submitted a workplace skills plan and an annual training report that are approved, SETA disperses half of the money from the levy back to these participating and compliant businesses through the so-called Mandatory Grants. The money that comes from surplus administration funds, interest and penalties received from non-complying companies, levies that have been collected from enterprises that do not comply with the criteria or that do not claim their contribution back, and other funds received by the SETA are allocated to the Discretionary Grants, which can account for a maximum of 20 percent of the original contribution (Department of Higher Education and Training 2012).

The Skills Development Levy has to be paid by all employers, but there are a few exemptions. The public sector, religious or charity organizations and public entities which get over 80 percent of their funds from the government and PBOs that solely carry on public benefit activities are issued an Income Tax Exemption letter stating that they are exempt from paying the levy. In addition to this, employers whose total wage bill is less than 500,000 Rand are not charged the levy either (The South African Revenue Service 2012).

Indirect Empowerment

Indirect Empowerment, the third pillar of the scorecard, consists of the concept of Enterprise Development (ED), Preferential Procurement (PP) and Socio-Economic Development (SED) that altogether make up for 40 percent of the GS scorecard.

Preferential Procurement

B-BBEE legislation places a legal obligation on government entities in all spheres to contribute to B-BBEE through Preferential Procurement (Department of Trade and Industry n.d.). That is, all governmental institutions are required to do business with companies that have a good B-BBEE status. This has a trickle-down effect, as it puts pressure on other businesses to meet these standards in order to improve their score. As stated before, SMEs are automatically qualified as Level Four Contributors. This means that it is attractive for government bodies and public entities, as well as other businesses that aim to increase their score for the Preferential Procurement element, to do business with SMEs (Standard Bank n.d.). Black owned SMEs have an extra advantage since the Preferential Procurement Policy Framework Act (2000) allows all governmental bodies to award contracts to black people (Standard Bank n.d.)

Enterprise Development

Enterprise Development counts for 15 points and is an important part of developing and stimulating the growth of SMEs or QSEs that are 50 percent black owned. It refers to the level of support, either in monetary or non-monetary form, that large corporations give to SMEs with the specific objective of contributing to their development, sustainability and financial and operational independence (SME Toolkit South Africa 2012b). Examples of monetary initiatives include providing SMEs with access to funds and credit or supporting them through giving out grants. Non-monetary support is

for example provided in the form of training and mentoring, provision of preferential credit facilities and capacity building (Department of Trade and Industry 2007b).

Socio-Economic Development

The final component of the B-BBEE Scorecard is Socio-Economic Development, which makes up for the last 15 points. It measures the amount of money that companies donate to charity or invest in programs that benefit black people.

The B-BBEE Advisory Council has reported that South Africa as a whole is at Recognition Level 8, implying that 75 percent of all business have not done anything to comply with B-BBEE (National Small Business Advisory Council 2010).

Environmental legislation

With the transition to democracy in 1994 came a paradigm shift resulting in the concept of sustainable development becoming entrenched in the Constitution. The Bill of Rights dedicates a section to environmental rights by stating that “everyone has the right to an environment that is not harmful to their health or well-being; and to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures” (Republic of South Africa 1996a).

As the Constitution provides the point of departure for policy makers in South Africa, the emphasis on the need for building a sustainable future also becomes evident in other key policies and frameworks (Department of Environmental Affairs and Development Planning 2006). The mission statement in the National Framework for Sustainable Development in South Africa spells out: “South Africa aspires to be a sustainable, economically prosperous and self-reliant nation state that safeguards its democracy by meeting the fundamental needs of its people, by managing its limited ecological resources responsibly for current and future generations, and by advancing efficient and effective integrated planning and governance through national, regional and global collaboration” (Department of Environmental Affairs 2010).

The National Environmental Management Act (NEMA) 107 of 1998 strives to provide insight into finding a balance between equitable development and environmental protection. It establishes principles for decision-making on matters that affect the natural environment and creates institutions that stimulate cooperative governance between organs of the state in order to enable better coordination of environmental laws and procedures (Entrepreneurs’ Toolkit n.d.).

Finally, there are a number of additional laws that are related to sustainable development and the use of natural resources, such as the Waste Act of 2000 and the Biodiversity Act of 2004 (Entrepreneurs’ Toolkit n.d.).

However, these laws and Acts have no real implications for SMEs, as they mainly provide the context in which SMEs operate. That is, there are no direct requirements and limitations that stem from this environmental legislation that are imposed on the daily business activities of SMEs.

5. Findings

The following section provides an overview of the descriptive and frequency statistics on the 31 different sustainability-driven enterprises that were included in this sample. The first paragraph addresses the characteristics of the business entity itself, whereas the second paragraph shows the entrepreneurs' individual background and characteristics.

5.1 Descriptive characteristics of participating SdEs

5.1.1 Business characteristics

All entrepreneurs were asked to answer a number of general questions about their business. These questions concerned the size of the enterprise, the time of existence, type of business model, the degree to which the company incorporates social and environmental goals and an estimation of the percentage of the workforce that can associate with and is dedicated to achieving these goals. The section below sketches an overview of the varieties of businesses included in this research.

5.1.1.1 Range of case studies by location of business operations

Figure 15 below shows the distribution of the enterprises that filled out the questionnaire (the solid place marks) and the businesses that only did the interview (the polkadot place marks). The place marks refer either to the main office or the production site in the Western Cape area. In case of companies that are operating solely online, a place mark has been positioned in the centre of Cape Town. As is depicted in the figure, the majority of businesses (25 out of 31 enterprises, equalling over 80%) are located in the Cape Town area. Out of the remaining six enterprises, four are based in Stellenbosch and the other two are situated in Lutzville and Worcester.

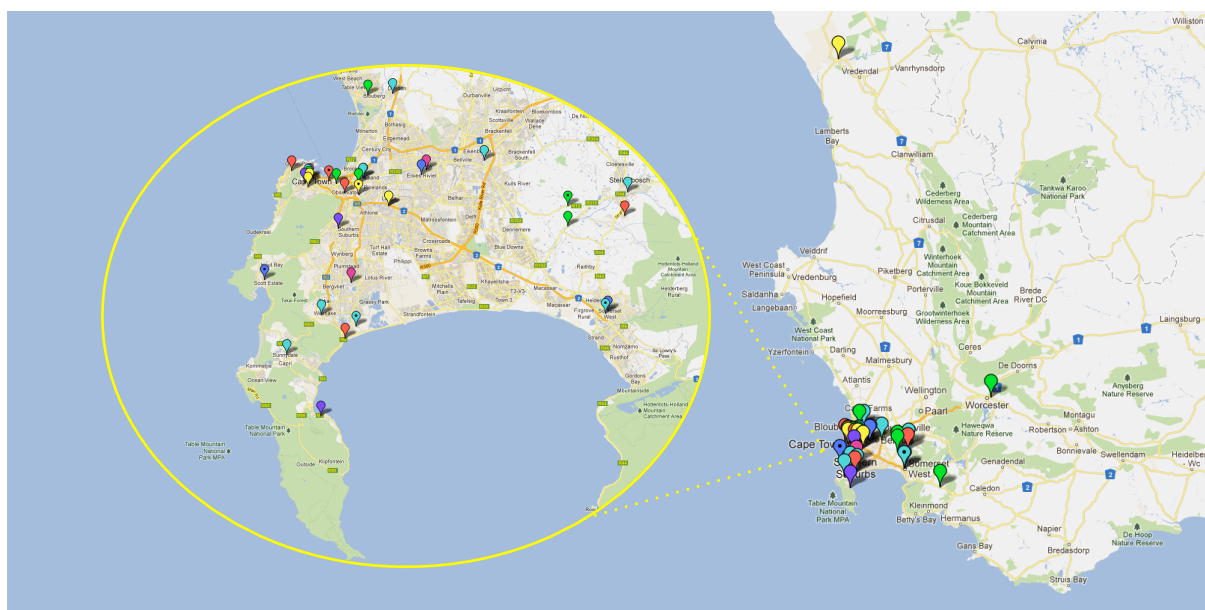


Figure 15 | Map of participating enterprises

5.1.1.2 Range of sectors and industries

Table 23 shows that most companies belong to either the ‘retailing’ sector or the ‘food and hospitality’ sector. The turquoise bullets refer to the ‘retailing’ sector, which includes businesses that sell sustainable commodities, such as clothing from organic cotton and eco-friendly paint. Food and hospitality is the second largest group and consists of businesses that produce, sell and promote sustainably sourced food related products. The ‘awareness, education and training’ sector covers all companies that inspire, educate, empower and support people to change and improve their life and environment. The three pink bullets correspond with the ‘packaging and recycling’ companies that are suppliers of eco food packaging or sort and recycle waste material. The label of ‘tourism and services’ applies to companies that provide services that range from providing career advice to organizing socially responsible tourist experiences. Finally, ‘arts and crafts’ refers to businesses that upcycle materials or provide job opportunities by making art.

Color	Sector / industry	Number of cases (<i>n</i> =31)	Percentage
Turquoise	Retailing	7	23%
Green	Food and hospitality	7	23%
Yellow	Awareness, education and training	5	16%
Red	Consultancy, media and advertising	4	13%
Pink	Packaging and recycling	3	10%
Purple	Tourism and services	3	10%
Blue	Arts and crafts	2	7%

5.1.1.3 Size and type of business

The vast majority of 25 enterprises are registered as for profit companies and only one (Lutzville Training and Education Centre) is a purely non-profit organization. Five businesses are hybrids, which refers to the presence of both for profit and non-profit entities (see figure 16). The sustainability activities of the majority of the businesses included in this study address both environmental and social issues as is depicted in figure 17. This number is based on self-assessment by the entrepreneurs, as they were asked to indicate the extent to which they address social as well as environmental goals. The negative values in figure 17 correspond to entrepreneurs who mainly have a social mission, whereas the positive values refer to entrepreneurs that are predominantly environmentally oriented. The more skewed an entrepreneurs’ mission is towards either one side of sustainability, the higher the score on the horizontal axis. For example, there are only two businesses that have a very strong focus on social issues, as they gave themselves a 1 (out of a 5-points Likert scale) for the extent to which environmental values are embedded in their business and a 5 for social values.

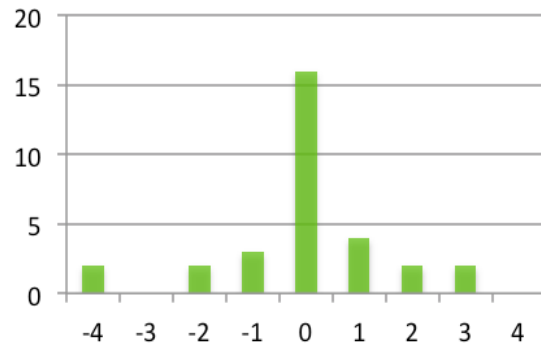
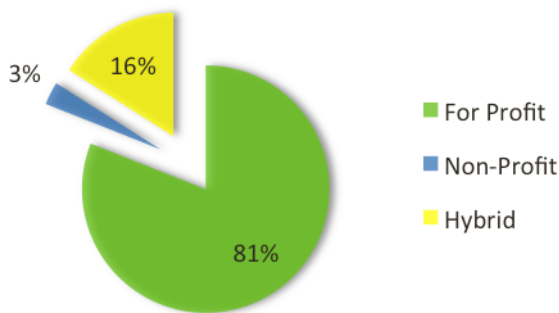


Figure 16 | Business model

Figure 17 | Typology enterprises

Small enterprises that employ 2 to 5 fulltime workers form the largest share in this study. There is only a small number of larger enterprises, as only 13 percent of the entrepreneurs run a business that provides between 101 and 500 fulltime jobs. The average of years that a business has been in existence for, is around 6 years and slightly skewed towards companies that are in the growth stage (see table 24 below).

Variable	Subgroups	Number of cases	Percentage
Size (n=31)	1 fte	5	16%
	2 – 5 fte	14	45%
	6 – 10 fte	3	10%
	11 – 25 fte	0	0%
	26 – 100 fte	5	16%
	101 – 200 fte	3	10%
	201 – 500 fte	1	3%
Age of business (years) (n=31)	≤2	10	32%
	>2 and ≤4	9	29%
	>4 and ≤8	4	13%
	>8 and ≤14	2	6%
	>14 and <24	6	19%

5.1.2 Owner-manager characteristics

Table 25 shows the demographic profile of the owners or managers of the businesses that have been included in this study. This table shows that 58 percent of the companies are founded by a combination of male and female entrepreneurs. There are another 8 enterprises that have been established by men and another 5 that have solely been started by women.

The typical entrepreneur in this study is between 30 and 40 years old (42% of the participants), white (84%), from a middle class background (77%) and has had at least some previous managerial experience.

Table 25 | Demographic profile of participants

Variable	Subgroups	Number of cases	Percentage
Gender (n=31)	Male	8	26%
	Female	5	16%
	Combination	18	58%
Ethnic group (n=31)	Black	0	0%
	Colored	3	10%
	White	26	84%
	Combination	2	6%
Age (n=31)	< 30	8	26%
	30 – 39	13	42%
	40 – 49	6	19%
	> 50	3	10%
Soc-econ. background (n=30)	Lower class	1	3%
	Middle class	23	77%
	Upper class	6	20%
Manag. experience (n=31)	No experience	6	19%
	Some experience	10	32%
	Very experienced	15	48%

5.1.3 Drivers and motives for starting SdEs

There has been a lot of research done on the motives of established as well as latent entrepreneurs, but there is no real consensus as to what the main drivers of entrepreneurial activity are. However, studies on South African entrepreneurs have pointed out that financial security, continual learning, greater flexibility and increasing status are some of the main incentives for running a business (Schaumburg-Muller et al. 2010; Mitchell 2004).

In order to understand why people establish a business with an environmental or social focus and what they have learned from this process, the questionnaire included two open questions in which respondents were asked to describe their motives for starting their enterprise and the lessons they have learnt from this.

Most entrepreneurs identified a need or gap in the market and came up with a business model to address this. One entrepreneur, Amiene van der Merwe of Green Cab, explained that her initial motivation came from the realization that “doing good is good business”⁴. The mission entrepreneurs embarked on varied from “turning trash-into-cash”⁵ and “bringing back hope”⁶ to “help the environment, save the customer money”⁷ and “expand the market for fair trade in South Africa”⁸. For some this happened by chance as it “grew organically”, others deliberately decided to take on the various sustainability challenges. As Johan Muller explained his reason for addressing these issues: “one day I am going to start my own business, today is one day”⁹ or a more often heard South African saying “‘n boer maak ‘n plan” (“a farmer makes a plan”).

⁴ Questionnaire

⁵ Jo Kearny, BottleCraft SA, questionnaire

⁶ Clinton Liederman, RLabs, questionnaire

⁷ greenOFFICE, questionnaire

⁸ Rain Morgan and Piter Swart, Turqle Trading, questionnaire

⁹ Lutzville Training and Education Centre, personal communication, 15 May 2012

Driving sustainable change in society, uplifting disadvantaged communities and creating jobs requires a high degree of passion. “Without personal commitment, sustainability does not become part of the business culture and practice”.¹⁰ Belief in the product or service being offered and perseverance (“you need to eat dirt before you make money”¹¹) is a second essential prerequisite for achieving stipulated goals. “If you plant seeds in people’s minds, one day they will sprout”¹². Also, “it is crucial to understand the value of the people you employ and surround yourself with, because everything is about people”¹³. Eventually, however, it all comes down to actually do what you planned to do, as “awareness without action is pointless”.¹⁴

The reasons for starting a sustainability-driven business that were mentioned during interviews and through the questionnaire, are thus different from the motives that have been brought forward by participants in studies on entrepreneurship without social or environmental goals. According to Gibbs (2009) the three main reasons for starting a business with a sustainability-driven focus are compliance-based, market-driven or value-driven. Most of the entrepreneurs in this study are encouraged by the latter category, as they act on their own sustainability-related values.

A last interesting finding is that some sustainability-driven entrepreneurs indicated to struggle with balancing the need to do something good with the need to make money. Finding the right balance between holding on to social and environmental values but trying to make money at the same time can be challenging, because “you can loose business if you stick to your values”¹⁵. Whereas a few companies say to work with everyone who is open as “we all need to change”¹⁶, others set their own criteria. Most entrepreneurs expressed that they try to listen to their ‘moral compass’ and work only with companies that are willing to listen and change, “not the ones that just want to buy credibility”¹⁷ because in the end “you just want to do good work”¹⁸.

5.1.4 Business performance

Measuring the level of success of businesses in terms of the triple bottom line is challenging, since there is no agreement on what variables should be included in order to accurately determine the extent to which social, environmental and financial goals are being met. Therefore, we have attempted to create our own index to quantify success. This first part of this paragraph shows the results for success per dimension and the second part describes the outcome for the level of aggregated success.

¹⁰ David Farrell, Blue North, questionnaire

¹¹ Bernhard Lembeck, ProNature, personal communication, 2 May 2012

¹² Andy le May, Icologie, personal communication, 3 May 2012

¹³ greenOFFICE, questionnaire

¹⁴ Muna Lakhani, Institute for Zero Waste in Africa, personal communication, 20 April 2012

¹⁵ Irene de Beer, Scarecrow Organics, personal communication, 4 April 2012

¹⁶ Andy le May, Icologie, personal communication, 3 May 2012

¹⁷ Jonathon Hanks, Incite Sustainability, personal communication, 4 April 2012

¹⁸ Alex Hetherington, Carbon Calculated, personal communication, 15 May 2012

5.1.4.1 Success per dimension

Success on 'prosperity' dimension

In order to measure the performance of companies on the prosperity scale, three indicators are used. These are 'average yearly profit', 'distribution of inputs' and 'distribution of outputs'. Figures 18 and 19 and table 26 show that most companies make a profit (53%), source between 80 and 100 percent of their input locally (55%) and mainly provide the local market with their goods and services (29%).

The majority of the companies that are not making a profit is still in the start-up phase and has made an investment in their business that yet has to recover its value. From the 47 percent of the entrepreneurs who do get their inputs from local sources, some indicated that they are outsourcing part of their production, while they would rather have their goods produced locally. In some cases the input materials are not available locally, the price is too high or the quality too low. For example, Scarecrow Organics produces clothes from organic fabrics to sell in their shops or online. The machinery and labour to produce textile is in place, but there is hardly any organic cotton in South Africa, forcing them to import this. The fact that there is no duty on Mauritian cotton makes it hard for the South African cotton industry to compete internationally.¹⁹ Another example is EcoPack, who manufactures single-use biodegradable food and beverage containers. These PLA bioplastic cups are manufactured in Taiwan, as the labour costs of producing locally would be three times as high, making it impossible to compete with the conventional food packaging industry.²⁰ A final reason that explains why almost half of the entrepreneurs do not source all their input materials and production equipment locally, is that the international quality standards of production are higher. An example is Atlantic Plastic Recycling, who buy recycling equipment in Europe as they utilize the latest technologies.²¹

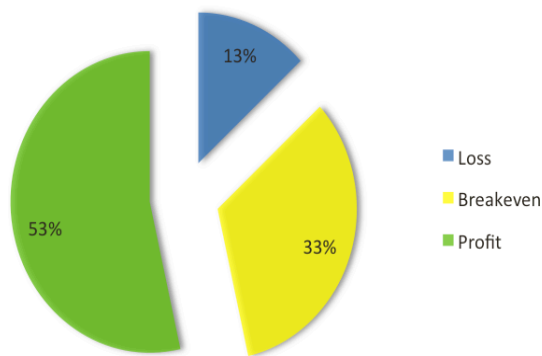


Figure 18 | Financial performance

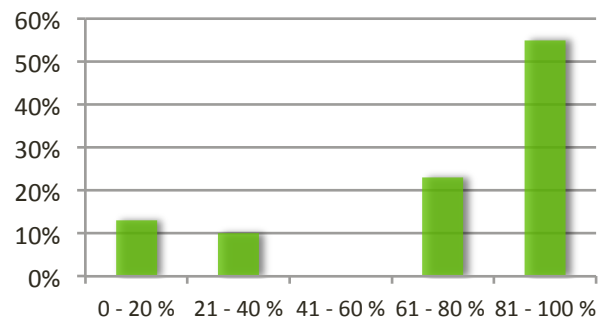


Figure 19 | Percentage of inputs bought locally

Table 26 exemplifies the division in businesses who mainly serve the local market and those who export the majority of their products. Just over half of the entrepreneurs are locally oriented, meaning that more than 60 percent of the total outputs go to the local market, and about 17 percent of all businesses are primarily focused on the international market. It is interesting to note that for most entrepreneurs, the African market is not interesting as only 30 percent of all companies serve this market.

¹⁹ Irene de Beer, personal communication, 4 April 2012

²⁰ Lauren Clack, personal communication, 28 March 2012

²¹ Steven Cheetham, personal communication, 2 April 2012

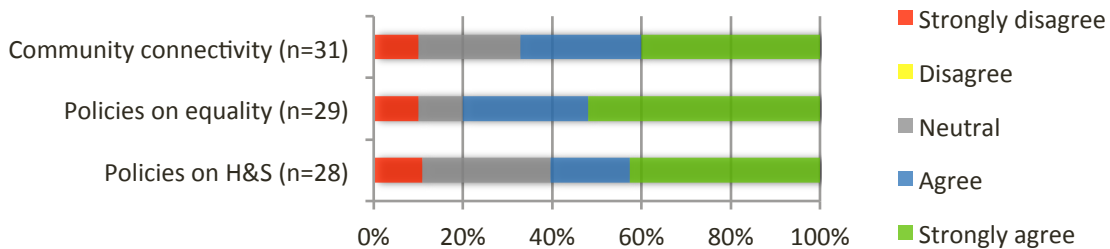
Table 26 | Success score on prosperity dimension

Variable	Subgroups	Local		National		African		World	
Outputs (n=31)	0%	-	-	12	39%	21	68%	18	58%
	1 – 19%	4	13%	6	19%	8	26%	4	13%
	20 – 39%	3	10%	6	19%	2	6%	4	13%
	40 – 59%	7	23%	4	13%	-	-	-	-
	60 – 79%	1	3%	2	7%	-	-	3	10%
	80 – 99%	9	29%	1	3%	-	-	2	7%
	100%	7	23%	-	-	-	-	-	-
			100%		100%		100%		100%

Success on ‘people’ dimension

The performance on the social sustainability scale is composed of three indicators. Figure 20 shows that most companies strongly agree with statements on the extent to which they have policies put in place beyond legal requirements on health and safety (mean = 3.8) and equality (mean = 4.1). There seems to be an even greater dedication to invest time and money in the community in which they operate (mean = 4.2).

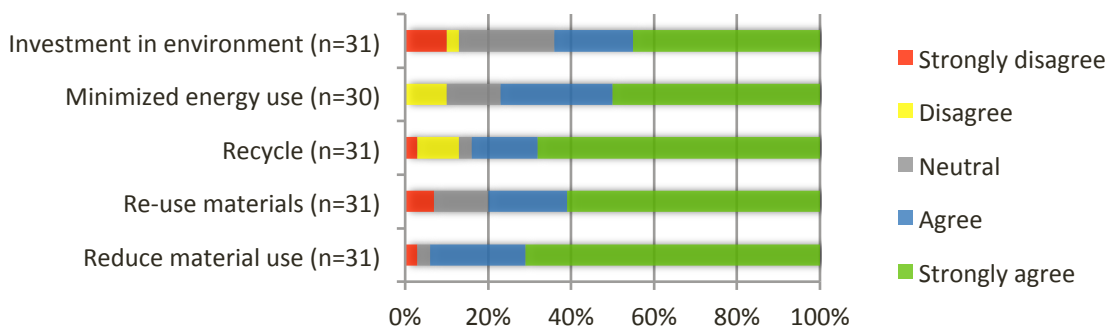
Figure 20 | Answer pattern for success ‘people’



Success on ‘planet’ dimension

The degree to which companies are successful in terms of environmental sustainability is captured through the measurement of five variables (figure 21). Companies score highest on the items that measure companies’ commitment to reducing material use (mean = 4.6), recycle (mean = 4.4) and re-use materials (mean = 4.3), followed by their intentions to minimize energy use (mean = 4.2) and investment in natural environment (mean = 3.9).

Figure 21 | Answer pattern for success ‘planet’



5.1.4.2 Aggregated level of success

Figures 20 – 23 show the sample distribution for the three individual dimensions of success as well as the score for total success, based on a 5-point Likert scale. Figure 22 displays the distribution of the scores for the level of ‘prosperity’ (mean = 3.90 and standard deviation = 0.71), and figure 23 shows the distribution for ‘people’ (mean = 4.14 and standard deviation = 0.92). The mean for success in terms of ‘planet’ is equal to 4.16 with a standard deviation of 0.80 (figure 24). Finally, the mean score for the level of ‘total success’ is 4.06 (standard deviation = 0.56, figure 25). From these figures, it can be seen that the SdEs in this sample were most successful in terms of ‘people’ and ‘planet’ and less successful with regard to ‘prosperity’.

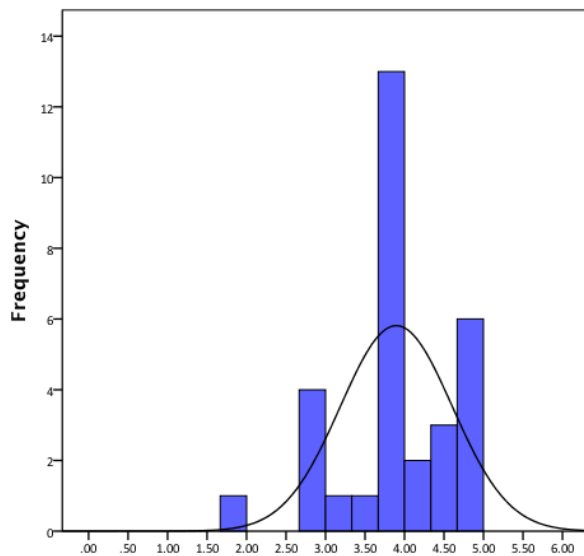


Figure 22 | Total level of success ‘prosperity’

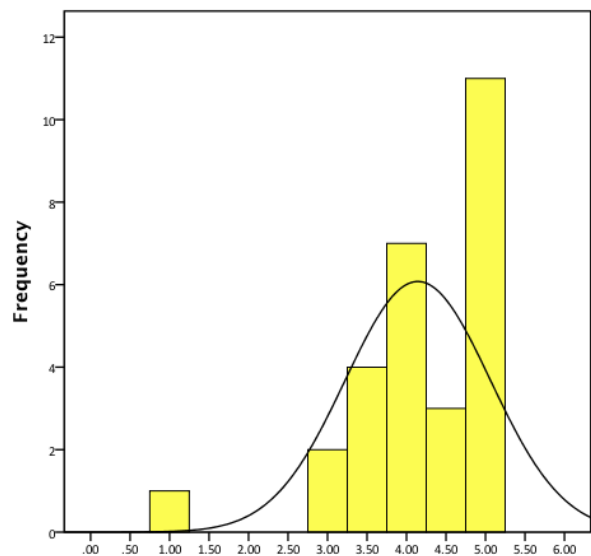


Figure 23 | Total level of success ‘people’

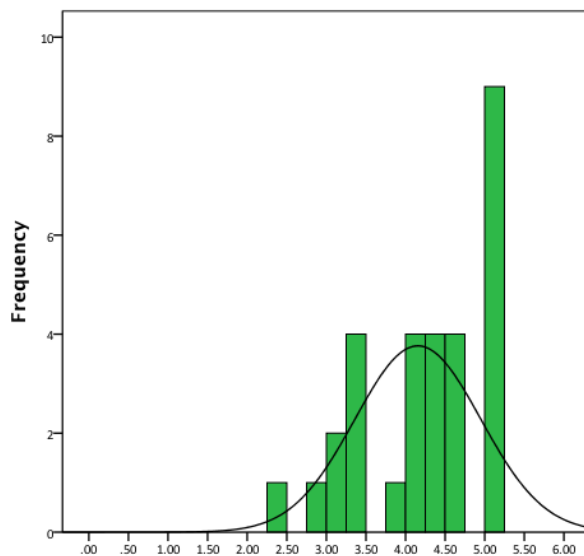


Figure 24 | Total level of success ‘planet’

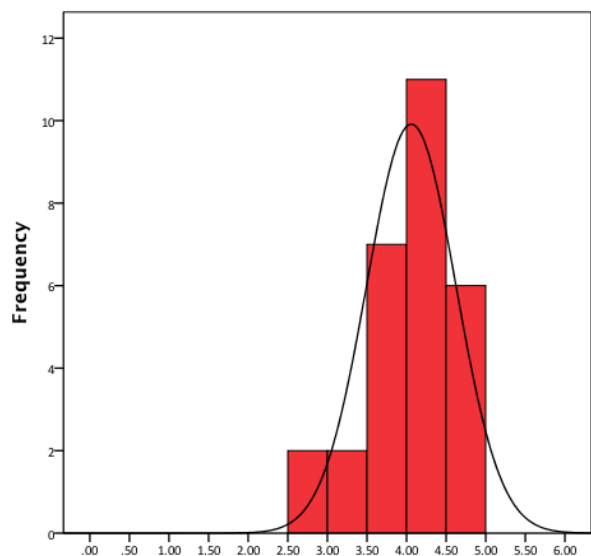


Figure 25 | Total level of success ‘total’

5.2 Institutional environment (quantitative and supportive qualitative findings)

Thus far, the descriptive and frequency results of both the general characteristics of entrepreneurs as well as their businesses and the dependent variable (success) have been presented. The following section gives an overview of how entrepreneurs in the sample group perceive the institutional environment. The findings are presented per dimension, as figure 26 outlines, and make use of case studies to highlight the most important findings.

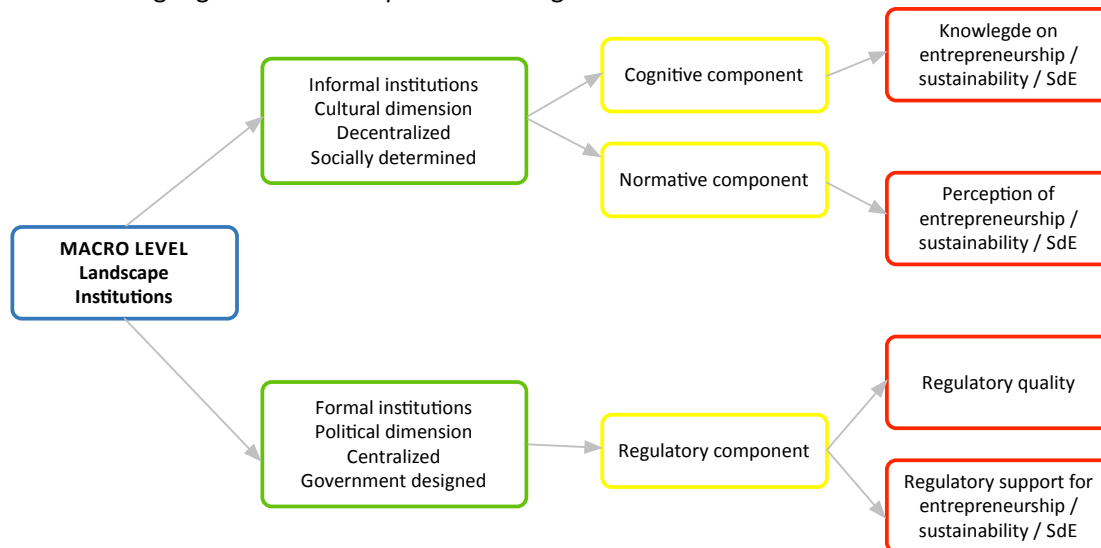


Figure 26 | Theoretical framework

5.2.1 Normative dimension

The following paragraph discusses how entrepreneurs perceive the normative aspect of the institutional environment within their direct network and compares this with their perception of what the general public in South Africa believes. An interesting finding is that in the interviews, entrepreneurs brought up different aspects of the normative environment than those items that were covered in the questionnaire. These findings are discussed in the last section of this paragraph.

Figure 27 shows that there is no consensus amongst entrepreneurs on whether entrepreneurship is seen as desirable career in South Africa. Almost a third of all entrepreneurs disagree with the statement that being an entrepreneur is considered to be a good career. Within the entrepreneurs' own direct network starting an enterprise is considered to be a good way to make a living. However, Johan Muller of Lutzville Training and Education Centre does point to the fact that there is a difference between 'considering' and 'doing', as people within his own network do consider starting a business but they don't actually do it.²² Monique Ross of She's the Geek reiterates this point by stating that entrepreneurship must be nurtured in society in order for it to really become more popular.²³

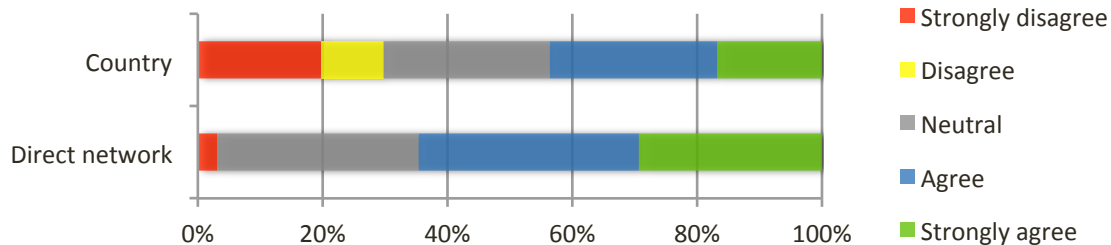
According to Paul van Dyk of I Power SA, whether people see entrepreneurship as a good career choice depends on their background and reference frame. Furthermore, he mentioned that the upper class is more entrepreneurial, whereas people that belong to a lower class are usually trained

²² Personal communication, 15 May 2012

²³ Personal communication, 30 May 2012

to be workers.²⁴ Hugh Tyrell of GreenEdge also touched upon the fact that there is a high rate of entrepreneurial activity amongst white people as it is difficult for them to find a job, partly due to the emphasis of the government on creating employment for the black population.²⁵ Finally, Craig Waterman of Green-Diesel explained that the lack of social security infrastructure means that South Africa is driven by money, resulting in people ambioning jobs that are well paid.²⁶

Figure 27 | Entrepreneurship is seen as a desirable career choice within my..



As can be seen from figure 28, almost 75 percent of all entrepreneurs agree that entrepreneurship comes with a high level of status and respect and this number is even higher within entrepreneurs’ own direct network. Amiene van der Merwe of The Green Cab explained that SMEs are “hailed as the panacea as they are the only thing that can save South Africa”. Moreover, she highlighted that no one is against entrepreneurship and argued that “it is weird if you don’t work for yourself, since there are no jobs out there”.²⁷

The majority of entrepreneurs neither agrees nor disagrees with the statement that sustainability-driven entrepreneurs have a higher level of status than those running a commercially driven enterprise. Most sustainability-driven entrepreneurs felt support from the community with regard to their business mission. An example is provided by Tony Budden of Hemporium, who observed that people are intrigued by their story, which works to their advantage. However he also realized that this is different for SdEs that try to sell products that are “less interesting such as solar panels”.²⁸ One final comment regarding status in South Africa comes from Antonino Allegra who expressed that “it is very much about the car you drive, but it does not matter how you got the money to afford it”.²⁹

Figure 28 | Those successful at running a (sustainability-driven) enterprise have a high(er) level of status and respect within my..

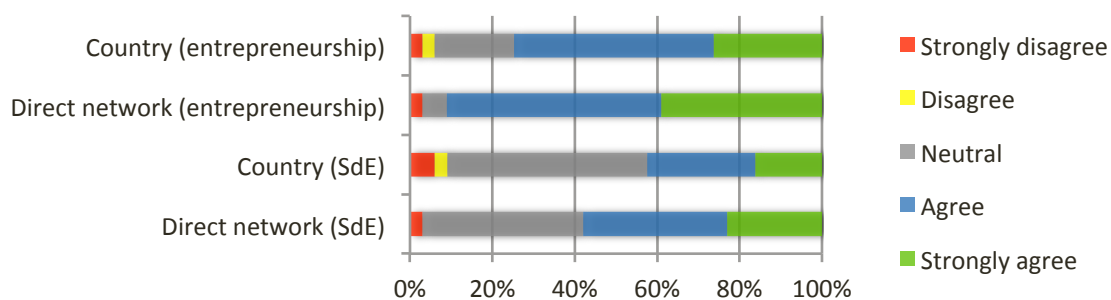
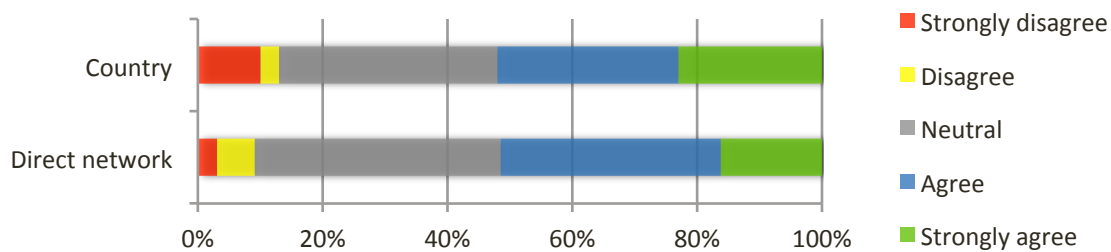


Figure 29 shows that the majority of the entrepreneurs believe that there is not only a culture of fear of failure in South Africa as a whole, but indicated that this is also the case within their own

²⁴ Personal communication, 28 March 2012
²⁵ Personal communication, 3 April 2012
²⁶ Personal communication, 9 May 2012
²⁷ Personal communication, 15 March 2012
²⁸ Personal communication, 22 May
²⁹ Personal communication, 16 May 2012

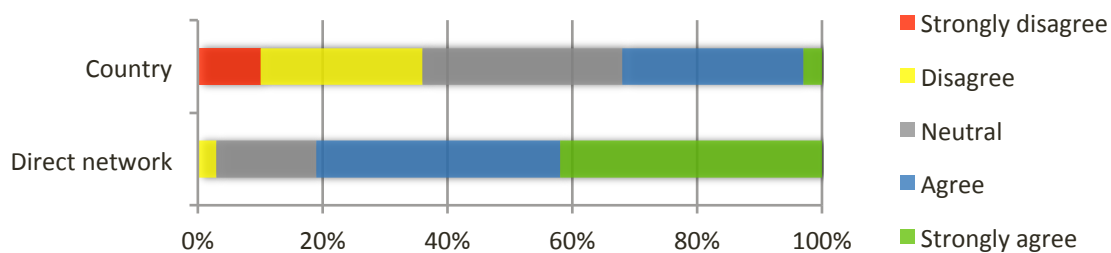
direct network. Only a small percentage disagrees with this statement and denies the existence of an environment that is not supportive of failure. According to Debbie Alcock of Burchells Foods, “it is not about the fact that you fail, but about what you do with failure. If you fail and learn something it is honourable”.³⁰

Figure 29 | There is a culture of fear of failure within my...



There is a strong contrast between entrepreneurs’ perception of the attitude of the general public and entrepreneurs’ perception of the attitude within their own network with regard to the belief that there is a need for a more sustainable society, as depicted in figure 30. The level to which entrepreneurs believe that people in South Africa perceive sustainability as desirable is not very high. As expressed by one entrepreneur, Liz Metcalfe of Food Shed: “there is a big difference between what people need and what people realize they need”.³¹

Figure 30 | Most people believe that there is a need to be more sustainable within my...



One of the main reasons for the lack of support for sustainability in Cape Town and surroundings is that not everyone is in an environment in which people directly see the issues, as they are not confronted with sustainability in their daily lives.³² Many entrepreneurs indicated that the challenge for SdEs is to convert those people who do not already acknowledge the need for sustainability. According to Lauren Clack, there are three types of people; those who go for cheap products, those who go for green products and those in between. She points to the latter category as being the “easiest to start converting”.³³ Bernhard Lembeck adds to this by stating that people need to realize that they need the products and services you deliver. Even if there is no market, you need to create and tailor your product to make it fit the market you try to serve (see case study in box 2).³⁴ This point is reiterated by Alex Hetherington of Carbon Calculated, provider of carbon measurement services to the corporate sector, who explained that “growth is in companies that are not obliged to report on their carbon footprint by law”. However, he also acknowledged that convincing these businesses is rather challenging in more tough economic times.³⁵

³⁰ Personal communication, 14 May 2012

³¹ Personal communication, 26 April 2012

³² Myles Hoppe, Derrick, personal communication, 20 March 2012

³³ Personal communication, 28 March 2012

³⁴ Personal communication, 2 May 2012

³⁵ Personal communication, 15 May 2012

Box 2 | Creating a market: the case of ProNature

ProNature is a line of natural paints established by German paint technician Bernhard Lembeck in 1997, to offer an eco-friendly alternative to commonly used synthetic paints. In contrast to Germany, he found that there was no market for green products in South Africa at all.

The paints that ProNature was trying to sell were tailored to the needs of the German market and had to be redefined in order to make them more appealing to the South African market. He found that the South African culture was characterized by the desire to “do everything with the least effort and costs, as people will always find a loophole to do something cheaper”. Competing with the synthetic industry proved to be hard as natural paints are more expensive and less versatile. Therefore, he had to create a more user-friendly paint and educate people before he really started selling his products.

Culture of ‘entitlement’

South African culture was often described by the term ‘entitlement’, usually referring to the attitude of black people towards entrepreneurship. The government has promised people everything, creating a culture that raises expectations on what it is like to be employed by making people believe that a “utopia of working environment”³⁶ awaits them. Several social entrepreneurs indicated that people are not thankful for the opportunities that are presented to them, as they rather wait for the government to offer them a better-paid job. This is different from other African countries where the government has promised nothing, and where people realize that if “they have to wait for the government, nothing ever gets done”³⁷.

Culture of ‘disempowerment’

The general feeling of disempowerment amongst the black population refers to the fact that people have lost faith in themselves as a result of the Apartheid era. People are not motivated to work (“I even had to wake people up for their interview”³⁸) and show a lack of initiative (“tell me what to do and I will do it”³⁹). In addition, most people still think that “green stuff is white stuff”⁴⁰, explaining why most of the sustainability-driven entrepreneurs are white.

Similarly, Vernon Henn of Thandi Wines is focused on empowering black people and aims to do so by supporting farm workers to become owners of their own farm. He experienced that people found it very challenging to make this move, as they were never allowed to decide and now have difficulties making decisions. Therefore, he argued that a mind shift is needed to make workers feel more confident and empowered.⁴¹

Culture of ‘fear of the unknown’

A couple of years ago, people did not know anything about sustainable and social entrepreneurship. When Peter Schrimpton (founder and CEO of Heart Capital) brought social entrepreneurship to South Africa, he got booted out of parliament, as people had never heard of the whole concept. It has gained momentum over the last couple of years, but “a lot of people still don’t know what social entrepreneurship entails and associate it with charity”.⁴² Nevertheless, people are starting to

³⁶ Adri Williams, Khayelitsha Cookies, personal communication, 5 April 2012

³⁷ Malcolm Worby, Malcolm Worby Design, personal communication, 17 March 2012

³⁸ Johan de Meyer, Proudly Macassar Pottery, personal communication, 23 April 2012

³⁹ Adri Williams, Khayelitsha Cookies, personal communication, 5 April 2012

⁴⁰ Hugh Tyrell, GreenEdge, personal communication, 3 April 2012

⁴¹ Personal communication, 25 April 2012

⁴² Personal communication, 21 May 2012

understand the concept of SdEs better and are “very receptive to information on how sustainability affects them in a practical way”.⁴³

Therefore, it is essential to involve people in what you are doing and show them what it is really about.⁴⁴ This also holds true for most SdEs, such as Green-Diesel and Hemporium, who understand that they have to “expose people to things in order for them to understand it”.⁴⁵ People need to see that building your own house from hemp and “making your own fuel out of biodiesel is not a gimmick”.⁴⁶

Some entrepreneurs also have found that people were skeptical towards the quality of their products as they are not familiar with it yet. Reyneke Wines is an example of a business that had to defend its choice of farming procedures. When Johan Reyneke implemented biodynamic farming methods in 2000, people did not understand why he made this move since chemicals that were used to spray the vines were still completely legal. Now that there is more attention for organically grown grapes, neighbouring conventional farmers and other interested people come over to find out more about this sustainable way of farming.⁴⁷

Culture of ‘stigmas’

Adri Williams of Khayelitsha Cookies expressed that they experienced a huge resistance in South Africa towards the values that their business stands for. When Khayelitsha Cookies first started people laughed at their name, as they did not associate the name ‘Khayelitsha’ with proper hygiene, especially since it was a group of black women without gloves who made the cookies. It was only recently that this stigma was torn down as people started to realize that the baked goods were safe enough to eat due to a partnership with Purity, producer of baby food.⁴⁸

Repositioning South African culture

According to Debbie Alcock of Burchells Food, it is not just the black population that needs to be empowered, but Africa as a whole. She stated that “Africa needs to get credit for all it does and produces”.⁴⁹ People need to move away from trying to copy the European lifestyle that has been dictated as the right example and appreciate their own culture by accepting that ‘local is lekker’ (South African for ‘local is delicious’). See the case study in box 3 for an example.

⁴³ Malcolm Worby, Malcolm Worby Design, personal communication, 17 March 2012

⁴⁴ Antonino Allegra, CocoaFair, personal communication, 16 May 2012

⁴⁵ Tony Budden, Hemporium, personal communication, 22 May 2012

⁴⁶ Craig Waterman, Green-Diesel, personal communication, 9 May 2012

⁴⁷ Personal communication, 19 April 2012

⁴⁸ Personal communication, 5 April 2012

⁴⁹ Personal communication, 14 May 2012

Box 3 | 'Local is lekker': the case of Malcolm Worby Design + HAPPI

The Reconstruction and Development Program (RDP) is a governmental socio-economic project aimed at replacing informal settlements by low cost subsidized housing. Malcolm Worby Design is involved in redesigning these houses, as the current building style is inefficient and expensive. Not only is it cheaper and more efficient, it is also more sustainable to use mud clay adobe instead of concrete.

There are, however, two problems that need to be addressed in order for this alternative building style to be adopted. First, there is no bond for building adobe houses as the government only accepts 'recycled cement brick' as sustainable building material. The lack of support is not just from the government; the villagers themselves also prefer cement to adobe as it is promoted as the way to go since it is the material that "white men" use and "people want to live in brick cement houses like people on television".

Western Cape and the rest of South Africa

In all of the conversations with entrepreneurs it became clear that the Western Cape, and Cape Town in particular, is not a good representation of South Africa as a whole. Cape Town is often referred to as "the incubator of sustainability thinking in South Africa" or as the "green capital" where "you can do things". There is a different mentality in Cape Town, by some described as "more philosophical", due to the inspiring natural environment and the people that this attracts. This also entails that it is sometimes hard to start a business since "people are not here to work".⁵⁰ Starting a business in Johannesburg is stated to be easier, since that is where the big business and money is to be found. In the words of Hugh Tyrell: "the difference between Cape Town and Johannesburg is the difference between being surrounded by Table Mountain or by skyscrapers, that is there is a completely different mentality in Cape Town where people come for the nature centred lifestyle".⁵¹

The sustainability-field in South Africa is a competitive field that is under resourced, in which organizations become rivals where they should be cooperating.⁵² South Africa is still in a protective mode; this 'island mentality' needs to be overcome by stimulating collaboration between SdEs up to the right balance between sharing and protecting.⁵³

Marketing focus of SdEs

The focus on quality is a common thread that runs through all businesses. Khayelitsha Cookies sells their cookies based on taste, as "people prefer buying a high quality product over buying a clear conscience"⁵⁴. The same applies to Reyneke Wines and Thandi Wines, both placing emphasis on the quality of the wine. The fact that they are either biodynamically produced or along the standards of Fair Trade and that they support social projects or are produced on a black-owned farm only ranks second and third place. "We do not sell based on sympathy, otherwise people will only buy it once. We need repeated sales to make commercially sense"⁵⁵.

Local market opportunities

There is a desire amongst SdEs that export most of their products, like all of the vineyards, to slowly move their focus away from the international market and shift to the local market instead. The majority of interest for South African wines comes from Europe, but shipping the wine overseas has

⁵⁰ Tony Budden, Hemporium, personal communication, 22 May 2012

⁵¹ Personal communication, 3 April 2012

⁵² Peter Schrimpton, Heart Capital, personal communication, 21 May 2012

⁵³ Tony Budden, Hemporium, personal communication, 22 May 2012

⁵⁴ Adri Williams, personal communication, 5 April 2012

⁵⁵ Vernon Henn, Thandi Wines, personal communication, 25 April 2012

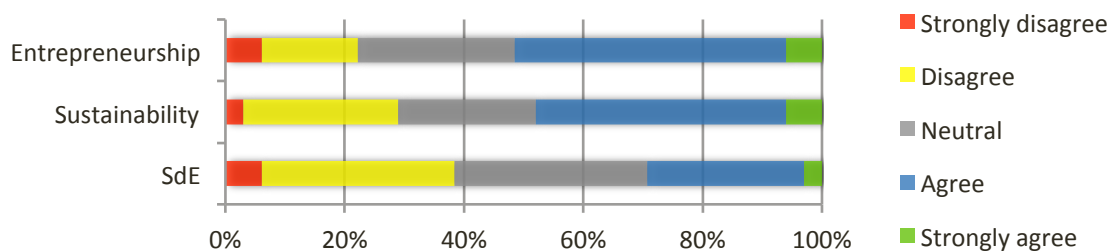
a higher carbon footprint than transporting the wine nationally.⁵⁶ Also, their sales being so depended on the functioning of the international market and its prices and standards, make international shipping riskier. However, in order to sell more products locally, the market needs to be ready.

5.2.2 Cognitive dimension

Figure 31 shows that approximately half of entrepreneurs believe that the public media often publishes stories about successful enterprises as well as articles about sustainability. There seems to be less focus on successful sustainability-driven enterprises, as most participants either disagree or expressed a neutral attitude towards this topic.

Sam Adams of Living Green states that people experience less pressure from the media to adopt a more sustainable lifestyle compared to a few years ago as “the hype is over and the need to become more sustainable is now internalized and conscious-based”.⁵⁷ Most entrepreneurs acknowledged that there has been an increase in media exposure over the past years, but indicated that there is still not enough being published on success stories. According to Debbie Alcock, this is a missed opportunity as “success breeds success by inspiring and encouraging people to do something similar”.⁵⁸ John Holmes of Oude Molen Eco Village reiterated this point by explaining that “you need to bring it to the household, as people are more efficient in bringing about change than companies, which is why we are publishing booklets on sustainable living to distribute among households”.⁵⁹

Figure 31 | In my country, you will often see stories in the media about..



5.2.3 Regulatory dimension

The regulatory dimension is divided in two subcategories as explained in chapter 3. The first section of this paragraph discusses entrepreneurs’ perceptions of the regulatory quality and the second part is concerned with capturing their views on the level of regulatory support for SdEs.

⁵⁶ Johan Reyneke, Reyneke Wines, personal communication, 19 April 2012

⁵⁷ Personal communication, 24 April 2012

⁵⁸ Personal communication, 14 May 2012

⁵⁹ Personal communication, 3 April 2012

5.2.3.1 Regulatory quality

Figure 32 shows the answer pattern for statements regarding the perceived regulatory quality in South Africa. It can be seen that the four items show great level of diversification, with the level of corruption and administrative requirements when registering a business being perceived as most problematic.

Over 80 percent of the entrepreneurs perceive a high level of corruption within business and government, resulting in an unequal distribution of wealth. This lack of trust in the government is especially evident in black communities, since “most of them do not even participate in the voting process”⁶⁰.

Figure 32 also shows that more than 60 percent of the entrepreneurs believe that legal and administrative procedures do not form an obstacle to starting a business. Nevertheless, the most heard complaint about the government is that it is a slow-moving organization, as processes can take a long time to complete. The problem with this is that entrepreneurs do not have the manpower to stand in a cue to deal with all the paperwork. Most entrepreneurs try to avoid dealing with the government as they would “rather spend an hour training my guys as an hour with them brings direct results whereas an hour spend in a government cue brings results in 1 or 2 years”⁶¹. In addition, Sam Adams explained that it is “very intimidating to approach the government as it is full of bureaucracy”⁶². Some entrepreneurs have tried to apply for government funding, but this was in most cases unsuccessful since they “have a business to run and do not have the time to fill out forms”⁶³. One entrepreneur who did apply for funding got told that the applications got lost and that he had to “come in again in six months”⁶⁴.

There are mixed opinions on whether the costs of registration function as a barrier, as expressed by an entrepreneur “what is cheap for one person, is a whole lot of money for another person”⁶⁵. However, the majority of entrepreneurs did indicate that opening a business is easy. In the words of Antonino Allegra “here (*in South Africa red.*) you go online, go to the CIPC website, pay 150 Rand and you are registered”.⁶⁶

Finally, the majority of entrepreneurs believe that property rights are effectively secured, as only 20 percent of the entrepreneurs disagree with this statement. This effective protection of property rights is closely related to the racial imbalances in land ownership. According to Vernon Henn of Thandi Wines, even in 2012 only $\frac{2}{3}$ of all black owned farms possess the land rights. Thandi Wines is an exception, as it is owned by 250 farm-workers who hold the majority of shares in the company as well as the majority of farmland ownership rights. The farm workers obtained a share of this land through a fund provided by the Land Redistribution for Agricultural Development (LRAD) programme, which is a government initiative that helps prospective farmers to purchase land by means of a financial contribution.⁶⁷

⁶⁰ Johan de Meyer, Proudly Macassar Pottery, personal communication, 23 April 2012

⁶¹ Johan de Meyer, Proudly Macassar Pottery, personal communication, 23 April 2012

⁶² Living Green, personal communication, 24 April 2012

⁶³ Debbie Alcock, Burchells Food, personal communication, 14 May 2012

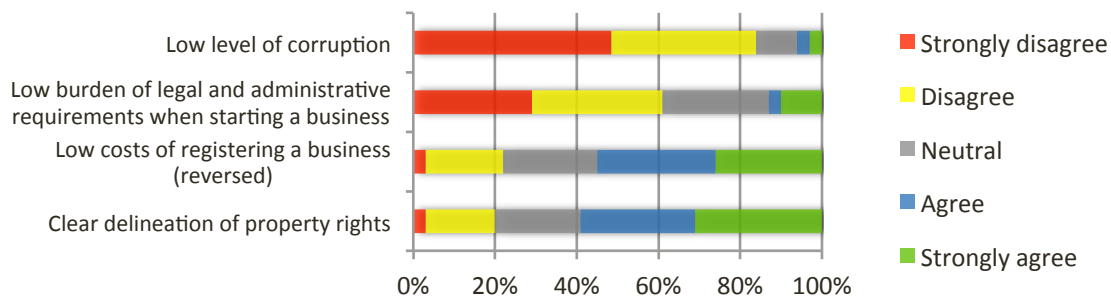
⁶⁴ Vernon Henn, Thandi Wines, personal communication, 25 April 2012

⁶⁵ Clinton Liederman, RLabs, personal communication, 30 May 2012

⁶⁶ Personal communication, 16 May 2012

⁶⁷ Personal communication, 25 April 2012

Figure 32 | Regulatory quality



5.2.3.1 Regulatory support

This first section of this paragraph explains the answers of entrepreneurs regarding the statements on the level of government endorsement for entrepreneurship, sustainability and SdEs in South Africa. This is followed by a section on entrepreneurs’ experiences with the laws, regulations, policies and programs lined out in paragraph 4.1.2.

As can be seen in figure 33, there is a relatively high amount of neutral answers, suggesting that entrepreneurs are not fully aware of the support that is provided by the government. However, less than 20 percent indicates to agree with the statement that the government has been endorsing entrepreneurship over the last three years. The most heard comments referred to the fact that “the government is slow”⁶⁸ and that “they say they are doing a lot but they are not in practice”. Craig Waterman of Green-Diesel expressed that the government tries to encourage SMEs, but “you are only allowed to do so much and then you’re cut off”⁶⁹. What also became clear was the lack of support for older businesses as they are too old to qualify for subsidies and other monetary forms of assistance since “most initiatives are aimed at start-ups”⁷⁰. However, Johan Reyneke contested this statement by pointing to the fact that there is “no governmental financial support for starting entrepreneurs at all”⁷¹.

Most entrepreneurs also disagree with the statement that the government has been stimulating sustainable development over the last couple of years. Examples regarding (the lack of) government support for sustainability come from two of the main sustainability-driven sectors, waste recycling and renewable energy and were touched upon and explained by Steven Cheetham of Atlantic Plastic Recycling (see box 4) and Paul van Dyk of I Power SA (see box 5).

⁶⁸ Jonathon Hanks, Incite Sustainability, personal communication, 4 April 2012

⁶⁹ Personal communication, 9 May 2012

⁷⁰ Bernhard Lembeck, ProNature, personal communication, 2 May 2012

⁷¹ Personal communication, 19 April 2012

Box 4 | Regulatory support: the case of waste recycling

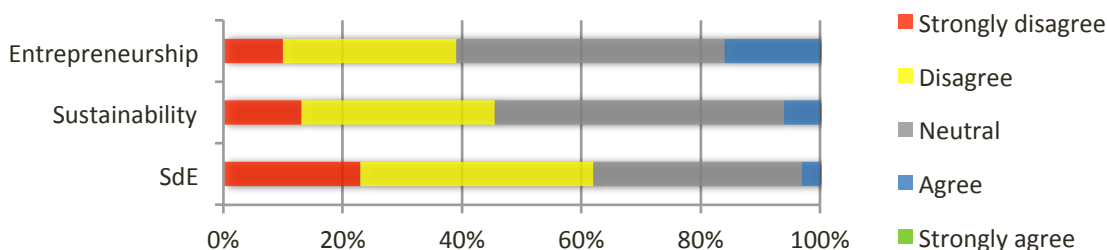
The waste recycling industry is a major contributor to employment and job creation. The Western Cape does well in terms of plastic recycling, as it only uses completely recycled plastic, whereas other provinces in South Africa are still relying on virgin plastics. There is a government push to recycle at the household level through the provision and collection of recycling bags. The government also tried to put a voluntary levy on plastic bags (Buyisa-e-Bag¹), but this failed and resulted in the government allowing the industry itself to responsibly handle its own waste. This newly assigned responsibility is included in the Waste Act and stimulated the industry to put a levy on virgin plastics. However, the government has not been supportive enough of this initiative as it did not have enough funds to set up the right recycling infrastructure and it also banned landfill picking. This combination led to an increase in unemployment, since many people in the informal economy were depending on the income from waste sorting at the source.

Box 5 | Regulatory support: the case of renewable energy

The provision of electricity in South Africa is still high on the political agenda, as the demand is increasing due to significant levels of growth in the population. This goes hand in hand with an (slight) increase in the number of people who are interested in generating their own power. Not only individual households, but also businesses are looking into the possibilities of using renewable energy to power their production process. There are however a few hurdles that need to be overcome in order to accelerate the transition to a structure in which renewable energy plays a more prominent role. Applying to participate in rebate models and subsidies for green energy technologies that are made available through Eskom (South African electricity public utility) is “complicated as it requires a lot of paperwork”. Also, acquiring planning permission to install commercially available wind or solar power systems often meets resistance from local authorities. The lack of a grid-buying-back-system further inhibits entrepreneurs from investing in green energy installations. The energy that is being generated over the weekend when there is no production now gets lost, because the government does not have the right technology to put systems in place that allow for buying back energy. According to Paul van Dyk, the government has “no imagination” and is slowing such initiatives down instead of fostering them.

Figure 27 also shows that entrepreneurs believe that there is virtually no support from the government for entrepreneurial initiatives and even less for business activities with a sustainability-related mission. Some entrepreneurs expressed their view towards the likelihood of qualifying for government subsidies as: “there is no point in approaching South African government for funding, since they first and foremost have to deal with high rates of unemployment and poverty”⁷² and “asking for money from the government is degrading, it feels like begging”⁷³.

Figure 33 | In my country, over the last three years, the government has been stimulating..



⁷² Antonino Allegra, CocoaFair, personal communication, 16 May 2012

⁷³ Vernon Henn, Thandi Wines, personal communication, 25 April 2012

Whether starting and running is business is perceived to be an easy process, is strongly dependent on a persons' environment. Ralph Hamann and Francois Bonnici introduced the concept of a 'threshold', which means that becoming and being an entrepreneur is only easy if you have a certain level of resources, knowledge and skills.⁷⁴ The formal economy in South Africa works well for those above the threshold who have access to resources, but the informal economy is structurally excluded from this structure. The government tries to formalize the economy, by requiring entrepreneurs to pay taxes and by implementing requirements on working conditions. However, this only works to the disadvantage of entrepreneurs in the informal sector, as this economy is not ready to be formalized yet. All entrepreneurs, with the exception of one, that have been included in this study are running businesses that are registered and functioning in the formal economy. In addition, most the vast majority of entrepreneurs are white and operate in urban areas. Therefore, the following is merely a reflection of their perceptions of the formal institutional climate in South Africa.

Within the questionnaire a number of open questions attempted to gather information regarding entrepreneurs' experiences with the regulatory framework. Entrepreneurs were requested to indicate which laws and regulations affected them starting as well as maintaining their business. In addition, entrepreneurs were asked to list those regulatory requirements that hindered their business activities.

Table 27 only shows regulations and institutions that are perceived to be most important, meaning that they were mentioned three times or more. The table provides interesting insight into the perception of the regulatory dimension, as it shows that B-BBEE is most frequently mentioned to be a barrier to entrepreneurial activity. Interesting though, 23 percent of all entrepreneurs indicated to not have encountered any regulatory hurdles when running their business. The fact that CIPC is only mentioned to be important when starting a business makes sense, as this is the institution that is responsible for company registration. Along similar lines, almost half of the entrepreneurs indicated that they have to deal with SARS while running their business, which is the tax-collecting agency in South Africa. One other interesting finding is that only two entrepreneurs indicated that labour laws are a burden, while the interviews made clear that this is a hindering factor for many more businesses. Finally, other obstacles that were referenced frequently in the questionnaire were mostly concerned with sector-specific requirements, certification processes and import and export restrictions.

Regulations	SARS (VAT)		CIPC		B-BBEE		none	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Starting (<i>n</i> =26)	11	42%	10	38%	1	4%	7	27%
Running (<i>n</i> =25)	12	48%	-	-	5	20%	3	12%
Hindering (<i>n</i> =26)	4	15%	-	-	5	19%	6	23%

The following paragraph provides an overview of the regulatory constraints that were mentioned by the entrepreneurs and illustrates how they influence their business activity. The four clusters of laws, regulations, policies and programs as introduced in chapter 4, are discussed in this section.

⁷⁴ Personal communication, 30 April 2012

General laws, regulations and policies

The sample of SdEs only contained one informal business, as all the other entrepreneurs are registered under CIPC (previously known as CIPRO). There are mixed opinions on the functioning of the registration system, some entrepreneurs indicated that registering was a very lengthy process, whereas others did not share this experience at all. It was remarkable that most of the entrepreneurs who are not from South Africa or who have working experience abroad, recognized that starting a business in South Africa is not much of a challenge: “If you have dealt with Home Affairs, registering a business is easy”⁷⁵. Another example is provided by Antonino Allegra, who stated that “it would have never been an option to start something like this in Italy”.⁷⁶

The vast majority of all enterprises are registered as for profit, some businesses are hybrids and only one is a purely non-profit organization. Most entrepreneurs prefer to be functioning as a real business, which is confirmed by statements like “we do not want to be a charity”, “business is the purpose”, “I am bored of non-profits” and “if you want green to be the order of the day, then it must be a business”. Malcolm Worby said that being registered as a for-profit company comes with more credibility and explained that people did not use his services, until he started charging them.⁷⁷

Some entrepreneurs expressed that it would be beneficial to them if there would be an option to register as a sustainability-driven enterprise. Jill Heyes of Original T Bag Designs explained that they are registered as a CC, since businesses are only allowed to open shops to sell their products under a for-profit registration. However, they would be able to benefit greatly from some of the advantages that come with a non-profit status. For example, companies that are registered as non-profits are allowed to receive donations, whereas for-profits do not get this privilege.⁷⁸ Michael Raimondo of Green Renaissance, an environmentally oriented film production company, reiterates the need for such a special registration, since companies that are registered as non-profits are legally not allowed use their recorded material for marketing purposes.⁷⁹ Finally, Alex Hetherington expressed that a special registration would be interesting if this would entail that they would get preferential procurement in the public sector and tax breaks. Ralph Hamann and Francois Bonnici also saw potential in this adjustment in the registration process but did emphasize that such a special registration should not be too strict as certain enterprises are likely to be excluded in that case. They also stressed to “be careful about importing labels from Europe such as Community Interest Companies (CICs) in the UK, since this poses lots of limitations on businesses”.⁸⁰

Business specific regulations

Critical issues relating to the labour environment identified by the entrepreneurs are mainly associated with the inflexibility of the strict progressive labour laws in South Africa. SdEs require more freedom in terms of staffing requirements, especially in regards to the rigid hiring and firing procedures. Due to the varying volume of work, entrepreneurs are sometimes forced to let staff go in case of a decrease in demand for their services or products. However, it is very costly and difficult to make workers redundant, which makes business owners very reluctant to hire more employees. This frustration with this protective system shows in this quote “you hire someone for a short period of time and the government considers this to be permanent and you cannot get rid of someone

⁷⁵ Liz Metcalfe, Food Shed, personal communication, 26 April 2012

⁷⁶ Personal communication, 22 May 2012

⁷⁷ Personal communication, 17 March 2012

⁷⁸ Personal communication, 25 April 2012

⁷⁹ Personal communication, 3 May 2012

⁸⁰ Personal communication, 30 April 2012

anymore”.⁸¹ Another example regarding the rigid labour laws comes from Bernhard Lembeck: “it’s good to be small, because many large companies are closing down as they have too many employees and they can not let go of them due to strict labour laws”.⁸² What also became clear is that especially larger enterprises need someone to advise them on labour laws, as Atlantic Plastic Recycling and Impahla Clothing both indicated that they struggled with the strict laws. One final finding with regard to labour legislation is that it requires entrepreneurs to register everything and “sign for every skill you teach people”, which takes away from the time that could be used to train employees.⁸³

In addition to the rigid labour laws, high wage levels are another obstacle to hiring more employees. There is a high level of unemployment, but small enterprises cannot afford paying these wages. In the words of Tony Budden of Hemporium: “People are willing to work for lower wages since this is still better than being unemployed, but cannot do so because of the minimum wage requirements set by the government”.⁸⁴ According to Alex Hetherington, employing associates is the second best alternative to hiring people, as they are flexible labour. He also stressed that the option to hire people on a project base for a short period of time would make hiring personnel significantly easier for SdEs.⁸⁵

The food and beverage industry in particular has to deal with a lot of additional standards, such as the many international food safety and health and safety requirements. Hazard Analysis and Critical Control Point (HACCP) accreditation is such a food safety management system that involves the systematic assessment of all steps involved in the production of a product (Department of Health 2003). Especially companies that export some of their products need the highest international recognized certification, such as HACCP, to overcome the “stigma of African food quality”.⁸⁶ Obtaining and holding on to this accreditation is acclaimed to be very time-consuming and expensive. Maintaining the HACCP standard requires yearly audits by a certification body as well as two additional outsourced audits. Having to pay for all these audits places a large burden on smaller companies, as the costs for such audits can be as high as 60,000 Rand annually, excluding consulting fees, HACCP officer salary and other additional expenses.⁸⁷

Becoming certified as an Organic or Fair Trade producer is another issues, as the time and money that must be invested into certification is “more of a hindrance than a help”.⁸⁸ Other problems related to these schemes are associated with the lack of demand from retailers, the country-specific standards (such as the concept of living wages), and the fact that they do not work for composite products. Also, these regulations and certifications are all independent and each have their own forms that need to be filled out.

The conclusion that was drawn by many entrepreneurs is that everyone functions on their own island. However, if entrepreneurs were to share resources and exploit synergy it would result in more value for more people. This holds for the parties that manage and verify the process of certification, as well as for the parties that are being certified. Consolidating the many food audits in only one (such as FSSC 22000 in Europe and the US⁸⁹) would greatly benefit SMEs, as it would save both time and money. Group certification is possible, but many entrepreneurs expressed that this

⁸¹ Antonino Allegra, CocoaFair, personal communication, 16 May 2012

⁸² Personal communication, 2 May 2012

⁸³ Antonino Allegra, CocoaFair, personal communication, 16 May 2012

⁸⁴ Personal communication, 22 May 2012

⁸⁵ Personal communication, 15 May 2012

⁸⁶ Debbie Alcock, Burchells Food, personal communication, 14 May 2012

⁸⁷ Adri Williams, Khaylitsha Cookies, questionnaire

⁸⁸ Rain Morgan and Pieter Swart, Turqle Trading, personal communication, 13 May 2012

⁸⁹ For more information on Food Safety System Certification 22000, see www.fssc22000.com

has not been done yet. Hence, creating an environment amongst enterprises that allows for 'umbrella certification' would also assist businesses in getting certified as it makes it more affordable.

SdEs have to deal with SARS throughout their whole existence. The primary complaints are associated with the time it takes to register for VAT and the issuance of tax clearance certificates. Lauren Clack of EcoPack highlighted this point and mentioned the piles of paperwork that come with registering for taxes⁹⁰. Another issue related to tax legislation was put forward by Elize Hattingh who is VAT exempt, since Green Talent falls in the SME category. However, she had to register for voluntary VAT as some businesses require a VAT number and won't work with her if she cannot provide this.⁹¹

Entrepreneurship support

Within the questionnaire, one open-ended question attempted to measure the familiarity of entrepreneurs with regulations that are aimed at creating a supportive environment for SMEs. Entrepreneurs were asked to indicate how one particular government support strategy for SMEs, the National Strategy for the Development of Small Business of 1995, affects them. The national strategy recognizes the importance of SMEs and its key focus is to establish support institutions as discussed in chapter 4. It turned out that none of the enterprises had ever heard of this particular strategy, suggesting that there is a gap between government actions and entrepreneurs' knowledge on this.

The majority of people emphasized that the government can do more to help SdEs. The founder of Carbon Calculated, Alex Hetherington, described this as "the government talks, but there is no action"⁹². Only a few entrepreneurs indicated to have made use of support services offered by the government. Amiene van der Merwe explained that Seda's business consultants helped her with The Green Cab's business plans and strategy, but that this "is an investment in the long term because it does come at a price"⁹³. Alex Hetherington also expressed that there is a need for discussion groups or conferences where you can get free advise. Along similar lines, Monique Ross indicated that she wanted to attend workshops that were run by the city, but that these courses were too expensive for enterprises in the start-up phase.⁹⁴ The founder of Burchells Food also reiterated this point by expressing that she plans on "investing in getting to know what government services are out there in the future when we are larger and more organized".⁹⁵

In addition, many entrepreneurs doubted the knowledge of government officials on sustainability related topics and sustainability-driven entrepreneurship in particular. For example, Sam Adams stressed that "the government needs to see opportunities of rural areas and stimulate rural development". He further explained this by stating that "subsidies go to the wrong sectors, small-scale farming should receive subsidies to make living in rural areas attractive again".⁹⁶ Debbie Alcock also recommends the local government to get a team of people together to do market research and find out what SdEs exactly need, "because the simple things are the hardest to see".⁹⁷

⁹⁰ Personal communication, 28 March 2012

⁹¹ Personal communication, 29 March 2012

⁹² Alex Hetherington, personal communication, 15 May 2012

⁹³ Personal communication, 15 March 2012

⁹⁴ She's the Geek, 30 May 2012

⁹⁵ Debbie Alcock, personal communication, 14 May 2012

⁹⁶ Living Green, personal communication, 24 April 2012

⁹⁷ Burchells Food, personal communication, 14 May 2012

A final note that needs to be included when discussing entrepreneurship support is the fact that many of the participants emphasized that “there is no cooperation between sustainability-related initiatives”⁹⁸ and that “lots of people work in isolation from other departments”.⁹⁹ An example regarding the lack of cooperation between government bodies comes from John Holmes, member of the Management Committee of Oude Molen Eco Village, described in box 6.

Box 6 | Entrepreneurship support: the case of Oude Molen Eco Village

Oude Molen Eco Village’s experiences show that there are certain issues concerning the cooperation between different governmental bodies that need to be addressed. Their history proves how important it is to maintain close personal relations with the right government officials and shows how the perseverance of one individual can make a difference.

John Holmes explained that the Democratic Alliance (DA, governing party in the Western Cape province), as a result of their budget shortage, is forced to sell off government properties. This means that Property Management is rezoning land as ‘office purposes’ in order to be able to sell it to developers to build office space on and gain an income to cover the budget deficit. The area of land on which Oude Molen Eco Village is founded, is owned by the government and originally designated for ‘farming purposes’. However, Property Management tried to rezone Oude Molen’s land multiple times in order to sell it. Fortunately, these attempts have been blocked successfully every time, partly due to intervention and assistance of Tasneem Essop, former Provincial Minister of Environment, Planning and Economic Development in the Western Cape, who wanted Oude Molen to set the example for sustainable living. After ten years of lobbying, the government finally starts to show interest in Oude Molen’s activities and has adopted the village as a showcase example for renewable energy.

Societal regulations

Broad-Based Black Economic Empowerment (B-BBEE)

B-BBEE is promoted by the government as a regulation that does not only benefit the black population, but also has a positive impact on small enterprises in general. However, very few entrepreneurs indicated that the effect of B-BBEE legislation was positive, as in most cases the functioning of B-BBEE and its impact on entrepreneurial activity was highly contested. The potential that it has for SdEs has been questioned, as the following statement by Natasha Fox shows: “B-BBEE only helps when you’re black, being sustainable is not enough”.¹⁰⁰

Only a few enterprises are registered as B-BBEE suppliers, meaning that they have a scorecard for Qualifying Small Enterprises that proof that they are a Level 4 Contributor or higher. Khayelitsha Cookies is a Level One contributor, which has helped them with obtaining financial support.¹⁰¹ The founder of Burchells Foods indicated that they are recognized as a Level 2 Contributor. However, it hasn’t helped them directly but “makes them feel good”.¹⁰² Most businesses qualify as Exempted

⁹⁸ Jo Kearny, BottleCraft SA, personal communication, 13 March 2012

⁹⁹ Tony Budden, Hemporium, personal communication, 22 May 2012

¹⁰⁰ Green Life Store, personal communication, 18 April 2012

¹⁰¹ Adri Williams, questionnaire

¹⁰² Debbie Alcock, personal communication, 14 May 2012

Micro Enterprises and are thus exempted from keeping a scorecard as their turnover is below the legal threshold.

There seems to be a widespread dissatisfaction with the business opportunities that arise from conforming to the B-BBEE requirements. Most entrepreneurs have not noticed an increase in demand for their services and goods, as a result of their B-BBEE status. As GreenPop expressed “a few people have made contact with us enquiring about our B-BBEE status, even though we have a good one. We yet have to see any business from it”.¹⁰³ In addition, Elize Hattingh of Green Talent mentioned that obtaining a (voluntary) scorecard is “costly and time-consuming while the benefits are limited”.¹⁰⁴

In general, the extent to which entrepreneurs perceive B-BBEE as a constraint on access to business opportunities is linked to their annual turnover. The majority of businesses are too small to be affected by B-BBEE requirements, but “are concerned about when we reach that point”.¹⁰⁵ Some entrepreneurs expressed that “this has placed a potential ceiling on our annual turnover of 5 million Rand” in order to avoid having to keep a scorecard, which acts as a direct disincentive to growth.¹⁰⁶

Rain Morgan and Pieter Swart, founders of Turqle Trading, brought up two other interesting notes that need to be included when discussing B-BBEE legislation.¹⁰⁷ They stated that the export market is not familiar with this qualification, so “keeping a scorecard has no added value for exporting companies.” Another issue with B-BBEE is that “it is not thought through properly and has been abused, since there are so many irregularities to get your score up”. Peter Schrimpton, founder of Heart Capital, also mentioned this and added that “this space is being exploited by opportunity seekers, since commercial companies position themselves as social entrepreneurs and try to get money from Enterprise Development”.

Finally, a number of additional critical constraints that are associated with B-BBEE regulations were touched upon by the entrepreneurs and discussed per element of the Scorecard.

Ownership and Management Control

The Director of Incite Sustainability expressed his concern about not having been able to find a new partner or manager to accommodate to black ownership, because there are not enough skilled and experienced candidates. Jonathon Hanks continued to explain that “the increase in demand for highly educated black people resulted in them being able to ask higher wages, which we cannot afford”.¹⁰⁸

Another example regarding irregularities of the B-BBEE element Ownership comes from Vernon Henn of Thandi Wines. He referred to B-BBEE as something that is “more of a middle class thing”. There are only a few farms where black empowerment is actually linked to land ownership. More often it is a commercial structure in which black people do not own the rights to the land they are farming on, which makes Thandi Wine “black wine for white people”.¹⁰⁹

¹⁰³ Questionnaire

¹⁰⁴ Personal communication, 29 March 2012

¹⁰⁵ Lauren Clack, EcoPack, questionnaire

¹⁰⁶ Jonathon Hanks, Incite Sustainability, personal communication, 4 April 2012

¹⁰⁷ Personal communication, 13 May 2012

¹⁰⁸ Questionnaire

¹⁰⁹ Personal communication, 25 April 2012

Employment Equity

Most entrepreneurs have problems with hiring people with the right skills, since they “hire based on merit, not on colour”.¹¹⁰ There is the perception among some entrepreneurs that it “puts young white man at the bottom of the list, driving them towards entrepreneurship” as employers prefer hiring a black person since this counts towards a higher score.¹¹¹

Skills Development

Also, there are many irregularities in regards to the assignment of points, as it does not work optimally. In order to get points for Skills Development, everything has to be registered and the entrepreneurs need to sign for everything their employees learn. It requires a lot of time to document and keep manuals of training procedures, which entrepreneurs usually do not have. This results in some companies paying the Skills Development Levy, but not getting anything back as they are not able to proof that they train their workforce. This is the case with Original T-Bag Designs who do pay the monthly levy, but who do not get any of this money back because they lack the manuals to proof that they train their staff.¹¹²

Preferential Procurement

Another issue with keeping a scorecard is related to the government procurement regime, which is supposed to provide significant opportunities for SdEs. However, a large share of the entrepreneurs felt not encouraged to pursue contracts with governmental organizations as it involves a lot of paperwork and a lack of support. Adri Williams of Khayelitsha Cookies indicated that even after winning an award for top SME in South Africa, they still cannot get the government interested in catering their cookies. The only governmental body that showed interest in their products was Correctional Services, but “they cannot give out cookies to prisoners”.¹¹³

Enterprise Development

An example regarding irregularities of the Enterprise Development pillar comes from Steven Cheetham, Manager of Atlantic Plastic Recycling (APR). Steven Cheetham explained that all recyclable waste that is collected from households by the use of special recyclables bags goes to their Material Recycling Facility where it is sorted and recycled. Unfortunately, this system only works in affluent areas and not in townships where proper waste collection is needed most. Nonetheless, there is a large informal sector in terms of collection infrastructure. Half of all the collected waste comes from informal entrepreneurs who go to companies and buy their recyclable waste in order to sell it to Atlantic Plastic Recycling. Since APR is supporting micro entrepreneurial initiatives in the informal sector, it should be getting points for their scorecard. However, the waste collectors they employ in the informal economy are not considered to count towards Enterprise Development as they are not registered.¹¹⁴

Socio-Economic Development

Adri Williams indicated that companies are reluctant to give out donations and rather invest in companies.¹¹⁵ Peter Schrimpton also points to the fact that it makes more sense if companies would be required to *invest* in black businesses, so they get a return on their investment. Therefore, he founded Heart Capital which functions as an intermediary between companies that are legally required to donate money to charity and promising sustainability-driven entrepreneurs. In doing so,

¹¹⁰ Lauren Clack, EcoPack, questionnaire

¹¹¹ Natashia Fox, Green Life Store, questionnaire

¹¹² Jill Heyes, personal communication, 25 April 2012

¹¹³ 2010 Small, Medium and Micro Enterprise Award, an initiative of Afrigrowth Institute

¹¹⁴ Personal communication, 2 April 2012

¹¹⁵ Khayelitsha Cookies, personal communication, 5 April 2012

he takes over the role of government “as they have been trying to create such a framework for over four years now but it is still not there”.¹¹⁶

Environmental regulations

The majority of entrepreneurs indicated that they were not affected by environmental legislation in their daily business activities. The influence of environmental laws and policies on entrepreneurs seems to be sector specific, with Craig Waterman of Green-Diesel¹¹⁷ mentioning the Energy Act and the Biodiesel Industrial Strategy in particular, and Atlantic Plastic Recycling¹¹⁸ highlighting the importance of the introduction of ‘extended producer responsibility’ in the Waste Act. Finally, Paul van Dyk of I Power SA¹¹⁹ and William Hughes of Impahla Clothing¹²⁰ mentioned the Electricity Regulation Act and need for technological progress that would enable them to sell electricity back to the grid.

However, the government did announce in February of this year that it will introduce a carbon tax to reduce the high level of greenhouse gas emissions (Department of Economic and Social Affairs 2012). This carbon tax can work to the advantage of a number of participants in this study, in that it stimulates the creation or expansion of the market for their services and products. For example, Amiene van der Merwe, Marketing Director of South Africa’s first carbon neutral transport company, did indicate that she expects an increase in demand for their services if the proposed tax is applied.¹²¹ Other companies that are likely to benefit directly from this tax are Carbon Calculated, provider of carbon footprint calculation services, and Green-Diesel, retailer of biodiesel.

5.3 Institutional entrepreneurship

From the interviews it became clear that those living in poverty are often unable to participate in the formal economy. This is partly due to the weakness or absence of institutions that support the development of markets. Mair & Marti (2009) refer to the lack of such supportive institutional arrangements as ‘institutional voids’. If governments are weak and fail to create the right supportive institutions for markets, other less powerful actors can step in and take over this role. Actors addressing those voids can be referred to as institutional entrepreneurs.

Li et al. (2006, p.358) define the concept of an institutional entrepreneur as “those who not only play the role of traditional entrepreneurs, but also help establish market institutions in the process of their business activities”. These types of entrepreneurs generate more significant and positive externalities for the economy and play an important role in economic development of a country. In emerging market economies, such as South Africa, institutional entrepreneurs can be very meaningful in breaking through institutional obstacles and pushing for better institutions.

According to Li et al. (2006), there are four ways through which institutional entrepreneurs can stimulate the development of better market-oriented institutions. The first approach is to openly

¹¹⁶ Personal communication, 21 May 2012

¹¹⁷ Personal communication, 9 May 2012

¹¹⁸ Steven Cheetham, personal communication, 2 April 2012

¹¹⁹ Personal communication, 28 March 2012

¹²⁰ Personal communication, 28 March 2012

¹²¹ Personal communication, 15 March 2012

advocate for changes in laws and regulations that are not only beneficial to the entrepreneur but even more so to the public in general. Institutional entrepreneurs can also try to convince key decision makers to make the desired changes through private meetings. A third option is to argue that the entrepreneurs' activities fall outside of the existing laws and regulations, allowing for the business to continue its operations. The final way to push for institutional change is the trickiest one. In this case, the entrepreneurial activities remain under the radar until the business has enough success to justify its existence and to make a case for changes in the regulatory climate.

A number of entrepreneurs in this sample have taken the first approach and are indeed trying to break through institutional obstacles, predominantly by means of advocacy and lobbying action. Examples are Oude Molen Eco Village, who have been blocking the governments attempts to sell their land and are now adopted by the local government as a showcase example of sustainable living (see box 6).¹²² The same holds for Malcolm Worby, as he is continuously educating the government and other important actors on sustainable building methods. In addition, he is also trying to convince the government to issue bonds for adobe houses (see box 3).¹²³

Two final examples of entrepreneurs, who are trying to change the regulations that constrain their business activities, come from Craig Waterman of Green-Diesel¹²⁴ (box 7) and Tony Budden of Hemporium¹²⁵ (box 8). They mentioned that obtaining the right permits is the biggest struggle, and are both addressing this issue by education government officials as well as the bigger group of private citizens.

Box 7 | Institutional entrepreneurship: the case of Green-Diesel

Green-Diesel was not only the first company in South Africa to open a biodiesel filling station, but they also design and manufacture biodiesel processors that allow people to make their own fuel at home. However, the law requires people to apply for a license in order to produce this biodiesel. There are two types of licenses: those for non-commercial manufacturers and those for commercial manufacturers of biodiesel. The non-commercial license allows for a maximum production of 300,000 liters per year on which no fuel levies are charged. Anything above that limit asks for the acquirement of a commercial license, which comes with additional requirements.

In order to obtain this type of license, businesses need to be compliant with B-BBEE regulations, undertake an Environmental Impact Assessment and be classified as a customers warehouse. The latter licensing requirement forced Green-Diesel to close their factory where biodiesel was produced, as producing and retailing on the same premises is not allowed. However, they currently are waiting for the government to approve their license to open a new fuel station. In the meantime, Craig Waterman tries to convince owners of private diesel vehicles as well as companies with diesel fleets to make the switch to biodiesel.

¹²² John Holmes, personal communication, 3 April 2012

¹²³ Malcolm Worby Designs, personal communication, 17 March 2012

¹²⁴ Personal communication, 9 May 2012

¹²⁵ Personal communication, 22 May 2012

Box 8 | Institutional entrepreneurship: the case of Hemporium

Hemporium is a South African hemp company founded in 1996, with the goal of promoting the cultivation and use of industrial hemp. In order to grow hemp for research and development, a permit is required, but this is rarely issued because of hemp's resemblance to the psychoactive form of cannabis. After eight years of lobbying, Hemporium finally got issued a Commercial Incubation Permit from the Department of Health to grow 'medicinal hallucinogenic drug'. As the cultivation and supply of cannabis is illegal in South Africa and the government is not fully educated on the difference between cannabis and hemp, there are no clear and specific regulations on the matter of industrial hemp farming. As one of Hemporium's owners explained: "the wrong regulations are in place and can only be overcome if the law will be able to distinguish between hemp and cannabis and if politicians realize the potential it has for the South African economy". Therefore, "getting the message out there" is a crucial part of their business strategy and is even reflected in their motto 'Innovate. Educate. Cultivate'.

According to Ralph Hamann and Francois Bonnici, this bottom-up process that is associated with institutional entrepreneurship has potential to create systematic change. They explained this by stating that the contribution of SdEs toward the creation of a more sustainable society exists of three steps. SdEs start off by taking on an advocating role and by promoting sustainability-related values. The second phase consists of inspiring other entrepreneurs to mimic their initiatives, which eventually results in these initiatives influencing policy and changing the industry.¹²⁶

A final interesting approach to creating a sustainable local food supply scheme was brought up by Debbie Alcock, who argued that South Africa needs an 'Ubuntu-style'¹²⁷ agriculture reform.¹²⁸ She embarked on a mission to address the lack of an infrastructure that constraints growing food locally by setting up a cooperative farming scheme in the area. Within this model, a bridge is being built between small-scale growing initiatives and consumers by means of a middleman, such as large retailers or manufacturers that are dedicated to support these initiatives and help to connect them to larger markets. This middleman would take on the role of a mentor by promoting skills development and empowerment of local farmers. The following paragraph describes this so-called mentorship model and presents examples that show the value of such business structures.

5.4 The mentorship model

Related to the concept of institutional entrepreneurs is the notion of entrepreneurship that is based on a mentorship model. Entrepreneurs that have adopted a mentorship construction can be considered to be working *with* the institutional void. Mair & Marti (2009, p.420) describe this way of entrepreneurship in a resource-constrained environment as "bricolage" or "making do with whatever is at hand".

The mentorship model has often proved to function as the bridge between the informal and the formal economy. Johan de Meyer of Proudly Macassar Pottery refers to the mentorship construction as the "way to deal with the heritage of division and separate development of the black and white communities". According to Johan de Meyer, a well-functioning mentorship model is based on three pillars: it needs to be able to *feed* people by providing *jobs* in which the development of *skills* plays a

¹²⁶ Personal communication, 30 April 2012

¹²⁷ Ubuntu is a Nguni word and addresses our interconnectedness, our common humanity and the responsibility to each other that flows from our connection (Source: Nussbaum 2003)

¹²⁸ Burchells Food, personal communication, 14 May 2012

major role. Emphasis needs to be put on visionary long-term goals, as the empowerment process can be lengthy. Involving staff in every stage of production and in every division of the business, helps broaden people's understanding of running a business and encourages them to eventually move on to a better job or to start their own business. In order for people to commit to the business and stimulate business, as well as personal growth, the model needs to be implemented in the most effective way. This means that the business needs to function as a real business, encourage people to take ownership and to be inclusive.¹²⁹

Proudly Macassar Pottery is a social enterprise that provides young people with pottery skills training, but also guides their personal development. Their business model is not solely focused on developing business and life skills, but also on trying to help employees build their own micro-enterprises.

Another example of enterprises that have successfully implemented such a mentorship model is Original T-Bag Designs, an initiative that is aimed at creating jobs and social upliftment by giving a second life to used tea bags and turning it into craft. Jill Heyes, owner of Original T-Bag Designs, explained to not only put a strong focus on the educational and personal development of their own staff, but also support women in the wider community who try to set up micro-enterprises.¹³⁰ BottleCraft SA is based on a similar philosophy, as it not only stimulates micro-entrepreneurship by selling businesses-in-a-box, but also teaches people relevant business skills through their so-called 'Micro/Township MBA'.¹³¹ Finally, Vernon Henn of Thandi Wines also acknowledged that the mentorship model lies at the foundation of their success, as he expressed that "Thandi Wines is now able to stand on his own feet after learning the required skills set from our partners".¹³²

5.5 Statistical analysis: institutional framework and success

To test the relationship between the normative (network), normative (country), cognitive and regulatory dimensions and the success of SdEs included in this sample, multiple regression is performed using SPSS software.

5.5.1 Dependent variables – reliability

In order to determine whether the factors that establish the three sub-scales of 'prosperity', 'people' and 'planet' measure the same concept, correlations between the variables within each scale are calculated. The results indicate that the variables that construct the 'people' scale as well as the variables that make up the 'planet' scale are highly correlated with each other. This is not the case for 'prosperity', since the individual variables 'profit', 'percentage locally sourced input' and 'percentage locally sold output' are usually not combined into one single aggregated variable.

For this reason, three separate regression analyses are performed to capture enterprises' success in terms of the individual pillars of total success. Combining the individual scales into one measurement for 'total success' can lead to misinterpretation and in trying to give meaning to the outcomes for this scale great care must be taken. In addition to the three independent sub-scales

¹²⁹ Personal communication, 23 April 2012

¹³⁰ Personal communication, 25 April 2012

¹³¹ Jo Kearney, personal communication, 13 March 2012

¹³² Personal communication, 25 April 2012

and the ‘total success’ scale, ‘profit’ is also added to the list of dependent variables, since it could be a more reliable way to measure this dimension than by using the ‘prosperity’ scale.

Prior to performing statistical analysis, the data were checked for outliers. Boxplots showed that there is one outlier for ‘people’ and ‘prosperity’ and three for ‘total’, which have been omitted from the regression analysis. Missing values were excluded pairwise, which led the exclusion of one case for ‘planet’ and two cases for the ‘prosperity’ scale.

5.5.2 Independent variables – factor analysis

Before testing the conceptual model as presented in chapter 2, factor analysis has been performed in order to reduce the number of 20 Likert scale variables to a smaller, more manageable set of clusters.

Factor analysis (principle component analysis) has been performed including all 20 independent items. The Kaizer-Meyer-Olkin (KMO) Measure of Sampling Adequacy showed a value of 0.326, which is far below the rule-of-thumb threshold of 0.5, making it impossible to extract factors from this analysis. Since included items clearly measure different concepts, four separate factor analyses have been performed based on the theoretical classification. The KMO values are all higher than 0.5, indicating that factor analysis is suitable for these scales.

For ‘normative dimension – network’, a rotated component matrix using Varimax with Kaiser Normalization was constructed. Extraction is based on Eigenvalues larger than 0.9 in order to create three components as can be seen in table 28. Component 1 is renamed ‘entrepreneurial orientation (network)’, since the items address people’s attitude towards entrepreneurship and risk taking. The items in component 2 mainly stress the extent to which society admires (sustainability-driven) entrepreneurs and is therefore labelled ‘status (network)’. The final component is referred to as ‘sustainability need (network)’.

Table 28 | Pattern matrix for factor analysis normative dimension (network)

	Component		
	1	2	3
1. In my network, most people consider starting an enterprise a desirable career choice	0.771	0.104	0.252
2. In my network, those successful at running an enterprise have a high level of status and respect	-0.350	0.706	-0.179
3. In my network, those who succeed at maintaining a sustainable enterprise get a higher level of status and respect than those successful at running a ‘regular’ enterprise	0.189	0.848	0.094
4. In my network, there is a culture of fear of failure	0.808	-0.143	-0.169
5. In my network, most people believe there is a need to be more sustainable	0.028	-0.037	0.961

Extraction method: principal component analysis. Rotation method: Varimax with Kaiser Normalization
KMO: 0.523. Eigenvalues > 0.9

The findings for the normative dimension (country) are outlined in table 29. Again, extraction is based on Eigenvalues larger than 0.9 in order to create three components. This table shows that three components are extracted that differ from those for the network dimension. Component 4 now measures ‘status and sustainability need (country)’, whereas component 5 is solely addresses ‘risk attitude (country)’ and component 6 captures the extent to which entrepreneurship as a career choice is desired and is thus labelled ‘entrepreneurship desirability (country)’.

Table 29 | Pattern matrix for factor analysis normative dimension (country)

	Component		
	4	5	6
1. In my country, most people consider starting an enterprise a desirable career choice	0.013	0.079	0.948
2. In my country, those successful at running an enterprise have a high level of status and respect	0.545	-0.567	0.425
3. In my country, those who succeed at maintaining a sustainable enterprise get a higher level of status and respect than those successful at running a 'regular' enterprise	0.877	0.057	-0.177
4. In my country, there is a culture of fear of failure	-0.013	0.951	0.129
5. In my country, most people believe there is a need to be more sustainable	0.677	-0.212	0.254

Extraction method: principal component analysis. Rotation method: Varimax with Kaiser Normalization
KMO: 0.506. Eigenvalues > 0.9

For the 'cognitive dimension', extraction of components is based on Eigenvalues with a threshold of > 1.0. The variables that measure the cognitive dimension are combined into just one component, which is labelled as 'media exposure' for the purpose of further statistical analysis (table 30).

Table 30 | Pattern matrix for factor analysis cognitive dimension

	Component 7
1. In my country, you will often see stories in the public media about successful enterprises	0.700
2. In my country, you will often see stories in the public media about sustainability	0.882
3. In my country, you will often see stories in the public media about successful sustainability enterprises	0.924

Extraction method: principal component analysis. Component matrix.
KMO: 0.598. Eigenvalues > 1.0

Finally, table 31 shows that two components are extracted based on Eigenvalues larger than 1.0. One item, statement 4 on the protection of property rights, was slightly problematic as is loaded as a negative value on component 8 and as a very low positive value on component 9, indicating that it does not fully measure the same construct as the other items in this matrix. However, it was decided to include this item in component 9 since this fits the theory best. Component 8 can thus be labelled as 'regulatory support' and component 9 as 'regulatory quality', which is in line with findings in the literature.

Table 31 | Pattern matrix for factor analysis regulatory dimension

	Component	
	8	9
1. In my country, there is a low level of corruption which facilitates running a business	0.106	0.764
2. In my country, legal and administrative procedures are not an important obstacle to starting a business	0.159	0.843
3. In my country, the costs associated with formally registering a business are an obstacle to starting a business	-0.267	0.622
4. In my country, property rights are clearly delineated and protected by law	-0.393	0.150
5. In my country, generally speaking, the government has been stimulating entrepreneurship over the last 3 years	0.747	0.157
6. In my country, generally speaking, the government has been stimulating sustainable development over the last 3 years	0.922	0.160
7. In my country, generally speaking, the government has been stimulating sustainability entrepreneurship over the last 3 years	0.903	-0.047

Extraction method: principal component analysis. Rotation method: Varimax with Kaiser Normalization
KMO: 0.583. Eigenvalues > 1.0

As can be seen in tables 28-31, a total of 9 components have been extracted from the four different dimensions of the institutional framework. These clusters of factors were also tested for multicollinearity using Variance Inflation Factors (VIF). The VIF for all values are well below the threshold of 5.0, which indicates that there are no multicollinearity issues.

5.5.3 Correlations

In order to be able to decide upon which variables to include in the regression model, correlations have been performed for each of the 9 factors presented in the previous section. Only correlations that were significantly correlated with success (with a $p < 0.20$) are presented in table 32 below. As can be seen, there are not many institutional factors that show a significant correlation with the measurements of success, indicating that the institutional framework does not play a major role in explaining different levels of success of SdEs. Only ‘regulatory quality’, ‘status (network)’ and ‘status and sustainability need (country)’ do show some correlation with success measured in terms of ‘prosperity’ and ‘planet’.

Surprisingly, all institutional factors show a negative correlation to ‘success prosperity’, suggesting that if entrepreneurs’ were to perceive ‘regulatory quality’, ‘status (network)’ and ‘status and sustainability need (country)’ to increase, their rate of success on the prosperity scale would move in the opposite direction. Given the fact that these factors show no correlation with profit, suggests that there is a significant relationship with the other two pillars that contrast the prosperity scale, namely the level of inputs sourced locally and percentage of products destined for the local market.

Of further interest is the fact that ‘status and sustainability need (country)’ is positively correlated with the level of environmental success. This indicates that an increase in the entrepreneurs’ perception of the degree to which they are admired in society and the degree to which the public believes that there is a need to be more sustainable, positively impacts their success on the planet scale.

Another interesting result is that type of entrepreneurial activities is correlated to all but one measurement of success. The fact that these correlations are positive, indicates that entrepreneurs that predominantly focus on environmental goals are more likely to be successful.

Table 32 | Significant correlations between independent variables and dependent variables (Spearman’s rho)

	Profit	Success Prosperity	Success People	Success Planet	Success Total
Regulatory quality		-0.386**			
Status (network)		-0.263			
Status and sustainability need (country)		-0.303		0.361*	
Size of organization	0.277				
Age of organization	0.443**				0.382**
Previous managerial experience	0.271				
Type of entrepreneurial activities	0.343*	0.337*		0.407**	0.271

Table only includes correlations that are significant at the 0.20 level

* Correlation is significant at the 0.10 level (two-tailed)

** Correlation is significant at the 0.05 level (two-tailed)

One last finding that is worth noting, is that when looking at the correlation between the control variable ‘type of entrepreneurial activities’ and the 9 independent factors is that ‘type of

entrepreneurial activities’ only shows a significant correlation with the ‘regulatory support’ scale (Spearman rho = -0.450, sign. = 0.014) (not displayed in the table). This indicates that social entrepreneurs perceive government endorsement more negatively than environmentally oriented entrepreneurs.

5.5.4 Multiple linear regression

In order to test the relative explanatory power of the above-identified factors, multiple regression models have been applied for each of the dependent variables. This way, the conceptual model as introduced in chapter 2 and depicted in figure 4 is tested. Since neither institutional factors nor control variables correlated with success people, no regression analysis has been performed for this scale.

Table 33 | Multiple regression analysis of possible explanations for ‘profit’, ‘prosperity’, ‘planet’ and ‘total’

	Profit** (n=31) (no outliers) R ² = 0.295 F = 3.775	Prosperity* (n=28) (1 outlier) R ² = 0.310 F = 2.587	Planet** (n=30) (no outliers) R ² = 0.268 F = 4.762	Total (n=25) (3 outliers) R ² = 0.072 F = 0.856
	β	β	β	β
Regulatory quality		-0.059		
Status (network)		-0.255		
Status and sustainability need (country)		-0.291	0.304*	
Size of organization	0.195			
Age of organization	0.260			0.242
Previous managerial experience	0.089			
Type of entrepreneurial activities	0.371*	0.271	0.371**	0.127

* Correlation is significant at the 0.10 level (two-tailed)

** Correlation is significant at the 0.05 level (two-tailed)

Table 33 shows that only models for ‘profit’, ‘prosperity’ and ‘planet’ display statistical significance. For each individual model, the number of cases and outliers, the R square and p-values are provided in the first row. The rows below present the values for the standardized coefficients (indicated with ‘β’) and whether these values have significant explanatory power (indicated with ‘*’ or ‘**’).

The results for the regression model for ‘profit’ indicate that 29.5 percent of the total variance in this scale is explained by in the variables in the model. However, all variables in the model are control variables and only ‘type of entrepreneurial activities’ is significant.

The model for ‘prosperity’ is significant, with 31 percent of the variance in success described by the independent and control variables. However, none of the included items are significant enough to provide a reliable explanation. As discussed in paragraph 5.5.1, this finding is not completely reliable as the results may reflect the debatable construction of this scale.

For ‘planet’, about 27 percent of the variance can be explained by variables in the model, with ‘status and sustainability need (country)’ and ‘type of entrepreneurial activities’ both showing a statistically significant positive relation with regard to environmental performance.

5.6 Comparison findings literature review, qualitative and quantitative data

It would seem reasonable to assume that individuals in the same institutional environment have the same experience of this environment. Or, to speak with the words of North, players who are subject to the same set of rules, are expected to have similar experiences when playing the game. However, this study has shown that entrepreneurs do have different experiences and perceive the institutional climate in which their activities are embedded in different ways.

In order to be able to compare the findings in this study with the findings in the literature as presented in chapter 4, the means for all items that were included in the questionnaire have been calculated. For the purpose of comparison, these scores have then been translated into three categories. Scores are considered to be associated with a negative perception if the mean is equal to 2.5 or smaller (indicated with a ‘-’ sign). Means between 2.5 and 3.5 are considered to be associated with a neutral attitude of entrepreneurs (indicated with a ‘0’ sign) and means larger than 3.5 relate to positive perceptions on the subject of matter (indicated with a ‘+’ sign).

The findings within the literature are also reduced to negative, neutral or positive values. That is, a ‘-’ sign is associated with the fact that existing research established that this particular institutional component is not believed to be functioning optimally, a ‘0’ sign means that there is either no consensus or no attention for this topic in the literature and finally, a ‘+’ sign indicates that previous studies have found that this particular institutional component is believed to be functioning well in South Africa.

5.6.1 Comparison: normative dimension

Table 34 shows that the findings in the literature differ from the findings in this research. The results of this study indicate that the normative dimension with regard to the entrepreneurs’ own network is perceived to be more supportive of (sustainability-driven) entrepreneurship and sustainability in general. The findings within the literature do match the findings with regard to the normative dimension based on countrywide perceptions, with the exception of ‘entrepreneurship as a desirable career choice’. The only item that is perceived negatively in the literature, as well as by the entrepreneurs in this study, is the existence of a culture in which people are afraid to fail.

Table 34 | Comparison for the normative dimension

	Mean		Conclusion		Literature
	Country	Network	Country	Network	
1. In my country/network, most people consider starting an enterprise a desirable career choice	3.10	3.87	0	+	+
2. In my country/network, those successful at running an enterprise have a high level of status and respect	3.90	4.23	+	+	0
3. In my country/network, those who succeed at maintaining a sustainable enterprise get a higher level of status and respect than those successful at	3.42	3.74	0	+	0

running a 'regular' enterprise					
4. In my country/network, there is not a culture of fear of failure (reversed)	2.48	2.45	-	-	-
5. In my country/network, most people believe there is a need to be more sustainable	2.90	4.19	0	+	0

* Network is defined as 'circle of business related contacts'

5.6.2 Comparison: cognitive dimension

When looking at table 35, it becomes clear that the participants in this study indicated to have a neutral attitude towards the level of media exposure. It also shows that entrepreneurs generally were more inclined to show a favourable attitude towards the extent to which the media publishes stories about entrepreneurship than sustainability, while the findings in the literature review suggest that the opposite is the case.

Table 35 | Comparison for the cognitive component

	Mean	Conclusion	Literature
1. In my country, you will often see stories in the public media about successful enterprises	3.29	0	-
2. In my country, you will often see stories in the public media about sustainability	3.23	0	+
3. In my country, you will often see stories in the public media about successful sustainability enterprises	2.87	0	-

5.6.3 Comparison: regulatory dimension

Finally, the data for the regulatory dimension is summarized in table 36. It is interesting to note that both the entrepreneurs in this study and the literature point to the fact that there is a high (perceived) level of corruption. Moreover, there is also agreement on the fact that the costs of starting a business are not perceived to be a barrier to starting a business.

Table 36 | Comparison for the regulatory component

	Mean	Conclusion	Literature
1. In my country, there is a low level of corruption which facilitates running a business	1.77	-	-
2. In my country, legal and administrative procedures are not an important obstacle to starting a business	2.32	-	0
3. In my country, the costs associated with formally registering a business are not an obstacle to starting a business (reversed)	3.55	+	+
4. In my country, property rights are clearly delineated and protected by law	3.66	+	0
5. In my country, generally speaking, the government has been stimulating entrepreneurship over the last 3 years	2.68	0	0
6. In my country, generally speaking, the government has been stimulating sustainable development over the last 3 years	2.48	-	0
7. In my country, generally speaking, the government has been stimulating sustainability entrepreneurship over the last 3 years	2.13	-	0

6. Conclusions

Sustainability-driven entrepreneurship has the potential to address economic, environmental and social issues and can contribute to a more sustainable society. Especially in emerging economies, such as South Africa, SdEs offer potential as a model to address the multi-dimensional challenges that face the country.

Despite the increase in interest, sustainability-driven entrepreneurship is still an extremely complicated phenomenon to define, and, as stated by Gibbs (2009 p.65) the concept itself "does not get at how this is achieved". Sustainability-driven entrepreneurship is a new field of knowledge and there is no consensus in the literature on what SdE exactly is and what factors are tied to the rate of success of such initiatives. The majority of research on this topic has often focused on case studies, hampering the ability to draw sound and widely applicable conclusions.

This study sought to provide more insight into this new way of doing business by adopting a macro perspective on the mechanisms that enable the development of sustainability-driven business ventures. The research question that this study aimed to answer is *"To what extent do identified variables at the macro level create an environment that is conducive to successful sustainability-driven enterprises in the Western Cape area of South Africa?"*

A total of 38 interviews were held with sustainability-driven entrepreneurs (33) and with experts in the field (5) located in the Western Cape of South Africa. Most businesses included in this study operate in the retailing or food and hospitality sector. The majority of enterprises are registered as for profit companies and only a few opted for a hybrid business model. Just over half of the entrepreneurs indicated to incorporate both environmental and social issues, about a quarter said to be put more emphasis on environmental values whereas the last quarter focused more on social goals. With the exception of a few relatively larger enterprises, most businesses only employ 2 to 5 full time employees. This is also related to and reflected in the age of enterprises, as the largest share has been in existence for less than 4 years. With regards to the characteristics of owners or managers of the businesses, it becomes clear that there is an overemphasis on white middle-aged entrepreneurs from a middle class background. Most entrepreneurs also indicated to have founded their business with a partner and to have a least some previous managerial experience.

This study defined the macro dimension as set of factors that together form the landscape in which entrepreneurs operate and that is concerned with the establishment of support structures that allow businesses to develop and prosper. In order to be able to translate the macro dimension into measurable variables, this study adopted the Institution-Based View as developed by Peng et al. (2008). Institutions are the humanly devised constraints that structure human interaction. This means that they also operate as formal and informal structures for entrepreneurial activity. Hence, the institution-based view underscores the importance of bringing institutions that shape the macro context more into the foreground, as opposed to keeping them in the background.

This research embraced Kostova's (1997) approach who introduced the concept of a three-dimensional country institutional profile to explain how a country's government policies (regulatory dimension), widely shared knowledge (cognitive dimension) and value systems (normative dimension) affect domestic business activity. Busenitz et al. (2000) further developed this measure and made it applicable to entrepreneurship. Finally, this research adapted the entrepreneurship specific country institutional profile as developed by Busenitz et al. (2000) to capture additional institutional conditions that are specific to sustainability-driven entrepreneurship.

This led to the construction of the following three dimensions: normative (measuring entrepreneurs' views on how the general public in South Africa as well as the entrepreneurs' own network perceive entrepreneurship, sustainability and SdEs), cognitive (measuring entrepreneurs' views on the extent to which the general public in South Africa is exposed to information on entrepreneurship, sustainability and SdEs) and the regulatory dimension (measuring entrepreneurs' views on the regulatory quality and the level of regulatory support for entrepreneurship, sustainability and SdEs).

What became clear from the answers that participants provided to the questions in the questionnaire is that entrepreneurs do not perceive the institutional environment equally favourably. Since all entrepreneurs are exposed to and form part of the same institutional climate, it would seem reasonable to expect that the answer patterns show a skewness to either the agree side or the disagree side. However, this research revealed that perceptions of entrepreneurs of the institutional climate do differ. As for the normative dimension, it appears that entrepreneurs perceive their own network to be more favourable towards SdEs as well as entrepreneurship and the need to be sustainable in general than the average South African citizen. The answer patterns for the cognitive dimension and regulatory dimension also show some diversity, suggesting that entrepreneurs also perceive the cognitive and regulatory environment differently.

To determine the extent to which participating SdEs are successful, entrepreneurs were asked to self-assess their triple bottom line performance (Elkington 1998). In terms of economic performance, over half of all businesses are making a profit, a third is currently at the stage of breaking-even and only small minority is operating at a loss. More than 50 percent of SdEs source almost all inputs locally and approximately a third also supplies the majority of their services and goods to the local market. Thus, businesses seem to be doing rather well in bringing prosperity to its internal as well as external stakeholders. SdEs also focus to a great extent on creating positive impact on the people they employ and the community in which they operate. The same conclusions, can be drawn for businesses' impact in environmental terms, as the majority of entrepreneurs acknowledged to have policies put in place that both aim to reduce environmental impact of the business operations and invest in the enhancement of the natural environment. Comparing the success of SdEs on the 'prosperity', 'people' and 'planet' scale shows that companies are most successful in terms of environmental and social performance, as the aggregated score for 'prosperity' is slightly lower.

In order to determine the link between the independent variables that measure the institutional environment and the dependent variable that captures the level of success, multiple linear regression has been performed. Since the sample size of this research is rather small (31 filled out questionnaires), factor analysis was used for each of the sub-dimensions to reduce the original number of 20 Likert type items. This led to the construction of 9 clusters of variables. For the normative dimension, 3 different clusters of items have been extracted with regard to the entrepreneurs' network: 'entrepreneurial orientation (network)', 'status (network)' and 'sustainability need (network)'. Different clusters of components were established with regard to perceptions of the general public: 'status and sustainability need (country)', 'risk attitude (country)' and 'entrepreneurship desirability (country)'. From the cognitive dimension, one factor has been extracted, 'media exposure' and from the regulatory dimension two factors have been created, 'regulatory support' and 'regulatory quality'.

In order to further reduce the amount of factors that are of explanatory value, correlations between the 9 independent factors and control variables on one hand and the three different individual scales for success as well as 'total success' and 'profit' are calculated. This showed that there are not many institutional factors significantly correlated with the measurements of success. Only

'regulatory quality', 'status (network)' and 'status and sustainability need (country)' do show some correlation with success measured in terms of 'prosperity' and 'planet'. Surprisingly, all institutional factors show a negative correlation to success prosperity, suggesting that if entrepreneurs were to perceive 'regulatory quality', 'status (network)' and 'status and sustainability need (country)' to increase, their success on the prosperity scale would move in the opposite direction. The only factor that is positively correlated with the level of environmental success is 'status and sustainability need (country)'. Another interesting finding is that only control variables demonstrate significant correlations with the scales of 'profit' and 'total success', implying that other factors than those measuring the institutional environment are of importance to these measurements of success.

In order to test the relative explanatory power of the factors that correlated with either one of the measurements of success, multiple regression models have been applied for each of the dependent variables. Only those regression models for 'profit', 'prosperity' and 'planet' displayed statistical significance and were thus of relevance in explaining the outcome on these scales. The R square for these three models were all around 0.3, which is low but still considered to be an acceptable value in social science.

The regression model for 'profit' contained only control variables of which 'type of entrepreneurial activities' is significant. None of the included items in the model for 'prosperity' are significant enough to provide a reliable explanation. Finally, for the 'planet' scale, only 'status and sustainability need (country)' and 'type of entrepreneurial activities' show a statistically significant positive relationship.

Thus, the multiple linear regression analysis indicates that only entrepreneurs' perception of 'status and sustainability need (general public)' results in a positive effect on the extent to which SdEs are successful at attaining environmental goals. Also, the cognitive dimension does not show a significant relationship with any of the measures of success and only one item that is part of the normative scale is negatively related to the 'prosperity' scale, while 'status (network)' is negatively correlated with success 'prosperity'. Based on these findings, all hypotheses are **rejected**. That is, there is no significant statistical enough evidence to prove that **the more positive the entrepreneurs' assessment of the normative, cognitive and regulatory environment for sustainability-driven entrepreneurship results in a better assessment of the firms' success**.

It was to be expected that there would not be a great influence of the macro dimension on the level of success of entrepreneurs, since these factors do not influence entrepreneurs in their direct day-to-day business activities. The fact that there is no direct statistical relationship between the institutional climate and entrepreneurs' performance suggests that there is gap between entrepreneurs and the identified support institutions, especially with regard to the regulatory dimension.

An interesting result with regard to the outcome of the regression analysis, is that the control variable 'type of entrepreneurial activities' is correlated to all but one measurement of success. The fact that these correlations are positive, indicates that entrepreneurs who predominantly focus on environmental goals are more likely to be successful. One last finding that is worth noting, is that when looking at the correlation between the control variable 'type of entrepreneurial activities' and the 9 independent factors is that 'type of entrepreneurial activities' only shows a significant correlation with the 'regulatory support' scale, indicating that social entrepreneurs perceive government endorsement more negatively than environmentally oriented entrepreneurs.

The institutional climate may not be highly relevant in explaining the level of success of SdEs, but the literature and interviews with entrepreneurs do point out some interesting findings regarding the

functioning of institutions in South Africa. However, before discussing the outcomes of the quantitative data, it is important to acknowledge that this research is based on soft data. In other words, since opinions of participants can vary widely, it is challenging to draw a single cohesive conclusion as to whether the institutional environment in South Africa is perceived to be conducive to SdE activities. Another finding worth noting is that hard data that is used to measure institutions is often at odds with how entrepreneurs affected by these institutions actually perceive this.

What became clear from the interviews with regard to the normative dimension is that the Western Cape is the most environmentally pro-active province, but even in the Western Cape is the need to be more sustainable perceived to be low. Another interesting finding is that entrepreneurs generally perceive their own network to be more supportive of (sustainability-driven) entrepreneurial activities than the general public. This suggests that entrepreneurs perceive people who operate in the field of sustainability and SdE to have a different mindset than the average South African citizen.

With regard to the cognitive dimension, the main conclusion is that it is crucial for people to be exposed to SdEs as such first hand experiences can remove politicians' but also bankers' and other important actors' reluctance to get involved in SdE activities. Currently there is not enough being published on SdEs and sustainability in general in the public media.

As for the regulatory dimension, entrepreneurs indicated to get little assistance and perceive governments' policies to be more of a hindrance. The government claims to support SMEs but entrepreneurs' experiences do not confirm this statement. Major barriers are the numerous types of regulations and the lack of clear and adequate information on laws and regulations that are relevant for entrepreneurs. Other legislative issues are mainly associated with the design and functioning of B-BBEE and strict labour laws, as both types of legislation do not favour small-scale SdE initiatives.

SdEs seem to function independently of the government, as of now the government has little to no influence on entrepreneurs' operations. This suggests that there exists a gap between policymakers and entrepreneurs. The final section discusses measures that can potentially reduce or even close this gap.

7. Discussion

7.1 Limitations and challenges

Even though this research made use of multiple methods in order to gather rich data and create a better understanding of the institutional environment, there are certain limits to this study that need to be acknowledged. The main challenges of this research are related to the size and composition of the sample group, the measurement of the dependent variable and the construction of the independent variables.

Sample: composition and size

Although the sample size of 31 participants is large enough to allow for statistical analysis, more accurate and precise conclusions can be drawn if the sample size would be larger. Also, if the number of cases is small, only strong relationships are shown through statistical analysis. Another issue with the sample group is related to the low amount of variation in characteristics of the owner-manager as well as in the enterprise itself.

It was found that the sample size was particularly skewed towards white entrepreneurs. More diversity in racial backgrounds could lead to interesting results, especially with regards to entrepreneurs' perception of B-BBEE legislation. In addition, all businesses included in this sample (except for She's the Geek) are registered and part of the formal economy. This is related to another characteristic, namely the fact that the majority is located in or around the city of Cape Town. The inclusion of more black-owned businesses and/or enterprises that are located in rural areas could have potentially altered the findings.

Thus, the sample in this study includes a homogeneous group of entrepreneurs that operate in the same environment and are therefore exposed to similar institutional forces that can be perceived differently, but the objective societal conditions do not differ very much. The outcomes of this research may be different if a comparison of perceptions were to be made between actors who are functioning in different institutional climates.

Dependent variable: success

The most complicated task within this research was the development of three scales in order to capture entrepreneurial success in terms of the triple bottom line. Due to time constraints and the fact that small-scale enterprises often do not have all the information readily available with regard to their (sustainability) performance, only three to six indicators were selected to determine entrepreneurial success for each of the subscales. There are many sustainability indicators and selecting another set of variables to calculate success, would most probably have resulted in a different outcome.

Moreover, it was also found that some questions did not directly apply to smaller businesses, as they required information on their policies. A lot of companies were too small to have policies put in place and therefore left this question open or interpreted the question in such a way that made answering possible.

Finally, some entrepreneurs had difficulty understanding the question that aimed to capture entrepreneurs' yearly profit and only indicated whether they made a profit, loss or breakeven, resulting in a loss of valuable information.

Independent variable: institutional framework

Capturing and developing a valuable instrument to measure sustainability-driven entrepreneurs' perceptions of the relevant institutional forces formed another challenge. There are three elements that make this study complicated and different from previous research on institutional profiles. First and foremost, this research looks at *intra-country differences* in entrepreneurs' perceptions on the functioning of institutions, whereas the majority of studies focus on inter-country differences by comparing institutional climates on a country basis. Second, this study aimed to understand the perception of the institutional environment of a *specific type* of entrepreneurs, namely the sustainability-driven entrepreneurs. Third, most studies so far focus on the perception of the institutional climate of a specific sector. This is not the case in this research, as *all enterprises* that met the initial requirements for sustainability-driven entrepreneurship were included.

Therefore, the definition and measurement of the three institutional pillars as developed by Kostova (1997) was slightly altered to capture these specific conditions. The items that construct the three different scales were generated through an extensive literature review and only included those that were deemed to be relevant for SdE activities. It is possible that there are more elements that construct the institutional environment which were excluded from the analysis. Also, the statements that were presented to entrepreneurs in this study were quite diverse, which impeded the construction of a reliable scale.

This research is of an exploratory nature and can therefore present valuable lessons and a starting point for future research, as the following paragraph explains.

7.2 Recommendations for future research

Institutional theory has much to offer to the study of sustainability-driven entrepreneurship as it looks at structures that are taken for granted, but that do play an important role in shaping the environment in which entrepreneurs operate. This research sought to construct a three-dimensional institutional profile for sustainability-driven enterprises that can be used to explain the level of success of such ventures. Researchers should be encouraged to take this a step further to get a better insight into the institutional environment for SdEs.

First, the scales that have been constructed to operationalize the three-dimensions of the institutional environment may not capture the complete set of features that are relevant to SdEs. Therefore, with regard to measuring the institutional climate, different dimensions may be added that are more suited to describe the characteristics of institutions that affect SdEs in specific. More research is needed to unravel dimensionality issues, as there might be important aspects that were not assessed in this research or that were simply not covered by the questions that were asked.

Second, this study provides a snapshot in time, whereas perceptions of the institutional environment are dynamic and can evolve over time. Future research, in the form of longitudinal studies, could focus on documenting and analysing changes in the institutional environment for SdEs.

Furthermore, as a directive for future research, it is noted that larger-scale studies can lead to more reliable and valid outcomes. Researchers are also encouraged to perform a similar study in the Western Cape, and to collect data from a more diversified sample both in terms of business characteristics and owner-manager characteristics.

Fourth, comparisons can be made between two different samples. For example, entrepreneurs who operate in the informal economy may perceive the institutional climate in a different way than their colleagues operating in the formal economy in the Western Cape. On a similar note, the institutional conditions in urban areas are likely to differ from the perception of the institutional environment in rural areas. Comparing this research with similar studies that are carried out in different regions makes judging whether the outcome of this study is generalizable to other settings possible and helps identifying unique characteristics of entrepreneurs in the Western Cape area and other region specific requirements.

Whether the Western Cape and Cape Town in particular really functions as the green hub, as pointed out by a significant number of entrepreneurs in this study, is another question that future research can address. It would be interesting to see whether entrepreneurs' perceptions of the institutional framework, and the normative dimension in particular, in Gauteng are different from the findings in this study.

The national-level data provided in this study may also act as a starting point to identify other interesting national context that strongly differ from South Africa, which makes comparing the data particularly interesting. This study can also be replicated and applied to different regions both within South Africa and beyond. Ideally, this research can be a first step in constructing a worldwide database on factors that influence and stimulate the success of sustainability-driven entrepreneurs.

Finally, as some findings are surprising, they point to the need for further research. Especially the fact that the outcome of the regression analysis suggested that social entrepreneurs tend to be less successful than entrepreneurs with a predominant environmental mission, provides fertile ground for future research. The fact that a positive assessment of the institutional climate and firm performance is negative also raises interesting questions.

In sum, the method used in this research to establish an intra-country institutional profile for SdEs should be a useful tool with which researchers can explore how entrepreneurs perceive the environment in which they operate and link this to their business performance.

7.3 Recommendations for policy makers

Understanding which factors contribute to successful entrepreneurship institutional environment is highly relevant to policymakers. Policy makers are the entrepreneurs' dialog partners and thus require a more thorough understanding of the issues and problems in the field (Schaumburg-Muller et al. 2010). Studying what is institutionalized and which activities, beliefs, and attitudes are deeply rooted within societies, enables policymakers to uncover and understand what factors stimulate and constrain entrepreneurship in the environment in question (Bruton et al. 2010).

In short, institutional factors that enable incentives of SdE need to be strengthened and institutional factors that constrain such initiatives need to be weakened. Public policy makers should thus enhance the institutional framework in order to support sustainability-driven entrepreneurs. However, remoulding the institutional climate to make it more conducive to SdE is a long-term process. Therefore, concrete recommendations that can be accomplished in the short-term as well as changes that require more time are listed below.

Short-term

The cognitive dimension that is part of a country's institutional foundation is the easiest to alter and improve on the short-term. Awareness on SdEs as well as on entrepreneurship and sustainability should be raised by both the public and private media. There are numerous ways through which the government can increase awareness and a better understanding of the phenomenon of sustainability-driven entrepreneurship, such as targeted competitions for SdEs, campaigns and advertisements through print, television, radio and internet appearances.

Creating more awareness on sustainability-driven entrepreneurship and actively involving in and exposing people to SdE activities also helps improving the normative pillar of the institutional framework. The promotion of SdEs influences social values and beliefs, which can help develop an environment that is more conducive to and supportive of entrepreneurial activities. However, initiatives that aim to alter the public attitude towards (sustainability-driven) entrepreneurship will not lead to immediate results as such a value system is deeply embedded in society's national culture.

Creating change in the regulatory context to make it more favourable towards SdEs takes more time. At this stage, the most important action that the government can take is to improve its connection to the players in the business field. Government officials are encouraged to get more familiar with and educated on the practices of SdEs in order to assist them in identifying their particular needs.

Related to this is providing entrepreneurs with access to more accurate and easier to understand information on national as well as local laws, regulations and policies. The development of an online and clearly organized database as well as better and more effective service and information provision at local governmental bodies is crucial.

Taking it one step further, the government can actively encourage sustainability-driven entrepreneurship through regulated flexibility for SdEs. Such SdE-friendly legislation could include favourable tax concessions, increasing the B-BBEE threshold and refine the scorecard elements to make them more favourable towards SdEs as well as more flexible and liberalized labour market regulations.

This can for example be established by issuing SdEs a certificate that allows them to operate under a special regulatory environment within the framework of existing laws. However, it should be noted that in order for this to be successful, the challenge of defining SdE must first be overcome.

Long-term

The government can take further action on top of the short-term goals by focusing on long-term objectives. The introduction of a special registration for SdEs can be an important step towards improving the business environment for SdEs. Such dedicated legislation for SdEs can be inspired by Community Interest Companies (CICs) in the UK or limited liability corporations (LLCs) in the US. Companies that are officially registered as SdEs should be able to seize the benefits that as of now only accrue to non-profit entities as well as those advantages that come with a for-profit status. For example, SdEs should be able to receive donations and open a shop to sell goods at the same time.

Another suggestion would be to establish a 'Green Business Council', inspired by the already existing Green Building Council. Such a central body can help overcoming the lack of cooperation between governmental bodies and stimulate cooperation between all levels of government. This could then function as a service and advice centre where aspiring and existing entrepreneurs can get all the information and assistance they require.

Such a council can take on multiple additional roles and tasks. For example, it can stimulate the development of SdEs by making sure that SdEs play a more prominent role in B-BBEE legislation to make sure that they automatically qualify for Preferential Procurement and Enterprise Development. Another option would be to replace the B-BBEE Scorecard by an all-including 'Sustainability Scorecard' that addresses both the equal distribution of wealth within society as well as the sustainable use of the resources that create this wealth.

The government can also function as a mediator between SdEs and corporations that are required to invest in social and environmental initiatives, such as large mining companies.¹³³ The governmental body can make sure that the money that is available for such initiatives gets into the right hands. This will save both SdEs and larger businesses time that they otherwise would have spent on looking for funds or searching for investment opportunities.

South Africa still faces a lot of challenges related to social and environmental issues, but creating an institutional environment that is conducive to sustainability-driven entrepreneurship has got the potential to accelerate the move towards a more sustainable, equal and just society.

¹³³ As of now, Heart Capital, a privately-owned venture capital and private equity firm, is fulfilling this role

References

- African National Congress, 2012. A brief history of the African National Congress. Available at: <http://www.anc.org.za/show.php?id=206> [Accessed February 8, 2012].
- Aidis, R., Estrin, S. & Mickiewicz, T., 2008. Institutions and entrepreneurship development in Russia: A comparative perspective. *Journal of Business Venturing*, 23(6), p.656–672.
- Anderson, B.A. et al., 2010. *Exploring Environmental Consciousness in South Africa*, Population Studies Centre, University of Michigan, Institute for Social Research.
- AQRate, 2012. About B-BBEE Verification. Available at: <http://www.aqrate.co.za/bee/> [Accessed July 15, 2012].
- Aron, J., 2000. Growth and institutions: a review of the evidence. *The World Bank Research Observer*, 15(1), p.99–135.
- Austin, J., Stevenson, H. & Wei-Skillern, J., 2006. Social and Commercial Entrepreneurship: Same, Different, or Both? *Entrepreneurship: Theory and Practice*, 30(1), p.1–22.
- Azmat, F. & Samaratunge, R., 2009. Responsible Entrepreneurship in Developing Countries: Understanding the Realities and Complexities. *Journal of Business Ethics*, 90(3), p.437–452.
- Baldegger, R.J., 2011. Institutional environments for young software companies – A three country study. In *Clusters as drivers of competitiveness: Strategies and policy issues*. University of Applied Sciences Western Switzerland: School of Business Administration Fribourg.
- Barney, J., 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), p.99–120.
- Baumol, W.J., 1990. Entrepreneurship: Productive, Unproductive, and Destructive. *Journal of Political Economy*, 98(5), p.893–921.
- Berndt, A. & Petzer, D., 2011. Environmental concern of South African cohorts: An exploratory study. *African Journal of Business Management*, 5(19), p.7899–7910.
- Berry, A. et al., 2002. The economics of SMMES in South Africa. *Unpublished draft paper for Trade and Industrial Policy Secretariat, Johannesburg*.
- Bhaumik, S. et al., 2012. Does institutional quality affect firm performance? Insights from a semiparametric approach. Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2010946 [Accessed August 4, 2012].
- Boettke, P.J. & Coyne, Christopher J., 2007. Context Matters: Institutions and Entrepreneurship. *Foundations and Trends in Entrepreneurship*, 5(3), p.135–209.
- Bowen, H.P. & De Clercq, D., 2007. Institutional context and the allocation of entrepreneurial effort. *Journal of International Business Studies*, 39(4), p.747–767.

- Bruton, G.D., Ahlstrom, D. & Li, H., 2010. Institutional Theory and Entrepreneurship: Where Are We Now and Where Do We Need to Move in the Future? *Entrepreneurship Theory and Practice*, 34(3), p.421–440.
- Burger, L., Mahadea, D. & O'Neill, C., 2004. Perceptions of entrepreneurship as a career option in South Africa : an exploratory study among Grade 12 learners. *South African Journal of Economic and Management Sciences*, 7(2), p.187–205.
- Busenitz, L.W., Gómez, C. & Spencer, J.W., 2000. Country Institutional Profiles: Unlocking Entrepreneurial Phenomena. *The Academy of Management Journal*, 43(5), p.994–1003.
- Cape Town Green Map, Green Map. Available at: <http://www.capetowngreenmap.co.za/> [Accessed December 2, 2011].
- Certo & Miller, T., 2008. Social entrepreneurship: Key issues and concepts. *Business Horizons*, 51(4), p.267–271.
- Co, M. J., 2003. A socio-cultural explanation of black entrepreneurship in South Africa. *South African Journal of Business Management*, 34(4), p.35–44.
- Coyne, C. J. & Leeson, P.T., 2009. Media as a mechanism of institutional change and reinforcement. *Kyklos*, 62(1), p.1–14.
- Cupido, C., 2002. Barriers to entrepreneurship in the Western Cape. *Cape Technikon Theses & Dissertations*. Available at: http://dk.cput.ac.za/td_ctech/2.
- Dees, J.G., 2007. Taking social entrepreneurship seriously. *Society*, 44(3), p.24–31.
- Department of Economic and Social Affairs, 2012. South Africa's Carbon Tax: a Far-Sighted Move Towards a Greener World. Available at: <http://www.un.org/en/development/desa/news/administration/carbon-tax.html> [Accessed June 7, 2012].
- Department of Environmental Affairs and Development Planning, 2006. Towards a Sustainable Development Implementation Plan for the Western Cape.
- Department of Environmental Affairs, 2010. Draft National Strategy on Sustainable Development and Action Plan 2010-2014. *No. 33184, Notice 393*.
- Department of Health, 2003. Regulations relating to the application of the Hazard Analysis and Critical Control Point System (HACCP System).
- Department of Higher Education and Training, 2012. Skills Development Act, 1998 (Act No. 97 of 1998). The Sector Education and Training Authorities (SETAs) Grant regulations regarding monies received by a SETA and related matters.
- Department of Labour, 1998. Employment Equity Act. No. 55 of 1998, p.1–28.
- Department of Labour, South African Employment Legislation. Available at: http://www.workinfo.com/free/sub_for_legres/labour.html [Accessed July 19, 2012].

- Department of Trade and Industry, B-BBEE Procurement, Transformation and Verification. Available at: http://www.thedti.gov.za/economic_empowerment/bee_veri.jsp [Accessed August 15, 2012].
- Department of Trade and Industry, 2003. South Africa's Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment.
- Department of Trade and Industry, 2007a. Broad-Based Black Economic Empowerment Act (53/2003): Codes of Good Practice on Empowerment.
- Department of Trade and Industry, 2007b. Measurement of Enterprise Development Element of Broad-Based Black Economic Empowerment. *Code Series 600*.
- Department of Trade and Industry, 2010. The Companies Act, No. 71 of 2008. An explanatory guide.
- Descotes, R.M., Walliser, B. & Guo, X., 2007. Capturing the Relevant Institutional Profile for Exporting SMEs: Empirical Evidence from France and Romania. *International Management Review*, 3(3), p.16–26.
- Dixon, S.E.A. & Clifford, A., 2007. Ecopreneurship – a new approach to managing the triple bottom line. *Journal of Organizational Change Management*, 20(3), p.326–345.
- EconoBEE, 2008. Crash Course in BEE - B-BBEE in 5 minutes. Available at: <http://www.econobee.co.za/general/become-bee-compliant/crash-course-in-bee-b-bbee-in-5-minutes.html> [Accessed May 7, 2012].
- Education and Training Unit (ETU), Legal Structures commonly used by Non-Profit Organisations. Available at: <http://www.etu.org.za/toolbox/docs/building/lrc.html#trust> [Accessed July 18, 2012].
- Elkington, J., 1998. Partnerships from cannibals with forks: The triple bottom line of 21st-century business. *Environmental Quality Management*, 8(1), p.37–51.
- Endeavor South Africa, 2010. The State Of Entrepreneurship In South Africa. In *White Paper; Deliberations & Key Findings*. The Entrepreneurial Dialogues.
- Entrepreneurs' Toolkit, Policies and laws related to sustainable development and natural resources in South Africa. Available at: http://www.entrepreneurstoolkit.org/index.php?title=Policies_and_laws_related_to_sustainable_development_and_natural_resources_in_South_Africa [Accessed January 8, 2012a].
- Entrepreneurs' Toolkit, The National Environmental Act: South Africa. Available at: http://www.entrepreneurstoolkit.org/index.php?title=The_National_Environmental_Management_Act%3A_South_Africa [Accessed January 8, 2012b].
- Ernst & Young, 2011a. *The Nice Côte d'Azur 2011 Entrepreneurship Barometer South Africa*.
- Ernst & Young, 2011b. *The Nice Côte d'Azur 2011 Entrepreneurship Barometer*.
- Eunni, R. V., 2010. Institutional Environments For Entrepreneurship In Emerging Economies: Brazil Vs. Mexico. *World*, 2(1), p.1–18.

- Eyaa, S., Ntayi, J.M. & Namagembe, S., 2010. Collaborative relationships and SME supply chain performance. *World Journal of Entrepreneurship, Management and Sustainable Development*, 6(3), p.233–245.
- Farrington, S., Gray, B. & Sharp, G., 2011. Perceptions of an entrepreneurial career: Do small business owners and university student concur? *Management Dynamics*, 20(2), p.2-17.
- Florkowski, S. & Jogmark, M., 2011. Informal institutions and entrepreneurship: Local perspective. In 8th International AGSE Entrepreneurship & Innovation Research Exchange. Melbourne, Australia.
- Gallup, 2012. GALLUP WorldView. Available at: <https://worldview.gallup.com/default.aspx> [Accessed July 29, 2012].
- Gallup, 2009. South Africans Optimistic About Local Entrepreneurship. Available at: <http://www.gallup.com/poll/122219/south-africans-optimistic-local-entrepreneurship.aspx> [Accessed July 10, 2012].
- Gibbs, D., Sustainability entrepreneurs, ecopreneurs and the development of a sustainable economy. *Greener Management International*, (55), p.63–78.
- Gómez-Haro, S., Aragón-Correa, J.A. & Cordon-Pozo, E., 2011. Differentiating the effects of the institutional environment on corporate entrepreneurship. *Management Decision*, 49(10), p.1677–1693.
- Gupta, V.K. et al., 2012. Institutional environment for entrepreneurship in rapidly emerging major economies: the case of Brazil, China, India, and Korea. *International Entrepreneurship and Management Journal*. Available at: <http://rd.springer.com/article/10.1007/s11365-012-0221-8> [Accessed July 27, 2012].
- Hamann, R., Bonnici, F., Nwosu, E. & Holt, D., 2012. Sustainability Entrepreneurship. In Urban, B. (ed). *Entrepreneurship and Society*. Pearson Education South Africa (Pty) Ltd: Cape Town.
- Harbi, S.E. & Anderson, A.R., 2010. Institutions and the shaping of different forms of entrepreneurship. *Journal of Socio-Economics*, 39(3), p.436–444.
- Herrington, M., Kew, J. & Kew, P., 2010. *Global Entrepreneurship Monitor South Africa*,
- Herrington, M., Kew, J. & Kew, P., 2009. *Tracking entrepreneurship in South Africa: A GEM perspective*,
- Hindle, K. & Klyver, K., 2007. Exploring the relationship between media coverage and participation in entrepreneurship: Initial global evidence and research implications. *International Entrepreneurship and Management Journal*, 3(2), p.217–242.
- Hofstede, G., 1980. *Culture's Consequences: International Differences in Work Related Values*, Beverly Hills, California: Sage Publications, Inc.
- Hohenthal, J., 2006. Integrating qualitative and quantitative methods in research on international entrepreneurship. *Journal of International Entrepreneurship*, 4(4), p.175–190.
- Holt, D. & Barkemeyer, R., 2012. Media coverage of sustainable development issues – attention cycles or punctuated equilibrium? *Sustainable Development*, 20(1), p.1–17.

- Human Science Research Council, 2005. *Skills development in very small and micro enterprises S. A.* McGrath, ed., Cape Town, South Africa: HSRC Press.
- Khanye, T. & Sekati, P., SME Lifelong Learning Initiatives. Consumer Protection Act: 68 of 2008.
- Khula, Khula Enterprise Finance Ltd. Available at: <http://www.khula.org.za/>.
- Knack, S. & Keefer, P., 1995. Institutions and economic performance: cross-country tests using alternative institutional measures. *Economics & Politics*, 7(3), p.207–227.
- Kostova, T., 1997. Country Institutional profiles: Concept and measurement. *Academy of Management Best Paper Proceedings*, In S.J. Havlovic (Ed.), p.180–189.
- Krammer, S.M.S., 2012. Distance and technology sharing in international alliances: an institutional perspective.
- Lee, S.M., Lim, S. & Pathak, R.D., 2009. Culture and entrepreneurial orientation: a multi-country study. *International Entrepreneurship and Management Journal*, 7(1), p.1–15.
- Legal and Policy Division, South African Revenue Service (SARS), 2007. Tax Exemption Guide for Public Benefit Organisations in South Africa.
- Legatum Institute, 2011. The 2011 Legatum Prosperity Index. Available at: <http://www.prosperity.com/country.aspx?id=ZA> [Accessed July 28, 2012].
- Li, D.D., Feng, J. & Jiang, H., 2006. Institutional entrepreneurs. *The American economic review*, 96(2), p.358–362.
- Luiz, J. & Mariotti, M., 2011. Entrepreneurship in an emerging and culturally diverse economy: a South African perspective. *South African Journal of Economic and Management Sciences*, 14(1), p.47–65.
- M'Paradzi, A. & Okorafor, N., 2009. *Understanding broad-based black economic empowerment*, Juta and Company Ltd.
- Mahadea, D., 2003. Employment and Growth in South Africa: Hope or Despair? *South African Journal of Economics*, 71(1), p.21–48.
- Mahadea, D. & Pillay, M., 2011. Environmental conditions for SMME development in a South African Province. *South African Journal of Economic and Management Sciences*, 11(4), p.408–430.
- Mair, J. & Marti, Ignasi, 2009. Entrepreneurship in and around institutional voids: A case study from Bangladesh. *Journal of Business Venturing*, 24(5), p.419–435.
- Mair & Marti, I., 2006. Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business*, 41(1), p.36–44.
- Manolova, T.S., Eunni, Rangamohan V. & Gyoshev, B.S., 2008. Institutional Environments for Entrepreneurship: Evidence from Emerging Economies in Eastern Europe. *Entrepreneurship Theory and Practice*, 32(1), p.203–218.
- Mitchell, B.C., 2004. Motives of Entrepreneurs: A Case Study of South Africa. *Journal of Entrepreneurship*, 13(2), p.167–183.

- Mmotlane, R., 2010. *Implications of the New Companies Act on Small Businesses*, Small Enterprise Development Agency.
- Morrison, A., 2000. Entrepreneurship: what triggers it? *International Journal of Entrepreneurial Behaviour & Research*, 6(2), p.59–71.
- National Small Business Advisory Council, 2010. Strategic Business Plan. April 2010 - March 2013. Available at: <http://led.co.za/sites/led.co.za/files/nsbac.pdf> [Accessed August 7, 2012].
- Ncube, M., Shimeles, A. & Verdier-Chouchane, A., 2012. *South Africa's Quest for Inclusive Development*, Tunis, Tunisia: African Development Bank Group.
- Ngobo, P.V. & Fouda, M., 2012. Is “Good” governance good for business? A cross-national analysis of firms in African countries. *Journal of World Business*, 47(3), p.435–449.
- Norman, W. & MacDonald, C., 2004. Getting to the bottom of “triple bottom line”. *Business Ethics Quarterly*, p.243–262.
- North, D.C., 1990. *Institutions, institutional change, and economic performance*, Cambridge University Press.
- Nussbaum, B., 2003. Ubuntu: Reflections of a South African on Our Common Humanity. *Reflections*, 4(4).
- Parboteeah, K.P., Hoegl, M. & Cullen, J., 2009. Religious dimensions and work obligation: A country institutional profile model. *Human Relations*, 62(1), p.119–148.
- Parrish, B.D., 2010. Sustainability-driven entrepreneurship: Principles of organization design. *Journal of Business Venturing*, 25(5), p.510–523.
- Peng, M.W., Wang, D.Y.L. & Jiang, Y., 2008. An institution-based view of international business strategy: a focus on emerging economies. *Journal of International Business Studies*, 39(5), p.920–936.
- Porter, M.E., 1991. Towards a dynamic theory of strategy. *Strategic Management Journal*, 12(S2), p.95–117.
- Pretorius, M. & Van Vuuren, J., 2003. Contribution of support and incentive programs to entrepreneurial orientation and start-up culture in South Africa. *South African Journal of Economic and Management Sciences*, 6(3), p.514–28.
- Provide Project, 2005. *A profile of the Western Cape province: Demographics, poverty, inequality and unemployment*, Elsenburg, South Africa: The Provincial Decision-making Enabling Project.
- Republic of South Africa, 1995. White Paper on National Strategy for the Development and Promotion of Small Business in South Africa. Notice 213 of 1995. Cape Town, South Africa.
- Republic of South Africa, 1996a. Constitution of the Republic of South Africa. Available at: <http://www.info.gov.za/documents/constitution/1996/96cons2.htm> [Accessed July 21, 2012].

- Republic of South Africa, 1996b. National Small Business Act. No. 102 of 1996. Available at: <http://www.gsoep.de/documents/dokumentenarchiv/17/60111/paperagupusi.pdf> [Accessed July 19, 2012].
- Republic of South Africa, 1997a. Basic Conditions of Employment Act. *Government Gazette*, 390(18491), p.1–40. Cape Town, South Africa.
- Republic of South Africa, 1997b. Nonprofit Organisations Act. *Government Gazette*, 390(18487), p.1–14. Cape Town, South Africa.
- Republic of South Africa, 1998. Skills Development Act. *Government Gazette*, 401(19420), p.1–23. Cape Town, South Africa.
- Republic of South Africa, 1999. Skills Development Levy Act. *Government Gazette*, 516(19984), p.1–13. Cape Town, South Africa.
- Republic of South Africa, 2005. Co-operatives Act. *Government Gazette*, 482(27912), p.1–45. Cape Town, South Africa.
- Robinson, D.A., 2004. Entrepreneurial Challenges in South Africa. *Journal of African Business*, 5(2), p.173–185.
- Rogerson, C. M., 2008. Tracking SMME Development in South Africa: Issues of Finance, Training and the Regulatory Environment. *Urban Forum*, 19(1), p.61–81.
- Rogerson, C.M., 2004. The impact of the South African government's SMME programmes: a ten-year review (1994–2003). *Development Southern Africa*, 21(5), p.765–784.
- Roxas, B. & Coetzer, A., 2012. Institutional Environment, Managerial Attitudes and Environmental Sustainability Orientation of Small Firms. *Journal of Business Ethics*, p.1–16.
- Lee S.M. & Peterson S.J., 2000. Culture, entrepreneurial orientation, and global competitiveness. *Journal of World Business*, 35(4), p.401–416.
- Sautet, F., 2005. The role of institutions in entrepreneurship: Implications for development policy. *Mercatus Policy Primer No. 1*. Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1264033 [Accessed July 29, 2012].
- sbp, 2009. Small business development in South Africa.
- Schaltegger, S. & Wagner, M., 2011. Sustainable entrepreneurship and sustainability innovation: categories and interactions. *Business Strategy and the Environment*, 20(4), p.222–237.
- Schaumburg-Muller, H., Jeppesen, S. & Langevang, T., 2010. Entrepreneurship Development in Africa.
- Scheers, L. van, 2010. Challenges of small family groceries shops in South Africa. *World Journal of Entrepreneurship, Management and Sustainable Development*, 6(3), p.221–231.
- Schlange, L.E., 2009. Stakeholder Identification in Sustainability Entrepreneurship: The Role of Managerial and Organisational Cognition. *Greener Management International*, 1(55), p.13–33.

- Scott, W.R., 2001. *Institutions and organizations*, SAGE.
- Seda, Small Enterprise Development Agency. Available at: <http://www.seda.org.za> [Accessed May 5, 2012].
- Shah, S.K. & Corley, K.G., 2006. Building Better Theory by Bridging the Quantitative–Qualitative Divide. *Journal of Management Studies*, 43(8), p.1821–1835.
- Sharir, M. & Lerner, M., 2006. Gauging the success of social ventures initiated by individual social entrepreneurs. *Journal of World Business*, 41(1), p.6–20.
- Shaw, G. & Urban, B., 2001. The influence of the institutional environment on entrepreneurial intentions in an emerging economy. Available at: <http://www.icsb2011.org/download/18.62efe22412f41132d41800012020/121.pdf> [Accessed July 27, 2012].
- Shockley, G.E. & Frank, P.M., 2011. The functions of government in social entrepreneurship: theory and preliminary evidence. *Regional Science Policy & Practice*, 3(3), p.181–198.
- Short, J.C., Moss, T.W. & Lumpkin, G.T., 2009. Research in social entrepreneurship: past contributions and future opportunities. *Strategic Entrepreneurship Journal*, 3(2), p.161–194.
- Sibisi, S., 2011. *Prospects for South Africa's future*, Development Bank of Southern Africa. Development Report 2011, p.1–468.
- Siyaya Skills Institute, Skills Development Levies Act. Available at: http://www.siyayaskills.co.za/index.php?option=com_content&view=article&id=22&Itemid=23&fl=1 [Accessed July 19, 2012].
- SME Toolkit South Africa, A short introduction to calculating B-BBEE scorecards. Available at: <http://southafrica.smetoolkit.org/sa/en/content/en/2992/A-short-introduction-to-calculating-B-BBEE-scorecards> [Accessed July 28, 2012].
- SME Toolkit South Africa, 2012a. Minimum wages. Available at: <http://southafrica.smetoolkit.org/sa/en/content/en/7696/Minimum-wages> [Accessed June 20, 2012].
- SME Toolkit South Africa, 2012b. Why a small business needs a B-BBEE certificate. Available at: <http://southafrica.smetoolkit.org/sa/en/content/en/53114/Why-a-small-business-needs-a-B-BBEE-certificate> [Accessed August 1, 2012].
- Sobel, R.S., 2008. Testing Baumol: Institutional quality and the productivity of entrepreneurship. *Journal of Business Venturing*, 23(6), p.641–655.
- South African Revenue Service, Value-Added Tax (VAT). Available at: <http://www.sars.gov.za/home.asp?pid=194> [Accessed July 23, 2012].
- Southern African NGO Network, 2007. Cooperatives and the Nonprofit Sector in South Africa. *NGO Pulse*. Available at: <http://www.ngopulse.org/article/cooperatives-and-nonprofit-sector-south-africa> [Accessed July 18, 2012].

- Spencer, J.W. & Gómez, C., 2004. The relationship among national institutional structures, economic factors, and domestic entrepreneurial activity: a multicountry study. *Journal of Business Research*, 57(10), p.1098–1107.
- Sriram, V. & Mersha, T., 2010. Stimulating entrepreneurship in Africa. *World Journal of Entrepreneurship, Management and Sustainable Development*, 6(4), p.257–272.
- Standard Bank, BBBEE explained. An easy guide to understanding Broad Based Black Economic Empowerment. Available at: www.standardbank.co.za/standing/Standard%20Bank/StandardBank/static%20files/Business/StdBank_BEE_Guide.pdf [Accessed July 20, 2012].
- Stellenbosch University, 2011. *Global University Entrepreneurial Spirit Students' Survey: South African Report 2011 Entrepreneurial Intentions and Behaviour of South African University Students*, Department of Business Management.
- Struwig, J., 2010. South Africans' attitudes towards the environment. In *South African Social Attitudes. Reflections on the Age of Hope*. HSRC Press.
- The South African Labour Guide, Health and Safety. Available at: <http://www.labourguide.co.za/health-and-safety/> [Accessed June 20, 2012].
- The South African Revenue Service (SARS), 2012. Frequently Asked Questions, Skills Development Levy.
- The Trickle out Project, The Trickle out Directory. Available at: <http://trickleout.net/> [Accessed February 15, 2012].
- Transparency International, 2011. 2011 Corruption Perceptions Index. Available at: <http://cpi.transparency.org/cpi2011/results/> [Accessed July 16, 2012].
- Trends in Sustainability, 2010. TiS. Available at: <http://trendsinsustainability.com/index.php> [Accessed July 28, 2012].
- United Nations, 2004. *Indicators of sustainable development: Guidelines and methodology*, Department of Economic and Social Affairs, Division for Sustainable Development.
- Urban Sprout, The ubergreen organic eco directory. Available at: <http://www.urbansprout.co.za/> [Accessed December 2, 2011].
- Veciana, J.M. & Urbano, D., 2008. The institutional approach to entrepreneurship research. Introduction. *International Entrepreneurship And Management Journal*, 4(4), p.365–379.
- Visser, K., 2011. Social entrepreneurship in South Africa: context, relevance and extent. *Industry and Higher Education*, 25(4), p.233–247.
- Vives, A. & Bank, I.D., 2006. Social and Environmental Responsibility in Small and Medium Enterprises in Latin America. *Development*, 21, p.39–50.
- Van Vuuren, J.J. & Groenewald, D., 2007. A critical analysis of the influence of start-up factors in small businesses and entrepreneurial ventures in South Africa. Available at: <http://repository.up.ac.za/handle/2263/4288> [Accessed July 28, 2012].

- Weerawardena & Mort, G., 2006. Investigating social entrepreneurship: A multidimensional model. *Journal of World Business*, 41(1), p.21–35.
- Western Cape Government, 2012. Western Cape Government: Overview. Available at: http://www.westerncape.gov.za/your_gov/3576 [Accessed March 8, 2012].
- Williamson, O.E., 2000. The New Institutional Economics: Taking Stock, Looking Ahead. *Journal of Economic Literature*, 38(3), p.595–613.
- World Bank, 2006. Doing Business in 2006: Creating Jobs.
- World Bank, 2012. The World Bank Databank. Available at: <http://databank.worldbank.org/Data/Views/Reports/TableView.aspx> [Accessed July 29, 2012].
- World Economic Forum, 2011. *The Global Competitiveness Report 2011-2012*, Geneva, Switzerland. Available at: <http://reports.weforum.org/global-competitiveness-2011-2012/> [Accessed July 28, 2012].
- Zerbe, W.J. & Paulhus, D.L., 1987. Socially Desirable Responding in Organizational Behavior: A Preconception. *The Academy of Management Review*, 12(2), p.250–264.

Appendices

Appendix A | List of case studies and interviewees

Organization	Interviewee	Position	Date of interview	Questionnaire
BottleCraft SA	Jo Kearny	Founder	13 March 2012	Yes
Blue North	David Farrell	Partner	15 March 2012	Yes
The Green Cab	Amiene van der Merwe	Marketing Director	15 March 2012	No
Malcolm Worby Design + HAPPI	Malcolm Worby	Consultant + Founder	17 March 2012	No
Derrick	Myles Hoppe	Managing Director	20 March 2012	No
Impahla Clothing	William Hughes	Managing Director and Co-owner	28 March 2012	Yes
I Power SA	Paul van Dyk	Founder	28 March 2012	No
EcoPack	Lauren Clack	General Manager	28 March 2012	Yes
Green Talent	Elize Hattingsh	Founder	29 March 2012	Yes
Atlantic Plastic Recycling	Steven Cheetham	Manager	02 April 2012	Yes
GreenEdge	Hugh Tyrell	Director	03 April 2012	Yes
Scarecrow Organics	Irene de Beer	Owner	04 April 2012	Yes
Khayelitsha Cookies	Adri Williams	Sales & Marketing Manager	05 April 2012	Yes
Oude Molen Eco-Village	John Holmes	Member of the Management Committee	03 April 2012	No
Incite Sustainability Spier	Jonathon Hanks	Director	04 April 2012	Yes
Green Life Store (Vegware SA)	Gerhard de Kock	Finance Director	16 April 2012	Yes
Reyneke Wines	Natashia Fox	Owner	18 April 2012	Yes
Proudly Macassar Pottery	Johan Reyneke	Owner	19 April 2012	No
Living Green	Johan de Meyer	Manager	23 April 2012	Yes
Thandi Wines	Sam Adams	Owner and Director	24 April 2012	Yes
Original T-Bag Designs	Vernon Henn	General Manager	25 April 2012	Yes
Food Shed	Jill Heyes	Director	25 April 2012	No
ProNature	Liz Metcalfe	Founder	26 April 2012	Yes
Icologie	Bernhard Lembeck	Member	02 May 2012	Yes
Green Renaissance	Andy le May	Managing Director	03 May 2012	Yes
Turqle Trading	Michael Raimondo	Founder and Director	03 May 2012	Yes
Green-Diesel	Rain Morgan & Pieter Swart	Founders	13 May 2012	Yes
Burchells Foods	Craig Waterman	Owner and General Manager	09 May 2012	Yes
Lutzville Training and Education Centre	Debbie Alcock	Managing Director	14 May 2012	Yes
Carbon Calculated	Johan Muller	Founder and Head of Board of Directors	15 May 2012	Yes
CocoaFair	Alex Hetherington	Founding Member and Consultant	15 May 2012	Yes
Hemporium	Antonino Allegra	Co-Owner	16 May 2012	Yes
RLabs	Tony Budden	Founding Member	22 May 2012	Yes
	Clinton Liederman	PR & Communications Manager	30 May 2012	Yes

She's the Geek	Monique Ross	Co-Founder	30 May 2012	Yes
Heart (Heart Capital)	Peter Schrimpton	Founder and CEO	21 May 2012	No
UnLtd South Africa	Tom Shutte	Programme Director	15 May 2012	No
Trickle Out Research Project	Diane Holt & David Littlewood	Principal Investigator & Research Fellow	27 April 2012	No
IZWA (Institute for Zero Waste in Africa)	Muna Lakhani	National Co-ordinator	20 April 2012	No
University of Cape Town (Graduate School of Business)	Ralph Hamann & Francois Bonnici	Research Director and Associate Professor & Director Bertha Centre for Social Innovation and Entrepreneurship	30 April 2012	No
African Shark Eco Charter	-	-	-	Yes
greenOFFICE	-	-	-	Yes
Greenpop	-	-	-	Yes

Appendix B | List of interviewed experts in the field

Peter Schrimpton, CEO of Heart Capital, a venture capital and private equity firm that invests in high growth, high impact social enterprises, and founder of Heart, a sister company that helps accelerate social enterprises through advisory services and business support.¹³⁴

Diane Holt and David Littlewood, researchers for the Trickle Out Research Project, a UK-based study of the impact of environmental and social enterprises in Eastern and Southern Africa on sustainable development at the base of the pyramid.¹³⁵

Tom Shutte, program director of UnLtd SA, a non-profit organization that seeks to support social entrepreneurs via financial and non-financial methods that are awarded through a yearly competition.¹³⁶

Muna Lakhani, national coordinator of IZWA (Institute for Zero Waste in Africa) and a long-time, highly respected South African activist in the field of environmental and social injustice. He has spoken a numerable local, national, and international environmental conferences, he is a regular on and in all local forms of media, and his work has been influencing environmental policy for decades.¹³⁷

Ralph Hamann and Francois Bonnici, both professors at UCT Graduate School of Business. Ralph Hamann is Research Director and Associate Professor of the UCT Graduate School of Business and his areas of expertise include sustainable enterprise, corporate citizenship and social responsibility, organizational strategy and cross-sector collaboration.¹³⁸ In addition to his work at UCT Graduate School of Business, Francois Bonnici is also the co-founder of ASEN (African Social Entrepreneurship Network), Director of Powerfree Education and Technology, Senior Advisor of Schwab Foundation for Social Entrepreneurship, and a Trustee of UnLtd SA.¹³⁹

Mike Mulcahy, Project Manager at the GreenCape Initiative, a Sector Development Agency established by the Western Cape Provincial government and The City of Cape Town.¹⁴⁰

¹³⁴ Source: www.heartcapital.co.za

¹³⁵ Source: <http://trickleout.net/index.php/thetrickleupproject>

¹³⁶ Source: www.unltdsouthafrica.org/index.php

¹³⁷ Source: www.izwa.org.za/whoisIZWA.html

¹³⁸ Source: www.gsb.uct.ac.za/s.asp?p=330

¹³⁹ Source: www.asennetwork.org and www.schwabfound.org

¹⁴⁰ Source: www.green-cape.co.za/team/php

Appendix C | Questionnaire sustainability-driven entrepreneurship in the Western Cape

1. General information

This questionnaire is confidential and anonymous.

Name organization:

Sector/industry:

1.1. Size (number of employees in full time employee equivalent (fte)):

1 fte

2 - 5 fte

6 - 10 fte

11 - 25 fte

26 - 100 fte

101 - 200 fte

201 - 500 fte

1.2. Age (number of months/years organization exists): months / years

1.3. Business model (tick one box):

Profit

Non-profit

Hybrid/dual (both profit and non-profit entities)

1.4. Our business' mission addresses social goals (circle one)

Disagree		Agree		
1	2	3	4	5

1.5. Our business' mission addresses environmental goals (circle one)

1	2	3	4	5
---	---	---	---	---

1.6. Percentage of workforce dedicated to sustainability related goals (social and/or environmental goals):%

1.7. Gender of founder(s):

Only male

Only female

Combination of both male and female

1.8. Age of founder at start business: years

1.9. Founders' previous managerial experience:

- None
- Some experience (1-3 years)
- Very experienced (>3 years)

1.10. Founder(s) ethnic background:

- Black
- White
- Coloured
- Combination of ethnic backgrounds

1.11. Socio-economic background founder(s):

- Lower class
- Middle class
- Upper class

1.12. Please explain briefly the initial motivation for the starting of this organization:

.....

.....

.....

Section 3 – general landscape

Definition 'direct network' = circle of business related contacts

	Disagree		Agree		
	1	2	3	4	5
3.1. In my country, most people consider starting an enterprise a desirable career choice	1	2	3	4	5
3.2. In my country, those successful at running an enterprise have a high level of status and respect	1	2	3	4	5
3.3. In my country, those who succeed at maintaining a sustainable enterprise get a higher level of status and respect than those successful at running a 'regular' enterprise	1	2	3	4	5
3.4. In my country, there is a culture of fear of failure	1	2	3	4	5
3.5. In my country, most people believe there is a need to be more sustainable	1	2	3	4	5
3.6. Within my direct network, most people consider starting an enterprise a desirable career choice	1	2	3	4	5
3.7. Within my direct network, those successful at running an enterprise have a high level of status and respect	1	2	3	4	5
3.8. Within my direct network, those successful at running an sustainable enterprise have a higher level of status and respect than those successful at running a 'regular' enterprise	1	2	3	4	5
3.9. Within my direct network, most people I meet are afraid to fail	1	2	3	4	5
3.10. Within my direct network, most people believe there is a need to be more sustainable	1	2	3	4	5
3.11. In my country, you will often see stories in the public media about successful enterprises	1	2	3	4	5
3.12. In my country, you will often see stories in the public media about sustainability	1	2	3	4	5
3.13. In my country, you will often see stories in the public media about successful sustainability enterprises	1	2	3	4	5
3.14. Social, environmental or community problems are generally solved more effectively by entrepreneurs than by the government	1	2	3	4	5

3.15. In my country, there is a low level of corruption which facilitates running a business	1	2	3	4	5
3.16. In my country, legal and administrative procedures are not an important obstacle to starting a business	1	2	3	4	5
3.17. In my country, the costs associated with formally registering a business are an obstacle to starting a business	1	2	3	4	5
3.18. In my country, property rights are clearly delineated and protected by law	1	2	3	4	5
3.19. In my country, generally speaking, the government has been stimulating entrepreneurship over the last 3 years	1	2	3	4	5
3.20. In my country, generally speaking, the government has been stimulating sustainable development over the last 3 years	1	2	3	4	5
3.21. In my country, generally speaking, the government has been stimulating sustainability entrepreneurship over the last 3 years	1	2	3	4	5

3.22. Please indicate how the following acts and laws affected your business.

a. Broad Based Black Economic Empowerment (BBBEE)

.....
.....

b. Skills Development Act (SDA)

.....
.....

c. National Strategy for the Development of Small Business (NSDPSB)

.....
.....

3.23. Which regulations did you have to deal with in *starting* your business?

.....
.....

3.24. Which regulations did you have to deal with in *maintaining* your business?

.....
.....

3.25. Which regulations hinder(ed) you?

.....
.....

Section 4 – accessibility

4.1. What form of financial support did you use to initially finance your enterprise? Please place an X in the box for each type used, specifying at the same time what percentage of your total financing came from that source.

Type of financing	What percentage of total funding came from that source?		
	> 80%	30 - 80%	< 30%
Bootstrapping (<i>funding from community, foregoing salary, bartering with suppliers, etc</i>)			
Friends & family			
Retail banks			
Microfinance			
Corporate foundations			
Development Finance Institutions			
Enterprise Development Intermediaries (Retail Finance Intermediaries)			
Socially Responsible Investment Funds			
Private Equity/ Venture Capital			
Local and/or National Government			
Grants or Donations			
Sector-Specific Funding			
Angel Investors			
Other			

If chose other, please list which sources you are referring to:

.....

4.2. How many types/sources of financing did you apply for before you found funding?

- 0 1 - 4 5 - 7 8 - 10 >10

4.3. What were the main reasons you chose the financing route you specified above? Rank the following statements between 1 (least relevant) and 5 (most relevant) based on their level of relevance to your decision-making. If you choose either 'this was the best option' or 'other', please explain your choice.

Reason:	Ranking:
This was the best option <i>because...</i>	
Unaware of other options	
This/these were the only sources that granted me (us) financing	
Disenchanted with other options (i.e. believe they are inefficient or ineffective)	
Lacked resources to pursue other options (i.e. time, money, organized business plan or financial projections, etc)	
Other...	

4.4. How long did it take you to obtain all the funding needed to start your enterprise? month(s)year(s)

4.5. Below, please list all the financial organizations that you considered applying to, applied to and/or received funding from. Furthermore, please indicate your level of satisfaction with that organization (i.e. the process, requirements, communication, etc) by circling a number 1 (dissatisfied) to 5 (satisfied).

Financial Organization	Considered applying:	Applied for:	Level of satisfaction				
			Dissatisfied			Satisfied	
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5

4.6. Based on your best estimate, how many contacts do you believe you have that have either assisted in the development of your business or whom you believe could assist in the development of your business? Please check the corresponding box.

- <10
 10 - 25
 26 - 50
 51 - 75
 76 - 100
 >100

4.7. How would you characterize the type of relationship you have with your contacts specified above? Please check the corresponding box.

- The majority are purely contacts acquired for business purposes
 There is an even combination of strictly business contacts and social contacts
 The majority are social contacts that have assisted with business transactions

My main motives for networking are to...

	Disagree			Agree	
4.8. ...secure financial support for my enterprise	1	2	3	4	5
4.9. ...secure training, skills, and/or industry knowhow	1	2	3	4	5
4.10. ...secure materials and supplies for my enterprise	1	2	3	4	5
4.11. ...secure market presence	1	2	3	4	5
4.12. ...secure a customer base	1	2	3	4	5

My methods of networking are...

4.13. ... (sustainability) entrepreneurial organizations designed to facilitate networking	1	2	3	4	5
4.14. ...industry-specific organizations	1	2	3	4	5
4.15. ...industry/entrepreneurial conferences, workshops, competitions, etc	1	2	3	4	5
4.16. ...through existing contacts	1	2	3	4	5
4.17. ...online platforms (i.e. Facebook, LinkedIn, etc.)	1	2	3	4	5
4.18. ...self-conducted research	1	2	3	4	5
4.19. ...trade shows, fairs, sales events, etc	1	2	3	4	5
4.20. ...other:					

4.21. Please specify any formal networks that you or your enterprise participates in. Furthermore, please check the box corresponding to your level of commitment and circle a number 1 (dissatisfied) to 5 (satisfied) depending on your level of satisfaction from your involvement with that network.

Network	Receive Communication (emails, newsletters, etc.)	Attend meetings, conferences, etc on a regular basis (if applicable)	Active member of the board or involved directly in the activities of the organization	Level of satisfaction				
				Dissatisfied				Satisfied
.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5

4.22. Please indicate the highest level of education obtained by the founder(s). Check corresponding box.

- Primary school
- High school
- Tertiary school
- Graduate school (Master's and/or PhD)
- Technical and vocational education and training (TVET) or further education and training (FET)

Please indicate on the following statements to what extent they apply to your educational background:

	Disagree			Agree	
4.23. During my education I had courses in business and/or management	1	2	3	4	5
4.24. During my education I had courses specifically about entrepreneurship	1	2	3	4	5
4.25. During my education I was exposed to real entrepreneurs	1	2	3	4	5
4.26. During my education I was exposed to the concepts of sustainability entrepreneurship (i.e. social, eco-, sustainable entrepreneurship, etc.)	1	2	3	4	5
4.27. During my education I was encouraged to pursue entrepreneurship as a career	1	2	3	4	5

4.28. Of the entrepreneurship training you received, if any, how much of it did you intentionally seek out? (i.e. you signed up for a program or course with the intent of learning skills for or about entrepreneurship)

0% <25% 25 - 50% 51 - 75% >75% 100%

4.29. Please list any education program and/ or institution that you either considered attending a course(s) with or actually attended a course(s) with that specifically targeted entrepreneurial skills. Check the boxes to indicate your level of involvement and circle a number between 1 (satisfied) and 5 (dissatisfied) that indicates your level of satisfaction with the course(s), if applicable.

Educational Organization	Considered attending a course(s) or program(s):	Attended course(s) or program(s) offer by organization	Level of satisfaction				
			Satisfied			Dissatisfied	
			1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5
.....	<input type="checkbox"/>	<input type="checkbox"/>	1	2	3	4	5

Section 5 – management

Please indicate for the following statements to what extent they apply to your organisation (not to you personally, but the **organisation as a whole**).

This organisation has the following capabilities/abilities:	Disagree			Agree	
5.1. Talent: attracting, motivating, and retaining competent and committed people	1	2	3	4	5
5.2. Performance: ensuring employees perform at their best	1	2	3	4	5
5.3. Shared mind-set: having a shared identity that reflects what we stand for and how we work	1	2	3	4	5
5.4. Leadership: having competent and accepted leaders	1	2	3	4	5
5.5. Strategic unity: articulating strategies and sharing them with all employees	1	2	3	4	5
5.6. Internal network: good internal communication and knowledge sharing	1	2	3	4	5
5.7. Learning: searching for continuous improvement	1	2	3	4	5
5.8. Innovation: good at doing something new in both content and process	1	2	3	4	5
5.9. Customer connectivity: forming lasting relationships of trust with customers	1	2	3	4	5
5.10. Collaboration: work together well with other organizations	1	2	3	4	5
5.11. Speed: acting quickly to make important things happen fast	1	2	3	4	5
 In trying to improve (or at least preserve) our natural environment, we...					
5.12. ... have the expertise in house to do so	1	2	3	4	5
5.13. ... have procedures in place to make sure this is done	1	2	3	4	5
5.14. ... employ people that take personal responsibility	1	2	3	4	5
 In trying to keep our people to feel and function as good as possible, we...					
5.15. ... recognize employee needs as much as their skills	1	2	3	4	5
5.16. ... exchange feedback with employees in order to make improvements	1	2	3	4	5
5.17. ... engage with our local community	1	2	3	4	5
5.18. ... consider the impact of our activities on our local community	1	2	3	4	5

In daily operations, this organization...

	Disagree			Agree	
5.19. ... tries to keep all processes at the lowest financial cost possible, no matter what	1	2	3	4	5
5.20. ... is often able to find win-win situations, for itself and suppliers, customers or employees	1	2	3	4	5
5.21. ... thinks about how to get most out of every single activity, going beyond financial gains	1	2	3	4	5

Regarding our strategy, we...

5.22. ... have formulated other goals besides profit generation	1	2	3	4	5
5.23. ... make sure we have the skills in house to meet both financial and non-financial goals	1	2	3	4	5
5.24. ... strive for “viable”, “ fair” and “ reasonable” outcomes for all goals, not maximization of one	1	2	3	4	5

In decision making processes, this organization...

5.25. ... focuses on continuous increase of production and sales	1	2	3	4	5
5.26. ... regarding growth, assesses what is the best pace for itself and its people & environment	1	2	3	4	5
5.27. ... allocates extra budget/time to improvements of workload & workplace quality for employees	1	2	3	4	5
5.28. ... actively involves employees (for example in finding new business ideas)	1	2	3	4	5

Regarding the division of benefits (profits or other benefits created), we...

5.29. ... have a clear policy on salary differences	1	2	3	4	5
5.30. ... prioritize those with the most power (such as owners or shareholders)	1	2	3	4	5
5.31. ... try to include the community around us (for example by choosing local suppliers)	1	2	3	4	5

What is the one top lesson you have learned through your experience and that would pass on to new sustainability-driven entrepreneurs?

.....

.....

.....