The impact of accessibility to resources on sustainability driven entrepreneurship in the Western Cape region – *a meso perspective on the success factors of sustainability driven entrepreneurship in the Western Cape region of South Africa.*

Thesis Final Draft

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Preface

This research was conducted in collaboration with two fellow Sustainable Business Management master's degree students, Anne Floor van Dalfsen and Pauline Kors. As members of the joint-degree program, we were able to spend our mobility semester together in Graz, Austria, where we recognized our joint passion and belief in sustainable entrepreneurship as a way forward within our current capitalistic society. Based on this, we recognized the unique research opportunity to conduct joint-research into this topic in order to yield a more all-encompassing outlook of how best to foster these initiatives. This thesis is to be read in conjunction with the two others as each provides insight into different societal and organizational levels that are significant to the success of sustainable entrepreneurship. Furthermore, future works will be assembled which seek to examine the overlap between each of the research perspectives taken.

Acknowledgements

First and foremost, I would like to thank each and every one of our participants. You are a truly incredible and inspirational group of people and this research would not have been possible without you. I hope that not only through this research but also through future courses of action in my life that I am able to help further your goals and missions. I feel exceptionally lucky to have met you. Thank you.

For their academic support and for continuously reminding us of what is really important during this process, I want to thank both of my supervisors, Walter Vermeulen and Alan Brent. It has been a long, but unforgettable journey through a country that has so much potential and life. Thank you both for not only making this experience possible, but also for letting (and encouraging) us to enjoy ourselves.

I would like to thank Anne Floor van Dalfsen and Pauline Kors – my friends, colleagues, and sounding boards – for all your incredible support, patience, and sheer genius during this process. You two are brilliant and have truly made this process the experience that it was. So thankful to have you both on my team. I would also like to thank both my parents for encouraging me to leave the norm behind and for supporting me when I went half way across the world to do it. And finally, I would like to thank my good friend and roommate, Mike Acton for his continuous supply of popcorn and comical relief. We conquered this storm together. Good job.

Executive Summary

Entrepreneurship has shown to be a vital factor in the economic development of economies through its ability to alleviate poverty and unemployment, as entrepreneurs use innovation to establish new competitive businesses and markets, leading to job creation and an overall stronger economy. However, in addition to these benefits, recent literature is now focused on the critical role that entrepreneurship can play in the sustainable development of societies. Within the South African context, many lead experts and scholars in South Africa are endorsing sustainable entrepreneurship as it provides an alternative business model that can help facilitate job creation, as well as, benefits over: government, in its efficiency of delivering services; conventional business, due to greater accountability, trust, and overall purpose; and charities and NGOs, because of their greater financial stability (Fury 2010; Urban 2008).

For the purpose of this thesis the term sustainability driven entrepreneurship was adopted and consists of principles found in each of the major forms of sustainability-oriented entrepreneurship identified in the literature: social entrepreneurship, environmental entrepreneurship, and sustainable entrepreneurship. After careful analysis of the definitions proposed in the literature for the above sub-groups of entrepreneurship, sustainability driven entrepreneurship (SdE) was 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.*

The central objective of this research is to determine to what extent the variables of accessibility to resources at the meso level explain successful sustainability driven entrepreneurship in the Western Cape region of South Africa. This research was part of a multi-level perspective study conducted in coordination with two other researchers who addressed variables at the macro and micro level. In developing the objective and framework for this research a thorough joint-literature review was conducted regarding the key success factors attributed to both traditional entrepreneurship and sustainability driven entrepreneurship. The key variables identified within the meso level were access to formal finance, formal education, and formal and informal networks. Furthermore, a current gap was identified in the number of empirical studies addressing the impact of entrepreneurship on sustainable development. As a step to fill that gap, this joint research sought to develop a model on which to measure success based on an enterprise's overall impact on the principles of the triple bottom line: people, planet, and prosperity.

In order to measure the overall extent to which the access to formal finance, formal education, and formal and informal networks had on the success of sustainability driven enterprises, a joint quantitative and qualitative analysis was conducted. The quantitative research was conducted via a questionnaire consisting of closed questions, statements, and indications that was distributed to qualified sustainability driven entrepreneurs across the Western Cape. The qualitative research consisted first, of open-ended questions added to the questionnaire and second, of supplementary semi-structured interviews with both the entrepreneurs as well as deemed experts in the field of, or a relevant field to, sustainability driven entrepreneurship.

The analysis of the qualitative data was conducted through a three-step process in SPSS involving the use of descriptive statistics and correlations to determine the key variables to be included in a final standard multiple regression analysis on each of the dependent success variables, specifically, *profitability, economic prosperity, socio-cultural success, environmental success,* and *total success*. The major results of this analysis show that barriers encountered in accessing

formal financing, the level of education received, and the use of formal networking methods all were significant in explaining different success outcomes. Interestingly however, the level of education received showed a negative relationship to the socio-cultural success.

Using both the statistically significant findings of the regression analysis as well as supportive findings in the qualitative and descriptive data the following main conclusions were made with regard to each of the meso level variables:

1. Access to formal financing for sustainability driven enterprises in the Western Cape is a definite area of concern. Both the quantitative and qualitative data show that while South Africa has an abundance of financing options (albeit fewer directly targeting SdEs), these institutions are not effectively targeting and supporting the SdE sector. Despite the existing barriers to accessing formal finance, entrepreneurs are still managing to finance their enterprises through informal sources such as personal savings, bootstrapping, and friends and family. While this method of financing is an option for at least the initial phases of business development it does show limitations with regard to long-term economic stability. During later phases of growth and expansion, access to formal financing becomes a more critical resource. Therefore, the overall finding is that access to formal finance stimulates successful sustainability driven entrepreneurship depending on the industry and phase of development the enterprise is in.

2. Based on the high level of education of the sample, it is clear that access to formal education simulates sustainability driven entrepreneurship. Furthermore, the finding that higher levels of education, predominantly oriented towards business skills, are statistically significant at explaining lower levels of an enterprise's socio-cultural success also illustrates that the type of education an entrepreneur receives plays a role in the overall type of success an enterprise achieves. However, due to lack of statistically relevant findings with regard to education *about* entrepreneurship, motivating for entrepreneurship and inclusive of the concepts of SdE, access to formal entrepreneurial education, while beneficial, is not fundamental to the success of sustainability driven enterprises.

3. Although the formal networking sphere within the Western Cape is limited, the use of formal networking was found to be the strongest predictor of socio-cultural success for SdEs, reiterating that of access to networks does stimulate the success of SdEs. Furthermore, the finding that the use of formal networking has a positive impact on socio-cultural success, while obtaining higher levels of education has a negative impact, suggests that networks can compensate in areas where traditional education is lacking. Although the statistical findings only implicate networks as a stronger predictor of success than education, the idea that networks can compensate for a lack in other resources leads one to believe that in an environment where access to formal finance is hindered by multiple barriers, networks may play a larger role in stimulating success. Based on this reasoning and the statistical evidence for education, it was determined that access to networks plays a larger role in stimulating success of sustainability driven entrepreneurship than access to formal finance and education.

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Acronyms and Abbreviations (order of appearance)

SdE	Sustainability driven entrepreneurship, entrepreneur, or enterprise
SA	South Africa
GEM	Global Entrepreneurship Monitor
TEA	Total entrepreneurial activity
SMME	Small-to-medium enterprise
NFP	Not-for-profits
NGO	Non-governmental organization
SEA	Social Enterprise Alliance
ASEN	African Social Entrepreneurship Network
RBV	Resource based view
CLC	Capabilities lifecycle
KBV	Knowledge based view
H&S	Health and safety
ILO	International Labor Organization
BBBEE	Broad Based Black Economic Empowerment
ED	Enterprise Development initiative
SED	Socio-Economic Development initiative
UCT	University of Cape Town
IDC	International Development Corporation
KCC	Khayelitsha Cookies Company
TVET/FET	Technical vocational education and training / further education and training
BCEA	Basic Conditions of Employment Act
CCMA	Commission for Conciliation, Mediation and Arbitration
SEDA	Small Enterprise Development Agency
WWF	World Wide Fund

1. Research Background

1.1 Introduction

"Entrepreneurs are likely to be a critical force in enabling a world to change its path and offer coming generations a sustainable future" - Cohen & Winn 2007

Entrepreneurship has shown to be a vital factor in the economic development of economies through its ability to alleviate poverty and unemployment, as entrepreneurs use innovation to establish new competitive businesses and markets, leading to job creation and an overall stronger economy. While the concept of entrepreneurship is not new, with ideas about it dating back to Weber in 1904 (Thomas & Mueller 2000), there has in the past decade, been a greater recognition of the value of entrepreneurship beyond one of purely economic growth. Specifically, recent literature has highlighted the importance and relevance of entrepreneurship for its potential impact on society and the environment. Entrepreneurship offers an opportunity to not only change consumer behavior, but also to reshape the way we approach people and consumption, which can lead to a *change in lifestyle* (Abrahamsson 2010). With a growing emphasis on the importance of approaching development in a 'sustainable' manner that will not limit the capabilities of future generations, entrepreneurship offers great opportunity to change traditional business practices into ones that better address the 'triple bottom line' or social, environmental, and economic impact.

Although the role of entrepreneurship in sustainable development is receiving greater attention, there is still great uncertainty about the exact nature of entrepreneurship's role in this area (Hall et al. 2010). Within different sectors and businesses, the recognition and inclusion of sustainable development has manifested itself in many different manners. One particularly interesting discovery is that businesses are moving beyond simply acting responsibly on the path to profit maximization – known as the 'business case' (Parrish 2010) – but instead are actually driven by the motive to positively impact society and/or the environment. This can be seen in pioneering companies such as Professor Muhammad Yunus's Grameen Bank that was established with a mission to eradicate poverty and empower women in Bangladesh and Bill Drayton's Ashoka, a company that financially supports businesses with social missions, which both demonstrate that companies can simultaneously achieve economic and social value (Mair & Martí 2006). However, social entrepreneurship, as this form of entrepreneurship has been deemed (Sodhi & Tang 2011; Seelos & Mair 2005; Mair & Martí 2006; Dees 2007), is only one way entrepreneurs are integrating the values of business and sustainable development. Some entrepreneurs also seek to establish businesses that focus primarily on environmental issues over social change, referred to often as 'ecopreneurs' (Abrahamsson 2010; Gibbs 2009; Hall et al. 2010). While still others strive to incorporate both environmental and societal goals into their business model, yielding 'sustainable entrepreneurship' (Cohen & Winn 2007; Schaltegger & Wagner 2011).

As reflected in the wide range of terms and objectives there is great ambiguity within this area of study and although many authors have proposed definitions for these sub-categories (Seelos & Mair 2005; Cohen et al. 2008; Hall et al. 2010; Parrish 2010; Weerawardena & Mort 2006), there is still exists a general lack of consensus within the literature on the exact meaning and boundaries of these forms of entrepreneurship (Mair & Martí 2006). Therefore, to limit some of this ambiguity, it is important to clearly define what form of entrepreneurship is being addressed. For the focus of this research the term *sustainability driven entrepreneurship (SdE)*, adopted from

articles by Gibbs (2009), Schlange (2007), and Parrish (2010), has been chosen and it is inclusive of all three of the main forms of entrepreneurship outlined by Schaltegger & Wagner (2010), which include 'ecopreneurship', 'social entrepreneurship', and 'sustainable entrepreneurship'. Sustainability driven entrepreneurship (SdE) is defined here 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.* Depending on the context the abbreviation of SdE can represent sustainability driven entrepreneurship, enterprise, or entrepreneur.

As businesses are more rapidly forming on the basis of alternative (socially and environmentally beneficial) motives, the significance of understanding their development and fostering their success becomes imperative to enabling a sustainable future within the confines of capitalism. Through the research conducted below, insight and understanding into how best to facilitate successful SdEs will be examined in the setting of South Africa (SA), a nation currently struggling with huge unemployment problems, issues of social inequality resulting from the socio-political history, and preserving, yet utilizing, their vast natural resources. This research offers a unique look at a developing country facing a developed countries issues and offers an opportunity to overcome them more effectively and more sustainably than it's Western neighbors, thereby, hopefully helping to make a small step toward a brighter future.

1.2 Problem Definition

Although the contribution of sustainability driven entrepreneurship (SdE) is becoming increasingly celebrated and, as stated by Urban (2008), "has finally evolved into the mainstream", the concept of SdE is one that is still very new in its own right and major gaps exist in the academic knowledge of entrepreneurship's role in sustainable development (Abrahamsson 2010; Hall et al. 2010). In fact there is still some debate on its exact placement as either a sub-field of entrepreneurship or a field of its own right (Mair & Martí 2006). Furthermore, these uncertainties and newness are exasperated when dealing with a developing country such as SA, where there is still very little recognition or understanding of social entrepreneurship amongst South Africans (Steinman 2010) and the regulatory framework has yet to even establish legal recognition of existing social enterprises (GreaterCapital 2011).

Regardless of this, many lead experts and scholars in SA are endorsing sustainability driven entrepreneurship as a promising new field. Although SdEs currently remain an under-researched area, their importance within the development of society is critical (Urban 2008). SdEs provide an alternative business model that can help facilitate job creation, as well as, benefits over: government, in its efficiency of delivering services; conventional business, due to greater accountability, trust, and overall purpose; and charities and NGOs, because of their greater financial stability (Fury 2010; Urban 2008). In fact, there is evidence suggesting that some of the most senior levels of the South African government are giving greater attention to the idea of a 'social economy' (Ibid.). However, in comparison to other countries of similar economic development, SA still has much to overcome in the way of both traditional and sustainable entrepreneurship. According to the Global Entrepreneurship Monitor's (GEM) Global Report of 2010, SA, on a global scale, has consistently had a total entrepreneurial activity (TEA) rate below the median of comparable economies. According to the report in 2010, they ranked 27th out of 59 countries with a TEA of 8.9%, almost 2% less than the average for all efficiency-driven economies, and almost 7% below the average of all middle- to low-income countries.

Another issue of concern is the high failure rate of startup enterprises in their first years of operation. While a high failure rate of startup enterprises is common even in innovation-driven economies such as the United States, SA has displayed a troublingly low prevalence of success, ranking 41st out of 43 countries, with only 2.3% of South Africans owning a business older than 3.5 years (SBP 2011). The low sustainability of startups in SA is of critical importance since it reflects the extent to which the small-to-medium enterprise (SMME) sector, which includes sustainability driven enterprises, can contribute to job creation. Therefore, a great value of this research is in better understanding how to foster and enable these entrepreneurs to sustain the life of their business over the long-term.

As expressed above, the erupting field of SdE is being readily endorsed as a crucial step toward sustainable development, however, there is still very little known about its exact role in society and, especially in SA, there is very little entrepreneurial success. Critical to the facilitation and stimulation of these initiatives is a more concrete understanding of the key factors for the success of these initiatives. This will not only help sustain potential and existing SdEs, but also better equip institutions and policy-makers, alike, to foster these enterprises. It is the goal of this research to identify those critical factors and to hopefully contribute to the development and success of SdEs in SA.

1.3 Knowledge Gap

While the ideas of environmental, social, and sustainability entrepreneurship are growing in popularity and becoming more abundant in literature, the majority of research on entrepreneurship is still focused on the assumption that it is primarily driven by profit-seeking and self-interest motives (Parish 2010; Cohen et al. 2008; Hall 2010). This restricted focus serves to limit the scope of benefits that entrepreneurship can provide society and the environment. Therefore, it is instead proposed that a 'triple bottom line' approach be taken, meaning that research should involve the three pillars of sustainability, namely, economic, social, and environmental impacts of the venture (Cohen & Winn 2007). For this reason, this research will focus on three dependent variables that capture each of those dimensions. They are specifically, *socio-cultural impact* (people), *environmental impact* (planet), and *prosperity* (profit).

Beyond simply expanding the scope of entrepreneurial benefits, this research also fills another important gap within the scientific community, specifically in regard to measuring the overall impact of each above-mentioned dimension. There is currently a lack of empirical studies, limiting our understanding of the impact of sustainability entrepreneurship (Mair & Martí 2006; Herrington et al. 2009; Hall et al. 2010; Peels et al. 2009; Dees 2007; Cupido 2002). Furthermore, the research that has attempted to address this predominantly consists of case studies (e.g. Parrish 2010), which are tied to specific cases and not always generalizable. Thus, with an extensive statistical analysis, the opportunities, strengths, and weaknesses of current structures, policies, and traits can be better understood, particularly with regard to how they influence overall SdE success with respect to the triple bottom line. By uncovering the critical success factors for SdE, it can be determine whether they are receiving appropriate assistance and recommend possible areas of improvement.

Finally, the results of this research can provide a basis for further research into the area of sustainability driven entrepreneurship and can assist policy makers and other relevant organizations in creating an enabling environment for sustainability driven entrepreneurs.

2. Literature Review

2.1 Defining Sustainability Driven Entrepreneurship

Before the coining and later defining of the term 'sustainable development' as "development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs" in The Brundtland Report (WCED 1987), the environment and economy were primarily viewed by scholars as separate and competing realms (Hall et al. 2010). However, with the rise of sustainable development came the idea that development could occur in a way that simultaneously meets economic, social and environmental goals. It is slowly, with this shift in paradigm that the role of entrepreneurship in sustainable development begins to come to light. Since the time Joseph Schumpeter (1934) deemed entrepreneurship 'creative destruction', entrepreneurs have been hailed for their ability to develop creative, alternative solutions to existing processes, yielding new combinations as means to production (Carland et al. 1984). Now, with the rise in discourse on sustainable development and the major shift towards business as a source of change, the 'creative destruction' of entrepreneurship is being recognized for the role it may play in destroying conventional methods and replacing them with processes and services that better suit both society and the environment (Stefan Schaltegger & Wagner 2011).

While the ideals behind entrepreneurship as a means of promoting sustainable development seem quite straightforward, the concept is anything but. When defining and researching the topic of entrepreneurship for the promotion of sustainable development, one must maneuver through the multitude of interpretations, concepts, and definitions, which fall under this heading. Sub-categories for this topic take on forms that range from 'environmental entrepreneurship' to 'sustainopreneurship' to 'community' or 'civic' or 'social entrepreneurship' (Dean & McMullen 2007; Abrahamsson 2010; Gibbs 2009; Hall et al. 2010; Dees 2007; Visser 2011; Mair & Martí 2006). However, when the literature is reviewed carefully, three broad categories standout beyond the others: the 'ecopreneur' or 'environmental entrepreneur', which are two terms generally used interchangeably, the 'social entrepreneur', and the 'sustainable entrepreneur' or sometimes referred to as 'sustainability entrepreneur'.

A range of definitions has been put forward for each of these distinct forms of entrepreneurship, with each illustrating slightly different motives, objectives, and areas of impact. Ecopreneurship has been thoroughly examined by authors such as Abrahamsson (2010), Gerlach (2003), Gibbs (2009), Dean & McMullen (2007), and Schaltegger & Wagner (2011) who propose definitions that generally link environmental innovations with more traditional business motivations such as market opportunity and competitive edge. Some examples of definitions put forward for ecopreneurship and environmental entrepreneurship are: "[identifying] environmental innovations and their market opportunity, and successfully implementing them into the market" (Abrahamsson 2010, 35); "actors who recognize, create and make use of market opportunities arising for ecological innovations" (Gerlach 2003, 1); and "entrepreneurial action [that] can resolve environmental challenges by overcoming barriers to the efficient functioning of markets for environmental resources" (Dean & McMullen 2007, 51).

The above definitions tend to imply that ecopreneurs develop innovative products and services that address existing environmental issues as a means to achieving economic prosperity. This is in contrast to the other common category of 'social entrepreneurship', which is generally deemed more 'mission-driven', with sustainable goals as the ends, instead of the means (Dean & McMullen

2007; Stefan Schaltegger & Wagner 2011; Dees 2007). However, in Pastakia's (1998) *Grassroot ecopreneurs: change agents for sustainable society* he distinguishes between the *commercial ecopreneur* and the *social ecopreneur*. He links the former to those that seek to maximize personal or organizational gains by identifying green business opportunities and converting them into conventional business models that facilitate the promotion of green products and services. While the latter he explains as an individual that strives to promote green ideas, products, or technology, thus having more of an emphasis on bettering society than ones financial standing.

Although ecopreneurs may place a slightly lower emphasis on sustainability performance as a core business goal than some of the other forms of sustainability-oriented entrepreneurship (Schaltegger & Wagner 2011), ecopreneurs still act as change agents in a transition towards a more sustainable society. Through the development of innovative business strategies that jointly facilitate environmental and economic sustainability they fuel a restructuring of corporate culture (Gibbs 2009). As explained by Schaltegger (2002, 46), "ecopreneurs destroy existing conventional production methods, products, market structures and consumption patterns and replace them with superior environmental products and services. They create the market dynamics of environmental progress". Thus, ecopreneurs are hailed for their ability utilize their knowledge of environmental structures and processes in order to reconfigure existing practices to better serve the needs of the environment and society, while still making business sense.

Social entrepreneurship is similarly upheld for their role in facilitating societal change. Seelos & Mair (2005) and Alvord et al. (2004) regard social entrepreneurship as a means to alleviate social problems and catalyze social transformation. The concept of social entrepreneurship seems to have the greatest discrepancy amongst definitions of each of the forms of sustainability driven entrepreneurship. In defining social entrepreneurship there is frequently a distinction made between social entrepreneurship as a creative means of non-for-profits (NFPs) or non-governmental organizations (NGOs) to obtain alternative funding (Mair & Martí 2006; Weerawardena & Mort 2006; Hall et al. 2010) and social entrepreneurship that functions within the private sector and can stem from both self-interest and compassion (Mair & Martí 2006; Dees 2007; Weerawardena & Mort 2006; Seelos & Mair 2005). In fact, as explained by Thompson (2002), social entrepreneurship can exist in both the public and private sector, where the former is an enterprise set up for a social purpose, yet functioning as a normal business, while the latter is a profit-seeking business with some commitment to doing good. The recognition of social entrepreneurship as having a role in the private sector, as well as the public, has only occurred more mainstream in recent years. This can be seen in the decision of the Social Enterprise Alliance (SEA), based in the USA, to change their formal definition of social enterprise from "any earned-income business or strategy undertaken by a non-profit to generate revenue in support of its charitable mission" to "an organization or venture that advances its primary social or environmental mission using business methods" (Steinman 2010, 20).

While the distinctions illustrated above begin to help navigate through the plethora of proposed definitions and roles of 'social entrepreneurship', there is still by no means complete consensus on what makes a social entrepreneur, how they operate, and who they are. This is much like scholar's continued struggle to nail down similar ideas about entrepreneurs in general; they seem to come in "all shades and colors" (Seelos & Mair 2005, 8). Regardless, three articles found within this literature review, specifically, Seelos & Mair (2005), Visser (2011), and Weerawardena & Mort (2006), provide extensive overviews of existing definitions for social entrepreneurship. Table 2.1 provides an overview of the most popular and relevant ones discussed in these articles.

Author	Definition Social Entrepreneurship
Hall et al. (2010)	Organizational innovations and initiatives in governmental organizations, NGOs, and not-for-profits, or, alternatively, where the profits generated are used to benefit specific disadvantaged groups.
Ashoka Foundation[1]	Individuals with innovative solutions to society's most pressing social problems. Social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps.
Mort, Weerawardena and Carnegie, (2002)	Social entrepreneurship is a multidimensional construct involving the expression of entrepreneurially virtuous behavior to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, and the ability to recognize social value-creating opportunities, and key decision- making characteristics of innovativeness, proactiveness and risk-taking.
Mair & Martí (2006)	Focus on creating social value over creating economic value.
Alvord et al. (2004)	Social entrepreneurship creates innovative solutions to immediate problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations.
Dees (1998)	Social entrepreneurs play the role of change agents in the social sector by: – Adopting a mission to create and sustain social value (not just private value); – Recognizing and relentlessly pursuing new opportunities to serve that mission; – Engaging in a process of continuous innovation, adaptation, and learning; – Acting boldly without being limited by resources currently in hand; – Exhibiting a heightened sense of accountability to the constituencies served for the outcomes created.
Hibbert et al. (2002)	Social entrepreneurship is the use of entrepreneurial behavior for social ends rather than for profit objectives, or alternatively, that the profits generated are used for the benefit of a specific disadvantaged group.
The Institute for Social Entrepreneurs (2002)	A social entrepreneur is an individual who uses earned-income strategies to pursue social objectives, simultaneously seeking both financial and a social return on investment.
LaBarre and Fishman (2001)	Social entrepreneurs are dedicated innovators who are determined to tackle some of society's deepest challenges by embracing new ideas from business.
Prabhu (1998)	Entrepreneurial organizations whose primary mission is social change and the development of their client group.
Thompson (2000 & 2002)	The process of adding something new and something different for the purpose of building social capital – actions can be taken either in the public or private sector.

Table 2.1| Overview of proposed definitions for social entrepreneurship (Sources: Hall et al. 2010; Abrahamsson 2010; Weerawardena & Mort 2006; Seelos & Mair 2005; Visser 2011)

From this table, as well as the literature, it becomes clear that while a consensus is lacking there are some underlying key features of social entrepreneurship. The main commonality seen amongst the definitions in Table 2.1, which is reinforced by Weerawardena & Mort (2006) is that central to social entrepreneurship is the role of a 'mission' or 'vision' to improve society, which can range from addressing 'societies most pressing problems', generating 'social value', 'social transformation', 'social change', or 'social capital' or even to gain a 'social return on investment'.

[1] www.ashoka.org viewed July 4th, 2012.

[2] http://www.southafrica.info/business/trends/empowerment/bee.htm viewed on January 28th, 2012.

Secondly, as with traditional entrepreneurs, they are 'dedicated innovators', using 'entrepreneurial behavior' to tackle societies problems through the creation of 'something new and something different' and 'embracing new ideas from business'. And finally, alternative to traditional entrepreneurial models, the motivation and drive to create social value or change is either of equal importance or, even more frequently, takes precedence to the generation of profit, such as seen in Mair & Martí (2006), Alvord et al. (2004), and Dees' (1998) definitions, where resource generation simply serves to further the mission of social value creation.

Ecopreneurship and social entrepreneurship both seek to facilitate underlying ideals of sustainable development; however, they take somewhat of an 'either/or' approach. The third form of entrepreneurship, referred to either as 'sustainable entrepreneurship' or 'sustainability entrepreneurship', approaches the issue from a more holistic viewpoint. As reiterated by Spence et al. (2011), Gibbs (2009), Abrahamsson (2010), and Parrish (2010), sustainable entrepreneurs are those that seek to combine the three components of sustainable development, which specifically include environmental, social, and economic factors. However, as with each category of sustainability-related entrepreneurship there is some lack of consensus. There are some scholars who see sustainable entrepreneurship as a combination of either environmental or social components, such as Schaltegger and Wagner (2007, 32) and further adopted by Spence et al. (2011), where sustainable entrepreneurship is defined as:

An innovative, market oriented and personality driven form of value creation by environmentally or socially beneficial innovations and products exceeding the start-up phase of a company.

Other authors, however, clearly emphasize the fact that sustainable entrepreneurship is distinctive in its use of *'and'* as can be seen in Abrahamsson (2010), where it is argued that a sustainability approach already implies an integrated meaning, thus, it must address ecological *and* social objectives. Schaltegger & Wagner (2010) and Urban (2008), further reiterate the idea that sustainable entrepreneurship can achieve the triple bottom line by simultaneously achieving profitability, social impact, and environmental sustainability. Parrish (2010), Parrish & Tilley (2009), and Schlange (2007) also indirectly support this idea with their introduction of yet another concept of sustainable entrepreneurship, referred to as 'sustainability-*driven* entrepreneurship', which focuses on "entrepreneurs who integrate both environmental and social purposes into a single venture" (Parrish 2010, 511).

When reviewing all three of the predominant lines of thought on sustainability-related entrepreneurship, Schaltegger & Wagner (2010) offer the most comprehensive and comparative summary, outlined in Table 2.2 below, of the concepts and definitions from existing literature. The original table also lists 'institutional entrepreneurs' as well, however, as this concept is indirectly related to this research, it has been omitted for clarity purposes. Furthermore, Schaltegger & Wagner (2010) additionally illustrate the role and impact of each type of entrepreneur in Figure 2.1. Here it can be seen that generally, while each form of entrepreneurship has sustainability performance as a core business goal to some degree, the impact they have on sustainable development is slightly different. Specifically, social entrepreneurship has a greater effect on social groups, whereas ecopreneurship and sustainable entrepreneurship have a larger effect on the market and society.

	Ecopreneurship	Social entrepreneur	Sustainable entrepreneurship
Core motivation	Contribute to solving environmental problems and create economic value	Contribute to solving societal problems 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 issues to integrating economic issues	From focus on societal issues to integrating economic issues	From a small contribution to a large contribution to sustainable development

Table 2.2| Summary of definitions for sustainability-related entrepreneurship as found in currently literature (Schaltegger & Wagner 2010)

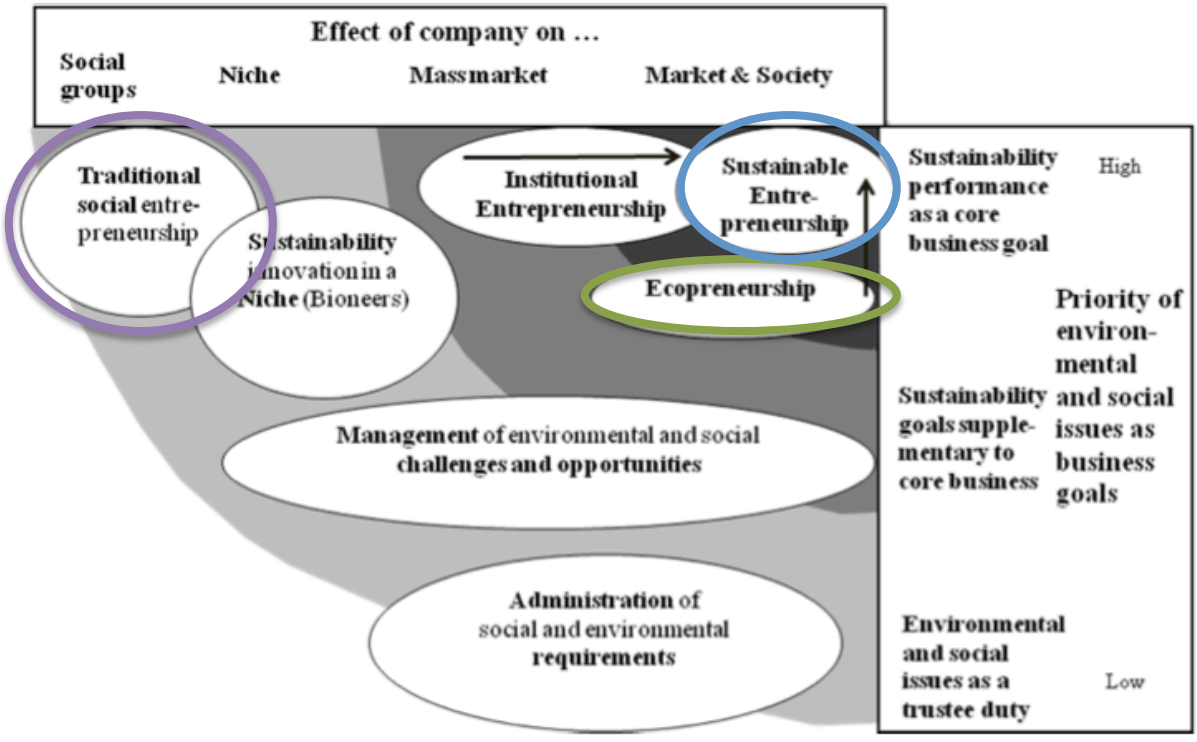

Figure 2.1| Illustration of priority of sustainability performance as well as effect of different types of sustainability-oriented businesses (Source: Schaltegger & Wagner 2011)

Another key reference in the development of a definition for this research was the work done by Steinman (2010) on developing a 'home grown' South African definition for social enterprises. In her study, a focus group was conducted including relevant stakeholders to determine what a social enterprise was to them. Here the key aspects of a social enterprise were determined as:

1. A clear social purpose aimed at achieving social good
2. Engagement with the community the enterprise is serving
3. Financial stability
4. The practice of democratic, open and transparent governance
5. A financial surplus (if any) should be re-invested in the community or re-invested in the social purpose it serves.

This definition is important as it applies directly to those with a stake in social entrepreneurship in SA. It does; however, apply only to social enterprises of which this study is not limited to, so parts are not considered in building a definition for the focus on this research, as is elaborated on below.

After careful review of the above literature, the term *sustainability driven entrepreneurship* (SdE) has been chosen as the focus for this research. While it is defined above as those entrepreneurial ventures that integrate both environmental and social objectives, for the sake of this research it will be inclusive of all three of the concepts covered in Table 2.2, above. The decision for this is elaborated on below. Therefore, for the purpose of this research, 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 the literature review:

1. *The entrepreneurial activities are driven by motives and values alternative to those of traditional entrepreneurship*, *such as simply profit-maximization* (Weerawardena & Mort 2006; Seelos & Mair 2005; Mair & Martí 2006; Alvord et al. 2004; Schlange 2009; Parrish 2010; Steinman 2010).

2. *The entrepreneur and/or enterprise must have a sustainability-related goal(s) or mission(s*). Multiple sources above discussed this idea in the form of creating social or environmental change or value (Dean & McMullen 2007; Pastakia 1998; Weerawardena & Mort 2006; Dees 2007); however, this is also reflected in Harrington's (2009) report on entrepreneurship in SA, which takes a very generalized approach to social entrepreneurship and in Steinman's (2010) analysis of enabling factors for social entrepreneurship, which emphasizes the existence of 'social objectives' as proof of a 'social purpose'. Furthermore, the goal(s) or mission(s) of these ventures may be social, environmental, and/or community-oriented in nature, as well as be internal and/or external to the business operations. NOTE: although above sustainability-driven entrepreneurship, was defined as the simultaneous pursuit of social *and* environmental goals (Schlange 2009; Parish 2010), the working definition for this research does not require the entrepreneur and/or enterprise to explicitly adopt such a holistic approach. This decision is based on the rational that the Western Cape is a relatively small geographical region with an already limited amount of entrepreneurial activity and by advocating too strict of guidelines it is feared that chances for conducting valuable and representative empirical research

may be hindered. Furthermore, the decision to use the term sustainability-*driven* versus simply sustainable entrepreneurship stems from the idea that the addition of *driven* better illustrates the underlying motive or drive of the entrepreneur to address issues of sustainability.

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).

The subsequent target group of our research is further elaborated on in section 3.6 Research Boundaries.

2.2 Determining Crucial Success Factors for SdE

As SdE and other sustainability-oriented forms of entrepreneurship are relatively new fields, there is still much unknown about what facilitates the formation of these enterprises and what is needed to foster their support (Hall et al. 2010; Stefan Schaltegger & Wagner 2011). With this in mind, a core objective of this research was to determine what the key factors are that influence success of SdEs. In order to accomplish this, it first had to be understood what factors are usually associated with success of all forms of entrepreneurship. To achieve this, a joint-database (collaborative effort between Anne Floor van Dalfsen, Pauline Kors, and myself) was compiled of predominantly scientific journal articles and reports that address traditional entrepreneurship, social entrepreneurship, and ecopreneurship studies, in addition to sustainability-driven entrepreneurship, as each of these were relevant and provided a more comprehensive study set of factors influencing success for SdEs.

Using this database, each article was broken down based on which factors they highlight as significant and what level of significance it was deemed. A sample section of this database, which included over 40 articles, can be found in Appendix 1. Each success factor mentioned was then sorted through and the frequency with which it was mentioned was determined, followed by the level of importance it was assigned with regard to the success of entrepreneurship and/or SMMEs. During this analysis the most crucial factors were identified, from which they were categorized into a multi-level perspective, specifically, macro, meso, and micro levels, which were in turn divided amongst myself and two other colleagues and will produce three separate thesis. This is elaborated on in Section 3. Table 2.3 shows an overview of the different factors and their frequencies found in the literature.

Since the focus of this research is on the meso level, with the other joint research concentrating on the macro and micro, the following overview of success factors will give a brief breakdown of the general findings for all success factors identified, with a further emphasis on those relevant specifically to SA. Following this, a theoretical overview will be given regarding the significance of the success factors at the meso level.

Factors influencing SdE success	Frequency mentioned
Entrepreneurial capabilities	**19**
- Innovativeness	4
- Proactiveness	1
- Responsiveness	1
- Risk taking	5
- Dedication to success	1

- Drive	1
- Personality	2
- Locus of control	3
- Perpetual reasoning	1
Entrepreneurial experience & skills	**11**
- Previous managerial experience	4
- Technical skills	2
- Human capital (skills)	2
- Business skills	2
- Previous industry experience	1
Financial capital:	**18**
- Access to capital	3
- Lack of capital	4
- Capital base	3
- Generating capital	3
- Financial support	1
- Lack of resources	1
- Fundraising	1
- Resource mobilization	1
- Cash flow shortages	1
Regulatory and legislative environment:	**14**
- Endorsement by government	1
- Legal, social, and political environments	1
- Government policies	2
- Government programs	1
- Regulation	2
- Market augmenting government	1
- Government and legislative factors	3
- Lack of government support	3
Cultural and socio-economic landscape	**12**
- Local culture	2
- Acceptance in public discourse	3
- Narrow-minded and isolated attitudes towards social entrepreneurship in SA	1
- Perceptions at macroeconomic level	1
- Enabling environment	2
- Cultural attitudes and norms	2
- Respect and recognition	1
Education	**12**
- Not incorporated in education system	2
- Human capital (education)	4
- Primary and secondary education	1
- Lack of skill	2
- Entrepreneurial education	2
- Lack of knowledge	1
Networks	**10**
- Networking	2
- Collaboration	1
- Social Network	5
- Alliance building	1
- Information sharing	1

Table 2.3 | Overview of factors contributing to the success of SdE found in the literature

2.3 Success Factors of (Sustainability Driven) Entrepreneurship

When carefully reviewing the factors featured in Table 2.3 a frequent division was seen between two streams of research with regard to (Sd)E. The first stream of research generally addressed the individual characteristics of entrepreneurs, which ranged from capabilities, such as innovativeness to risk aversion, to previous experience and skill sets (Koe Hwee Nga & Shamuganathan 2010; Thomas & Mueller 2000; Caliendo et al. 2011; Caliendo et al. 2009; Sharir & Lerner 2006). The second addresses more external factors that influence the success of the enterprise. This division is also made in Azmat & Samaratunge's (2009) research into responsible entrepreneurship in developing countries, where they distinguish between *characteristics* of entrepreneurs and the *context* within which they operate. While these factors are at times studied in isolation of each other, they are both discussed as critical to success, since the entrepreneur cannot be completely separated from the enterprise.

One of the most frequently suggested characteristic of entrepreneurs, particularly those that are sustainability-oriented, is that they are high in 'innovativeness' (Mair & Martí 2006; Herrington et al. 2009; Dees 2001; Barendsen & Gardner 2004; Thomas & Mueller 2000), as they are able to develop new, creative business solutions to overcome market failures and/or alleviate societal needs. Other frequently identified characteristics are 'risk-taking' (Thomas & Mueller 2000; Weerawardena & Mort 2006; Caliendo et al. 2009; Caliendo et al. 2011), 'pro-activeness' and 'openness' (Koe Hwee Nga & Shamuganathan 2010; Caliendo et al. 2011; Weerawardena & Mort 2006), implying that they are not only willing and open to engage in an activity that does not have a sure outcome, but they also frequently seek them out. Interestingly however, is that the concept of 'locus of control', meaning that an entrepreneur has control over the outcomes of their lives, has also been directly tied to successful entrepreneurship (Thomas & Mueller 2000; Koe Hwee Nga & Shamuganathan 2010; Caliendo et al. 2011). Thus by engaging in risk-taking behavior they have taken control over their own success, instead of relying on others above them to provide. One particular factor that was specifically tied to the success of SdEs was the need for 'dedication to the mission' (Sharir & Lerner 2006), as this helps the entrepreneur persevere despite the trials and tribulations that arise from starting any business, let alone one with alternative motives than profit.

While these findings reiterate the fact that the characteristics possessed by entrepreneurs play an important role in the success of their enterprises, this line of research has been studied quite in depth within the scientific community. Furthermore, many of the personality traits of sustainability-oriented entrepreneurs have shown overlap with those of traditional entrepreneurs, particularly with regard to innovation, risk aversion, and pro-activeness (Weerawardena & Mort 2006; Mair & Martí 2006; Thomas & Mueller 2000). What is more interesting with regard to this research is what characteristics set SdEs apart from traditional commercial entrepreneurs. Although SdEs must go through the same motions of starting and running a business as commercial entrepreneurs, they are driven by different motives and encounter different obstacles. Therefore, the way in which an SdE operates and overcomes issues provides more insight into how they achieve success. Here, Parrish (2010) indicates that SdEs operate with different capabilities from commercial entrepreneurs within their organizational design. In his research on the principles of SdE's organizational design that enable them to create successful and sustainable enterprises in a competitive market, he identifies four prominent capabilities, which he categorizes as part of 'perpetual reasoning' versus 'exploitative reasoning' used by traditional entrepreneurs. These include, 'resource perpetuation', 'benefit stacking', 'strategic satisficing', 'qualitative management' and 'worthy contribution'. It is these concepts that will be focused on more closely within the joint-analysis.

In regard to the contextual factors that appear most prominent in the literature, (lack of) access to capital is by far the most frequently referenced factor contributing to the (failure or) success of both traditional and sustainability-driven enterprises, particularly with regard to SA and other developing nations (Visser 2011; Herrington et al. 2009; GEM 2010; Sriram & Mersha 2010; Cupido 2002; Alexander 2011; FNB-Endeavor Partnership 2010; Sharir & Lerner 2006; Vives 2006; Steinman 2010). Seelos & Mair (2005) site that capturing value created in financial terms or securing external funding to sustain the organization is one of the greatest challenges social entrepreneurs face. Furthermore, both Seelos & Mair (2005) and Steinman (2010) identify finding finance to scale up the organizational scope as an even greater challenge. Social and Sd entrepreneurs may suffer even greater issues in finding finance than commercial entrepreneurs since the concept is so new and not yet widely understood, with many financial markets not yet mature enough to endorse them (Gibbs 2009). In fact, a recent poll suggested that many South Africans still do not understand the difference between a social or sustainability-driven enterprise and a charity (Ibid.), signifying already a particular challenge in proving the validity and sustainability of their business models.

While there are some articles that mention access to capital or financing as a stimulating factor (Sharir & Lerner 2006; Visser 2011), more often than not it is referred to in the literature as a constraining factor, barrier or obstacle to achieving success (Sriram & Mersha 2010; FNB-Endeavor Partnership 2010; Herrington et al. 2009; Fatoki & Chindoga 2011; Cupido 2002). Within his literature review Cupido (2002) sites lack of disposable capital and cash flow shortages as two of the key reasons for the vulnerability and failure of SMMEs within Europe, a drastically more mature market for the support of both traditional and sustainable SMMEs than South Africa. Within SA specifically, Fatoki & Chindoga (2011) specifically sites lack of capital as the biggest obstacle to youth entrepreneurship, a target group of particular concern in this area of study due to the high levels of youth unemployment. Furthermore, in Cupido's (2002) analysis of the barriers to entrepreneurship in the Western Cape, it was found that difficulty acquiring finance from the available financial institutions and government ventures was the main contributing factor to the failure of SMMEs in the Western Cape. Alexander's (2011) research on entrepreneurs' access to finance in SA, further reiterated this finding when her survey of 47 entrepreneurs again showed that lack of capital remains the biggest issue facing early-stage entrepreneurs in SA.

When considering contextual factors it is very important to recognize the differences posed in developing countries versus developed countries (Sharir & Lerner 2006). With regard to access to capital and finance, Badal & Srinivasan of the Gallup Report (2012), conducted a survey showing that adults, worldwide, with access to funding are three times more likely to plan on starting a business in the next 12 months. What is interesting, however, is that access to money was specifically more significant in developing regions, such as Sub-Saharan Africa and Asia, than in areas such as North America where credit constraints are less acute. Unfortunately though, South African's financial and operating environment are not considered conducive to entrepreneurs, particularly in terms of its regulations, policies, and access to capital (FNB-Endeavor Partnership 2010). Herrington et al.'s (2009) GEM approach to entrepreneurship in SA further recognizes that steps need to be taken to provide better financial support to entrepreneurs. Beyond this, however, they also reiterate that access to capital is not a fundamental factor in its own right and other factors, in addition to finance, must be fostered to better contribute to entrepreneurial success.

One of these other key contextual factors is the regulatory and legislative environment within a country and/or province. Steinman (2010) touches on the fact that government cannot create social entrepreneurship, but that it can create an environment that enables it to thrive. The main example given is that of the UK, where the government achieved this through four main accomplishments:

1. fostering a culture of social enterprise
2. ensuring the right access to the right information and advise for those running a social enterprise
3. enabling social enterprises to access appropriate finance
4. enabling social enterprises to work with government

A sound legislative and regulatory framework is of great importance when generating a supportive environment for any form of enterprise (Peels et al. 2009). Many countries, including SA, have extensive frameworks in place for regular enterprises; however, more and more, countries are opting to establish legal frameworks specifically for social enterprises, as they recognize their growing potential for sustainable development. SA, who has made some strides with the release of recent policy documents (Steinman 2010), still lacks a legal definition of social entrepreneurship (GreaterCapital 2011), showing that they still have a long way to go.

The role of government as a factor for success was the second most frequently mentioned in the literature on contextual factors (Steinman 2010; Herrington et al. 2009; GEM 2010; Vives 2006; Azmat & Samaratunge 2009; Fatoki & Chindoga 2011; Alexander 2011; FNB-Endeavor Partnership 2010; Peels et al. 2009; Learn to Earn 2010). According to Vives (2006), one of the most important sources of encouragement for the development of responsible SMEs is local government. In the GEM Report put out in 2010, over half of the experts surveyed cited government policies as one of the key constraining factors to entrepreneurial success in SA. Specifically, they mention "inefficient government bureaucracy, red tape associated with starting up and managing a business (particularly the time and cost of compliance), and restrictive labor regulations" are major areas of concern (GEM 2010, 32).

Along a similar line, the broader cultural and socio-economic environment is also frequently cited along side the regulatory and legislative framework as a key factor for success. As stated by Spence et al. (2011, 341), "at the macro-economic level, dominant values in society, as well as a country's level of development and efficiency of regulations, influence the hierarchicalization of social, environmental, and political concerns in public policy." Pastakia (2002) also highlights the importance of the interaction between the broader social and economic context within which an entrepreneur functions and their motivations to pursue entrepreneurial activity. Other articles mention the importance of cultural attitudes (Sarasvathy 2004); the acceptance of the idea into public discourse (Sharir & Lerner 2006); an enabling environment (GEM 2010); cultural and social norms (Herrington et al. 2009); political and cultural structures (Steinman 2010); and socio-economic conditions and cultural traditions (Azmat & Samaratunge 2009) on the success of entrepreneurs. Furthermore, when examining social entrepreneurship in SA, Visser (2011, 244) mentions major barriers to social entrepreneurship as the "narrow-mindedness and isolation" within SA, and the fact that social enterprises are "neither being recognized nor rewarded at any level." Furthermore, the FNB-Endeavor Partnership's Report (2010) on the state of entrepreneurship in SA, highlights that there is currently a lack of respect and recognition for entrepreneurs and a very low tolerance of their failure, thus exhibiting very little encouragement to pursue an entrepreneurial career. These issues need to be addressed before SA can fully develop and foster a culture of entrepreneurship.

Another contextual factor deemed highly significant in the success of entrepreneurship is education. Education had been identified as key to creating a culture of entrepreneurship in SA and facilitating the growth and success of SMMEs throughout the nation (Spence et al. 2011; Isaacs et al. 2007). Access to education and training, according to Urban (2008), can increase a person's likelihood to engage in entrepreneurship, as it instills confidence in their business and personal skills. An important identification made in Co & Mitchell (2006) is the importance of education both *for* and *about* entrepreneurship. Education for entrepreneurship focuses more on conveying knowledge about the field, while education about entrepreneurship is more oriented to teaching skills required to be an entrepreneur. Frequently, previous managerial or business training and/or experience is linked to successful entrepreneurship (Urban 2008; Sharir & Lerner 2006; Cupido 2002; Co & Mitchell 2006). This is an example of how education for entrepreneurship can influence success. Hall et al. (2010) does mention that one study has seen that previous business experience can actually negatively impact the success of *social* entrepreneurship, highlighting that SdEs may require a different skill set than traditional entrepreneurs.

While Fatoki & Chindoga (2011), identify entrepreneurial education as vital in the transfer of knowledge and skills required for successful entrepreneurship, they highlight that currently there is a disconnect between the skills being taught in SA's higher education and what is actually needed to survive in the business world. In fact, Herrington et al. (2009), cite a lack of education and training as the most crucial factor hindering entrepreneurship in SA. They express concerns not only over the level of entrepreneurial education, but also the overall quality of education in general in SA, reiterating Fatoki & Chindoga's (2011) finding that the South African education system is currently falling short in critical categories.

Finally, one issue that has been continuously reiterated in the literature is the need for a more established network of small - to - medium enterprises (SMMEs). Through collaboration, entrepreneurs can share experiences, success stories, and problem solving solutions specific to their SMME environment in order to help facilitate the growth and success of these enterprises. This is founded in the network success hypothesis, which suggests a positive correlation between the networking activities of founders and their start-up's success (Witt 2004). The rational is based on the theory that networks or socially embedded ties can assist entrepreneurs in obtaining both market (inputs, technology, etc) and non-market resources (reputation, customer contacts, etc) at lower cost and higher convenience, respectively (Ibid.).

Although the particular study of network's relationship to success has proved challenging due to the many factors necessary for consideration (Anderson & Jack 2002; Witt 2004), there are a number of studies that have exhibited some correlation. Particularly, one of the first empirical studies on networks conducted by Aldrich, Rosen, and Woodward (1987), showed a positive correlation between access to networks and the decision to start a new business, as well as profitability of businesses less than three years in existence (Witt 2004).

Other literature has also endorsed networks as critical tools for success, such as, Sharir & Lerner (2006, 11) who specifically highlight the entrepreneur's social network as one of the venture's "most important resources", as it helps an entrepreneur to mobilize assets such as expertise, capital, and labor. A network can be something that is either already established, thus relied upon by the entrepreneur to start and sustain the business, or else something that grows with the pro-active efforts of the entrepreneur to further the business' development and success (Ibid.). Regardless of which type exists, many SdEs heavily rely on these networks as they offer a strong, yet cheap, support system (Urban 2008).

The term network is broad and can encompass many meanings and values, ranging from the idea of a support system (Urban 2008) to the promotion of information sharing (Klein & Kozlowski 2000) to the facilitation of partnerships or alliances (Bloom & B. R. Smith 2010). Furthermore, Alvord et al. (2004, 280) attribute the success of leadership within a company to their ability to alliance-build in order to facilitate the "transformational change they envision." A study on small manufacturing companies found that very few small firms actually function without some degree of inter-organizational cooperation and in fact, that cooperation frequently leads to more successful strategic adaptation for the firm (O'Donnell et al. 2001). Spence et al. (2011) particularly addresses the unique benefit of social networks to social or Sd entrepreneurs, as they can benefit from experience, expertise, and advice sharing from others facing similar obstacles, as well as gain a social group and perhaps cut costs for resources or technologies obtained through these connections. Currently in SA, there are some interesting platforms developing to promote networking for SdEs, such as the African Social Entrepreneurs Network (ASEN); however, there is still a lack of collaboration of entrepreneurs throughout the nation (FNB-Endeavor Partnership 2011).

Overall, there is not just one deciding factor that makes or breaks an SdE. Thus, the most valuable way to engage in research on the subject would be to do an all-inclusive study. One method of research that seeks to do this is known as multilevel models, which to some is regarded as an essential shift from single-level analysis, as it is able to capture the complexities of real life (Klein & Kozlowski 2000). This form of research approaches fields of study, such as culture or organizations, through a lens that evaluates factors at the macro, meso, and micro levels. When closely examining the key factors identified above, it becomes clear that there are in fact three 'levels' of factors. First, there is the individual or organizational level, which looks at the attributes and capabilities within the organization itself. Then there are the factors that influence the enterprises' ability to obtain resources that will stimulate its success, such as finance, networks, and education. Finally, there is the cultural and regulatory environment that influences the landscape within which the entrepreneurs and enterprises operate. Thus, utilizing the unique advantage of a joint-research initiative, a multilevel perspective was adopted to gain a complete picture of the crucial factors to successful SdEs in SA. The definition and illustrative overview of these levels are presented below.

The different levels are defined as:

- **Macro**: cultural and socio-political landscape of sustainability driven entrepreneurial activity (*Pauline Kors*);
- **Meso**: access to networks, education, and finance for sustainability driven entrepreneurs (*Bretlyn Curtis*)
- **Micro**: characteristics and capabilities of sustainability driven enterprises (*Anne Floor van Dalfsen*)

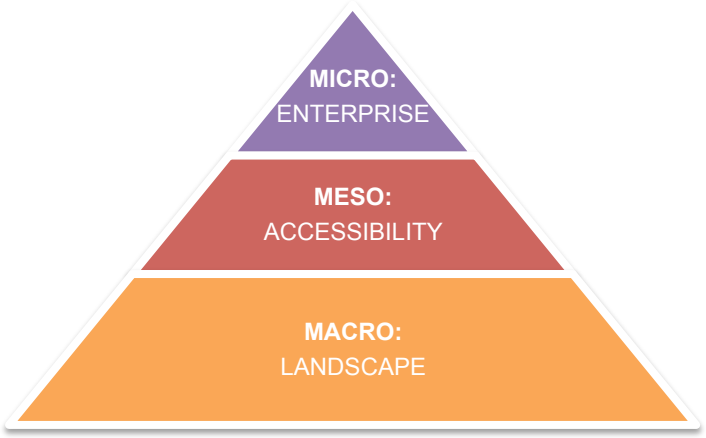

Figure 2.2 | Overview of Joint Analysis

2.4 Theoretical Framework

Beyond the research presented above there are several theories that have been developed with specific regard to the link between an enterprise's overall success and the resources they have access to. The theoretical framework and rational of this research is founded primarily on the theory known as resource-based view (RBV), which argues that a firm gains competitive heterogeneity over other firms based on the resources it possesses. However, as this research focuses on the meso level, one level removed from the micro level, which looks more directly at the capabilities present within the firm, it is also necessary to focus on two other theories: the capabilities lifecycle approach (CLC) and the knowledge-based view (KBV) that highlight the importance of the lifecycle of existing resources and their overall path-dependency in the development of competitive advantage at the firm level.

2.4.1 Resource-based view, capabilities lifecycle approach, and knowledge-based view

A resource is considered any asset or input to production (tangible or intangible) that could be considered a strength or weakness to a given firm (Helfat & Peteraf 2003; Wernerfelt 1984). Traditional examples of resources include labor, capital, and land (Wernerfelt 1984). However, in more recent RBV research resources have expanded beyond simply assets to also include capabilities, which comprise of an organization's ability to utilize existing resources in a way that allows them to achieve a particular goal (Helfat & Peteraf 2003). One such example is the fact that cooperation is becoming recognized to a larger extent as a valuable resource for growth, as stated in Wernerfelt (1984),

"*…information can be accumulated through the interaction with a social network for entrepreneurs…[they can] gain skills, knowledge, and support necessary for not only breaking into a new industry, but also for starting and running a new company*."

The resource-based view (RBV) seeks to provide an explanation of how firms gain competitive heterogeneity based on the understanding and belief that close competitors possess different resources and capabilities, which set them apart from one another (Helfat & Peteraf 2003; Peteraf & Peteraf 1993). Thus, companies with different levels of financial capital, human capital and social capital (via networks), will exhibit greater or lesser competitive advantage over other

similar firms. This differentiation allows firms to operate within the market and either breakeven and/or earn a profit depending on the superior levels of their resources (Peteraf & Peteraf 1993).

While the concept of RBV has been widely accepted and researched (Peteraf & Peteraf 1993; Wernerfelt 1984; Helfat & Peteraf 2003), it is difficult to use this theory to assist firms in establishing greater competitive advantage unless there is a firmer understanding of where exactly a firm obtains the different heterogeneous resources (Helfat & Peteraf 2003). The RBV therefore falls short of providing a complete explanation of firm's success. It instead acknowledges that once a firm has achieved success the presence of superior, differentiating resources plays a significant role. Although the concept of the dynamic resource based view explained by Teece et al. (1997, 516) as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments," begins to acknowledge this shortcoming, Helfat & Peteraf (2003) still reject it as incomplete. Instead they propose taking a step further and acknowledging that the development and lifecycle of capabilities and competences extends beyond simply its lifetime within the firm.

This theory is known as the capability's lifecycle (CLC) approach and it recognizes that capabilities undergo different stages throughout their lifecycle, specifically, a founding stage, the development stage, and the maturity stage. While the founding stage starts already at the firm level, Helfat & Peteraf (2003) clearly recognize that an entrepreneur/manager and/or their team often possess 'pre-existing' capabilities or resources that were acquired before they started or entered the organization. These can include human capital (skills and knowledge from education and/or prior training), social capital (existing social relationships present within or outside the team that can yield influence, control, and power), and cognition (Peteraf & Peteraf 1993). Beyond this, outside resources, such as finance and technology, are recognized as critical to the achievement of the enterprise's objectives during the founding stage (Helfat & Peteraf 2003). And finally, as the capability progresses in its lifecycle (i.e. development and maturity), it is recognized that the path of its development hinges on the initial configuration of human and social capital. Combining all of these ideas then, it becomes apparent that in order for the creation and development of key internal competencies and capabilities at the firm level, resources such as education, social capital via a strong network of social ties, and financial capital are necessary. The fact that most of these resources should already be present amongst the group implies that the team or often specifically, the manager (Adner & Helfat 2003), gains value from having access to a range of resources prior to their engagement with the enterprise.

Another related theory to the RBV and CLC, is the concept of the knowledge-based view (KBV). KBV focuses primarily on knowledge as the key component in the development of competitive advantage (Pettigrew et al. 2006). This concept of knowledge can include knowledge-sourcing, frequently attributed to social capital development through networks, internal and external knowledge exchange and the integration of prior knowledge (Ibid.). According to Wiklund & Shepherd (2003) firms that possess strong knowledge-based resources are enabled as they know better where to look for opportunities and how to assess and extract potential value from those opportunities. KBV is founded on the idea of organizational learning, which describes the dynamic and adaptive processes that take place within an organization that further its development (Pettigrew et al. 2006). However, Pettigrew et al. (2006), like CLC, recognize that the benefits of KBV do not simply stem from the interactions at firm level, but are also largely path-dependent and influenced by the firm's prior knowledge. Therefore, this theory also recognizes the significance of previous experiences (education and otherwise) on the ability (or capability) of a firm to function dynamically and competitively. On the premise of these theories, it is imperative, for the purpose of this research, to fully understand what resources (financial)

and capabilities (social and human capital) an entrepreneur (or enterprise) possessed both prior to and after the foundation of their SdE, as it is the dynamic interaction of both that yield successful outcomes.

The above lines of reasoning also highlight the critical link between the meso and micro levels. While resources such as access to finance, education (or knowledge), and social networks are critical to the entrepreneur during the stages prior to, during, and after its founding, it is their influence on the development of the entrepreneur's capabilities and their organizational design that allow for micro level success, through methods such as perpetual reasoning (Parrish 2010). In turn, it is the facilitation and fostering of these dynamic processes that can yield a greater overall impact of SdEs on society. Beyond this as well, it is crucial to acknowledge the role that the macro level plays in establishing an environment and legislative framework that provides seamless access to the resources necessary for SdEs to prosper.

Finally, in order to clearly conceptualize the theoretical framework of this research, the following overview was produced to show the way in which access to resources facilitates the presence of different resources and capabilities at the firm level and in turn helps yield success through creating competitive advantage.

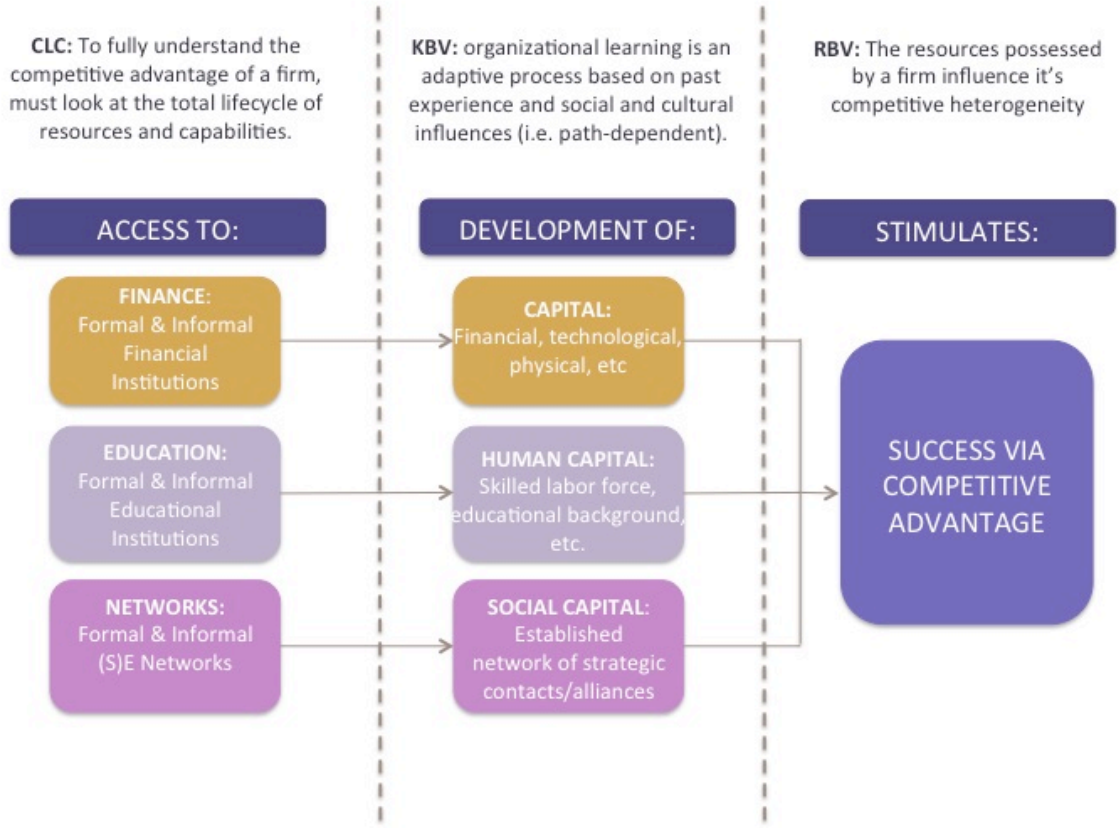

Figure 2.3 | Theoretical framework

2.5 Hypotheses

Based on the findings within the literature review and the theoretical framework, the following hypotheses have been developed for the predicted outcomes of this research.

One of the most frequently mentioned factors inhibiting the success of both sustainability and traditional entrepreneurship is a 'lack of (financial) capital' or inability to 'raise finances' (Alexander 2010; Visser 2011; GEM 2010; Sriram 2010; Cupido 2002; Fatoki 2011; FNB & Endeavor Partnership 2011; Sharir & Lerner 2006; Herrington 2009). Therefore, it seems rational that the first hypothesis for this research is the following:

H1*: Access to formal financial institutions stimulates successful sustainability driven entrepreneurship.*

Access to education, is also a recurring factor discussed as influencing the success (or failure) of an entrepreneurial venture. Some authors argue that education *for* and *about* entrepreneurship has not been fully integrated into university systems (Visser 2011; Mitchell 2006). Others mention barriers such as 'lack of business training and skills' (GEM 2010; Ardagna & Lusardi 2008; GreaterCapital 2011), 'inadequate management skills' (Cupido 2002), and 'lack of knowledge' (Vives 2006), while some simply point out 'education' and 'human capital' as valuable to success (GEM 2010; Rogerson 2000). Based on this information, the second hypothesis is:

H2*: Access to a formal education stimulates successful sustainability driven entrepreneurship.*

In addition to the recognition that access to education plays a vital role in the success of entrepreneurs, there have also been relationships discovered between the *type* of education an individual receives and their success as an entrepreneur and specifically, their success as a sustainability-driven entrepreneur (Mitchell 2006; Hall et al 2010; Herrington 2009). Therefore, a follow-up hypothesis is:

H3*: The level of stimulation of success from access to formal education depends on the type of education received by the entrepreneurs (i.e. specific (sustainability) entrepreneurship and/or business courses/programs).*

Furthermore, experts also often point to the value of having a (social) network during both the start-up and growth phases of an entrepreneurial venture. Specifically, the literature mentions 'alliance building' (Bloom & Smith 2010), 'capacity for building networks' (Alvord, Bron, & Letts 2006), 'relationships' (Vives 2006), 'scaling-up of best practices' requiring networking and information sharing (Peel et al 2009), and a 'social network' (Sharir & Lerner 2006) as factors that, when present, facilitate success or vise versa. Therefore, the fourth hypothesis of this research is:

H4: *Access to formal and informal (sustainable) entrepreneurship networks stimulates successful sustainability driven entrepreneurship.*

Finally, when reviewing all the literature, it is clear that neither the presence nor absence of just one factor can determine the success or failure of an enterprise. However, the factor that is focused on most frequently and is referred to as the 'greatest barrier' to success, particularly within SA, is the access to financial capital (Alexander 2010). Therefore, the final hypothesis of this research is as follows:

H5: *Access to formal financial institutions has a greater influence on success than access to formal education and formal and informal (S)E networks.*

For the purpose of this research, formal refers to an established organization or institution that specifically provides a certain service (i.e. financial, educational, or for the sole purpose of networking).

3. Research Design and Methodology

3.1 Research Objective

The overarching objective of this research is to unravel the key factors that enable enterprises with sustainability – related goals, motives, and values in the Western Cape in order to facilitate the sustainable development of the region.

What is unique to this research is the joint-effort. While each perspective level is being addressed separately with individual conclusions, a joint conclusion will also be developed (post-final) to link and integrate each section and allow the generation of an over-arching picture of the stimulating factors for SdE in the Western Cape. Therefore, the individual research objective of this research is to determine which resources are the most crucial for the success of sustainability driven enterprises in the Western Cape and how accessible those resources are within the region.

3.2 Research Question(s):

Based on the above research objective, both a joint central research question and individual central research question for the meso level have been identified and elaborated on below.

Joint Central Research question: To what extent do the identified factors in the macro, meso, and micro levels explain the success of sustainability driven entrepreneurship in the Western Cape region of South Africa?

Individual Central Research Question*:* To what extent do the variables of accessibility to resources at the meso level explain successful sustainability driven entrepreneurship in the Western Cape region of South Africa?

Within the meso-level there are three core resources that will be examined in regards to accessibility, specifically, access to *finance*, access to *education*, and access to an *entrepreneurial network* (any formal or informal network that has an impact on the overall enterprise). In turn, the objective of this research is to study the extent to which these factors influence the success of SdEs. Success in this research, will be measured based on a company's overall contribution to sustainable development, which will be approached through Elkington's (1997) triple bottom line: people (social), planet (ecological) and profit (economic). However, in 2002 at the World Summit on Sustainable Development in Johannesburg, the term 'profit' was replaced with 'prosperity' as a way to further include the positive societal profits derived from engaging in sustainable behavior. Therefore, in this research success will be measured based on three indicators: 'people' (positive socio-cultural impact), 'planet' (positive environmental impact), and 'prosperity' (positive economic impact). For each of these variables, the internal (within the business) and external (on the community) impact of their success will be examined. Figure 3.1 and Figure 3.2 provide an overview of the joint and individual research frameworks.

Based on the literature review, hypotheses, and variables within this research, a number of sub-research questions have been identified and outlined below.

Sub-Research Questions:

1. What are the existing financial institutions/financing options available to sustainability driven entrepreneurs in the Western Cape? Do any focus exclusively on sustainability driven entrepreneurship?
2. What are the most common sources of financing currently used by sustainability driven entrepreneurs? Why?
3. To what extent are successful sustainability driven entrepreneurs educated? What type of training (motivational, business, entrepreneurial) did they receive? Did they receive any educational training *about* and/or *for* entrepreneurship? Sustainability driven entrepreneurship?
4. Have sustainability driven entrepreneurs communicated with and/or collaborated with an entrepreneurial network during the course of building their business? Was it formal or informal collaboration? How large of a network did they have access to? What types of relationships made up their network?

3.3 Research Framework:

The following two figures provide an overview of both the joint and individual research framework.

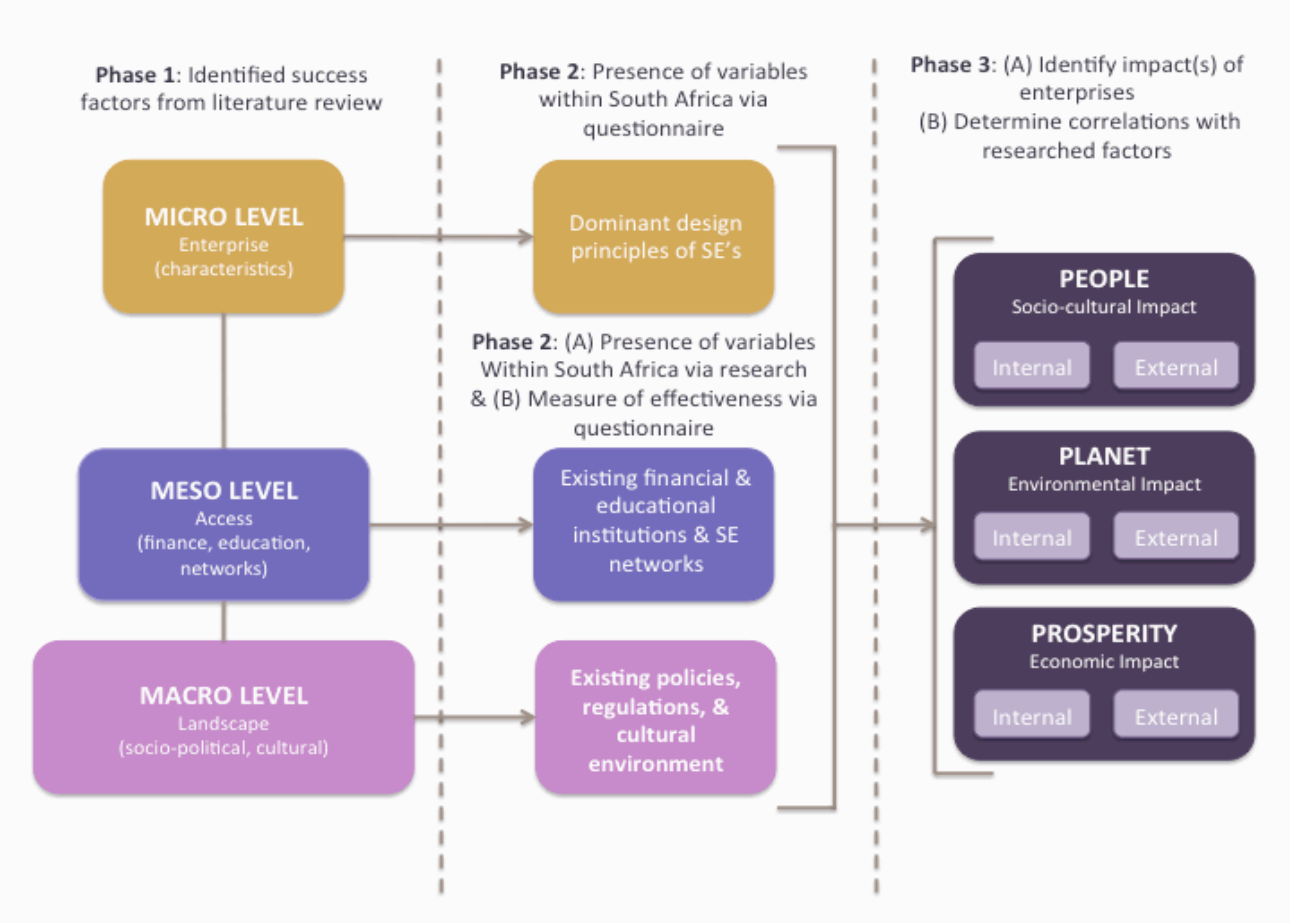

Figure 3.1 | Joint Research Framework

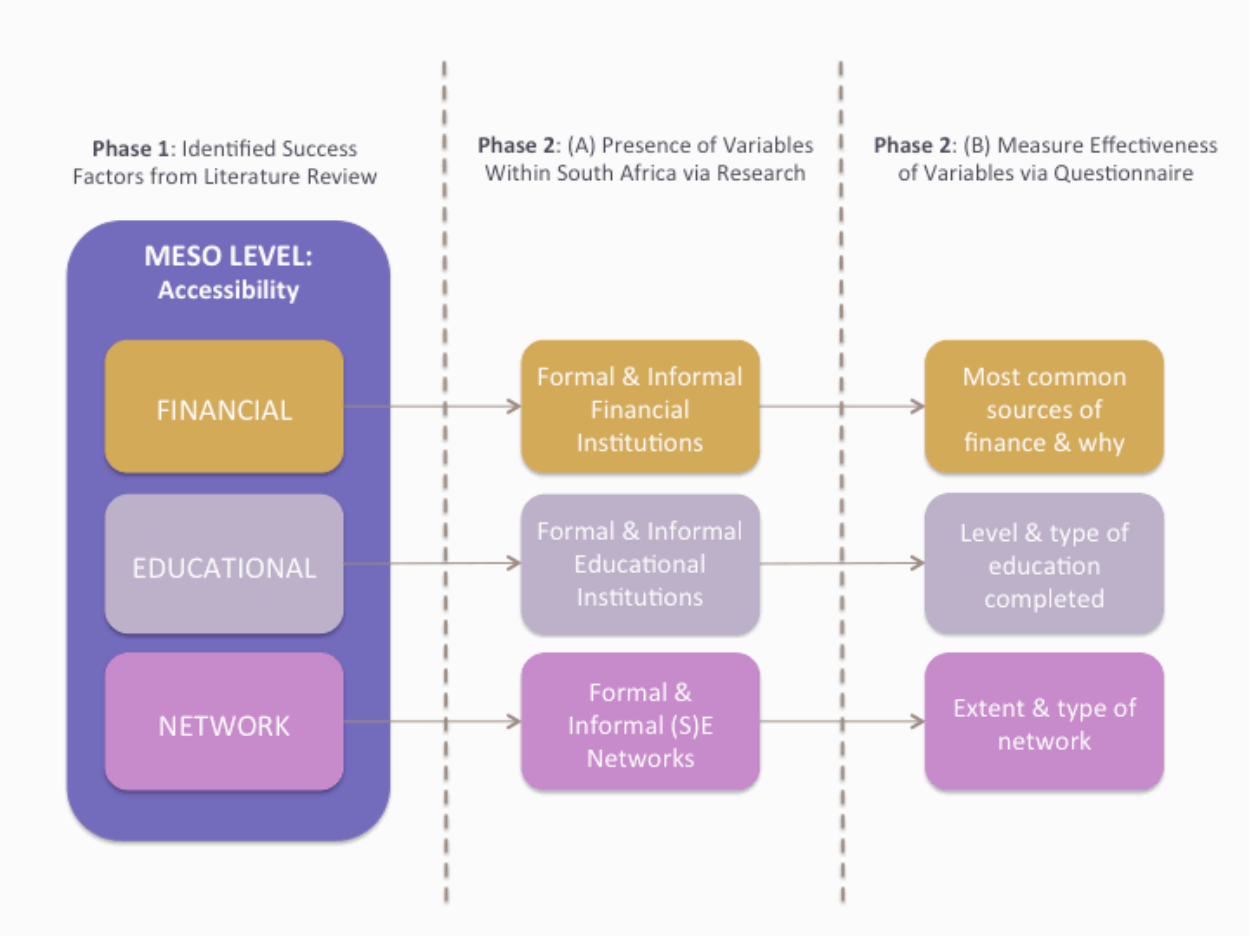

Figure 3.2 | Individual Research Framework (more explicit focus on Phase 2)

3.4 Determining Variables for Meso Level Resources

In order to best capture the role of accessibility to resources in the success of SdEs, it was imperative to understand the role each variable plays in both the start-up and lifetime of an enterprise. Based on the hypothesis and research questions of this study, a number of variables were chosen to better understand the influence that access to resources can have on the success of an enterprise. Within this section, an overview of the variables that were chosen for analysis and why they were chosen is presented. A breakdown of the variables selected is presented in Figure 3.3.

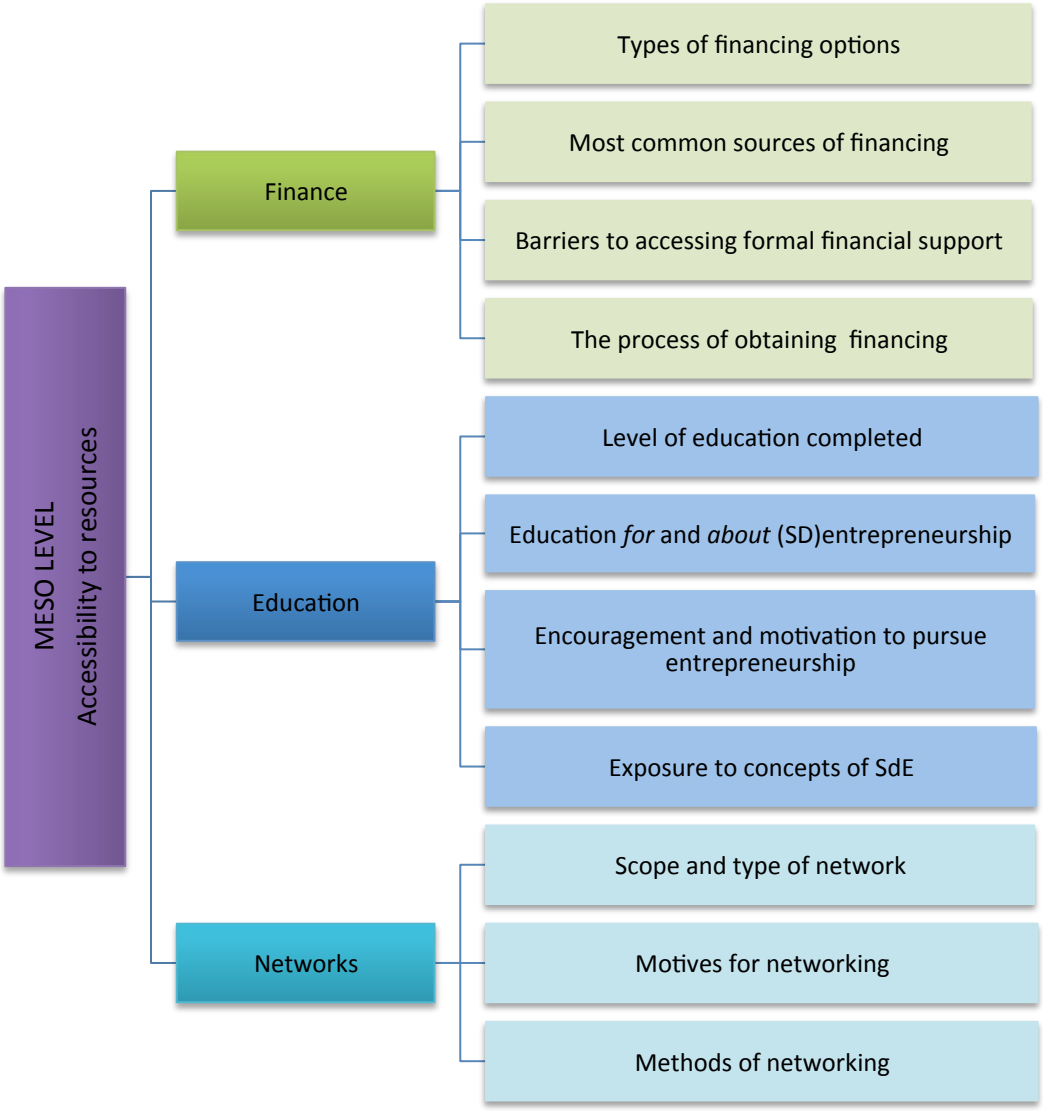

Figure 3.3 | Overview of variables at the meso level

3.4.1 Variables for access to finance

1. Types of financing options for SdEs in South Africa

When evaluating the role of access to finance, the first practical question that arises is what financial options are in existence within the Western Cape or South Africa for SdEs and more generally SMMEs. Within this section an overview of the types of financial options available in SA is provided based on individual research conducted from the Netherlands.

Currently, there are a number of different financing opportunities available in SA. Based on the International Labor Organization's (ILO) 2011 publication *Guide to Finance for Social Enterprises in South Africa* (written and compiled by GreaterCapital) there are at least fifteen different types of financing that social entrepreneurs can seek out (See Table 3.1). Unfortunately, however, out

of the fifteen options listed below, less than half are specifically targeted at social or sustainability-driven enterprises (those that are, are underlined). GreaterCapital (2011) and Steinman (2010) mainly attribute this to the fact that there is no legal definition of social enterprise that organizations can use as a form of incorporation. Within SA the type of funding available to an enterprise is highly reliant on its type of legal incorporation, specifically with regard to it being either a Section 21 or not-for-profit enterprise versus a for-profit enterprise. The main differences between the two being a greater challenge in obtaining grants or donations, as well as tax exemptions for for-profit entities and the inability of non-for-profits to issue equity, ruling out private equity and venture capital (GreaterCapital 2011).

One other area of note is the role that the Broad Based Black Economic Empowerment (BBBEE) program has on SMMEs and SdEs. The BBBEE program aims to help South Africa realize its full economic growth potential, while also helping to re-integrate historically disadvantaged people, particularly, black people, women, youth, the disabled, and rural communities. The BBBEE requires all entities, public and private, within South Africa generating over R5 million in annual turnover to make contributions to the BBBEE through their practices and operations, which include ownership, preferential procurement, and management control, to name a few. Furthermore, the government gives preferential treatment to companies that adhere stringently to the BBBEE codes.[2]

There are two out of the seven BBBEE criteria that are most relevant to financing, specifically, Enterprise Development (ED) and Socio-Economic Development (SED) initiatives. Companies can earn points for ED when they assist businesses that are owned or operated by blacks with technical and/or financial support, which can include grants, loans, equity, and in-kind donations (GreaterCapital 2011). SED points are accumulated when companies work to bring 'sustainable economic inclusion' to previously disadvantaged groups via grants or in-kind donations (Ibid.). Corporations often target social enterprises that are qualified for SED as investments into meeting their own BBBEE qualifications, while ED qualified enterprises are given preferential treatment by corporations when making funding decisions (Ibid.)

Sources of Finance	Type:	What they do:	Who they target:	How they help:
Retail Banks	Private organization	Principle providers of debt in all forms	Many have products tailored to SMMEs	Do not tend to offer patient capital or soft loans, but do cater to ED as part of BBBEE initiative.
Microfinance Institutions	Private organization	Lend small amounts of money to local entrepreneurs	Local and grassroots initiatives	Generally provide small loans in form of debt, but do sometimes offer larger to established businesses.
Corporate Foundations	Private organization	Direct funds towards either SED or ED as part of their corporate social investment/BBBEE programs	Diverse targets (include for-profit and not-for-profit)	Mainly grants, but also in-kind donations, soft loans, and technical assistance
Development Finance Institutions	Government and international	Seek to pursue development aims through the provision of	Vary widely on scope and size, but almost always focus	Mainly provide preferential debt, but sometimes supplement

[2] http://www.southafrica.info/business/trends/empowerment/bee.htm viewed on January 28th, 2012.

	institutions	finance	on enterprises with clear social impact	with grants and technical assistance
Enterprise Development Intermediaries (Retail Finance Intermediaries)	Public and private funds	Channel money from corporations and development finance institutes into SMMEs	SMMEs	Mainly provide some form of debt or equity
Socially Responsible Investment Funds	Private funds	Channel money from pension funds and other sources into investments deemed socially responsible	Generally enterprises with high growth potential	Mainly provide some form of debt, equity, or patient capital
Private Equity Funds	Private funds	Purchase equity (generally a controlling stake) in enterprises	Enterprises (generally large) perceived to have high growth potential	Supply equity in exchange for ownership or shares within enterprise
Impact Investing Fund	Private funds	Similar to private equity funds, but focus on social enterprises and generally make smaller investments	Social enterprises	Generally supply patient capital, but also sometimes expertise and technical assistance
Venture Philanthropy Funds	Private funds	Provide grants to high-potential social enterprises	Target specific sectors and regions, and have high standards for social and environmental impact and reporting	Finance with grants
Social Venture Capital Funds	Private funds	Provide capital in exchange for ownership or control of the business for a limited time. Return on financing generally through international public offering or acquisition	Same as traditional venture capitalists, but with focus specifically on ventures with social focus	Provide capital in exchange for short-term control or ownership
Grant Issuers	Government or non-profit trusts	Distribute grants to organizations within specific area of interest	Sector/ industry/ issue-area specific	Distribute grants
Government Departments	National government	Funding available for projects with certain types of initiatives	Sector/ industry/ issue-area specific	Varied
Local Government	City or provincial government	Funding available for projects with certain types of initiatives	Sector/ industry/ issue-area specific	Varied
Sector-Specific Funding	Major corporations or charitable trusts	Sector-specific funding	Sector/ industry specific	Varied
Angel Funders	Private individuals	High net-worth individuals looking to provide loans or take equity in enterprises – generally smaller stakes than VCs	Very specific to their interests and aspirations, but generally expect high returns	Equity, debt, expertise, etc

Table 3.1 | Sources of Finance in South Africa (Weerawardena & Mort 2006; Seelos & Mair 2005; Alvord et al. 2004; GreaterCapital 2011)

Furthermore, a graphical overview of the particular business models that are targeted by the financial institutes discussed above that focus specifically on SdEs is presented in Figure 3.1, below. This presents somewhat of a 'road map' for SdEs as they attempt to obtain appropriate financing for their enterprise.

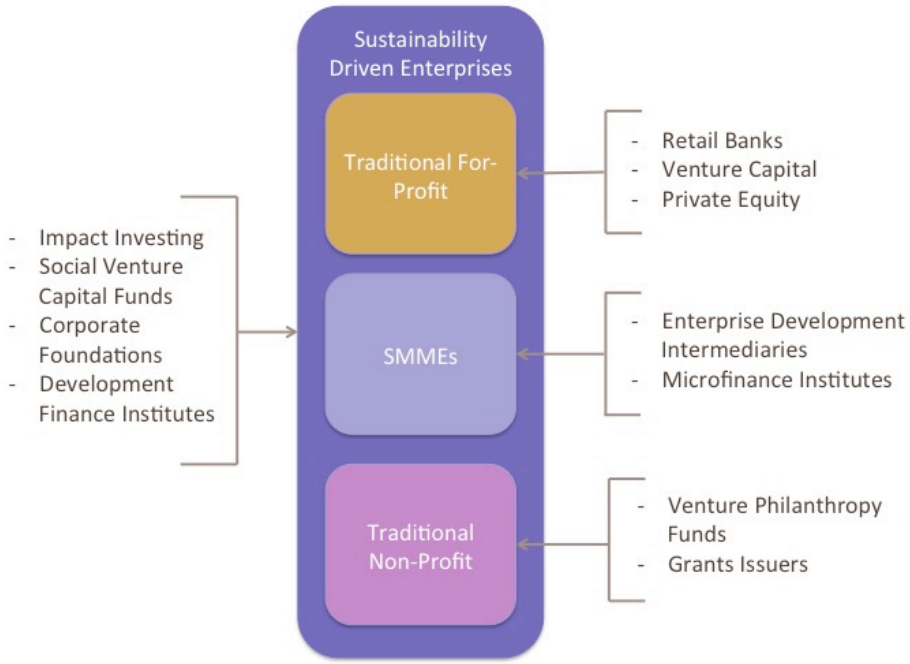

Figure 3.4| Targeted finance for different business models of social enterprises (Source: developed from GreaterCapital 2011)

Despite the long list of financial options presented above, research conducted by Alexander (2011) on improving access to finance in SA, suggests that the primary source of funding for South African entrepreneurs is an informal financing technique known as 'bootstrapping'. Bootstrapping, explained by Alexander (2011), consists of a number of creative and informal money raising techniques that allow the entrepreneur to post-pone or forego formal funding methods, thus minimizing the amount of debt accumulated in the early stages of business. Money raising techniques categorized as bootstrapping include:

- Barrowing money from the local community
- Foregoing a salary
- Bartering with suppliers by offering future services for free or at a reduced price
- Sharing resources with others

By utilizing bootstrapping methods entrepreneurs (sustainability and traditional entrepreneurs alike) are able to maintain control over the management of their enterprise and function free-of-debt. While these are strong positives, a major disadvantage to bootstrapping is the pressure it can place on new enterprises to supply working capital. If an enterprises experiences rapid growth or any other sudden changes in its needs it may be difficult to sustain. (Ibid.) Options with greater financial stability, such as a bank loan, venture capital, or government support may restrict some freedoms, but at times can lead to greater financial stability.

Beyond bootstrapping, other common informal sources of financing within SA, according to Alexander (2011) and Herrington et al. (2009), are the use of personal savings or the reliance on friends and family for help with initial funding. While both these options are a common initial funding source for entrepreneurs worldwide, the difference within SA is that the middle to upper class, although growing is still quite limited. Therefore, the amount of savings or discretionary income that they or their family and/or network of friends may have could be quite limited. Regardless, the advantages of this type of funding are abundant: obtained with few (if any) contracts, making terms more negotiable, and the owner maintains control and receives all benefits of business growth. Some disadvantages are however, that funds are limited to those held by friends and family and that it can put strain on personal relationships if owners are unable to repay in a timely manner. (Ibid.)

While there do appear to be a number of funding options within SA for social enterprises to pursue, they are often very competitive and generally only available to those ventures that exhibit high growth potential and have already demonstrated success as an established business. Finding funding without a 'proven track record' or some form of collateral is incredibly difficult within SA (GreaterCapital 2011; Herrington et al. 2009). According to a Whitepaper on the 'State of Entrepreneurship in South Africa' put out by FNB Business Banking (2010, 3) entrepreneurs must not only demonstrate their credibility, but also must be able to sell there idea to outside investors in a way that makes it both "captivating and unique", yet "understandable and credible." A task that is not always easy for those pursuing alternative business models, where profit is not the core objective. Furthermore, all types of finance come with strings attached that can challenge the direction and goals of the enterprise and in many cases impact future growth due to debt repayments (GreaterCapital 2011). For smaller and less established businesses (i.e. turnover of less than R1 million), it is advised to seek out local networks or micro-financing options (Ibid.). Unfortunately, SA has a very underdeveloped micro-financing structure (Herrington et al. 2009) and previous research has shown that many early-stage entrepreneurs would not even consider such an option when looking for financial support (Alexander 2011).

2. What are the most common sources of financing used by the SDEs in the Western Cape?

Although previous research has suggested that predominantly informal sources of financing are most prevalent in South Africa, their target group was not based in the Western Cape and did not focus specifically on SDEs. Therefore, this research seeks to better understand which of the above-mentioned methods of finance the target group of this research most commonly used.

3. What are the major barriers to accessing formal financial support?

Since previous studies have suggested that informal means of financing are the most commonly used, then this implies that there may be barriers to accessing other forms of financing. According to Herrington et al. (2009) one barrier to access is the fact that many of the government endorsed initiatives are poorly marketed and mainly concentrated in urban areas, thus making it possible that many SMMEs and SdEs may not be aware that these options were even available to them. Alexander (2011) also found in her study on access to start-up finance for entrepreneurs in SA, that the banking system and many of the financial institutions in existence in SA are very risk averse and frequently unwilling to invest in start-ups with little collateral. Rejection and poor experiences with these establishments have lead to an overall 'disenchantment' with the system (Ibid.).

4. What is the general process an entrepreneur must go through to get financing?

Often when starting-up an enterprise, one could say that 'money is of the essence', that finding the necessary amount of money can mean the difference between staying afloat or failure, between having the resources to say 'yes' to a great opportunity or not. Therefore, in understanding true access to finance, one must also understand how quickly an entrepreneur can obtain financing.

3.4.2 Variables for access to education

1. Level of education completed

When considering the value of access to education on the success of SdEs, a fundamental consideration must first be 'how educated is each entrepreneur' in order to gain a simple level of understanding of what extent they have had access to an education.

2. Level of exposure to skills and concepts relevant to SdEs throughout education?

Beyond simply looking at the level or extent of education an entrepreneur has received it is also imperative to understand what type of education an entrepreneur received, as this can impact their propensity to either engage in entrepreneurship and/or succeed as an entrepreneur (Urban 2008; Fatoki & Chindoga 2011). According to Isaacs et al. (2007, 614) the definition of entrepreneurship education is the deliberate decision of an educator to "impart entrepreneurial qualities and skills to enable the learner to survive in the world of business." In order to fully measure this a number of factors must be considered. A first factor of consideration, as mentioned above, is to look at the education one received both *for* and/or *about* entrepreneurship (Mitchell 2006). Beyond this however, motivation/encouragement and exposure to real entrepreneurs throughout one's education are also believed to be critical to the overall willingness to engage in entrepreneurship. Finally, as this research focuses on sustainability driven entrepreneurship, it is interesting to understand the extent to which these entrepreneurs were exposed to concepts of sustainability and sustainability driven entrepreneurship during their education.

3.4.3 Variables for access to networks

Prior to addressing the variables associated with access to networks it is important to clarify the meaning of networking within the context of this research. For the purpose of this research, the definition proposed by Witt (2004, 391), who explains that a network as a point of study includes either "an individual person or an individual institution that has durable information contacts, exchange relations, or both, with other people or with organizations such as firms, universities, or authorities." For this research, the point of study will be an individual person, specifically the founders of the sustainability driven enterprises included in the study. While it is recognized that an analysis at the enterprise level would provide more inclusive results of all the networking activity taking place within each SdE (Witt 2004; Anderson & Jack 2002), the time and scope of this research project did not allow the adoption of such an extensive approach.

1. What is the scope of an entrepreneurs network and what type of contacts does it consist of?

This variable seeks not only to understand the overall scope or size of an entrepreneurs network, but also to better understand its composition. Based on a thorough literature review conducted by O'Donnell et al. (2001) the majority of research into entrepreneurial networks typically distinguishes between two specific categories: *inter-organizational networks* and the entrepreneur's *personal (social) network*, which is also sometimes referred to as formal and informal networks or business and social networks (Witt 2004). Therefore, it is important to attempt to gauge what type of network each of entrepreneur is building – a formal, informal, or both.

2. What are the main motives for networking?

As mentioned in Section 2.2, networks allow entrepreneurs to obtain cheaper resources than typically found within the market place and to obtain other resources, such as reputation, customer contacts, etc, which are not found within the market at all (Witt 2004). Following this rational, this research sought to understand which of these motives were driving networking within the South African SdE field and in turn, attributed to their overall success.

3. What are the main methods for networking?

A number of previous studies on networks and entrepreneurial success (refer to Witt 2004) focus on networking activity as an independent variable and generally measure it based on the frequency with which entrepreneurs are engaged in building and/or maintaining their network. However, with regard to having access to networks, this research sought to measure networking activity based on the predominant methods of networking currently being used by SdEs in SA, as this is more closely tied to the availability of networking outlets.

Finally, for each of the factors, open-ended questions were added to better understand what types of financial institutes, education programs, and/or networks SdEs were engaging with, as well as, their overall level of satisfaction with these experiences.

3.4.4 Measuring success

Developing indicators for measuring success was one of the most challenging parts of this research. In fact, many research studies in this field have also struggled to gain consensus of what yields success and how it should be measured (Hall et al. 2010; Sharir & Lerner 2006; Short et al. 2009; Seelos & Mair 2005; Mair & Martí 2006; Cohen et al. 2008), with most of the empirical articles in circulation attempting this still lacking formal hypotheses and thorough methods (Short et al. 2009). Mair & Martí (2006) explain that one of the greatest challenges for researchers in the field of social entrepreneurship is assessing social performance and impact. Many consider quantifying socio-economic, environmental, and social effects incredibly difficult, if not impossible (Mair & Martí 2006; Dees 2007). Austin et al. (2006, 3) attribute this to "to nonquantifiability, multi-causality, temporal dimensions, and perceptive differences of the social impact created." In spite of and as a result of these challenges, this research sought to generate an inclusive success measurement that captured the broader societal and environmental impacts of these ventures.

According to Schaltegger & Wagner (2011, 6) on a very pragmatic scale, "sustainable development requires the integrated achievement of environmental, social, and economic goals for now and for future generations." Furthermore, empirical research has shown that successful SdEs are generally most recognized for their ability to simultaneously meet the competing

objectives of each of the realms of sustainable development (Parrish 2010; Schlange 2007). These ideas follow closely with the concept of the 'triple bottom line', a term coined initially by John Elkington in 1997, which seeks to measure a company's sustainability through its impact on the world (Savitz & Weber 2006). That impact is measured based on the company's performance in the social, economic, and environmental spheres (Ibid.). Therefore, in order to start tackling the challenge of measuring SdE's overall success, the concept of a triple bottom line was adopted.

Based on this model, indicators were then generated in order to capture the company's performance at each of these levels. For each performance measure, indicators were developed that captured both the enterprise's internal and external success, thus better attempting to gauge overall societal and environmental impact. Furthermore, as SdE's are generally praised for their simultaneous ability to achieve all three pillars of sustainability, the assumption was made that the higher a company's aggregate performance with regard to people, planet and prosperity, the more successful they would be. Below is an overview of how the indicators were developed for each performance measure within the 'triple bottom line'.

1. Prosperity

With regard to the internal measure of prosperity, the standard measure of average yearly profit was used as this gives an understanding of the economic sustainability of the company, without which, the overall viability of the business model and its potential impact is limited. Furthermore, higher profits allow for greater growth, which in turn can yield increased job creation, a contribution to the economy that entrepreneurship is most frequently attributed with.

Job creation is also the indicator of choice for identifying the external societal profits resulting from the enterprise. Job creation can occur throughout the supply chain and therefore, in order to fully capture the external impact, an indicator was created that considered both front-end and back-end job creation. Specifically, job creation was linked to the local sourcing and distributing of products, with the assumption that the more locally oriented the business, the greater the societal profits yielded by the community within which it operates.

2. People

In order to quantify the internal measurement of success with regard to people, three key issue areas put forth by the International Labor Organization's (ILO) Decent Work Agenda were addressed. According to the ILO (2012) there is still 34% of workers (non-agricultural) in South Africa that are earning less that two-thirds of the median monthly earnings and out of those earning less, women workers are more common than men. This highlights both an importance to examine the area of 'minimum wage', as well as 'gender equality'. Furthermore, with regards to equality, the numbers put forward by the ILO still indicate a very high dominance of white men (54.5%) in top management positions over black men (14.2%) and particularly over white and black women (9.3% and 6.1%, respectively). Indicating that equality is an issue with regard not only to gender, but also race within South Africa. Finally, one area highlighted as having particularly weak available data is workplace safety. Therefore, the internal indicator for people looked at the existence of policies addressing minimum wage, equality (gender and race), and health and safety.

In order to determine an external measurement the direct impact of the enterprises existence on the community needed to be examined. According to Steinman (2010), 92% of the people they surveyed in SA agree that a social enterprise should show engagement or connectivity with the

community it claims to serve. Therefore, the external indicator examined the degree to which an enterprise invested (through either time and/or money) in the community in which they operate.

3. Planet

The internal indicators for planet focus on two major environmental issue areas in SA: energy usage and waste management. Currently, South Africans are experiencing rising energy costs as a result of demand for power outstripping supply due to the country's economic growth, rapid industrialization, and mass electrification program started in 2008[3]. In response to these demands, a rigorous energy expansion plan has been put forward by Eskom, the state energy provider, which includes two new coal-fired plants (added to a country already running predominantly on coal and who is mining at energy intensity levels above average) and a nuclear power plant (Ibid). Therefore, a key indicator of internal performance is whether the SdEs have minimized their energy use in all possible ways or at least have concrete plans to do so in the near future.

In 2010, it was announced that the Western Cape landfill site was almost full and major budgets were set aside not only to construct a second regional site, but also to build partnerships with the private sector to encourage waste minimization and recycling initiatives throughout the[4]. Therefore, as a second key indicator of internal performance, the SdEs were measured on their overall waste management via waste reduction, recycling, and re-using.

Finally, as an external indicator of planet performance, a similar measurement to the people performance was generated, examining SdEs based on the degree to which they invested in the preservation of their natural environment.

In the section below the overall operationalization of the variables described above is outlined. To see the complete questionnaire please refer to Appendix 3.

3.5 Operationalization of Variables at the Meso Level

Variable	Operationalization	SPSS
1. Type of finance	Choice of each type of finance found in literature review, with corresponding percentage of total financing (see Appendix X for complete)	Ordinal measurement: 1 = zero formal financing 3 = less than 30% formal financing 5 = greater than 30% formal financing
2. Process of getting finance	1. How many types/sources of financing did you apply for before you found funding?	Ordinal measurement: 1 = 0; 2 = 1-4; 3 = 5-7; 4 = 8-10; 5 = >10
	2. How long did it take you to obtain all the funding needed to start your enterprise?	Scale measurement: Time in months
3. Barriers to accessing formal finance	Rank the following statements between 1 (least relevant) and 5 (most relevant) for why you chose the financing route specified in question one:	Ordinal measurement: 5 point Likert Scale with 1 = least relevant; 5 = most relevant
	1. This was the best option	

[3] http://www.southafrica.info/business/economy/infrastructure/energy.htm viewed February 10th, 2012.
[4] http://www.westerncape.gov.za/eng/pubs/news/2010/mar/196660/ viewed February 10th, 2012.

	2. Unaware of other options	
	3. This/these were the only sources that granted me (us) financing	
	4. Disenchanted with other options (i.e. believe they are inefficient or ineffective)	
	5. Lacked resources to pursue other options (i.e. time, money, organized business plan or financial projections, etc)	
4. Existing financial institutions being utilized by SDEs	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 by choosing between 1 (dissatisfied) and 5 (satisfied).	N/A
5. Scope of network	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?	Ordinal measurement: 1 = <10; 2 = 10-25; 3 = 26-50; 4 = 51-75; 5 = 76-100; 6 = >100
6. Type of network	How would you characterize the type of relationship you have with your contacts specified above?	Nominal measurement: Check corresponding box
	1. The majority are purely contacts acquired for business purposes	
	2. There is an even combination of strictly business contacts and social contacts	
	3. The majority are social contacts that have assisted with business transactions	
7. Motives for networking	My main motives for networking are to…	Ordinal measurement: 5 point Likert scale with 1 = Disagree; 5 = Agree
	…secure financial support for my enterprise	
	…secure training, skills, and/or industry knowhow	
	…secure materials and supplies for my enterprise	
	…secure market presence	
	…secure a customer base	
8. Methods of networking	My main methods for networking are…	Ordinal measurement: 5 point Likert scale with 1 = Disagree; 5 = Agree
	…(sustainability) entrepreneurial organizations designed to facilitate networking	
	…industry-specific organizations	
	…industry/entrepreneurial conferences, workshops, competitions, etc	
	…trade shows, fairs, sales events, etc	
	...through existing contacts	
	…online platforms (i.e. Facebook, LinkedIn, etc)	
	…self-conducted research	
	…other	
9. Existing formal networks being utilized by SDEs	Please specify any formal networks that you or your enterprise participates in. Furtermore, 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.	N/A
10. Level of education received	Please indicate the highest level of education obtained by the founder(s):	Ordinal measurement: 5 point Likert Scale with 1 = lowest; 5 = highest
	1. Primary school	
	2. Secondary school	

	3. TVET or FET	
	4. Tertiary education	
	5. Graduate school (Master's and/or PhD)	
11. Level of exposure to skills and concepts relevant to SDEs throughout education	Please indicate for the following statements to what extent they apply to your educational background:	Ordinal measurement: 5 point Likert Scale with 1 = Disagree; 5 = Agree
	1. During my education I had courses in business and/or management	
	2. During my education I had courses specifically about entrepreneurship	
	3. During my education I was exposed to real entrepreneurs	
	4. During my education I was encouraged to pursue entrepreneurship as a career	
	5. During my education I was exposed to the concepts of sustainability entrepreneurship (i.e. social, eco-, sustainable entrepreneurship, etc)	
12. Existing educational programs utilized by SDEs	Please list any educational program and/or institute that you either considered attending or actually attended a course(s) with that specifically targeted entrepreneurial skills. Check the boxes that indicate your level of involvement and circle a number between 1 (dissatisfied) and 5 (satisfied) to indicate your level of satisfaction with the course, if applicable.	N/A
13. Prosperity	I**nternal**: Best estimation of average yearly profit since start over the last 3 years: ….%/year	Adjusted for SPSS ordinal measurement: 1 = operating with a loss; 3 = break even; 5 = profitable
	External: Best estimation of percentage of inputs bought locally (Western Cape + 50Km)	Ordinal measurement: 1 = 0-20%; 2 = 21-40%; 3 = 41-60%; 4 = 61-80%; 5 = 81-100%
	Best estimation of % of products/services going to: local market, national markets, African markets, other	Adjusted for SPSS ordinal measurement: refer to Section 3.7.2.1 for complete overview
14. People	**Internal:** We have policies beyond legal requirements on…	Ordinal measurement: 5 point Likert scale with 1 = Disagree; 5 = Agree
	…minimum wage	
	…health and safety	
	…equality (gender and race)	
	External: We invest (money and/or time) in the community in which we operate	Ordinal measurement: 5 point Likert scale with 1 = Disagree; 5 = Agree
15. Planet	**Internal:** We have minimized our energy use in all possible ways or have concrete plans for the near future	Ordinal measurement: 5 point Likert scale with 1 = Disagree; 5 = Agree
	To minimize waste, we…	
	…reduce our use of materials	
	…re-use materials	
	…recycle materials (internally or sorted and passed on to other party)	
	External:	Ordinal measurement:

	We invest (money and/or time) in the preservation of our natural environment	5 point Likert scale with 1 = Disagree; 5 = Agree

Table 3.2 | Operationalization of meso level variables and success variables as used in questionnaire (For complete questionnaire please refer to Appendix 3)

3.6 Research Boundaries

As explained in the introduction, this research is focused on sustainability driven entrepreneurship (SdE) – the 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. Beyond this, two further prerequisites were required to qualify SdE's as participants in this study:

1. The enterprise had to be established, as defined by a 'formal age' of at least 12 months. In order to differentiate in terms of success, they do not have to be stable or growing. NOTE: this criterion means that nascent entrepreneurs – enterprises in the start-up phase – were excluded, as they are not yet formally established. Also, although there is theoretical value in looking at failed SdE's and factors that influenced that failure, as that would result in an even more comprehensive situation-sketch, this group was not included in this research. Practically, failed enterprises are hard to identify and research since they no longer exist, and the entrepreneurs may be less willing to participate.

2. The enterprise had to be a registered SMME located in the Western Cape area. Therefore, based on the definition by Eyaa et al. (2010) our sample will only include firms of 1-50 employees (small enterprises) and 51-500 employees (medium enterprises).

In terms of the nature of the enterprises, both non/not-for-profit and for-profit entrepreneurial activities were included, as different business models are better suited for different business objectives and offerings (e.g. Austin et al., 2006; Mair & Marti, 2006).

For clarification purposes, two targeted participants are listed below:

1. *Thandi Wines Ltd*: a Western Cape based quality wine production company that is focused on empowering previously disadvantaged people and advocating ethical trading.
2. *Restio Energy*: an enterprise in Sommerset West with the vision to contribute to an Africa free from energy poverty, offering intelligent options that enable the sustainable transition to renewable energy.

3.7 Research Methodology

3.7.1 Data collection

This research sought to target the select group outlined above in order to unravel the crucial factors for the success of SdE. In order to accomplish this goal empirical research was conducted consisting of both quantitative and supporting qualitative methods over a three-month period. The quantitative research was conducted via a questionnaire consisting of closed questions, statements, and indications, predominantly using the 5-point Likert-scale (refer to Section 3.5 for

operationalization or Appendix 3 for complete questionnaire). The qualitative research consisted first, of open-ended questions added to the questionnaire and second, of supplementary semi-structured interviews.

Potential participants were identified through several means: Utrecht University contacts, Stellenbosch University contacts, social media (LinkedIn and Facebook groups for local social entrepreneurs), online platforms and online directories of 'green enterprises' in the region, internet searches, the networks of entrepreneurs that were interviewed, and through the online database of social enterprises compiled by the Trickle Out Project (a UK-backed study of the impact of environmental and social enterprises in Eastern and Southern Africa on sustainable development at the base of the pyramid[5]). The identification process began in the Netherlands, from January 2012 onwards throughout the end of the time in the Western Cape in May 2012. Requests for participation were sent out via email, with some phone follow-ups. Initially, support of this research was requested by only filling out the questionnaire and, if the entrepreneur had time or felt inclined, to also sit for a brief, hour-long interview. What was found however, was that the willingness to participate via an interview was much more abundant than through the questionnaire, thus resulting in 35 interviews, of which, 28 filled out the questionnaire, with only three enterprises choosing to participate solely through the questionnaire.

Both the quantitative and qualitative data gathering were conducted as a joint effort, meaning that each questionnaire included variables for all perspectives (macro, meso, and micro) and all three researchers conducted each interview. The interviews were semi-formal, semi-structured and consisted of an initial overview of the business itself and the motives for starting the business presented by the entrepreneur. Furthermore, the entrepreneur was questioned regarding any barriers encountered during the start and running of the business, as well as, any key factors or incidents that lead to great success. Beyond this, follow-up questions of greater relevance to each perspective were asked. No strict set of questions was used for each interview; however, the same main topics and ideas were always addressed, such as: *how did you finance your business? Did you encounter any issues or barriers during the process? Do you operate in or utilize any formal networks? Do you have an entrepreneurial background; particularly was any training received during your education? Etc*. The interviews lasted anywhere between one to sometimes two and a half hours depending on the participant.

The questionnaires were either filled out prior to the interview, after the interview, or at times during the interview. If filled in prior or during the interview they were more likely to be filled out correctly as clarification was often made for any misunderstandings. If post, requests were often made in a follow-up email, but responses were not always received.

Finally, additional interviews were also conducted with multiple contacts deemed 'experts' in the field of SdE or relevant industries. These interviews sought to give greater insight into the SdE environment in South Africa and to help better understand the processes and programs behind obtaining meso level resources. They will be used in addition to the other qualitative data to further support/explain the findings and general conclusions of the research.

[5] http://trickleout.net/index.php/thetrickleupproject viewed on January 28th, 2012.

3.7.2 Analysis

The results of the empirical data collected were interpreted using a three-step process in SPSS. As the sample size is quite small it is imperative to the generalizability of the analysis that the number of independent predictor variables is limited (Pallant 2011; VanVoorhis & Morgan 2001). Through the three-step process this was accomplished. The initial phase began with analyzing the general findings of the sample with the use of frequencies. Using the major findings of those frequencies, key influential variables were identified and composite variables were also created to better analyze the predicted hypotheses and sub-questions of this research, since frequently multiple empirical questions were used to measure one variable.

The following two steps sought to identify which of the above-specified variables had the greatest potential explanatory power for the variance of the dependent variables, thus seeking to answer the central research question of this study – to what extent do the variables of accessibility to resources at the meso level explain successful SdE in the Western Cape. This was done by first conducting bivariate Spearman's rho correlation matrices that looked at the correlations between each variable in the meso level's sub-groups and the dependent variables. Spearman's rho correlations were chosen over other forms of correlation testing as the data sets are ordinal or ranked, which would be incompatible with other techniques, such as the Pearson correlation (Pallant 2011).

Based on the outcome of these correlations, those independent explanatory variables that showed a statistically significant relationship to the dependent variables were included within the final standard multiple regressions[6],[7] run for each of the dependent variables. These final regressions seek to allow for a better understanding of which independent explanatory variables in the meso level provide the strongest explanation (based on Beta values and significance[8]) for an enterprise's success with regard to profit, the triple bottom line components, and the aggregate success value, which make up the dependent variables of this analysis. Although not one of the original dependent variables, the choice to include profit was based on the fact that it provides a more direct understanding of factors influencing internal economic sustainability, which are crucial to the long-term impact of an enterprise.

In order to run this analysis the indicators for each of the dependent variables had to be recalculated into composite variables to allow for comparison. The explanation of the rational and process for this recalculation is outlined in the following section.

---

[6] Standard multiple regression is a form of regression where all independent variables are entered into the equation simultaneously, thus each variable is evaluated based on its predictive power, "over and above" the predictive power of the other independent variables (Pallant 2011, 149). This form of multiple regression analysis is the most commonly used; particularly to analyze the overall variance in a dependent variable that is explained by a set of independent variables (Ibid.). Standard multiple regression is run in SPSS by using the 'Enter' option within the multiple regression function.

[7] Standard multiple regression was chosen based on the assumption that a linear relationship would exist between an enterprise's access to resources and the four proposed dependent variables.

[8] The higher the Beta value of a variable, the stronger the unique contribution of this variable to variance in the dependent variable (Pallant 2011). Significance levels are also considered as they indicate the level to which the unique contribution is statistically significant (Ibid.). For this research, the significance levels are set at $p < .10$ as the minimum acceptable level (Ras & Vermeulen 2009).

3.7.2.1 Calculating the dependent variables

In order to measure success, indicators were developed for people, planet and prosperity. For each dependent variable there were at least one or two indicators for first, the internal success (i.e. within the organization) and second, the external success (impact outside the organization) of the enterprise. For analysis, these indicators needed to be adjusted in order to fit into the composite variables SuccessProsperity, SuccessPeople, and SuccessPlanet. Prior to that however, some assumptions and adjustments had to be made once the data was collected, which is elaborated on in the next section, followed by the final equations for the dependent variables.

Assumptions and Adjustments

Although a total of 31 questionnaires were turned in, two of them had to be excluded due to a lack of completion, giving the total sample size of 29. This occurred as many of the success measurements with regard to the people part of the triple bottom line, asked questions regarding the policies a company had in place for indicators such as minimum wage, health and safety, and equality. When composing the questionnaire, it was unknown that the sample would consist of a large percentage of companies with between one to two employees. Therefore, the questions regarding formal policies, when a workforce is so small, were inapplicable. Due to this, not only did two of the 31 questionnaires have to be excluded, but also the indicator for minimum wage, as it was frequently omitted by the sample and therefore, deemed an ineffective indicator of success. Furthermore, the findings in Muller et al.'s (2009) study on the supply chain of the table grape industry in the Western Cape suggest that although there is still some discrimination in wages, on average permanent farmers in the industry are paid 10-23% above minimum wage. As agriculture workers are generally one of the lower paid groups of workers, this finding suggests that on average, workers in the Western Cape are paid wages higher than minimum wage.

Other assumptions that were made in compiling the data were:

1. If there were two founders, the average of the two ages was taken
2. If they provided a range, the average was taken (for example, how many of your outputs go to local markets: 50-60%, then 55% would be used)
3. If only a partial percentage was provided, the remainder was placed in 'other' category (for example, if for outputs they specify that they send 40% local, 25% national, and 20% to African markets, then the remaining 15% was placed in the 'other markets' category)

Success Prosperity

In order to determine SuccessProsperity, the following equation was used:

SuccessProsperity = ((PROFITfinal * 2) + Inputs + OUTPUTSfinal) / 4

In order to create a meaningful aggregate variable, all of the indicators had to be recoded and weighted into a five-point Likert scale. The steps taken for this were as follows:

1. PROFITfinal – the company's profitability was first recoded into three categories, specifically *running a loss, breaking even, or generating profits*, with values 0, 1, 2. They were then re-weighted 1, 3, 5 to function within the five-point scale.

2. Inputs – the five percentage brackets were given weights. A higher percentage of inputs purchased locally was assumed to create more jobs within the community, thus it was weighted higher, with 5 representing 100% local inputs.

3. OUTPUTfinal – A number of steps were taken to calculate this value:

    a. The question relating to the distribution of outputs asked what percentage of outputs went to local, national, African, and other markets. Based on the responses received six brackets of percentages were developed with 0 corresponding to 0% and 6 corresponding to 100%.

    b. The answers were then recoded to fit in one of the six brackets.

    c. It was assumed that higher output to the local market would generate more job creation within the direct region and community, therefore, it was weighted higher with a 3, followed by national with a 2, then African 1, and finally other markets with a 0.

    d. To then create a weighted output value, the bracket number was multiplied by its corresponding destination weight (for example, someone with 100% of their outputs going to the local market would be 6*3, with 100% correlating to 6 and local correlating to 3).

    e. To get a score for each company, the totals for local, national and African markets were added together (other markets were weighted zero so therefore insignificant to add).

    f. To then reduce the values to a five-point scale, they were each multiplied by 5/19ths, because 19 was the new highest score a company could receive.

Finally, using these new calculated values the above equation was generated to give a total SuccessProsperity value that evenly consisted of both the internal and external measures of success.

Success People

The equation used to calculate SuccessPeople was:

SuccessPeople = (PolHS + PolEq + (ComInvest*2)) /4

In this equation – which was much more straightforward than SuccessProfit, as all questions were set up as a five-point Likert Scale – PolHS and PolEq represents the extent to which an entrepreneur agrees with the statements *we have policies beyond legal requirements on health and safety* and *equality (gender and race).* Finally, ComInvest represents the extent to which they indicated they *invest (money and/or time) in the community in which they operate*. Again, the equation encompasses two equal parts internal and external measurement of the participant's impact on people.

Success Planet
The equation for SuccessPlanet was as follows:

SuccessPlanet = ((EnergyUse * 3) + (WasteReduce + WasteReuse + WasteRecycle) + (NatInvest * 6)) / 12

Here, the indicators were again all structured as five-point Likert Scale questions and thus, easy to combine. Energy use (EnergyUse) and waste minimization (WasteRed, WasteReuse, WasteRecycle) were the two internal measurements, while investment in the preservation of the natural environment (NatInvest) was the external measure.

Success Total
Finally, the following equation was used to construct a total aggregate success variable, which was the average of all three success values:

SuccessTotal = (SuccessProsperity + SuccessPeople + SuccessPlanet) / 3

3.7.3 Research design limitations

As with any research design there are some limitations to the type and validity of information one can obtain; however, steps have been taken at multiple levels to attempt to overcome many of these.

First of all, the use of a questionnaire for gathering empirical data is limited in the amount and type of information it can gather from the participants. It cannot always capture the context, feelings, and reasons behind the answers, which are particularly significant in understanding the 'trials and tribulations' of building and running a business. It is because of this that supporting semi-structured interviews were also conducted, as this gave the opportunity for the entrepreneur to 'tell their story' and for more in depth and targeted questions to be asked.

Furthermore, there could be some bias as a result of the wording or phasing of questions. In general, the phrasing in both the questionnaire and interviews attempted to remain neutral (such as, what were your financing methods? Did you receive any education particularly about entrepreneurship? Etc.). However, at times questions were phased in a way that could insinuate that there is a problem with current systems (such as, did you encounter any barriers in your search for financing?), which could have lead entrepreneurs to focus more on the negative experiences.

Also, although the interviews provide additional supportive data, the fact that three researchers conducted them and sought to address factors for each of the perspective levels could have resulted in questions pertaining specifically to the meso level not always being addressed as in depth as they would have been, had the interviews been conducted individually. That being said, the joint-effort also potentially resulted in more unique and targeted questions being asked, as there were multiple interviewers to think critically about the information presented.

Two other limitations may also be the geographical boundary and methods for obtaining participants. As this research has been carried out in the Western Cape, the results may reflect area-specific factors and characteristics, limiting generalizability. Furthermore, as the participants were mainly identified through online sources and contacted through email, this could create a bias toward the types of enterprises and entrepreneurs included, specifically with regard to the resources they have access to.

Further discussion on the limitations of this research can be found in Section 6.2 Limitations and challenges.

4. Results

As described above, the empirical data was analyzed in three phases. The first phase of this consisted of better understanding the main findings from both the questionnaire and interviews. This was done through the use of frequency measurements and a thorough review of the qualitative data to determine patterns and key findings amongst participant's responses. The following chapter, 4.1 Descriptive Findings, outlines key findings from this first stage. Beyond that, chapter 4.2 Analytical Findings, provides the overall results for the final two stages of analysis, which look closer at the relationship between each variable and success and the extent to which they explain the success of sustainability driven entrepreneurship in the Western Cape.

4.1 Descriptive Findings

4.1.1 Common characteristics of participating entrepreneurs/enterprises

For this research, 101 SdEs were contacted predominantly via email, with some follow-up via telephone. From this, there was a total response rate of 37.6%, with 35 enterprises that set up interviews and three that chose to only participate via questionnaire. In total, however, 41 interviews were conducted. Out of these 41 interviews, six were conducted with 'experts' in the field of sustainability-driven entrepreneurship or other relevant industries within SA. They included:

1. **Jeremy Lang**: area manager at Business Partners, a specialist risk finance company for formal small to medium enterprises in South Africa and other various African nations[9];
2. **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[10];
3. **Diane Holt and David Littlewood**: researchers for the Trickle Out Research Project, a UK-backed study of the impact of environmental and social enterprises in Eastern and Southern Africa on sustainable development at the base of the pyramid[11];
4. **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[12];
5. **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 at 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[13];
6. **Ralph Hamann & Francois Bonnici**: both professors at University of Cape Town (UCT) Graduate School of Business. Ralph Hamann, specifically, 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[14]. In addition to his work at UCT Graduate School of Business,

[9] http://www.businesspartners.co.za/ viewed on July 16th 2012.
[10] http://www.heartcapital.co.za/ viewed on July 16th 2012.
[11] http://trickleout.net/index.php/thetrickleupproject viewed on July 16th 2012.
[12] http://www.unltdsouthafrica.org/index.php viewed on viewed on July 16th 2012
[13] http://www.izwa.org.za/whoisIZWA.html viewed on July 16th 2012
[14] http://www.gsb.uct.ac.za/s.asp?p=330 viewed on July 16th 2012

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 Enterpreneurship, and a Trustee of UnLtd SA[15].

The 35 other interviews were conducted with SdEs throughout the Western Cape. From these 35 interviews, 28 questionnaires were received, plus the additional three received from enterprises that opted to only participate via the questionnaire, giving a total of 31 filled out questionnaires (Please see Appendix 2 for the full list of participants and interviewees).

4.1.1.1 Quantitative findings

As explained in Section 3.6, the geographical scope of this research is the Western Cape. In order to give a better overview of the exact geographical spread of our participants, the Google maps Figure 4.1 below displays the locations of each of the interviews conducted. As one can see, the vast majority of the sample was located within 30km of Cape Town.

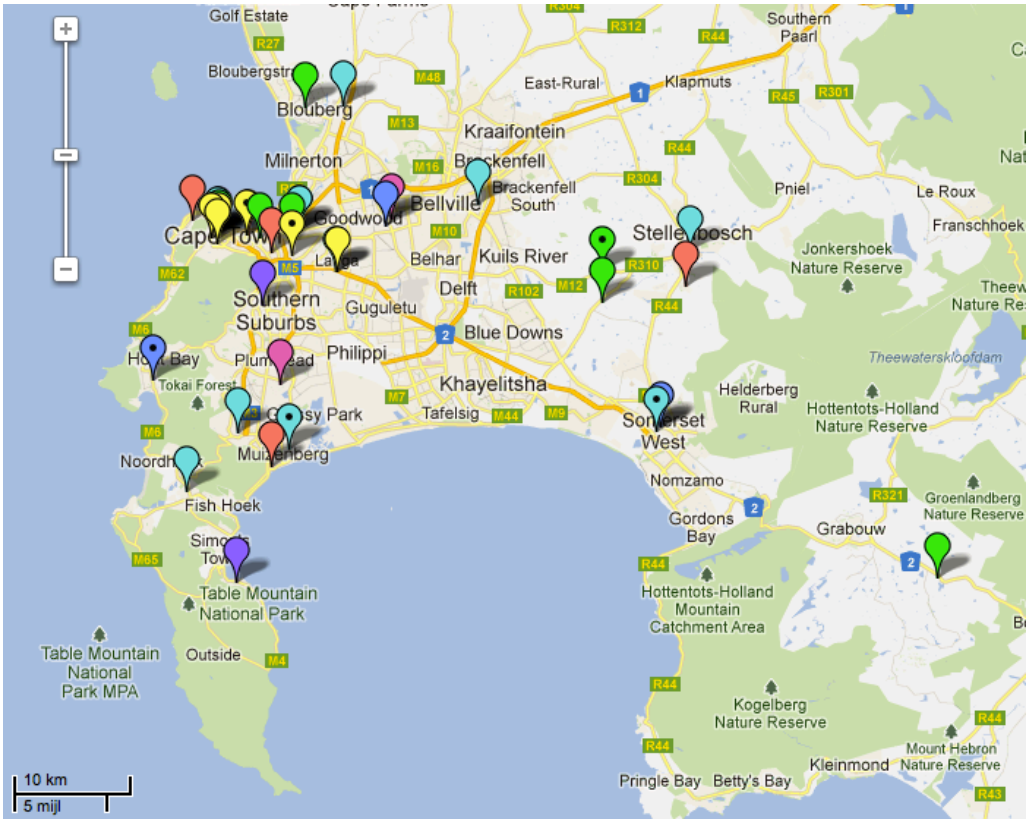

Figure 4.1| Geographic spread and industries of participants (**NOTE**: two enterprises are not featured as they were 2 - 3 hours outside of Cape Town, they are in the 'food and hospitality' and 'awareness, education, and training sectors'. Click here for Full Map).

Furthermore, each of the participating enterprises has been categorized based on the industry within which they operate. The exact percentage of this division can be seen in Table 4.1. Those that show a black dot represent enterprises interviewed that did not to submit a questionnaire.

[15] http://www.asenetwork.org; www.schwabfound.org viewed on July 16th 2012

Industry	Percent of sample
Arts and crafts	8.6%
Consultancy, media, and advertising	14.3%
Packaging and recycling	8.6%
Retailing	25.7%
Awareness, education, and training	17.1%
Food and hospitality	22.9%
Tourism and services	8.6%

Table 4.1| Percentage overview of the industries represented within the sample (NOTE: the colored markers correspond to the Google Map image above)

When compiling the list of potential participants in the Western Cape, a broad approach was taken with regard to the sector/industry within which they operated. SdEs have arisen across a broad spectrum of fields and this research sought to capture that, as players in each field contribute toward the sustainable development of the Western Cape. Furthermore, the concept of SdE is broad as well and the sample selection reflects that. Finally, a more practical reason was a concern of limited data if a narrow, industry-specific focus was placed on the sample. As seen in Table 4.1, above, the most common industries were 'retailing', 'food and hospitality', and 'awareness, education, and training'.

One area where the sample showed some diversity was in the length the enterprise has been in existence. The average 'age' of the enterprises was 76 months or 3.83 years. The youngest enterprises included were only in existence for one year and those accounted for 12.9%. The oldest enterprise had been in existence for 23 years. The enterprises overall were younger, with 52% of them in existence for 3.5 years or less and 75% of them 8 years or less. Furthermore, the average age of the entrepreneur upon the founding of the enterprise was 35.8 years old, with a standard deviation of 8.33 years. The youngest entrepreneur that participated was 22-years of age when he founded his business, while the oldest was 52.66 (avg. 56, 51 and 51, as there were three founders).

When looking at the average size and business structure of the companies more consistency was seen in the sample (Figure 4.2 and 4.3, below). With regard to size, 45% of the enterprises included only had between two to five full time employees or equivalents (fte). Sixteen percent only had one full time employee and only one enterprise (3%) fit into the 201-500 fte bracket. The overwhelming majority of the enterprises included in the sample, at 85%, had for-profit business models. Only one of the enterprises, Reconstructed Living Labs (RLabs), was registered as a Section 21 or non-profit. Five of the enterprises functioned as a hybrid organization, meaning that they both solicit grants and donations while at the same time generating revenue from the sale of a good or service (GreaterCapital 2011). These companies were primarily for-profit enterprises, however, they had set up non-profits as sister-companies or extensions of their existing businesses to enable them to receive grants or donations to supplement some of their

services offered, which in all instances promote social upliftment. In addition, although RLabs is legally registered as a Section 21 company, they emphasized that they functioned more as a hybrid since they were able to supplement most of their costs via the educational services they offer the community. This way they did not have to be solely reliant on grants and donations[16].

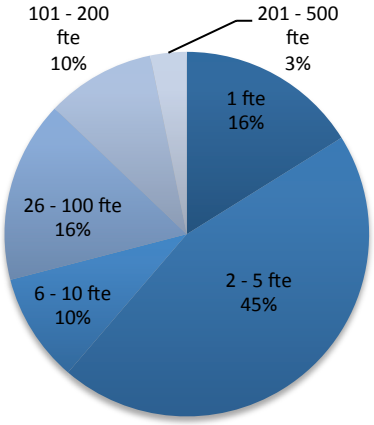

Figure 4.2 | Size of enterprises (*N=29*)

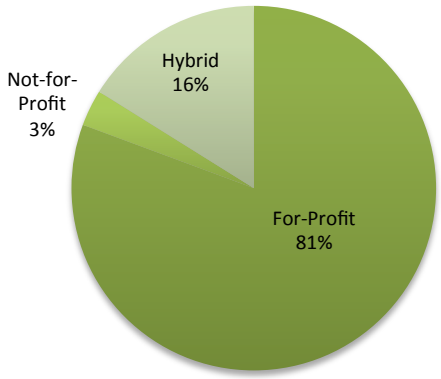

Figure 4.3 | Business model (*N=29*)

Since this research includes companies that have adopted environmental and/or social objectives, the enterprises were also surveyed on the extent to which their missions addressed one or the other or both. Figure 4.4 shows that the majority of our participants chose strongly agree for both environmental and social goals, indicating that their business' mission addressed both factors. Only two enterprises indicated 'strongly disagree' for their company having environmental objectives and the lowest score given for social objectives was disagree, also for two enterprises.

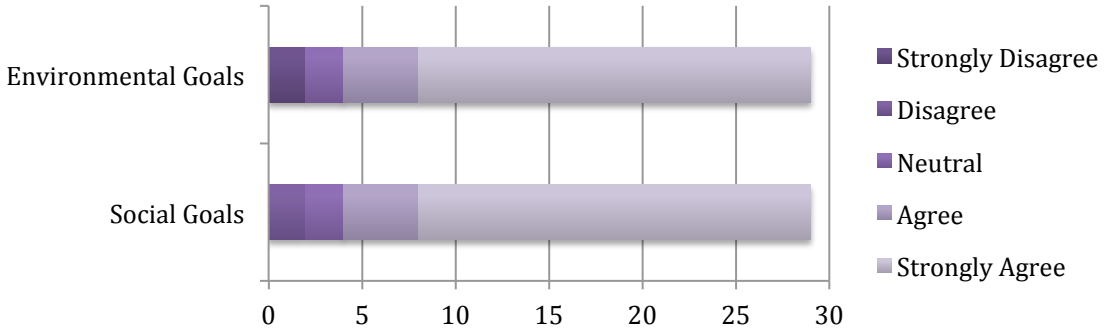

Figure 4.4| Frequency of focus on social and/or environmental goals (*N=29*)

Some other general statistics of the participants show that 58% of the enterprises had a combination of male and female founders, 26% were only male, and 16% were only female. Furthermore, the survey responses showed that almost half the sample (48%), when asked about their previous managerial experience, considered themselves very experienced (>3 years). Of the rest, 19% expressed they had no previous managerial experience and 32% indicated they had some experience (between 1-3 years).

[16] Interview Clinton Liederman, RLabs, May 30th, 2012

Finally, as South Africa's socioeconomic situation is quite unique in regard to its 'dual economy', some questions were asked to better understand which part of that dual economy SdEs were mainly developing from in the Western Cape. Firstly, of the 29 enterprises surveyed, 24 (83%), had founders that were white, while only three identified themselves as colored, and two indicated a combination of black and white founders. In regards to their socioeconomic status, almost 75% of the participants indicated that they came from 'middle class'; almost 20% indicated they came from 'upper class'; and only 3.2% indicated they came from 'lower class'. These results clearly indicate that the majority of entrepreneurs participating in this research come from South Africa's first economy.

4.1.1.2 Qualitative findings

Within the questionnaire, one open-ended question attempted to gather information regarding the motivation of the sample to engage in SdE. Since this is a topic frequently addressed in the literature (Benzing & Chu 2009; Seelos & Mair 2005; Mair & Martí 2006; Abrahamsson 2010; Hall et al. 2010; Dean & McMullen 2007), the questionnaire and interviews sought to better understand the sample's main motivation for starting a sustainability driven enterprise.

Some of the answers from the questionnaires quite closely reflect many of the definitions of social entrepreneurship, in that they recognized a social need and sought to develop a solution. For example, Johan de Meyer of Proudly Macassar Pottery, answered that his initial motivation for starting his organization, which focuses on empowerment and skills development of people within the township, came first from "*identifying a social need and [then] coming up with a business model to address that need"* (Questionnaire Johan de Meyer, 23/4/2012). Similarly, Johan Muller in both his questionnaire and interview (15/5/2012) reiterated that he had long seen the problems in the community and the formation of the Lutzville Training Center was his attempt at a solution. In his questionnaire, he filled in *"identified need for such an initiative, wanted to change the community*." Khayelitsha Cookies was also initially started with the drive to train and empower unemployed women from the Khayelitsha Township to help them find work, *"cookies were then sold to grow a sustainable business which creates affirming employment for its staff members"* (Questionnaire, Adri Williams 5/4/2012).

Along similar lines, you see those who are simply motivated by the possibility to create change. With motives such as "*to help uplift and empower disadvantaged communities"* (Questionnaire, Vernon Henn 25/4/2012), "*to drive sustainable change in our societies"*(Questionnaire, Andy Le May 3/5/2012), "*to address the need for social change in women"* (Questionnaire, Monique Ross 30/5/2012), and *"...to bring back hope [in the community]"* (Questionnaire, Clinton Liederman 30/5/2012). Likewise, Andy Le May of Icologie, discusses in his interview (3/5/2012) how through his enterprise he wanted to reconnect people with nature and help them understand the power they have to influence change.

Within this same category you find those entrepreneurs who have had what one might call an 'epiphany', which lead them to leave behind the commercial business world and pursue a more beneficial course. Jo Kearny, of Bottle Craft South Africa, is one such example. Prior to starting Bottle Craft, a company that provides people with the tools to start micro-enterprises by upcycling glass bottles, he worked as a financial advisor, a job that caused him to actually go bankrupt. Mr. Kearny attributes his decision to start Bottle Craft as a mix between an epiphany and Christian calling that was fueled after reading the book 'Halftime: Changing your game from success to significance' by Bob Buford (Interview, Jo Kearny 13/3/2012). Another example is Malcolm Worby, who not only runs his own green architecture business, Malcolm Worby Designs,

but has also started HAPPI, a project-based non-profit that not only educates people on basic sustainable building practices, but it also works with and funds them to rebuild their communities. Prior to this, Malcolm worked doing mainstream sustainable architecture in New Mexico, which resulted in a very profitable business. However, after a while Malcolm expressed that he was *"burnt out"* and *"now [wanted] to give something back"* (Interview, Malcolm Worby 17/3/2012). It is after that that a number of projects organically grew into HAPPI.

Other motives appear more based on the recognition of a business opportunity. Such was the case for Alex Hetherington of Carbon Calculated, who just happened to be "*in the right place at the right time"* (Interview, Alex Hetherington 15/5/2012). As a consultant already in an environmentally related field, he was actually approached by clients looking for someone to assist in calculating the carbon footprint of their company and he recognized the business opportunity and chose to pursue it. Enterprises FoodShed and Green Talent, were also the product of a recognized business opportunity based on a perceived gap in the current system. Liz Metcalfe of FoodShed (Interview 26/4/2012) explained that she recognized during her research to set up a green restaurant network that there were very few suppliers that provide restaurants with local food. From this she recognized the need for a local food directory that directly linked restaurants to local sources of fresh produce, meats, and dairy products. Elize Hattingh expressed in her questionnaire (28/3/2012) that after graduating in 2007 with a degree in Sustainable Development, she began to search for a job in the field; however…

"*…this was very challenging [since] recruitment agents did not understand my skill set and job boards in South Africa did not include sustainability as a career field. My fellow students also struggled to find vacancies in the field. I decided to start Green Talent to fill this gap in the market."*

Other examples include ProNature, a company that manufactures environmentally friendly paint, which evolved from "*the realisation that the chemical and in particular the paint industry needs to [move] towards sustainable raw materials*" (Questionnaire, Bernhard Lembeck 2/5/2012); Green-Diesel, which recognized the benefits of bio-diesel as a solution to reducing the fuel costs of his existing transport company (Questionnaire & Interview, Craig Waterman 9/5/2012); and Hemporium, where Tony Budden and colleagues, "*discovered the versatility of industrial hemp and aimed to showcase all that hemp has to offer"* and using this they pursued their main goal of *"promot[ing] legislation change in order to grow hemp in SA"* (Questionnaire, Tony Budden 22/5/2012).

While there are a wide spread of motives for engaging in SdE, the most common thread amongst the answers was the fact that these entrepreneurs recognized and pursued an opportunity in order to facilitate change and improvement for both society and/or our environment.

4.1.1.3 Key quantitative and qualitative findings for common characteristics of participants

Quantitative	Percentage of Participants
1. The enterprises included were mainly small, for-profit, with a focus on both social and environmental goals	**45%** (2-5 fte); **85%** (for-profit); **38%** (S & E objectives)
2. Entrepreneurs were on average experienced, older, white South Africans from the first economy	**48%** (>3 years); **84%** (white); **95%** (middle or upper class); average ages between **28-44** (*mean 36.8, SD 8.33*)
Qualitative	**Percentage of Participants**
1. Main motivations for starting an SDE:	
- To meet an identified societal need	**22.6%**
- To create change	**19.4%**
- An epiphany leading to a desire to 'do something good'	**9.6%**
- Recognized business opportunity	**35.4%**

Table 4.2 | Key quantitative and qualitative findings for the descriptive statistics of the general sample

4.1.2 Success of sample

4.1.2.1 Distribution of success – individual variables

The following Figures (4.5 - 4.7) show the overall distribution of responses for the individual variables used in the creation of the aggregate dependent success variables. For each variable, the majority of the sample size indicated a score of five, although there is still enough distribution within the sample for meaningful results. Areas showing a slightly wider spread of responses are for the variables *investment in the natural environment*, *the locality of the distribution of outputs*, and for the development of *policies addressing health and safety (H&S).* Moreover, with regard to enterprise profitability, it shows that 16 enterprises (55%) are generating profit, 10 are breaking even (35%) and only three (10%) are operating with a loss.

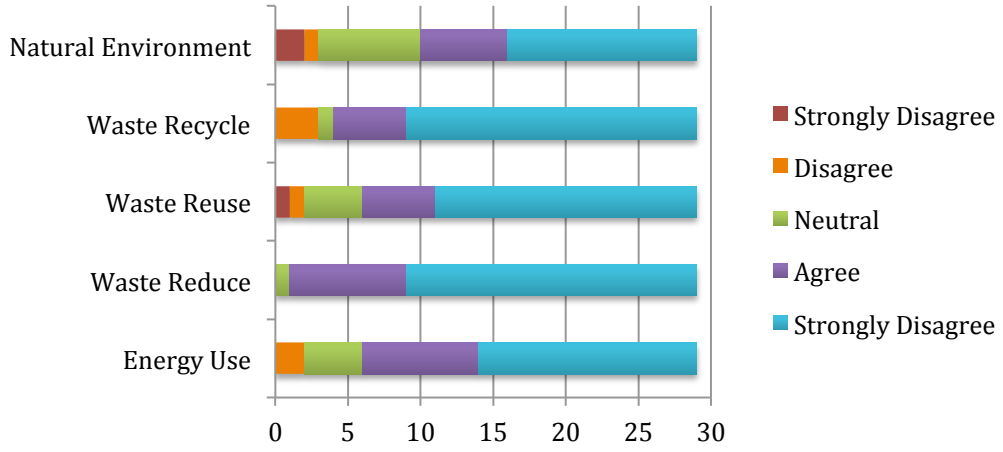

Figure 4.5 | Responses for individual variables of the aggregate SuccessPlanet variable

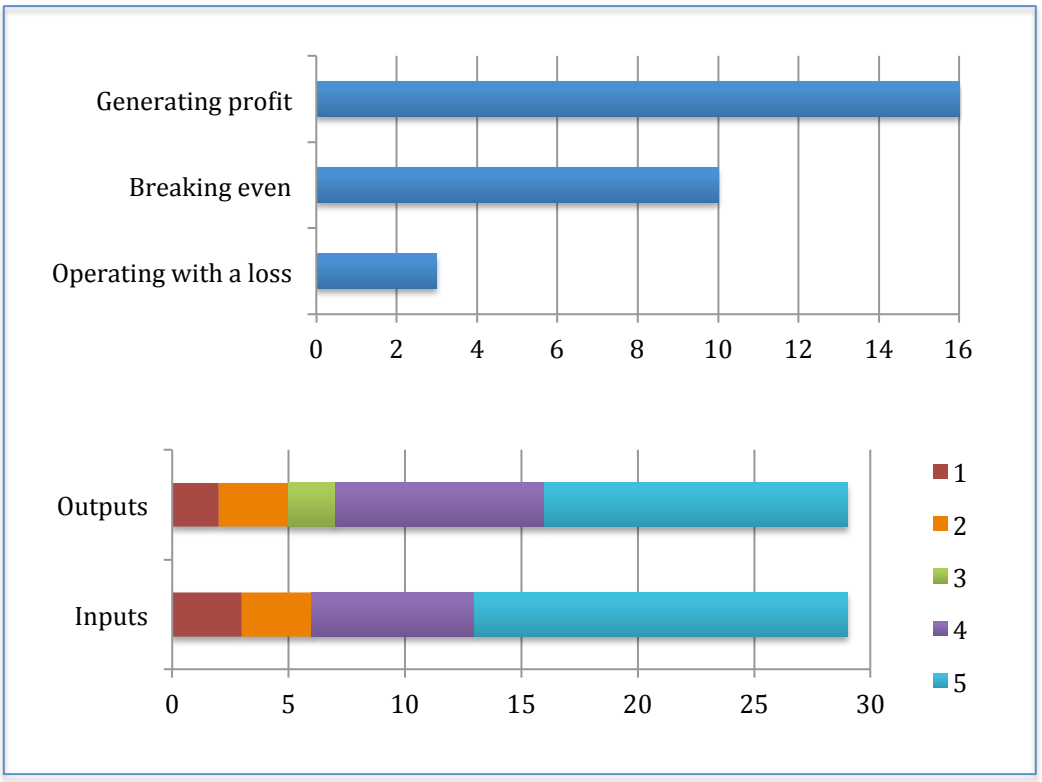

Figure 4.6 | Responses for individual variables of the aggregate SuccessProsperity variable (NOTE: for outputs and inputs 1 = least local and 5 = most local)

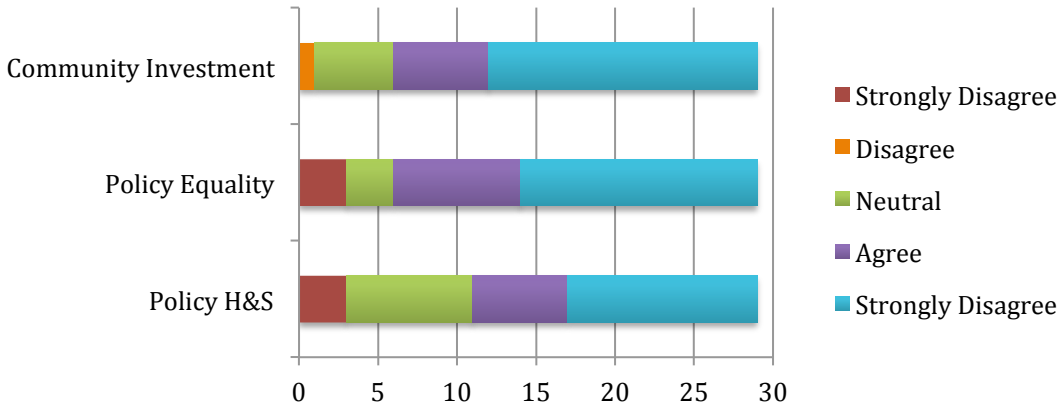

Figure 4.7 | Responses for individual variables of the aggregate SuccessPeople variable

Using these indicators outlined above, aggregate variables for each of our dependents – people, planet, and prosperity, as well as, total success – were created (see Research Methodology for details). The overview of the distribution of success for each of these categories can be seen in the section below.

4.1.2.2 Distribution of success – aggregate variables

When looking at the overall distributions of success with regard to each of the dependent variables, the sample shows slightly greater success in the people and planet categories than the prosperity. The mean value for Success Prosperity is 3.95 (SD: 0.705), while Success People and Success Planet have mean values of 4.18 (SD: 0.734) and 4.19 (SD: 0.760), respectively. The mean value for Success Total is 4.09 (SD: .520). Furthermore, based on the low skew values as well as inspections of the Normal Q-Q plots of each of the variables, normality is assumed. The graphical overviews of each can be seen in Figure 4.8, below.

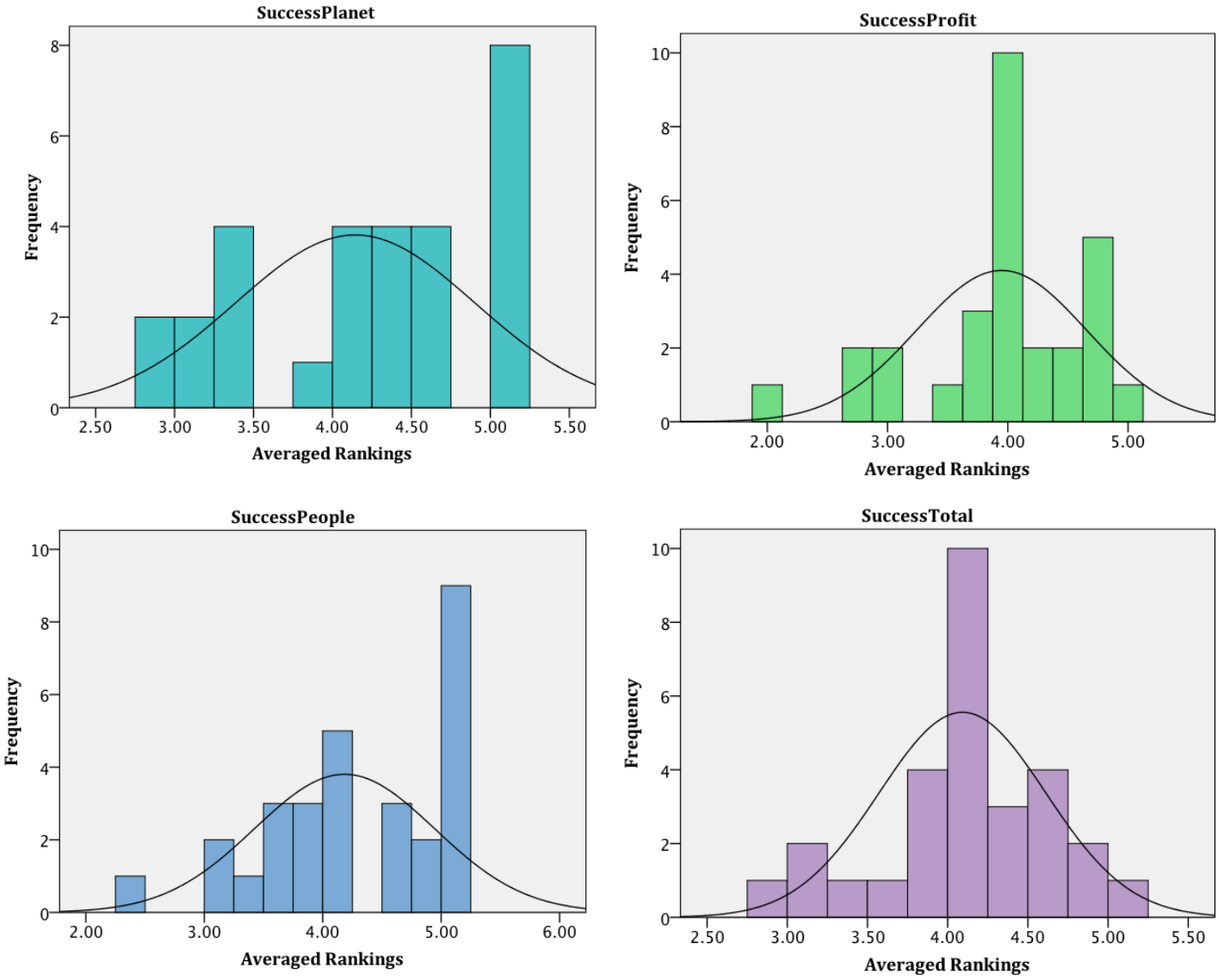

Figure 4.8 | Distribution of SuccessPlanet, SuccessProsperity, SuccessPeople, and SuccessTotal rankings (*N=29*)

4.1.3 Financial - quantitative and supporting qualitative findings

4.1.3.1 Assumptions and adjustments

When reviewing the questionnaires, two of the financing questions presented some difficulty in their operationalization in SPSS. The first of these was the question addressing the most common types of financing. While it did provide an excellent source of information, the complexity of the question presented difficulties for translating the responses meaningfully into SPSS for statistical analysis. Therefore, a separate variable was developed from this question that could be examined quantitatively in relation to success. The result was that the responses were broken into three separate groups: enterprises that received more than 30% of their financing from formal sources; enterprises that received less than 30% of their financing from formal sources; and those that received no formal financing. However, this question was used further in regards to which types of formal and informal financing were most frequently utilized and steps have been taken to also link them to success (i.e. did those who only used personal savings achieve more success with regard to prosperity, people, planet, or aggregate success, etc).

Secondly, the question regarding the barriers to obtaining finance was frequently misunderstood or misinterpreted or only partially filled out, resulting in only 22 usable responses. The remaining data however, in combination with the qualitative data, does provide some interesting insights into the barriers entrepreneurs encounter with regard to obtaining enough financing to start-up and sustain their enterprise.

4.1.3.2 Most common types of financing

When analyzing SdE's access to finance a number of measurable indicators were evaluated. The first of these included the type of financing options that were most commonly being used by SdEs. As seen in Table 3.1 in Section 3.4.1, there are a number of existing financing options available for SdEs within South Africa. However, during both the quantitative and qualitative research, it quickly became obvious that SdEs are utilizing little, if any of the available formal sources of financing. In fact, the findings show the most common source of financing is personal savings, which is frequently complimented by bootstrapping and/or friends and family. As can be seen in the figure below, 58.6% of the participants obtained 30% or less of their financial needs from a formal financial source, with 48.3% of those participants seeking out no formal financing. That leaves just 41.4% of our sample seeking formal financing options for more than 30% of their financing needs.

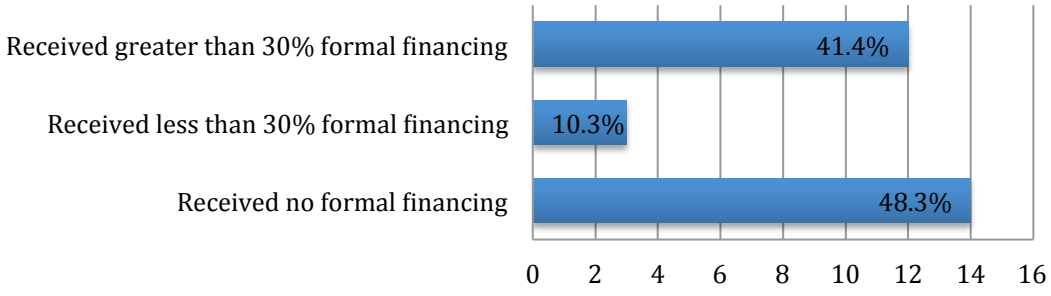

Figure 4.9 | Percentage of formal financing received (*N=29*)

The finding that the majority of SdEs interviewed used informal financing options is consistent with the findings of Alexander (2011), who looked at the access to finance for all entrepreneurs in South Africa. In her study, the most prominent sources of informal finance were friends and family and bootstrapping. This is also the case in this research, as can be seen in Figure 4.10, below.

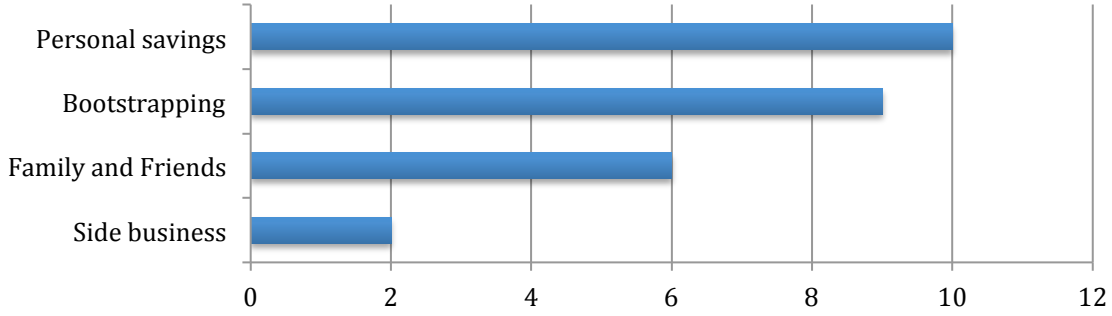

Figure 4.10 | Most common types of informal financing utilized by SEs that received no other formal funding (*n=14*)

While bootstrapping is a popular choice, it is most frequently as a supplementary form of financing. In no situation is it the primary form of finance. Furthermore, there were also no circumstances when formal financing covered all of the financing needs of the company. Thus, informal sources of financing were used in conjunction with formal financing to cover the rest of the financial needs of the enterprise. Again, these were most frequently personal savings, bootstrapping, and friends and family, as can be seen in Figure 4.11. While bootstrapping can encompass a number of money saving practices, amongst this sample 'forgoing salary' was most frequently mentioned, in addition to trading their service for another.

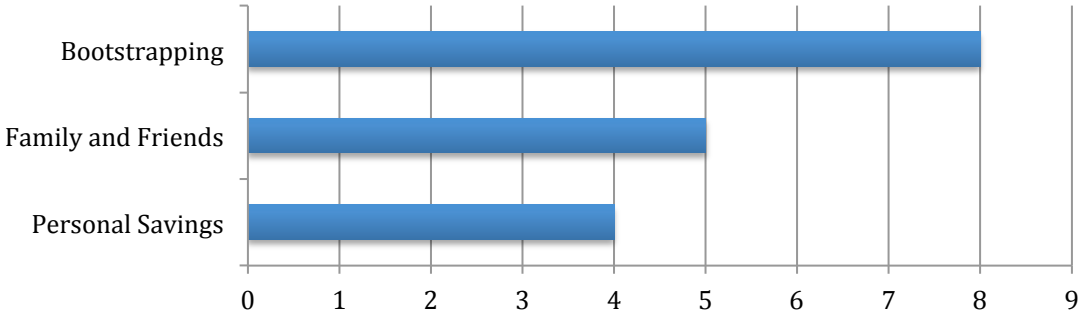

Figure 4.11 | Most common types of informal financing utilized as supplementary forms of financing by those SDEs receiving greater than 30% financing from formal sources (*n=12*)

Following this overview, the sample of those entrepreneurs who had sought outside funding was broken down to better understand what are the most common types of formal financing being utilized by SdEs. In order to do this, both the quantitative and supporting qualitative data were used to breakdown the financing sources mentioned for both those receiving greater than 30% from formal sources and those with less than 30% from formal sources. The results can be seen in Figure 4.12. For both categories, it is clear that retail banks are the greatest source of financing, with nine enterprises obtaining funding from them in the greater than 30% category and two in the less than 30% category. Following that, government departments, grants and donations, and

corporate foundations are all tied for the second most common, with three enterprises each using their services. Interestingly though, only those enterprises that received more than 30% of their funding from a formal source received financing from government departments. Following this, competitions, sector-specific funding, and private equity were each used by at least one company.

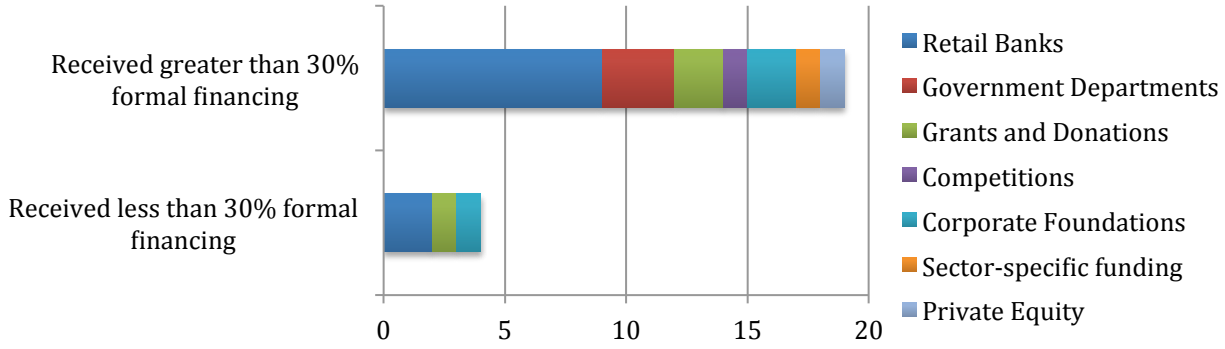

Figure 4.12 | Most common types of formal financing utilized by SDEs (*n=15*: Note, the reason there are more responses than the sample size is that many indicated more than one source)

4.1.3.3 Average time to obtain financing

Another variable, time to obtain financing, was evaluated to better understand the length of time an entrepreneur searches and/or waits to obtain enough financial capital to start their enterprise. As the main form of financing for the sample group interviewed was personal savings (48%), the average length of time to obtain this financing is relatively short. Almost 40% of those entrepreneurs interviewed indicated zero for the question '*how many months did it take you to obtain all the funding you needed to start your enterprise?*' The mean value was 3 months, yet 82% of the sample had received it by then. Finally, the longest it took for any entrepreneur was two years. The data is summarized in Figure 4.13.

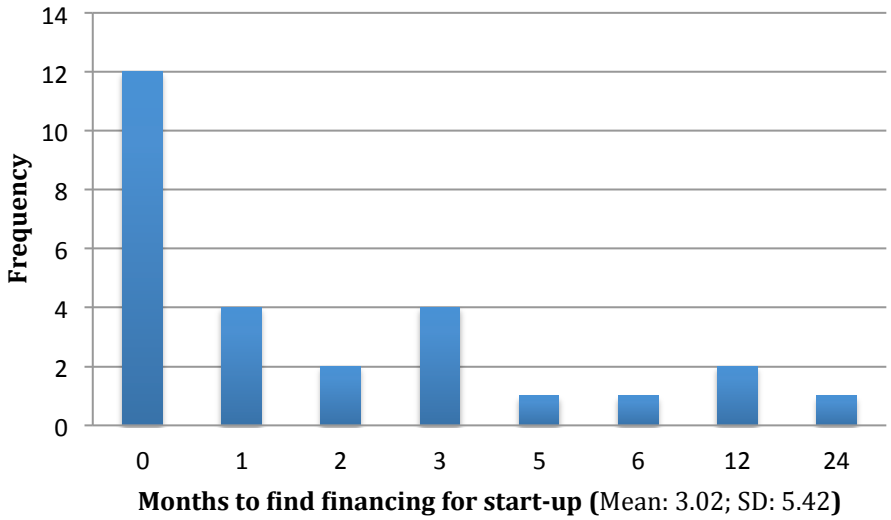

Figure 4.13 | Time to obtain financing to start an enterprise (*N=29*)

4.1.3.4 Average number of sources applied to for financing

Another descriptive financial finding examines the number of sources an entrepreneur applied to before they obtained enough funding to start their enterprise. Again, as the majority of the participants obtained their financing via personal savings, the average number of sources applied to is quite low. Out of the 29 participants, 16 did not apply to any outside sources of financing, 12 applied to between one and four sources, and only one applied to between five to seven sources. In total, almost 97% of our sample applied to less than four different sources for financing.

4.1.3.5 Barriers to obtaining finance

Although the questions pertaining to this were the most incomplete from the sample (as many of the participants at times only checked one answer), there are still some interesting patterns that arise from the usable answers that were received. Moreover, the qualitative data provides further support and insight into the role of barriers in obtaining finance. Figure 4.14 provides an overview of the data obtained in the questionnaires.

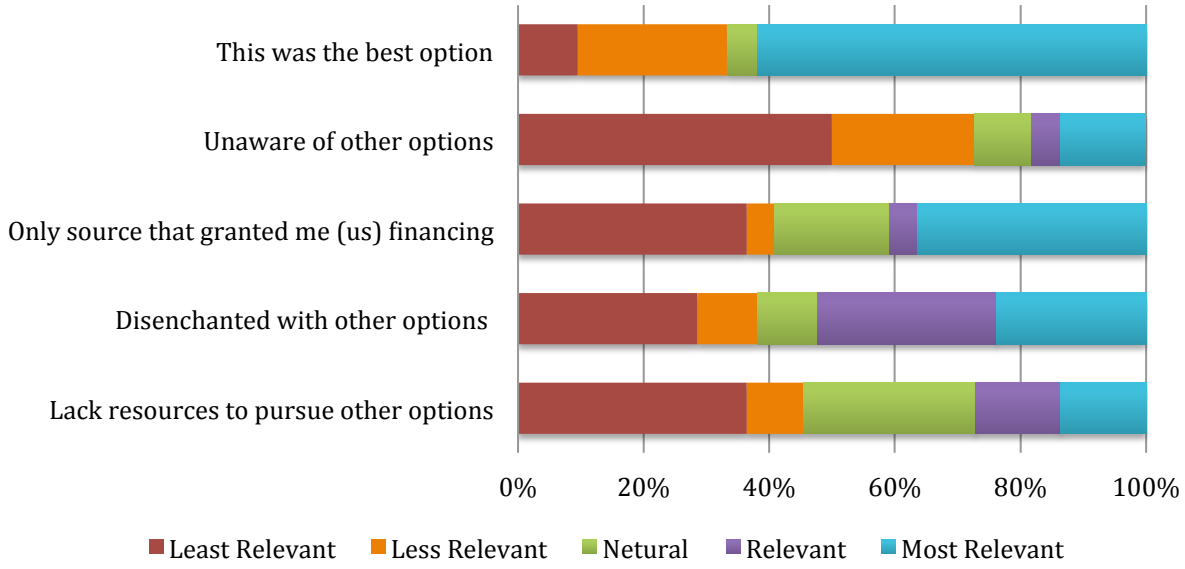

Figure 4.14 | Responses to question '*what were the main reasons you chose the financing route specified?' (N=22)*

When examining barriers to finance, a series of questions were asked, which tried to better understand why entrepreneurs had pursued the financing methods that they did. As seen in Figure 4.14, above, 62% of the sample indicated 'most relevant' for the option '*it was the best option*', while 33% ranked this statement as less relevant or below. This shows that while the majority of enterprises were satisfied with the financing they received, one third of them still express disappointment.

When asked whether they were '*unaware of other options*', 73% of the sample indicated that this was 'least' or 'less relevant' to why they chose their financing options, showing that this was not a common problem for this sample group. For the statement, *'this/these were the only sources that granted me funding*' there was a completely even divide between those that found it the 'most

relevant' and those that found it the 'least relevant', showing that half either had other options or had not applied to other options.

One interesting finding was in the response that they were *'disenchanted with other options (i.e. believe that are inefficient or ineffective).* The spread of answers displayed in Figure 4.14 shows that 52.4% of the sample ranked this as 'relevant' or 'most relevant' for their financial path. This finding is also supported in the interviews and is elaborated on in the following section. Finally, at 36.4%, the majority of participants expressed that *'lacking resources to pursue other options'* was 'least relevant' and 27.3% ranked it 'neutral', meaning that it was neither relevant nor irrelevant to their decisions; however, there was still a quarter of the sample that found this to be either 'relevant' or 'most relevant' to their choice.

Furthermore, based on the following five-point Likert Scale responses, a composite variable was created that indicated whether or not an entrepreneur had encountered any barriers to obtaining the appropriate financing for their business. This variable consisted of an average of each of the above indicators, excluding *this was the best option*, as that would suggest they did not encounter any barriers in their financing path. Figure 4.15 below shows the overall frequency and degree to which entrepreneurs faced barriers to accessing to finance.

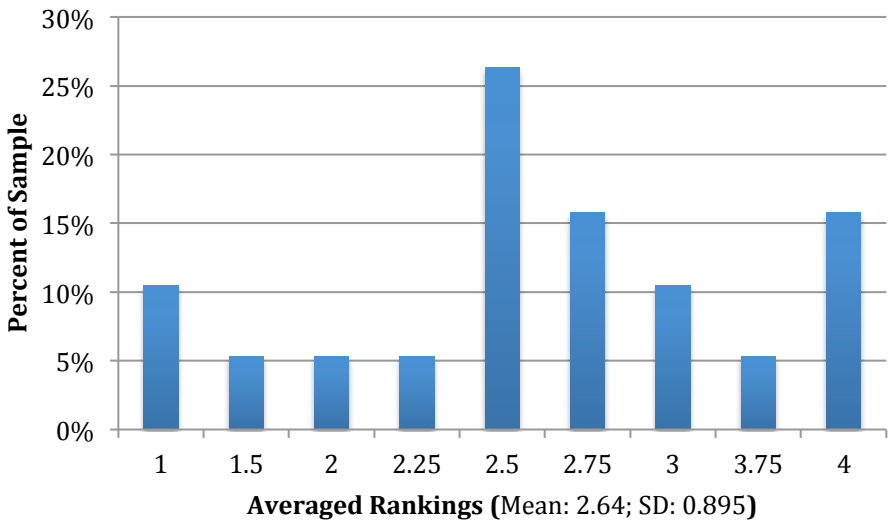

Figure 4.15 | Distribution of aggregate barriers to accessing finance variable for sample (*N =19*)

4.1.3.6 Qualitative findings for access to finance

When evaluating the qualitative data with regards to access to finance, the key pieces of information obtained deal with the struggle or barriers entrepreneurs encountered when looking for financing solutions. As mentioned above, many of the participants had enough personal savings to at least fund part or all of their start-up costs. When asked why participants chose that path of financing, they cited a number of different reasons. One of the main reasons mentioned during the interviews was some disenchantment with the process of getting funding through either banks or government. Johan de Meyer of Proudly Macassar Pottery (Interview 24/4/2012) explained the process of finding funding as "exhausting" and "requiring a lot of man-power and time." Furthermore, he stated that he'd "much rather spend an hour training [his] guys, as an hour with them brings direct results, whereas an hour spent in a government cue brings results in a

year or two." Similarly, Michael Raimondo of Green Renaissance (Interview 3/5/2012) said that he considered seeking out other funding methods than personal savings, but in the end he "didn't want to have to deal with all the bureaucracy" that goes into the application process. She's the Geek, Monique Ross (Interview 30/5/2012) simply explained that she looked to friends and family because they are "easier to convince" and a "quicker" source of finance than other formal options. Finally, Elize Hattingh of Green Talent (Interview 29/3/2012) highlighted the disorganized administration within many of the financial institutes in South Africa as a main barrier to her receiving a loan with the Development Bank of South Africa.

Similar sentiment was expressed in regards to the government incentive programs attached to the BBBEE initiatives. In fact, most entrepreneurs were unaware of the Enterprise Development (ED) and Socio Economic Development (SED) programs and when asked whether the BBBEE has assisted or influenced the company in anyway, most of the entrepreneurs indicated that it was more of a "hindrance than help" (Natashia Fox, Green Life Store, Interview 18/4/2012) and not one expressed that it had assisted them in obtaining any funding. Rain Morgan and Pieter Swart of Turqle Trading (Interview 13/5/2012) further explain that they do not believe that the BBBEE is actually accomplishing what it set out to. Most companies, Turqle Trading included, have chosen to simply not engage with BBBEE certification and scores, as they are small enough that they do not have to adhere to its regulations[17].

Another common finding was that people did not believe they would have much success looking to the banking system for assistance (which when discussing formal financing options was usually the first source considered). It was frequently described as conservative and unknowledgeable, particularly in regards to entrepreneurship and new sustainable industries. Amine van der Merwe of Green Cab (Interview 15/3/2012) expressed that it is generally very hard to get a loan from the bank due to their lack of understanding of entrepreneurship and their conservative nature. Furthermore, Jeremy Lang, area Manager at Business Partners (Interview 3/4/2012), when describing funding options for entrepreneurs in South Africa mentioned that "banks have very strict qualifications, so they are only really an option for those [enterprises] that have assets or collateral." He explains further that one reason financiers have become quite strict is due to the National Credit Act, which seeks to create fair and non-discriminatory access to credit, but which also serves to prohibit reckless credit granting through a number of regulatory and registration methods (Government Gazette 2005). Johan Reyneke of Reyneke Wines, which is the only bio-dynamic wine producer in the Western Cape, explained that obtaining a loan was a very frustrating and difficult process since the bank was unaware of the concept and benefits of non-commercial, sustainable farming techniques. It was only after he proved some success that the bank would grant him the full loan he needed to convert his entire commercial farm to bio-dynamic (Interview 19/4/2012). Finally, Alex Hetherington of Carbon Calculated (Interview 15/5/2012) reiterated this point, stating "banks are not very supportive, [nor is there] a lot of government-driven support for entrepreneurship. A huge expense [even] is just everyday banking costs."

Mr. Hetherington was not the only entrepreneur to doubt the support of the government as well. In fact, many entrepreneurs reiterated that they felt the government, like banks, was an unlikely source of financial support. One reason for this, mentioned twice, was the fact that government was structured now in a way to only assist those that were previously disadvantaged. Therefore, white, middle-aged men are frequently excluded from any government financing. Both Jo Kerney

[17] Companies with an annual turnover of R5 million are exempt from adhering to the requirements of BBBEE (http://bee.thedti.gov.za/09.htm viewed January 31st, 2012)

of Bottle Craft and Hugh Tyrell of GreenEdge, expressed this as a challenge (Interview 13/3/2012; Interview 3/4/2012, respectively). However, as can be seen in Case Study 4.1 (below) on Khayelitsha Cookies Company, even a social enterprise designed to empower previously disadvantaged women still struggles to get both governmental and bank support. Furthermore, Thandi Wines, the first and still one of the only successful, fully black-owned farm/vineyard in the Western Cape, has expressed that funding is a continuous issue. All their money has come from the bank thus far, as they had valuable land as collateral; however, they have not had any success with subsidies and Vernon Henn, the General Manager (Interview 25/4/12), cites issues such as "bureaucracy", "too much time", and an overall "degrading experience" to have to "beg for funds." He further explained that he does not feel that agriculture, and even black-owned agriculture, is supported by the government.

The lengthy bureaucratic processes, disorganized administrations, and a general lack of understanding and support mentioned above are major deterrents and obstacles for entrepreneurs who already have to "wear so many hats" as explained by Peter Schrimpton of Heart and Heart Capital – sister companies that offer both financial and non-financial assistance to high impact SdEs (Interview 21/5/2012). Mr. Schrimpton further explains that fundraising is essentially a fulltime job. An entrepreneur must identify what is out there, when is it available, who is it available for, and what is required, and unfortunately, most entrepreneurs do not have the time or manpower available to "be a full time fundraiser and still run a business." These limitations coupled with unsupportive institutions make it unsurprising that many entrepreneurs have chosen to engage minimally with formal financing options.

A reason other than a disenchantment with the current systems, mentioned for why entrepreneurs choose not seek out formal financing solutions, was the fact that they didn't want anyone else "interfering" with their projects (Jo Kearny, Bottle Craft, Interview 13/3/2012). "It is important to know who is investing in your product," explained Tony Budden of Hemporium (Interview 22/5/2012). He chose to work with a silent partner, instead of applying to the International Development Corporation (IDC) – a national development finance institution, owned by the South African government and set up to promote economic growth and industrial development[18] – because he knew his partner understood and supported his goals and ideals for his company. Furthermore, one participant, Liz Metcalfe of FoodShed, sought out Angel Funding (the only participant to do so) and found interest in her product. Unfortunately, however, they disagreed on the overall business model and she chose to walk away and simply use her own savings to start the business (Interview 26/4/2012).

Other entrepreneurs were not as concerned with the interference as with the debt and risk that came from utilizing formal financing institutions. Natashia Fox of the Green Life Store (Interview 18/4/2012) explained that she chose to utilize funding from friends and family, as opposed to taking out a loan, which would result in debt, interest, and a payback limit, all of which she did not want as a young enterprise. Furthermore, she expressed that she felt most people in her situation here in South Africa would not pursue a loan and instead would save their money and then look into starting their enterprise. Similarly, Irene de Beers of Scarecrow (Interview 4/4/2012), sought out funding from friends and family because her and her mother (the co-founder) were both "inexperienced and felt a bank loan was too big a risk." Debbie Alcock, of Burchell's Foods (Interview 14/5/2012), also didn't want "any debt hanging over their heads," as they had pursued that before and recognized that the unstable nature of the agriculture industry makes it very difficult to guarantee that funds will be available to repay the loans.

[18] http://www.idc.co.za/about-the-idc/overview viewed on July 18th, 2012.

Finally, there are those entrepreneurs who either did not need or were not granted formal financing. A number of companies simply did not need to seek out formal sources of capital, as they had previous companies that provided them with suitable budgets or they had existing side businesses that funded the development of the other. There are also those companies, such as Khayelitsha Cookies Company (see Case Study 4.1, below for details) and Green Talent, who applied for funding with banks and government entities, but were rejected due to a lack of profitability or for not meeting their criteria.

Case Study 4.1: Khayelitsha Cookies Company[19]

Khayelitsha Cookies Company (KCC) is a cookie manufacturing company formed with the social mission to help reduce the unemployment of previously disadvantaged women from Cape Town's largest township, Khayelitsha. Their two aims are to produce the best cookies in South Africa, while at the same time "radically changing the lives of those involved with the company"[20]*. They currently employ over 65 women, 90% of which are the sole breadwinners of their household and support, on average, five other people with their salary. Furthermore, they have also recently started to employ deaf women, which has served to change the perception of deaf people and even resulted in one major hotel chain in Cape Town to begin hiring deaf chefs. KCC goes beyond simply providing their employees with a fair wage and employment affirmation; they strive to create an educational and empowering company of which all the employees play an important and active role.*

Khayelitsha Cookies is a for-profit company, with 30% of the business owned by the employees themselves. Once an employee has been working for the company for over a year, they become part owner via a Trust Fund that is set up for disbursement. This helps the woman working with KCC feel more connected to and invested in the company where they work. Furthermore, within the business itself there is a strong sense of mentorship and cooperation between the owners and managers and the staff itself to facilitate empowerment and creative thinking. According to Adri Williams, Sales and Marketing Manager of KCC, "we really had to breakdown the 'okay, you tell me what to do mentality' and now we try and promote outside-the-box thinking through an incentive program that rewards creative ideas and solutions." Also, in order to further the empowerment and education of the employees, KCC works with both SEDA (Small Enterprise Development Agency), which is part of the Department of Trade and Industry, in order to provide a number of women a year with access to skills development classes.

While KCC anticipates that they will finally breakeven this year, it has been an almost 8 year struggle to get to that point and access to finance has been a major limiting factor. KCC was founded in 2004, but struggled until around 2006 when it was purchased by it's current directors, Tim Leher and Tom Fehrsen. Since then they have experienced amazing growth through the financial assistance of their new directors, adding another factory and warehouse. However, while their directors are generous, they are not able to fully sustain the growth and KCC has sought out a number of other financing avenues, only to be continuously disappointed. Ms. Williams explained that, " we have tried all the government support and subsidiaries, but they will simply not give out loans unless [the company] is generating profits. The same is true for the banks." KCC was even awarded Best SMME in the country in 2010 by the Afrigrowth Institute and was runner up in the 2010 Small Business Awards hosted by Cape Talk and Softline Pastel. However, this still did not convince the government and/or banks that KCC was a worthy investment. In the end Ms. Williams

[19] Based on interview conducted with Adri Williams, Sales and Marketing Manager of Khayelitsha Cookies Company, on April 5th, 2012.

[20] http://khayelitshacookies.co.za/k2/home.html viewed on July 14th, 2012.

has come to realize that "you cannot always depend on the government [for help], instead you must look to the private sector for funding. Corporate companies are easier to get on board." Despite their current corporate support, Ms. Williams still expresses concerns about what the future holds, especially since KCC has reached that pivotal point between being a small enterprise and a medium enterprise. Fortunately, up until now they have been able to rely on the financing from the director's company Caterware Connections and sponsorships from private corporations such as Tiger Brands and Bidvest Premier Lounges. However, this coming year is expected to be a year of major growth, and hopefully expansion into a new, more streamlined factory, and Ms. Williams fears that finding the appropriate financing is going to be the main obstacle to them realizing their full growth potential.

Of course, not every company had a negative picture to paint of the banking system and government funding entities. These were generally larger companies with some form of collateral to offer that were starting traditional or well-known businesses, but with a focus on sustainable principles. Case Study 4.2, on Impahla Clothing, presents the very different experience they had in obtaining funding.

Case Study 4.2: Impahla Clothing[21]

As the first carbon neutral clothing manufacturing company in all of South Africa and one of the few non-listed companies that conducts sustainability reporting according the local and international best-practices[22]*, Impahla Clothing is a prime example of industry making strides to protect our planet. William Hughes, a former Zimbabwe farmer who lost his land due to land-grabbing, started Impahla out of necessity to generate income. Using both the business skills and common sense approach to sustainability that he obtained in his farming background, he built Impahla from a basic t-shirt business to a now A-rated supplier of sport and lifestyle items to major brands, such as PUMA. As a classified small business, with just over 60 employees and an annual turnover less than R35 million, Impahla has achieved much more sustainable success than most of its substantially larger peers.*

While this road to success has not been all smooth, as no start-up truly is, they have encountered some assistance that has helped streamline their success. With regard to financing, Mr. Hughes reflects on their experience with the banks in a positive light. When they first purchased the assets to the t-shirt business in 2004, with their own finances, they sought out a bank overdraft to help expand their production capacity and establish Impahla within the garment industry. Mr. Hughes described the bank as "very helpful", and especially helpful during periods of expansion. Furthermore, he felt he has encountered very little red tape during his entrepreneurial journey and has even felt encouraged to be an entrepreneur in SA. This was also influenced by the financial support they received recently from the International Development Corporation (IDC) for their plans to reach carbon neutrality. Impahla approached the IDC in order to receive financial assistance for their solar installation project that would cover between 30 to 40% of their energy requirements. Mr. Hughes described this process as very positive and seamless, siting that the IDC was also "very helpful" in offering support for their project.

[21] Based on Interview conducted with William Hughes, Managing Director of Impahla Clothing, on March 28th, 2012.

[22, 6] http://www.impahla.co.za/ viewed on July 16th, 2012.

Despite the fact that the garment industry in SA has experienced great turbulence in the recent years, Impahla feels confident that if they continue to focus their efforts on pro-actively creating an environmentally and socially sustainable business, then they will continue to succeed.[23]

While both of these Case Studies highlight two very different experiences, one point of similarity is the importance of financing during periods of expansion. This was mentioned on a number of occasions by the entrepreneurs as being a critical time where they either needed to seek out or would consider seeking out formal financing. One example of this is Eco-pack, a distributor of eco-friendly packaging products. Initially, they could operate on a small scale with just the funding of the founders; however, when they landed a big contract with Vida e Caffé (a major coffee company in Cape Town), they had to turn to the bank to apply for a loan in order to cover the inventory costs associated with working with such a large company (Lauren Clack, Eco-Pack, Interview 28/3/2012). Elize Hattingh of Green Talent is just now entering that critical growth phase with her company and has explained that "scalability is starting to be a problem" (Interview 29/3/2012). Green Talent is currently operating off of Ms. Hattingh's personal savings and the use of bootstrapping, but as they look to release their worldwide web platform, Ms. Hattingh – whose previous requests for financial support from multiple sources has been rejected – has expressed that they are taking their financing need more seriously and finalizing a business plan to hopefully facilitate greater financing success in the near future.

Finally, although not directly tied to the access of SdEs to formal finance, it is important to acknowledge the particularly high daily costs of operation – communication costs, bank fees, and labor laws – as these do represent another type of financial barrier to successful SdE. As explained by Tom Shutte of UnLtd South Africa (15/5/2012), it is incredibly expensive to run a business in South Africa, as the "communication costs are higher here than anywhere else in the world." In an age where the majority of marketing and communication occurs virtually, it is imperative to have easy Internet access. Unfortunately, this is not the case in South Africa, where the major Internet provider, Telkom, has a monopoly hold on the market and is keeping prices for Internet access high, and innovation low, by forcing out competitors (Associated Press 2012). Furthermore, the high maintenance costs of simply having a bank account as well as the very high interest rates of loans were highlighted as sources of added frustration with the banking system (Tony Budden, Hemporium, Interview 22/5/2012; Alex Hetherington, Carbon Calculated, Interview 15/5/2012).

Moreover, South Africa's current labor laws, which are designed to protect worker's rights, may be so rigorous to the point of limiting the success of SMMEs. Based on the laws of termination put forward by the Basic Conditions of Employment Act (BCEA) by the Department of Labor (1997) there is very strict protocol that must be followed in terminating employment, which require "disciplinary procedures" involving legal assistance that, if not followed correctly, can result in the employee rebutting the termination through the Commission for Conciliation, Mediation and Arbitration (CCMA) – an independent body set up to legally defend worker's rights (Pelser 2010). When speaking with the entrepreneurs in this study, the challenges in releasing workers was frequently mentioned as a fear and limitation to hiring new employees, as well as a major expense if they could not legally fire unproductive or inefficient employees. Antonino Allegra of CocoaFair (Interview 15/5/2012) expressed major frustration with this situation, citing that it can "add greatly to the cost without always guaranteeing a productivity increase." Other enterprises such as Turqle Trading (Interview 13/5/2012), Original T-bag Designs (25/4/2012), Hemporium (Interview 22/5/2012) and Carbon Calculated (Interview 15/5/2012) expressed similar

[23] www.impahla.co.za/ viewed July 15th, 2012

struggles, with Original T-bag Design even being taken to the CCMA as a result of not following all four steps of the "disciplinary procedures", which she explained was a very costly and upsetting experience, since she believed she acted more than fairly.

4.1.3.7 Key quantitative and qualitative findings

Quantitative	Percentage of Participants
1. The majority of entrepreneurs obtained less than 30% of their financing from formal sources	**58.6%** (**48.3%** received zero formal financial support)
2. The most common sources of formal financing utilized by entrepreneurs was first retail banks, followed by government departments, grants and donations, and corporate foundations	**37.9%** retail banks; **10.3%** government departments; **10.3%** grants and donations; **10.3%** corporate foundations
3. Entrepreneurs generally obtained resources quickly and applied for very few financing options	**82%** (<2.9 months); **97%** (<4 sources)
4. The main barrier to finance was disenchantment with other options	**52%** ranked relevant or most relevant
5. Most entrepreneurs indicated being unaware of other options as least relevant for their choice of a financing method	**73%**
Qualitative	**Percentage of Participants**
1. Majority of participants are disenchanted with the overall process of obtaining funding from banks or government	**62.9%**
2. Participants doubted that they would have any success obtaining financing from the bank	**51.4%**
3. Participants doubted that they would have any success obtaining financing from the government	**40%**
4. Entrepreneurs expressed that they did not want others interfering with their business and/or ideas and goals	**11.4%**
5. Entrepreneurs expressed that they did not want the debt/risk that comes with seeking formal financing	**11.4%**
6. Many entrepreneurs had enough funds to abstain from seeking formal funding, at least for the start-up phase	**42.9%**
7. Formal financing becomes a greater need during periods of growth and expansion	**33%**
8. Daily operational costs are exceptionally high and a source of frustration for SdEs in the Western Cape	**N/A**

Table 4.3 | Key findings for both the quantitative and qualitative financial descriptive statistics

4.1.4 Educational - quantitative and supporting qualitative findings

4.1.4.1 Level of formal education

Of the sample, every entrepreneur had at least attended secondary school and almost 90% of the participants received some level of further education in the form of either technical and vocational education and training or further education and training (TVET/FET), tertiary education, or graduate school. Beyond this, almost half the sample, at 44% had obtained a graduate degree. The complete breakdown is illustrated in Figure 4.16.

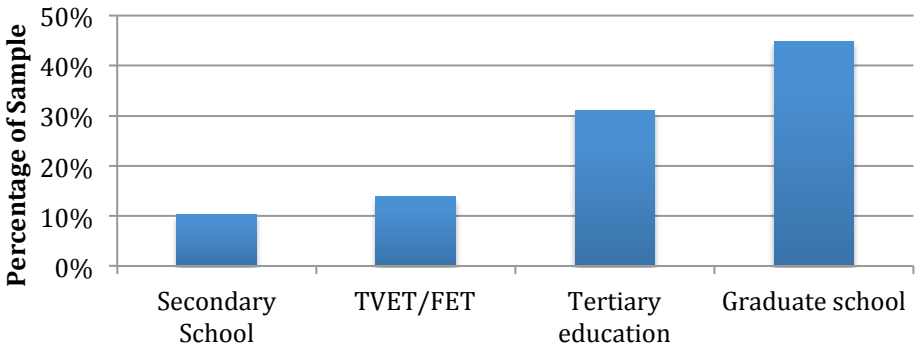

Figure 4.16 | Level of education completed (*N=29*)

4.1.4.2 Level of exposure to skills and concepts relevant to SdEs throughout education

Beyond simply the level of education, this research also sought to understand what type of education the entrepreneur received and the level of exposure they had to aspects that relate to entrepreneurship and sustainability driven entrepreneurship. The total findings are compiled in Figure 4.17. Interestingly, amongst this data, the only bracket of questions where the majority of participants (55%) indicated they 'strongly agree' is in response to the statement *'during my education I had courses in business and/or management*', indicating a high level of education 'for' entrepreneurship. For every other statement, the majority of participants indicated 'strongly disagree'. This included *'during my education I had courses specifically about entrepreneurship'*, where 45% of the sample indicated 'strongly disagree'; *'during my education I was exposed to entrepreneurs'*, where over 48% indicated that they 'strongly disagree'; *'during my education I was encouraged to be an entrepreneur'*, where 59% indicated they 'strongly disagree'; and finally *'during my education I was exposed to the concepts of sustainability entrepreneurship'*, where 48% indicated that they 'strongly disagree'.

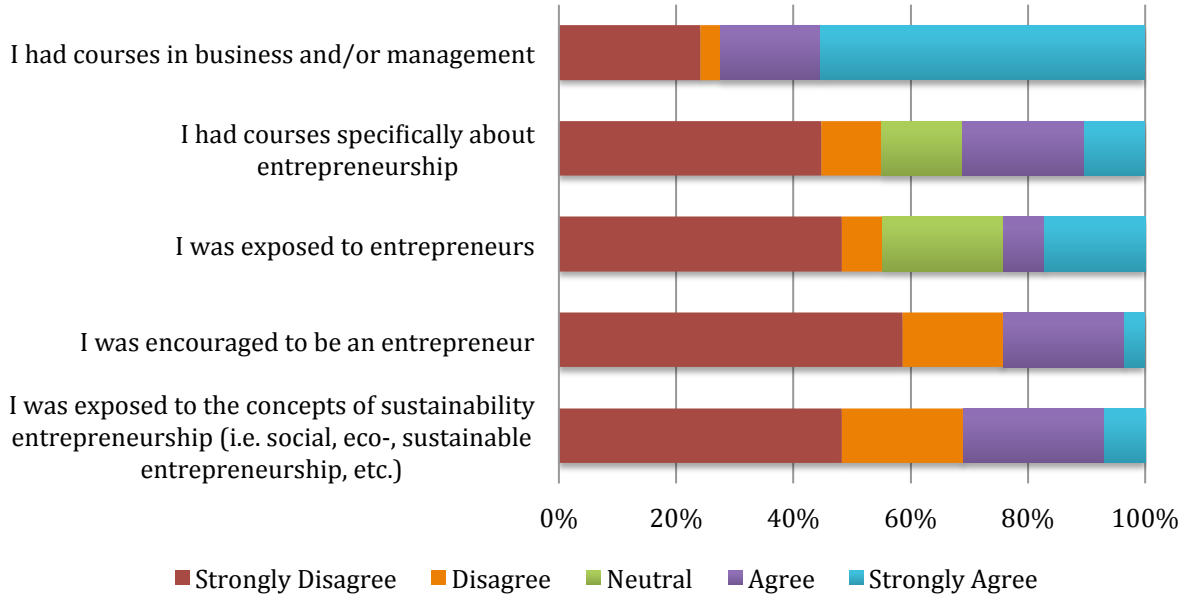

Figure 4.17 | Level of exposure to skills and concepts related to SdE throughout education (*N=29*)

4.1.4.3. Composite and aggregate education variables

Based on the above findings three composite variables were developed to better analyze the role of different types of education in SdE success. The first of these included examining the level to which an entrepreneur received education *for and about entrepreneurship* and the level to which they were *motivated to pursue entrepreneurship*. The level to which they were exposed to *the concepts of sustainability driven entrepreneurship* was individually examined since it represents a more specific background. The education for and about variable included an average of the responses to the first two questions: *I had courses in business and/or management* and *I had courses specifically about entrepreneurship.* The motivation variable included the following two questions, specifically, *I was exposed to entrepreneurs* and *I was encouraged to be an entrepreneur*, as both are believed to facilitate motivation to engage in entrepreneurial activity.

Furthermore, in order to evaluate the total relationship between the entrepreneur's educational experience and success, an aggregate educational variable was generated based on the following equation:

EDUTotal =
(EDULevel+((EDUBackground1+EDUBackground2)/2)+((EDUBackground3+EDUBackground4)/2)+
EDUBackground5)/4

Here, the EDULevel correlates to the education level completed by the entrepreneur, weighted based on the higher levels completed (primary school = 1, high school = 2, TVET/FET = 3, Tertiary education = 4, and Graduate school = 5). EDUbackground1 and 2 correlate to the two background variables that represent education *for* and *about* entrepreneurship, which were already weighted as the questions utilized the Likert-scale. EDUbackground3 and 4 correlate to the two background variables that represent motivation for entrepreneurship; and finally EDUbackground5 correlates to the background variable that measures exposure to sustainability-driven entrepreneurship. Thus, the overall average of those compiles the aggregate education variable or EDUTotal, as this represents the theoretically ideal educational background for successful SdE.

For this new variable, the mean score was 2.88 with an SD of 0.887. The complete spread is displayed in Figure 4.18, below.

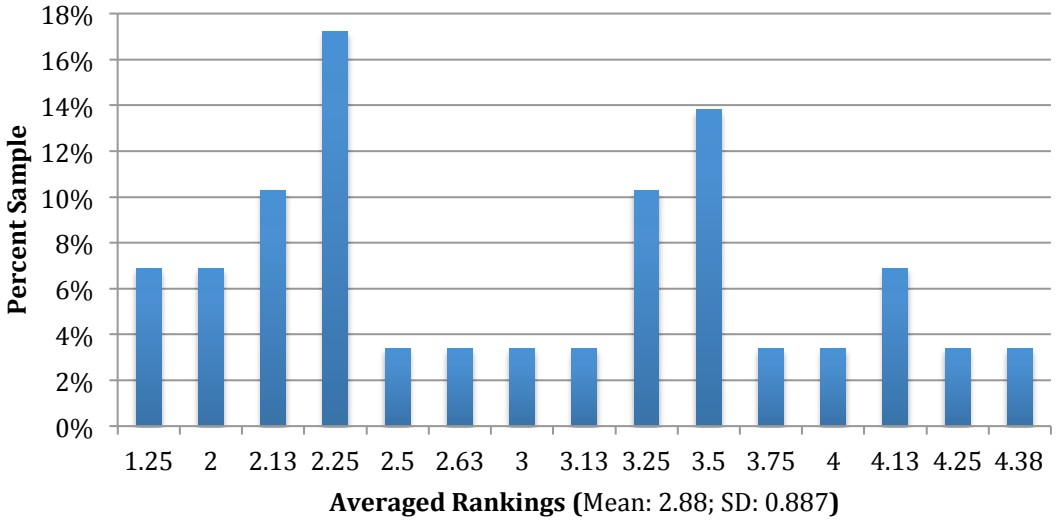

Figure 4.18 | Distribution of aggregate education variable for sample (*N=29*)

These composite variables will be used in the initial correlation analysis to determine key independent explanatory variables for use in the final standard multiple regression models for each of the dependent variables.

4.1.4.4 Qualitative results

When reviewing the qualitative results for education the overwhelming majority of entrepreneurs emphasized that they have no "formal" entrepreneurial training and that they are all simply "learning by doing" or "completely self-taught". Elize Hattingh, founder of Green Talent, which provides HR services for students with a background in Sustainable Development, explained, "I have no formal business training or entrepreneurial training, instead I just sort of jumped right in and am just learning by doing at this stage" (Interview 29/3/12). Similarly, Natashia Fox, owner and founder of the Green Life Store (18/3/12) indicated that although she had a background in IT and web development that helped her get her online store up and running, the rest of starting and running an import business is completely new to her. Right now she is "mainly learning-by-doing as far as running an import business. You have to figure it out for yourself. There isn't much guidance."

According to many of the experts, much of this is due to the fact that entrepreneurship training is only recently being added to school's curriculums. "Entrepreneurship is very new to tertiary education…most of the entrepreneurs we work with don't actually have any formal entrepreneurial education", explained Jeremy Lang of Business Partners (Interview 3/4/2012). He further explained that it is because of this lack of education that they generally look more to previous business experience, than education, upon considering working with and financing an applicant. Beyond simply looking at entrepreneurial training, training with specific regard to social entrepreneurship is even more in its infancy. Ralph Hammann and Francois Bonnici, who are both working on establishing a social entrepreneurship program at the UCT Business School, explain that "social entrepreneurship is still a very new concept in South Africa. Only recently have we added the social aspect to our traditional entrepreneurial track, [with] this [being] the

first year that the social entrepreneurship track…with the practical innovation lab…is actually happening."

Although many people do not possess a formal entrepreneurial education, they do frequently highlight that they have either a background in business, marketing or sales, or else that they have acquired many of these capabilities from previous experiences (48% indicated 'very experienced', when asked about their previous managerial experience). For example, Adri Williams, of Khayelitsha Cookie Company, has a background in business, marketing management, and sales and she worked very closely under the mentorship of the founders, who both possessed master's level education. Furthermore, Bernhard Lembeck, founder of ProNature, a green paint company, expressed that not only was he formally trained as a paint chemist, but he also received some educational training in marketing that helped him establish his brand. Another example is Andy le May of Icologie (3/5/2012). He not only had a background in computer science, sales, and marketing, but he also had extensive experience working with a major Multi-National Corporation before he decided to pursue his own venture. While Andy is one of the more experienced entrepreneurs that was interviewed, there were others, such as Jonathan Hanks with Incite (Interview 4/4/2012), Hugh Tyrell of Green Edge (Interview 3/4/2012), and Rain Morgan and Pieter Swart of Turqle Trading (Interview 13/5/2012) who all expressed that they had extensive experience working in their current field, which has given them the expertise and capabilities to develop their enterprise. These findings not only support the importance of education *for* entrepreneurship, as those courses are more targeted towards that practical running of a company, but also suggests that perhaps real-life, hands-on experience may compensate for aspects of entrepreneurial education that are missing in current curriculums.

Of further interest is the fact that, although many entrepreneurs indicated they had not received any formal entrepreneurial education or training in both the interviews and questionnaires (refer to responses in Figure 4.17), only five actually attended any additional, targeted training programs. One example was Lauren Clack, General Manager of Eco-Pack, which imports and distributes biodegradable packaging, who mentioned that she actually attended a seminar conducted by Green Talent (the enterprise started by fellow participant Elize Hattingh). Furthermore, Johan Muller, of Lutzville Training Center (15/5/2012) mentioned that he "tries to attend as many entrepreneurial conferences as possible…and [he's] attended multiple courses with SEDA (Small Enterprise Development Agency)." However, he further expressed that he was not overly impressed with the guidance he received there. SEDA and other government initiatives were on other occasions also mentioned negatively, particularly with regard to cost. As Monique Ross from She's the Geek, explained, "the government does offer workshops, but they are very expensive, so not [offering] great support." A further limitation to attending additional training courses appears to be time. Tony Budden of Hemporium (Interview 22/5/2012) indicated that he would have liked to attend the master's degree program in Sustainability at the Sustainability Institute of Stellenbosch University; however, he explained that he could not afford the time away from Hemporium and in the end, it would be more beneficial to his company if he simply hired someone who already possessed that skill set.

Another reason for a lack of consideration (only two entrepreneurs indicated they 'considered' attending extra programs) and attendance of further training programs could be the already high levels of education – though not specifically targeted entrepreneurship education – the participants had received. Closer examination into the education background of those entrepreneurs who did seek out extra training programs reveals that two out of the five entrepreneurs had only completed secondary school. Therefore, it is possible that those

entrepreneurs who have received higher levels of education felt confident in their skill set to 'learn-by-doing' within the business setting.

Along a similar line of thinking, Jill Heyes, founder and director of Original T-bag Designs that helps uplift and empower unemployed women from a major township in Hout Bay, Cape Town (Interview 25/4/2012), emphasized the importance of having access to education and other business experience to run a formal business in the Western Cape. Specifically, she reiterated that "an average person from a township could never start something like [a sustainability driven enterprise], because they lack the skill base" to maneuver through bureaucracy, manage people, and acquire finance.

One other interesting finding was that on two separate occasions, the participants expressed that they actually felt like they were discouraged in school to pursue entrepreneurship (Johan Muller, Lutzville Training Center, Interview 15/5/2012; Antonino Allegra, CocoaFair, Interview 16/5/2012). Johan Muller, of Lutzville Training Center (Interview 15/5/2012), specifically explained that his teachers believed that becoming self-employed was too risky and encouraged him instead to find a stable job.

Finally, when reviewing the official academic backgrounds of the participants, a surprising finding is that only four out of the 35 entrepreneurs interviewed actually had a background in either environmental sciences and/or sustainable development.

4.1.4.5 Key quantitative and qualitative findings

Quantitative	Percentage of Participants
1. The majority of the sample had completed some form of higher education and almost half have received a graduate degree	**90%** higher education; **44%** graduate degree
2. The main type of entrepreneurship education indicated was education *for* entrepreneurship (i.e. courses in business and/or management)	**55%**
3. Majority of entrepreneurs indicated they had received almost no education *about* entrepreneurship, education motivating for entrepreneurship, or education about sustainable entrepreneurship	**45%** (about entrepreneurship); **48/59%** (motivational); **48%** (sustainable entrepreneurship)
4. Overall very low mean score for EDUTotal	**81%** (3.5 or less)
Qualitative	**Percentage of Participants**
1. The majority of participants have not received any formal entrepreneurial training and are simply 'learning-by-doing'	**51.4%**
2. Most participants do have either an educational background in business, marketing, or sales and/or have valuable previous experience	**37.1%**
3. Very few entrepreneurs have actually sought out additional entrepreneurial or business training	**11.4%**
4. Two participants expressed that they actually felt discouraged from pursuing entrepreneurship as a career.	**5.7%**
5. Very few of the participants actually had a background in environmental science and/or sustainable development	**11.4%**

Table 4.4 | Key quantitative and qualitative findings for educational descriptive statistics

4.1.5 Networks - quantitative and supporting qualitative findings

4.1.5.1 Scope of network

The first variable examined with regard to access to networks was the overall scope of the entrepreneur's networks. As seen in Figure 4.19, below, the majority of participants, 33.3%, indicated that they had less than 10 contacts that they *believe have either assisted in the development of their business or whom they believe could assist in the development of their business*. The mean of 2.52 (SD: 1.626) denotes that the average size of the networks ranges from 10 to 50 contacts, with only 18.5% of the sample indicating that they had a network of over 51 contacts.

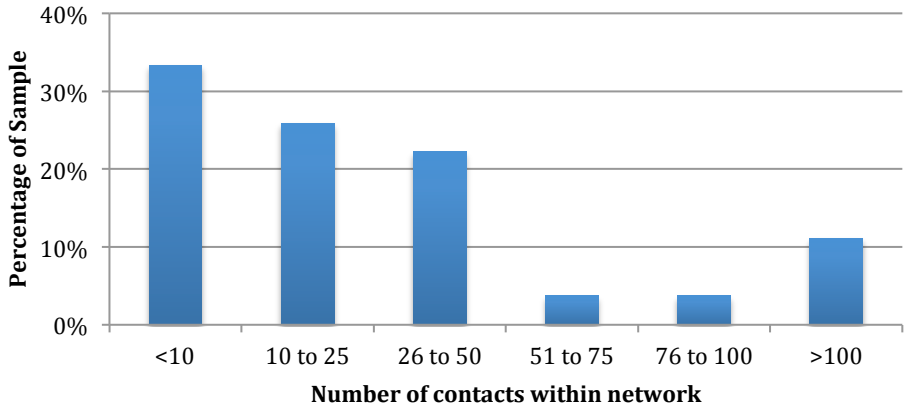

Figure 4.19 | Number of contacts within an entrepreneur/enterprise's network that have influenced or could potentially influence the business (*N=27*)

4.1.5.2 Compilation of network

Of further interest were the types of contacts that were predominantly found within the entrepreneur's network. Here the participants were requested to indicate if the contacts specified above where *purely contacts acquired for business purposes, an even combination of strictly business contacts and social contacts,* or *mainly social contacts that have assisted with business transactions.* The breakdown of the responses is summarized in Figure 4.20. Most participants indicate either purely business contacts or a combination of both business and social contacts.

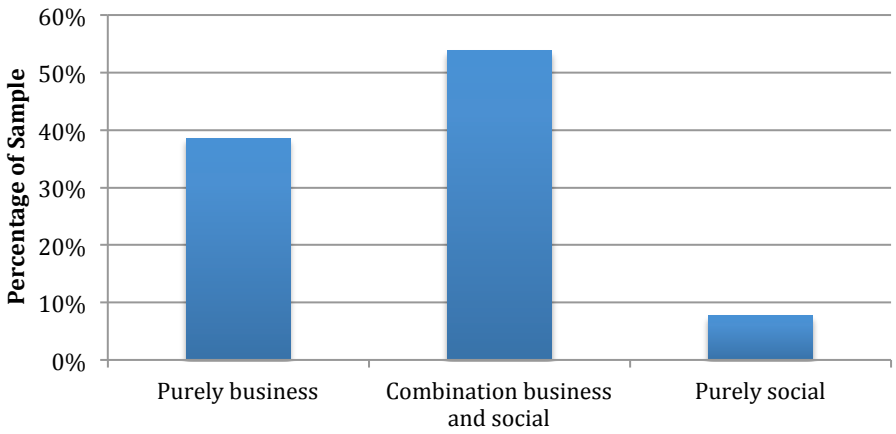

Figure 4.20 | Compilation of types of contacts within network (*N=26*)

4.1.5.3 Motivations for networking

The breakdown of the main motivators for entrepreneurs to engage in networking is displayed in Figure 4.21. Here it can be seen that the two main motivators behind networking are to *secure a market presence* and *to secure a customer base*.

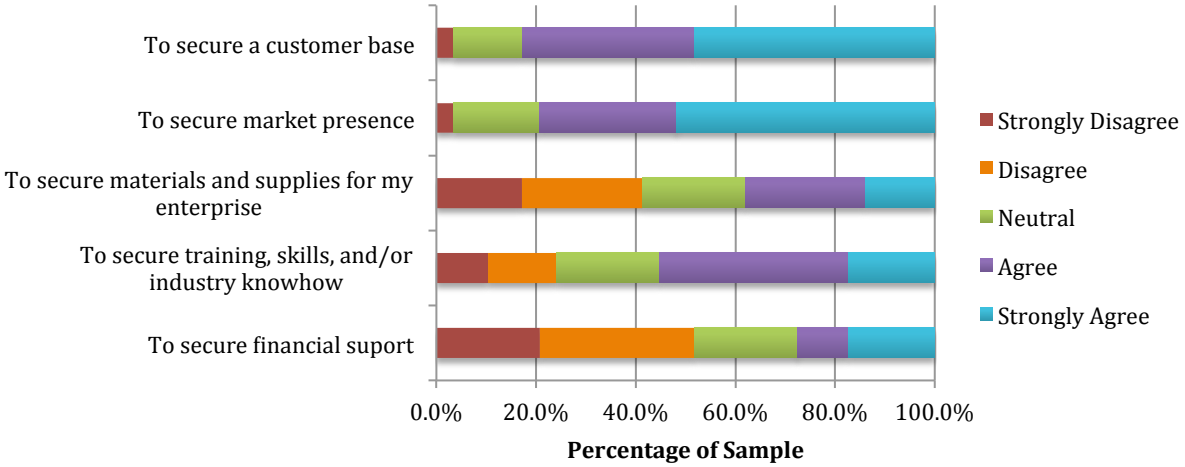

Figure 4.21 | Distribution of motives for networking (*N=29*)

Based on the above findings, these sets of motivations were then categorized into networking to 'obtain resources' and networking as a 'marketing tool'. Networking to obtain resources included networking *to secure financing; training, skills, and/or industry knowhow;* and *materials and supplies for their enterprise*, while networking as a 'marketing tool' included networking to *secure a customer base* or *market presence*.

The overall distribution for networking to obtain resources can be seen in Figure 4.22, below. There is a fairly wide distribution, but the majority, at 24.1%, has a ranking of 2.67 and the sample has a mean of 3.01 (SD: 0.961), putting most of the participants at a disagree/neutral position for the use of networks to obtain resources for their enterprise.

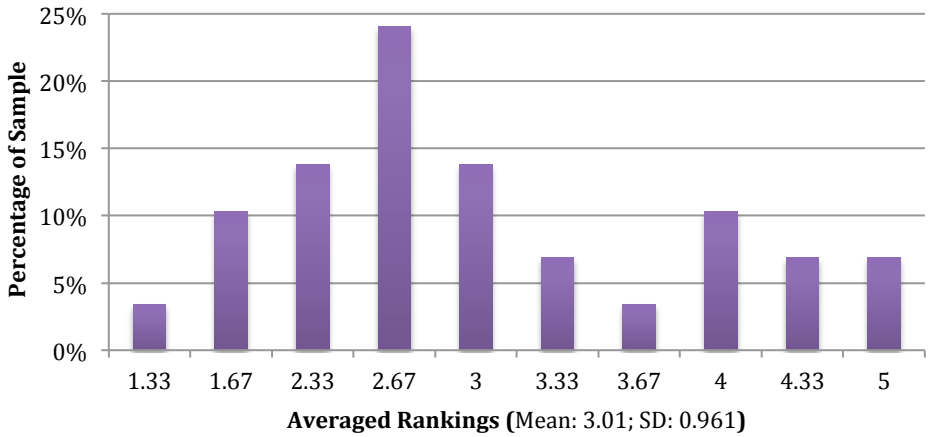

Figure 4.22 | Distribution of participants that use networking to **obtain resources**, based on average of three, 5 point Likert-Scale questions (*N=29*)

The participants show a greater inclination to the use of networking as a marketing tool (which is not surprising based on the results presented in Figure 4.21 above). The results, as seen in Figure 4.23 below, give a mean value of 4.24 (SD: 0.932) and 44.8% have an averaged ranking of 5, indicating that the majority of participants agree/strongly agree that they use networking as a marketing tool.

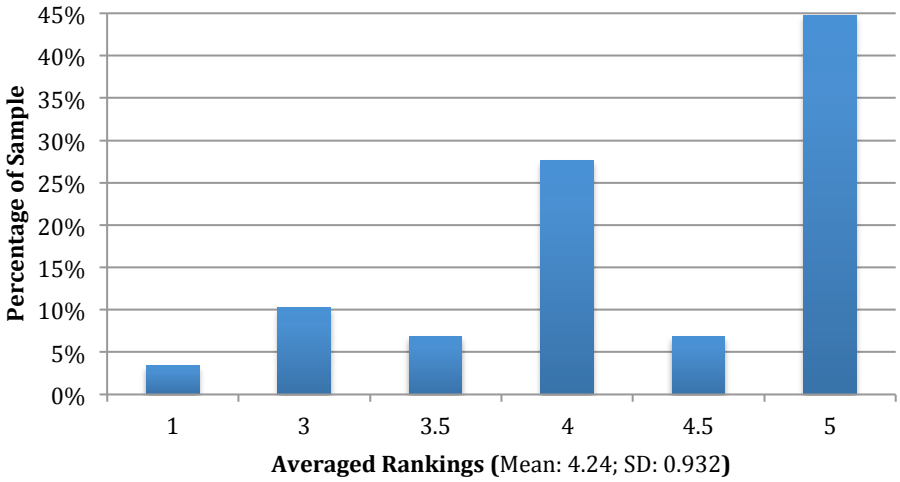

Figure 4.23 | Distribution of participants that use networking as a **marketing tool**, based on average of two, 5 point Likert-Scale questions (*N=29*)

4.1.5.4 Methods of networking

In addition to the motives behind networking, the methods the sample uses to network were also examined. Figure 4.24 below shows a breakdown of the types of networking methods referenced in the questionnaires and their corresponding rankings. Here one can see that there is a fairly even split between both informal networking methods such as *existing contacts, self-conducted research, and online platforms such as Facebook and LinkedIn*, and formal networking methods such as, *trade shows*, *industry/entrepreneurial conferences*, and *entrepreneurial organizations designed to facilitate networking*, with the use of existing contacts showing the highest percentage of agree/strongly agree (79.3%). In order to examine this divide further, the methods of networking were categorized into formal and informal networking methods, the results of which can be seen Figures 4.25, below.

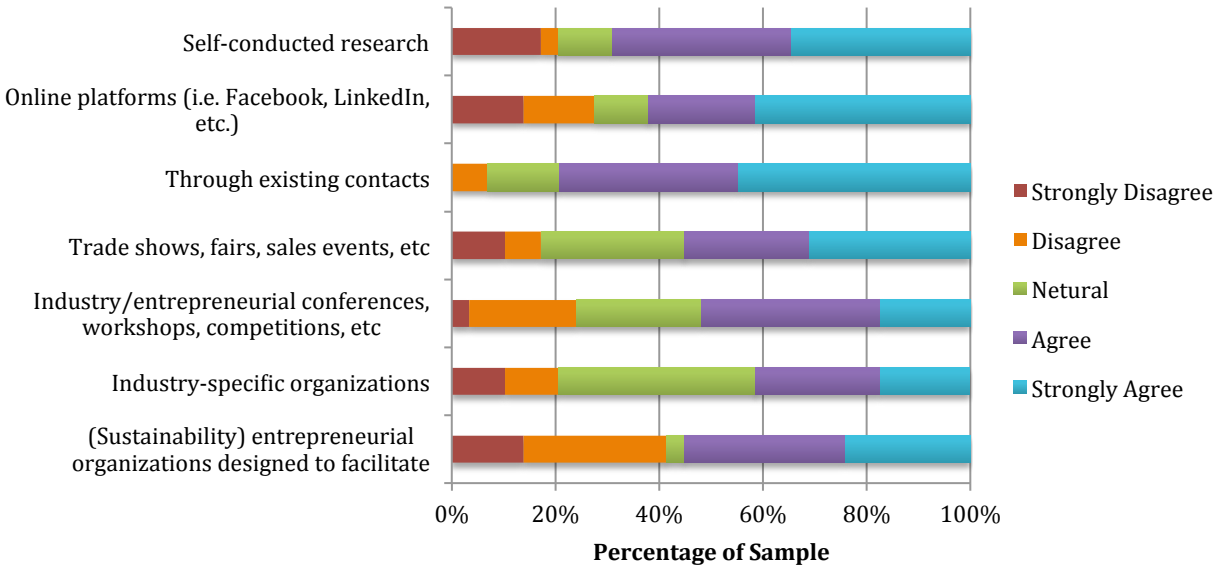

Figure 4.24 | Distribution of methods of networking (*N=29*)

The results for the formal and informal methods of networking show relatively similar results, with means of 3.38 (SD: 0.703) and 3.82 (SD: 0.829), respectively. However, the sample does show a greater favoring of informal methods, with 58.5% showing an average ranking of four or above (agree/strongly agree), while the majority of participants, 61.4%, indicate an average ranking of between three and four (neutral/agree) for the formal methods of networking.

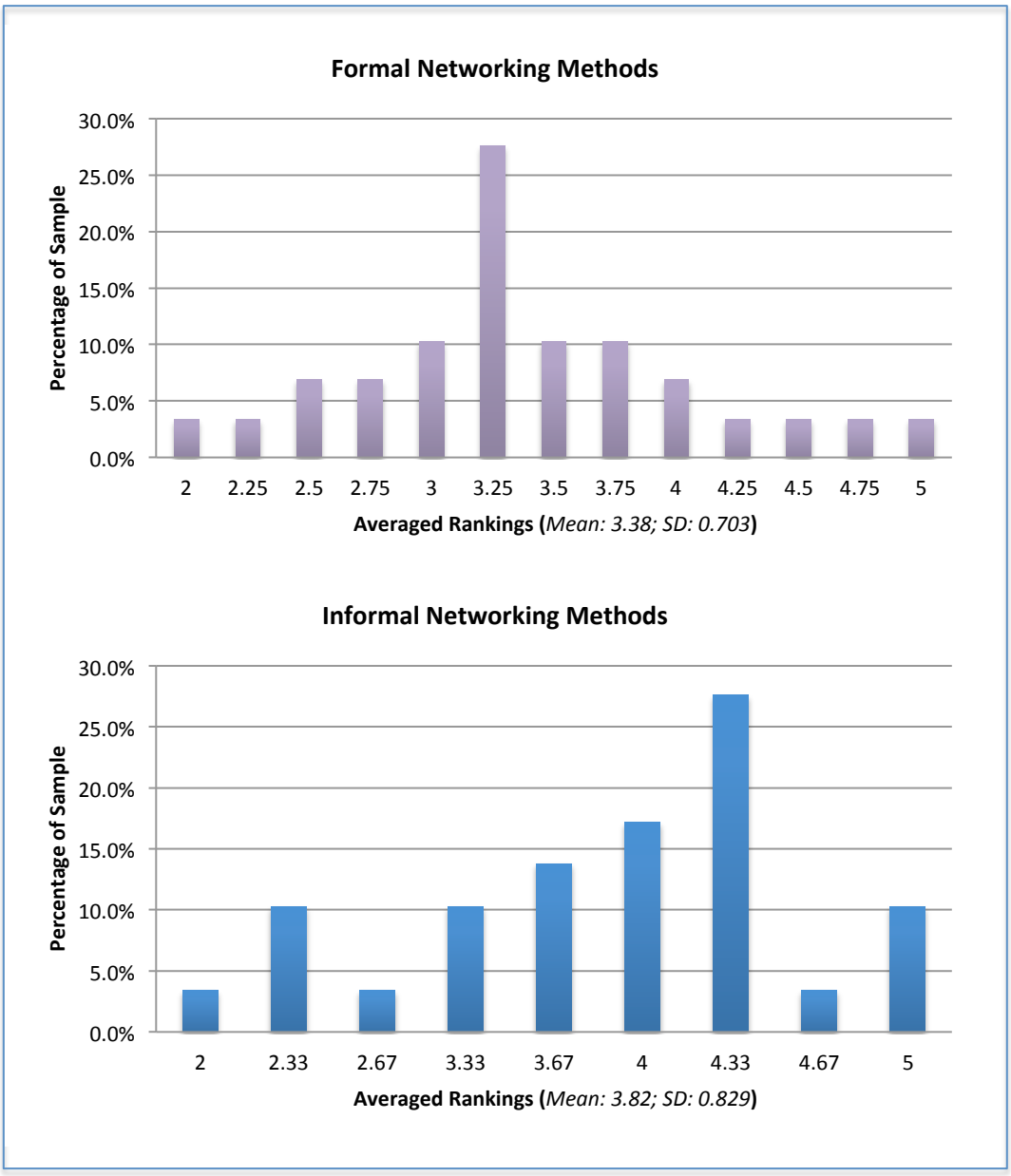

Figure 4.25| Distribution of participants that use **formal** and **informal** networking methods, based on average of two and three, 5 point Likert-Scale questions, respectively (*N=29*)

4.1.5.5 Qualitative results

"Networking is not completely understood by Capetonians," explains Tom Shutte (Interview 15/5/2012), Program Director of UnLtd South Africa. When speaking to him he reiterated the importance of a connected network to the success of these enterprises, but he found, as was found frequently in this research, that the concept of networking is not always fully understood in the Western Cape. During the interviews, networking was generally associated or assumed to mean marketing or advertising, a finding that seems also to be reflected in the quantitative data above, as networking for marketing purposes is the main motive. However, even though

networking can play a positive role in establishing a company's name and reputation (also known as marketing), it has many benefits beyond simply getting a company's 'name out'. So here already, it shows that the formal marketing scene within the Western Cape is not fully developed.

After further explanation and rephrasing of questions – are you a member of any organizations, communities with similar interests, etc.? – a few key findings come to light. First of all, networking is happening, but mainly at a small, informal scale. Many attribute this to barriers such as, lacking time and manpower to expand or the general 'isolated atmosphere' of business in South Africa. Second of all, there is a group of participants, generally those who have been in the business/field longer, who already have a large, established network that provides them many benefits. Finally, there are those who sought out some networking opportunities and did not see much reward, thus, are now somewhat disenchanted. Below, these findings are elaborated on further. Following this, further insight is given into the types of formal networks that are currently available to SdEs in the Western Cape, as well as which sources are most frequently used.

A good number of participants explained that they are trying to network, but it is mainly informal at the moment. One example of this is Irene de Beer, co-founder and owner of Scarecrow Organics (4/4/2012), who expressed that she tries to do a lot of informal networking, particularly by working to connect with, and help support, other local small businesses in her community. Two other companies mentioned that they also do not have a solid formal network set up, but that they utilize the strong centralized network of the Stellenbosch University's Sustainability Institute, as it is somewhat of a hub for sustainability not only within South Africa, but Africa as a whole. Others also frequently mention that they use a lot of informal tools such as, LinkedIn, Facebook, and most frequently 'word-of-mouth'. Antonino Allegra, of CocoaFair (Interview, 16/5/2012) further stated that particularly within the 'food circle' of South Africa, there is a pretty strong network, but as with others, it is still quite informal and just oriented around markets and other festivals. There are other industries as well that appear to have more 'established' informal networks, such as the green building industry and the green consultants within the Western Cape, illustrating that some industries are perhaps more open to cooperation than others (Hugh Tyrell, GreenEdge, Interview 3/4/2012). The finger was also pointed once at the government, stating that they did not organize enough conferences and/or discussion groups to help connect people in this space (Alex Hetherington, Carbon Calculated (15/5/2012).

Of those entrepreneurs who either have only a small or non-existent network, they often highlighted time and lacking manpower as a major barrier. Andy le May, of Icologie (Interview 3/5/2012), a consulting company working with companies to improve their awareness and proactiveness in the field of sustainability, recognized that while there is a lot currently happening in the networking space, they just do not have the manpower or time yet to engage in it. Similarly, Lauren Clack of Eco-Pack (Interview 28/3/2012), Adri Williams of Khayelitsha Cookie Company (5/4/2012), and Elize Hattingh of Green Talent (Interview 29/3/2012) all expressed that at the moment they simply do not have the time or manpower, but they hope to network more in the future as they are able to expand.

Furthermore, many entrepreneurs reiterated the isolated environment in the SMME industry in South Africa. Vernon Henn, General Manager of Thandi Wines (Interview 25/4/2012) explained that the South African wine industry is "very fragmented" and "individually oriented" currently, which he attributes somewhat to South Africa's unique political and racial history. However, with the current state of the economy, he recognizes that in tough times it is important to work together and form "synergies" or partnerships, which he is attempting to do within the black-owned vineyard community, but thus far, he is experiencing some resistance. Another industry

that has been described as extremely isolated is the manufacturing industry. According to Debbie Alcock of Burchell's Foods (Interview 14/5/2012), "the manufacturing industry is very secretive and the big guys are always unwilling to communicate or share anything." Instead, they have had to seek out international assistance via a UK company called PUM to get any industry advice. Furthermore, Liz Metcalfe of FoodShed (Interview 26/4/2012), has struggled somewhat creating a network as a foreigner, describing the Western Cape as "cliquey" and very much a "it's not what you know, but who you know" environment that can be quite difficult to break into.

Finally, there were a number of entrepreneurs interviewed who expressed that they actually had an extensive network established based on their previous work experiences. For example, Jonathan Hanks, Director and Co-Founder of Incite (Interview 4/4/2012), a green consulting company, explained, "having a strong network is crucial. Since we've had many years in the field, our network within the industry is very strong…we have relationships with many key organizations that help sustain our business." Furthermore, Alex Hetherington of Carbon Calculated (Interview 15/5/2012), expressed the value of his established network from his previous consultancy services, particularly reiterating the significance of his established relationship with the World Wildlife Fund (WWF), a large, international NGO.

Beyond these findings, it is also necessary when evaluating access to networks, to understand what the overall networking space within the Western Cape entails. First of all, based on the answers to an open-ended question in the questionnaire, as well as previous independent research, it appears that there are very few networks in existence that are specifically targeted at sustainability driven entrepreneurship. Through initial research, only two such formal organizations were identified, specifically ASEN (African Social Entrepreneurship Network) and HubSpace. ASEN is a recently released web-based community that connects groups ranging from individual social entrepreneurs to NGOs to funders and investors and government institutions in order to facilitate knowledge sharing, provide training and seminars, and to keep members up-to-date on new initiatives within the social sphere[24]. HubSpace also seeks to bring entrepreneurs together, but more in the physical sense, by offering an informal and open office space where members can work, hold conferences, or simply share a coffee in the open space. Beyond simply creating an entrepreneurial community, HubSpace regularly hosts events and seminars that not only promote skills development, but also further engage and inform entrepreneurs about existing social issues[25]. Of these two established networks, only ASEN was referenced by the entrepreneurs, with only by four out of the thirty-five entrepreneurs interviewed citing it as a source of networking.

With regard to government-initiated programs, there were very few platforms or programs found that specifically promote the interaction of SMMEs or SdEs. The primary initiative, which was also the only one mentioned by the sample was SEDA (Small Enterprise Development Agency). While SEDA is an agency designed more as a point of education and business support and less of a formalized networking platform, they do also frequently host events and campaigns that aim to education SMMEs on different initiatives and programs taking place within their specific sector or industry[26], thus, providing a basis for SMME networking. Again, however, very few entrepreneurs are engaging with SEDA (only three mentioned they were a member and/or received communication/attended events). One of these was KCC, who mainly works with SEDA as a

[24] www.asenetwork.org viewed on January 13th, 2012

[25] http://www.hubspace.co.za viewed on January 21st , 2012

[26] http://www.seda.org.za/ viewed on January 21st, 2012

training source for their employees and less of a networking point. Another was Johan Muller, of Lutzville Training Center (Interview 15/5/2012), who has in addition to attending courses with SEDA, also attended many of their conferences, but as mentioned before, he did not have a very positive experience, explaining that he felt more knowledgeable about his field than they were. Other government backed organizations and coalitions do exist that promote the sustainable development of the Western Cape, such as the Green Cape and Cape Town Climate Change Coalition; however, these appear to be more inclusive of larger private corporations, academia, non-governmental organizations, and the provincial government and less oriented or relevant to many in the SMME market[27].

The main formal sources of networking that appear to be utilized by SdEs are industry specific alliances and associations, such as the Institute of Waste Management, the International Hemp Building Association, the Green Building Association, and Cape Craft and Design, to name a few. While these sources do provide networking opportunities and relevant, valid industry information that definitely attributes to a level of success, these networks are not particularly targeted to SMMEs or start-ups and thus, may not provide as direct access to resources or benefits as something like ASEN.

Other beneficial networks that were mentioned on more than one occasion was the association with major NGOs, such as the World Wide Fund and Fair Trade SA, as well as, an established relationship with the Stellenbosch Sustainability Institute. The National Business Initiative – a national private initiative connecting businesses at the local, national, and multi-national level with government bodies and civil society in an effort to facilitate sustainable development through responsible business action and public-private partnerships[28] – was also mentioned as a networking source, but again only by two out of the thirty-five interviewees.

Furthermore, despite the existence of these associations, many of the entrepreneurs still express that they do not have a platform on which they can engage with other like-minded entrepreneurs. Adri Williams, of KCC (Interview 5/4/2012) expresses frustration at "not having a good forum where [she] can engage with other entrepreneurs regarding issues and problems [she faces]." Overall she felt there was a lack in a strong networking space that connects SMMEs and that they could all really benefit if they were able to stand together. Debbie Alcock (14/5/2012) expressed similar sentiments regarding her desire to have someone to bounce ideas off who understood her position and her ideas and goals. While ASEN is a very positive step in the right direction, it is still in its infancy and not yet widely known by entrepreneurs. It is also the only one of its kind currently operating within South Africa. Steps need to be taken to further the establishment of similar initiatives and to better establish the presence of existing ones to help overcome the isolated and fragmented nature of the SMME community.

[27] http://www.capetown.gov.za/en/MediaReleases/Pages/CapeTownClimateChangeCoalition launched.aspx; http://green-cape.co.za/ viewed July 29th, 2012

[28] http://www.nbi.org.za viewed on July 30th, 2012

4.1.5.6 Key quantitative and qualitative findings

Quantitative	Percentage of Participants
1. The majority of participants have a very small network of purely business or a combination of business and social contacts, with many having less than 10 contacts who have or could potentially influence the business	**81%** (<50 contacts); **33%** (<10 contacts)
2. The majority of entrepreneurs are motivated to network as a marketing tool and less as a means to obtain resources	Marketing mean**: 4.24** (SD: 0.932); Obtain resources mean: **3.01** (SD: 0.961)
3. Entrepreneurs tend to use formal and informal networking methods almost equally, with a slight favoring of formal methods	Formal mean: **3.82** (SD: 0.829); Informal mean: **3.38** (SD: 0.703)
Qualitative	**Percentage of Participants**
1. Most entrepreneurs are currently just utilizing a small, informal network	**48.6%**
2. Many entrepreneurs cited a lack of time and manpower as reasons they were either not networking or not networking enough	**11.4%**
3. Entrepreneurs expressed that they felt that businesses in the Western Cape (and South Africa) are very isolated and fragmented	**11.4%**
4. Multiple entrepreneurs had established networks from previous experience in the industry	**14.3%**
5. There are very few formal networking sources targeted specifically at SdEs and/or SMMEs within the Western Cape	**N/A**
6. Industry-specific organizations and associations appear to be the main formal source of networking for participants	**38.7%**
7. There is still a call by many entrepreneurs for more targeted networking platforms	**42%**

Table 4.5 | Key quantitative and qualitative findings for networks descriptive statistics

4.2 Analytical Findings

The following sections first provide an overview of the correlations run to understand the independent variable's relationship to success and to further limit the number of independent variables to be tested in the final regression. This is followed by an overview of the final standard multiple regressions run for each of the dependent variables to determine the extent to which the individual variables explain the success of sustainability driven entrepreneurship. In order to improve the validity of these findings, initial analyses were carried out for each of the dependent variables to confirm that the assumptions of normality, linearity, multicollinarity and homoscedasticity were not violated. Furthermore, through the inspection of Scatterplots one variable was deemed an outlier and was excluded from the rest of the analysis, as it strongly influenced the significance of the regression models. Therefore, the final sample size for the regression was N=28.

4.2.1 Correlations

The second phase of data analysis consisted of conducting correlation matrices for each of the sub-groups of variables for the meso level factors. The overviews of each of these findings are presented in the next three sections. Here it is important to note that correlation analysis serves to establish whether a relationship exists between two variables and is not an indication of causality (Pallant 2011).

4.2.1.1 Financial

For the financial independent explanatory variables, correlations between the use of informal and formal financing, the composite variable indicating the degree to which an entrepreneur encountered barriers in accessing finance and each of the dependent variables were examined. The variable 'use of informal financing' was measured based on the number of informal financing sources utilized by the entrepreneur (i.e. 0 = used formal financing, 1 = one form of informal, 2 = two forms of informal, etc). This allowed for an analysis of the effect of using multiple sources, but also distinguished it from simply being the inverse measurement of the 'use of formal financing' variable. Beyond this, control variables such as the size of the enterprise, age of the enterprise, and the founder's previous managerial experience were also included in order to understand their relationship to both the other independent variables and, particularly the dependent variables, as the explanatory power of some independent variables can actually be attributed to these other outside factors. By understanding the relationship of these controls to the dependent variables a check can be made into their overall influence as predictive variables. Finally, profit was also examined as it provides a more direct look at the company's internal financial sustainability. Table 4.6 below provides shows the results of the correlation matrix run for the financial variables.

	Size	Age of Enterprise	Founder's Experience	Profit	Success Prosperity	Success People	Success Planet	Success Total
Size	X	.588**	X	.322	X	X	X	X
Age Enterprise	.588**	X	X	.411*	X	X	X	X
Founder's Experience	X	X	X	.371*	X	X	X	X
Use of Informal financing***	-.387*	X	X	-.427*	X	X	X	X
Use of formal financing	.390*	X	X	.282	X	X	-.333	X
Barriers encountered	-.372	X	X	-.337	-.346	-.556*	X	-.387

Table 4.6 | Significant correlations between independent finance variables and dependent variables (includes correlations with sig. < .20)

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

**Correlation is significant at the 0.01 level (two-tailed)

With regard to reviewing and interpreting correlations, two things to consider are the strength of the correlation (a value between rho = -1 and 1) and its overall significance. Since small sample sizes can frequently turn up more moderate correlations and significance values above the traditionally accepted $p < .05$ threshold (Pallant 2011), the accepted significance level for inclusion of an independent explanatory value in the final regression models has been extended to $p < .20$. Furthermore, the overall level at which a correlation is deemed strong has been reduced to rho =|.40 to 1.0|, from the traditional rho = |.50 to 1.0| (Ibid.). Using these following rules, the key findings from the correlations for finance are discussed below.

A very noteworthy finding as seen in the above table is the negative relationship that barriers have to not only the profitability of an enterprise (rho = -.337, $p < .20$), but also in their overall prosperity (rho = -.346, $p < .20$), socio-cultural success (rho =.556, $p < .05$) and success total (rho = -.387, $p < .20$). Of further interest is the fact that larger enterprises appear to encounter fewer barriers to accessing finance than small ones.

One surprising finding is formal financing's negative correlation with an enterprise's environmental success (rho = -.333, $p < .20$). This may indicate that those companies exploring more alternative environmental techniques are less likely to obtain funding from a formal source. Furthermore, informal financing shows a negative relationship to a company's profitability indicating that those companies utilizing greater sources of informal financing show lower profitability levels (rho = -.427, $p < .05$). The medium positive correlation of the use of formal financing with profitability, though weaker (rho = .283, $p < .20$), further supports that those companies with access to formal financing may be more profitable than those using informal. The descriptive findings also substantiate this. When looking at the companies that utilized formal financing (both greater than and less than 30%) you see that more than half of them (60%) are operating with a profit, in comparison to those that did not utilize formal financing, in which only 38.5% are operating with a profit. Obviously there are a number of other factors of consideration, such as the size of the enterprise, how long it has been in operation, etc. and therefore, no causality is being enforced, but the numbers do indicate some relationship.

The use of formal and informal financing also seems to be related to the size of an enterprise, with larger companies more likely to obtain formal financing than smaller (rho = .390, $p < .05$; rho = -.387, $p < .05$, respectively). Support for this can also be seen when evaluating the qualitative data. The use of formal financing appears particularly relevant with regard to larger companies that required high capital costs and that fall into traditional industrial sectors. For example, Impahla clothing, which manufactures leisure wear; Spier and Thandi wines, which are both vineyards focused on sustainable principles; Atlantic Plastics Recycling, one of the first major recycling companies in the Western Cape to recycle plastics; and Lutzville Training Center, an education and training center established in a disadvantaged neighborhood.

In regard to the controls, they only show a positive correlation in regard to profit and no statistically significant relationship to the core dependent success variables. That being said, their relationship to profit is interesting, although it is not surprising that old, larger companies with more experienced founders would have greater profitability. Based on this finding, however, the controls will only be accounted for in the profit regression model.

4.2.1.2 Educational

For the education independent explanatory variables, correlations were conducted for the level of education completed by the founder, the composite variables addressing education *for* and *about*

entrepreneurship and education motivating entrepreneurship, the amount of education received addressing SdE principles, and the overall aggregate education variable. The results are presented in Table 4.7, below.

	Size	Founder's Experience	Profit	Success Prosperity	Success People	Success Planet	Success Total
Level of education	-.343	X	X	X	-.471**	X	-.324
Education *for* and *about* entrepreneurship	X	.439*	X	X	X	X	X
Education motivating for entrepreneurship	.401*	X	X	X	X	X	X
Education about SdE principles	X	X	X	.283	X	X	X
Aggregate education variable	X	.381*	X	.303	X	X	X

Table 4.7 | Significant correlations between independent education variables and dependent variables (includes correlations with sig. < .20)

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

**Correlation is significant at the 0.01 level (two-tailed)

The most interesting finding regarding the education correlations is by far the strong negative correlation found between the level of education an entrepreneur has received and the an enterprises socio-cultural success (rho = -.471, $p < .01$), as well as a medium negative correlation to total success. Of further interest is also the fact that level of education is negatively correlated to the overall size of an enterprise, indicating that the entrepreneurs running larger businesses generally have not received as high an education as those entrepreneurs running smaller businesses. This perhaps is suggestive of the fact that higher educated entrepreneurs are engaging in more niche sustainability markets and thus, requiring a smaller work force. Examples would be consultancy firms, local craft shops uplifting previously disadvantaged women, or a small organic clothing shop. However, the results also suggest that those entrepreneurs that received more motivational education are actually the ones running larger enterprises, illustrating the influence that the type of education an entrepreneur receives may play a role in the type of enterprise they establish and the success that they have.

Another unique result is that both previous education regarding sustainability driven entrepreneurship (rho = .283; $p < .20$) and the overall education measurement (rho = .303, $p < .20$) show a medium positive correlation to an enterprise's economic prosperity. Considering the strong negative correlation between level of education and socio-cultural success, this further insinuates the role that different types of education can play.

Finally, the correlations also show that entrepreneurs that have received more education *for* and *about* entrepreneurship, as well as have a higher aggregate education value, appear more likely to have previous managerial experience (rho = .429, $p < .05$; rho = .381, $p < .05$).

4.2.1.3 Networks

For the network correlation matrix, independent variables that were examined included the size of an entrepreneur's network, the use of networking to obtain resources and for marketing purposes, and the use of formal and informal networks. The results are shown in Table 4.8, below.

	Size	Founder's Experience	Profit	Success Prosperity	Success People	Success Planet	Success Total
Size of network	X	X	X	X	X	X	X
Networking to obtain resources	X	X	X	X	X	X	X
Networking for marketing	X	X	.403*	.339	X	.276	.346
Use of formal networks	X	X	X	X	.483**		.499**
Use of informal networks	-.373	-.350	X	X	X	X	X

Table 4.8 | Significant correlations between independent network variables and dependent variables (includes correlations with sig. < .20)

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

**Correlation is significant at the 0.01 level (two-tailed)

The significant correlations found at the network level predominantly deal with entrepreneur's use of formal networks. Here there is a strong positive correlation between both the socio-cultural success of the enterprise, as well as, aggregate success (rho = .483; $p < .05$ and rho = .575, $p < .05$, respectively). The use of informal networking also shows no direct correlation to any of the success variables. Interestingly though, the use of informal networks shows a negative correlation to size of the enterprise and the founder's previous managerial experience, suggesting that those entrepreneurs choose to engage less frequently in informal networking methods.

When reviewing the qualitative data, the use of networking was fairly spread when it came to formal and informal methods. While many entrepreneurs expressed that they mainly had small, informal networks if any network at all, due to a lack of time and manpower to build and maintain their networks, there were also those who expressed having strong established network ties. These were generally entrepreneurs with previous experience in the field that had built up a larger network through established organizations such as the WWF, the International Union of the Conservation of Nature, and Fair Trade SA.

Furthermore, the strong positive association of profit and prosperity with networking for marketing (rho = .403, $p < .05$; rho = .339, $p < .20$, respectively) is unsurprising considering that actions facilitating the establishment of market presence and customer base generally help to generate revenue.

Although the correlation matrices do provide some insight into the relationships between the independent explanatory variables and the dependent success measures, they are limited in that they cannot imply causality. A key part in running the above correlations was to establish which

variables show a statistically significant relationship to the dependent variables and therefore, should be included in the final regression model. It is in this final step, discussed in the following section, that the extent to which the independent explanatory variables explain or predict success outcomes can be analyzed.

4.2.2 Testing the conceptual model

In order to test the final conceptual model independent standard multiple regressions were run for each of the dependent variables, using only those variables identified above as having a statistically significant correlation to them. The use of the significant correlations helps to overcome some of the limitations of small sample size by both minimizing the number of independent variables tested for each dependent, as well as, facilitating the output of more significant regression models. Again profit is also included as a dependent since it shows significant relationships to the independent variables and provides a further gauge of success. The findings of these regressions are outlined in Table 4.9 – 4.14.

For each of the regressions that 'barriers encountered' demonstrated statistically significant correlations, a regression has been run both including it and excluding it. This was done as an extra check for significance since the low completion level of the barriers question can further limit the overall statistical significance of the model[29]. The decision to include the independent explanatory variable 'barriers encountered' stems from the fact that it not only shows a strong relationship to many of the success variables, but also because it is a key variable in understanding access (or lack of access) to finance. Moreover, although it is recognized that Success Total is strongly correlated to the other dependent variables, as it is an aggregate of all three, the choice to run the regressions for each dependent variable was to more specifically target what resources explain what type of success. As can be seen in both the correlations above and the regression conducted below, different resources clearly impact the types of success a business experiences differently. Finally, within the regressions below the Adjusted R^2 value is used to determine how much of the variance in the dependent variables is explained by the model. This choice is due to the fact that R^2 can at times produce over-estimations of the true value of the model for smaller sample sizes, which the Adjusted R^2 'corrects' for (Pallant 2011).

[29] For the regressions that do include barriers encountered, cases were excluded pairwise, which only excludes a case when it is missing data required for that specific analysis as opposed to listwise which can "severely and unnecessarily" limit the sample size (Pallant 2011). This helps to overcome some of the limitations to the small number of completed barriers encountered data set.

For Tables 4.9 – 4.14, below: * Indicates a sig. level of $p < .10$ and **Indicates a sig. level of $p < .10$ for both the model and the independent variable, meaning that the result is statistically significant

Profit	Size		Age of Enterprise		Founder's previous experience		Barriers Encountered		Use of informal financing		Use of formal financing		Networking for marketing	
	β	Sig.	β	Sig.	β	Sig.	β	Sig.	β	Sig.	β	Sig.	β	Sig.
Adj. R^2 = .345^ Sig. = .099*	-.221	.516	.398	.174	.079	.717	-.422	.090**	-.542	.211	-.212	.623	.209	.379
Adj. R^2 = .323^^ Sig. = .023*	-.002	.992	.329	.159	.118	.508	-	-	-.814	.018**	-.493	.143	.174	.365

Table 4.9 | Final individual regressions run for Profit

^ Adj. R^2 for controls = .096, therefore, the independent variables explain 24.8% of the variance in profitability (.345-.097 = .248).

^^Adj R^2 for control variables = .154, therefore the independent variables explain 16.9% of the variance in profitability (.323 - .154 = .169).

The profit regression was run including the independent explanatory variables of barriers encountered, use of informal financing, and networking for marketing while controlling for the size and age of the enterprise, and the previous managerial experience of the founder. The results of this first regression indicate that 34.5% (Adj. R^2 = .345, $p < .10$) of the variance in profit outcomes is explained by the model as a whole. Since the control variables account for 9.7% of that, the independent explanatory variables account for 24.8% (Adj. R^2 = .248, $p < .10$) of the variance in an enterprises' profitability when controlling for size and age of the enterprise and founder's pervious experience. For this model, barriers encountered is the only variable showing statistical significance, with beta = -.459 ($p < .10$).

For the second model, excluding barriers encountered, the independent variables explained 16.9% (Adj. R^2 = .169, $p < .10$) of the variance in prosperity after controlling for size and age of the enterprise, as well as, founder's previous experience (Adj. R^2 = .145, $p < .10$). For this model, the use of informal financing was the only statistically significant variable, with beta =-.814 ($p < .10$).

The same type of analysis was further run on the Success Prosperity model, which included initially again, barriers encountered, education about SdE principles, the aggregate education variable, and networking for marketing. For this regression analysis and all the others to follow, the controls were not included, as they showed no statistically significant correlations to the following dependent variables. The results for both this regression followed by a regression excluding barriers encountered can be seen in Table 4.10, below.

Success Prosperity	Barriers Encountered		Education about SdE Principles		Aggregate Education Variable		Networking for marketing	
	β	Sig.	β	Sig.	β	Sig.	β	Sig.
Adj. R^2 = .218 Sig. = .115	-.512	.033*	-.251	.475	.100	.778	.259	.245
Adj. R^2 =.042 Sig. = .269	-	-	.385	.219	-.078	.803	.192	.325

Table 4.10 | Final individual regressions run for Success Prosperity

Unfortunately, neither of the Success Prosperity models run with standard multiple regression were significant to $p < .10$, as can be seen in Table 4.10. Based on this result, it cannot be said with statistical confidence that any of the independent explanatory variables are statistically significant in predicting an enterprise's prosperity. That being said, with a significance value of $p = .115$, this model is very close to the cut off value of $p < .10$. Again, with the limitations of sample size, some inference can at least be made from the overall model at that significance level. Mainly the strong relationship that barriers encountered appears to have on prosperity over the other independent variables included in the model.

For the Success People regression, the independent variables included were barriers encountered, level of education, education *for* and *about* entrepreneurship, and use of formal networks. Again the regression was also run excluding the barriers. Both results can be seen in Table 4.11.

Success People	Barriers Encountered		Level of education		Use of formal networks	
	β	Sig.	β	Sig.	β	Sig.
Adj. R^2 =.287 Sig. = .045*	-.274	.305	-.195	.455	.390	.076**
Adj. R^2 = .310 Sig. = .004*	-	-	-.359	.036**	.428	.014**

Table 4.11 | Final individual regression run for Success People

For the first regression model run for Success People 28.7% (Adj. $R^2 = .287$, $p < .10$) of the variance in the outcome is explained by the independent variables. For this model, the only statistically significant variable was the use of formal networks (*beta* = .390, $p < .10$). The second regression model, excluding barriers, further strengthens the finding that the use of formal networks is statistically significant in explaining the socio-cultural success of an enterprise. Furthermore, it shows a higher beta value (*beta* = .428, $p < .10$) than level of education, which is the other statistically significant variable in the model (*beta* = -.359, $p < .10$). The second model accounts for 31% (Adj. $R^2 = .31$, $p < .10$) of the variance in Success People.

Success Planet	Use of formal financing		Networking for marketing	
	β	Sig.	β	Sig.
R^2 =.117 Sig. = .080*	-.290	.122	.293	.119

Table 4.12 |Final individual regression run for Success Planet

For the regression of success planet the two independent variables that showed statistically significant correlations were the use of formal financing and networking for marketing. The results of this analysis indicate that these two independent explanatory variables explain 11.7% (Adj. R^2 = .117, p < .10) of the variance in the environmental success of an enterprise. Although neither are significant under the p < .10 cut-off, they are both borderline and with the limitations of small sample size, some supposition can be made about their relationship to environmental success. Specifically, that they both show a similar level of explanation for success planet and that, as was also seen in the correlations above, the use of formal financing appears to predict less environmental success (*beta* = -.290, p = .122), while networking for marketing purposes explains higher environmental success (*beta* = .293, p = .119).

Finally, a standard multiple regression analysis was run for Success Total including the independent explanatory values of barriers encountered, level of education, use of formal networks, and networking for marketing. As with the other models above, a second regression was run excluding barriers encountered. The results are displayed in Table 4.13.

Success Total	Barriers Encountered		Level of education		Use of formal networks		Networking for marketing	
	β	Sig.	β	Sig.	β	Sig.	β	Sig.
Adj. R^2 =. 224 Sig. = .110	-.484	.094*	-.037	.891	.222	.317	.295	.186
Adj. R^2 =. 165 Sig. = .063*	-	-	-.322	.089**	.291	.119	.271	.144

Table 4.13 | Final individual regressions run for Success Total

Unfortunately, the first standard multiple regression model, which included barriers encountered, is not statistically significant to p < .10. Again, however, considering the sample size and that its significance is boarderline (p = .110), it can at least be noted that barriers encountered, the only significant variable in the model, may have some role in the explanation of an enterprise's overall success. The second model, excluding barriers encountered, was in fact statistically significant with 16.5% (Adj, R^2 = .165, p < .10) of the variance in success total explained by the independent variables. Within this model, only the level of education was statistically significant (*beta* = -.322, p < .10). Furthermore, use of formal networks is another border line explanatory variable with regard to overall success (*beta* = .291, p = .119).

5. Conclusions

The main objective of this research was to determine the extent to which the variables of access to resources stimulate the success of sustainability driven entrepreneurship in the Western Cape of South Africa. The following conclusions seek to answer this question and to provide insight into the significance of these answers and how they can be used to better foster SdEs in the Western Cape.

5.1 Financial

It is clear, based on the results of this study, that access to formal finance for SdEs in the Western Cape is a definite area of concern. Although sources such as the ILO's (2011) publication, *Guide to Finance for Social Enterprises in South Africa*, suggests that South Africa has an abundance of financing options (albeit fewer directly targeting SdEs), these institutions are not effectively targeting and supporting the SdE sector. The main reason for this would appear to be the presence of key barriers preventing the engagement of entrepreneurs with formal financing institutions, as well as a lack of support for those that apply. Based on the quantitative analysis, the existence of barriers clearly plays a significant role in explaining lower levels of success, particularly with regard to an enterprise's profitability. The existence and negative impact of barriers is a finding frequently reiterated in other empirical studies on the financial situation of South Africa and its overall impact on entrepreneurial success (Alexander 2011; Cupido 2002). In fact, the greatest barrier reiterated throughout both the qualitative and quantitative research was an overall sense of disenchantment with both the processes and perceived outcomes of working with formal financing, a main finding as well in Alexander's (2011) research into improving access to finance for entrepreneurs in South Africa. This overall disenchantment appears to stem from issues such as, previous rejection or lack of support; stories of similar enterprise's struggles; and the belief that institutions lack awareness of entrepreneurship and particularly sustainability driven entrepreneurship; are overly conservative with their investment policies and have too strict of requirements; and that they are disorganized and inefficient. Even Jeremy Lang, area manager at Business Partners in Cape Town (Interview 3/4/2012), acknowledges the strict requirements and conservative nature of the banking system and the limitations it places on obtaining any form of start-up capital from that avenue unless collateral and proven success can be offered.

It does appear, based on the results of this research, that entrepreneurs have good reason to doubt formal financial institutes since they seem to generally only offer support to a select type of SdEs. Specifically, formal sources of financing, such as banks and government departments (two of the most sought out sources of formal finance) are currently mainly serving those entrepreneurs that are operating larger, more traditional forms of business that have sought to integrate sustainability values into their business model. They focus on businesses they know and understand and who have existing collateral. Additionally, the correlation and suggestive explanatory relationship of the use of formal financing to an enterprise's environmental success, may be indicative of an unwillingness of formal institutions to finance companies that are utilizing alternative sustainable technologies. This further demonstrates the fact that they are risk-averse and unknowledgeable of newer, sustainability driven business ideas and models, making them poorly designed to serve SdEs.

However, regardless of these major limitations and shortcomings of the financial institutions, SdEs are still managing to emerge and succeed throughout the Western Cape. In fact, over half of

the participants in this research (55%) are currently generating profit and only 10% are operating with a loss[30], which are quite impressive numbers considering the high failure rates of entrepreneurial ventures in South Africa (SBP 2011). The way entrepreneurs are able to still operate sustainable businesses appears to be predominantly through the use of informal sources of finance, such as personal savings, bootstrapping, and family and friends as either main sources of finance or supplementary sources to formal finance. Unfortunately, the high negative beta value of the use of informal financing in the second profit regression model indicates that the use of only informal financing sources, and particularly multiple informal sources, is a strong predictor of low enterprise profitability. This suggests that, while it can sustain an enterprise to a degree, informal finance, on its own, is limited in its ability to promote long-term economic sustainability.

Although formal financing was sought out by a large number of the participants to a varying degree (52%), the use of it does not indicate a statistically relevant explanatory relationship to either the profitability of an enterprise or their success with regard to the triple bottom line. This is not to say, however, that **H1:** access to formal finance stimulates successful sustainability driven entrepreneurs is false. The situation appears to be more complex than that. First of all, the correlation matrices as well as the descriptive finding that 60% of those entrepreneurs receiving some level of formal finance are earning profits, does suggest some relationship between access to formal finance and profitability. In addition, as mentioned above, there are limitations to the degree to which informal financing options can sustain an enterprise. The reliance on informal methods of financing also limits the type of entrepreneurs engaging in SdE to those citizens who have the resources to fund their start-up, making the sector mainly dominated by members of the first economy. A finding consistent not only with the race and socio-economic backgrounds of the majority of the participants in this research, but also with other research conducted in this field for the Western Cape (e.g. Steinman 2010).

What may be more beneficial to look at for the impact access to formal financing has on SdEs' success is the stage of an enterprise's development at which financing is made available. Findings in the qualitative data suggests that companies have a greater need for formal financing at later stages of development, such as in times of growth and expansion. According to Liz Metcalfe of FoodShed (Interview 26/4/2012), "with funding you usually need a first wave, then you can survive for a year or two and then you need a second wave…initially, [you have] an idea that you play around with and then after a while things become solidified and take off, [so] you need a second round." Often the first wave of funding is small enough that it can be raised through informal avenues such as personal savings, friends and family, and bootstrapping. However, as the company begins to grow and establish themselves as a full-functioning enterprise, larger sources of capital are needed. This was the case for almost a third of the sample size. Furthermore, Seelos & Mair (2005) and Steinman (2010) identified finding finance to scale up an organization as an even greater challenge than obtaining start-up capital for entrepreneurs.

Another important consideration for the significance of access to finance is what industry the enterprise operates in, as the type of capital required for the start-up and expansion of a recycling plant versus an online retail store distributing eco-friendly packaging is obviously drastically different, particularly with regard to the ability to use informal financing options for the initial

[30] Although profitability is not a sufficient indicator of a company's overall social and environmental impact, it is an indicator in the economic sustainability of an organization and therefore, plays a major role in the potential impact these enterprise's can make.

phases. Therefore, **H1**: access to formal finance stimulates successful sustainability driven entrepreneurship *depending on the industry and phase of development the enterprise is in*.

5.2 Education

The need for access to education has been identified as a key factor for successful entrepreneurship in a number of empirical studies, including Spence et al. (2011) who recognizes it as a key factor in creating a culture of entrepreneurship and Urban (2008) who identifies education and training as factors that increase a person's likelihood to engage in entrepreneurial activities. However, with particular regard to the SdEs in this study, it would appear that higher levels of education and training actually detract from some of their socio-cultural success.

A possible explanation is that while the sample is highly educated (with 90% receiving some form of higher education), the majority has received very little, if any, formal education *about* entrepreneurship or sustainability-oriented entrepreneurship, due to only the recent introduction of such programs into school curriculums (Ralph Hamann, associate professor at the UCT Business School, Interview 30/4/2012). Instead, the main relevant educational background that many entrepreneurs indicated receiving was courses *for* entrepreneurship, such as business and/or management courses. Although a background in business and/or management has been acknowledged by a number of scholars as an important feature for success (Urban 2008; Sharir & Lerner 2006; Cupido 2002; Co & Mitchell 2006), it is only a small portion of what a full education *for* and *about* (sustainability driven) entrepreneurship is believed to entail (Co & B. Mitchell 2006). Furthermore, Hall et al. (2010) cites one study that found previous business experience to actually negatively impact the success of *social* entrepreneurship, indicating that too strong of a traditional business background can actually hinder the success of certain SdEs.

In regards to the original hypotheses of this research, the very high education levels of this sample, as well as the medium correlation between the aggregate education variable and success prosperity, clearly suggests that **H2:** access to a formal education *does* stimulate sustainability driven entrepreneurship to some extent. Although many of the entrepreneurs state that they are 'learning-by-doing' as they build their enterprise, a strong educational foundation definitely plays a role in equipping them with the logic, reasoning, and rational to do so. This is particularly supported by the comments made by Jill Heyes, of Original T-bag Designs (Interview 25/4/2012), who explains that the requirements of running a business range from soliciting finance to navigating bureaucracy, which require a skill set that is just not developed without a formal education. Based on the above findings, it is clear that education plays a key role in the development of skills and capabilities that are crucial factors for running and maintaining an enterprise and thus, is a stimulating factor for the success of SdEs.

Beyond simply access to a formal education though, the findings that access to higher levels of education can actually limit the social impact of an enterprise, fully supports **H3**: the level of stimulation of success from access to formal education depends on the type of education received by the entrepreneur (i.e. specific (sustainability) entrepreneurship and/or business courses/programs). While access to a formal education is of importance, the type of education that an entrepreneur has received also appears to play a strong role in *how* that SdE succeeds. That being said, however, an interesting omission within the findings is any statistically significant relationship between the subcategories of education (*for* and *about*, motivational, and concepts of SdE), beyond a medium correlation between education on the concept of SdE and economic prosperity. While it is clear that the implementation of combination of both business skills and targeted educational programs for the concepts of SdE would serve to better equip SdEs

for greater overall societal impact, the findings suggest that specific, targeted entrepreneurial training may not be a *fundamental* requirement for success as an SdE in the Western Cape. This is further supported by the fact that most of the participants indicated during the interviews that they had little, to no formal entrepreneurial training or exposure to the concepts of sustainability driven entrepreneurship. Perhaps simply the existence of things such as pressing social and environment issues, the development of market failures, and an overall desire of the people in the Western Cape to influence change are more significant motivators than exposure to (sustainability driven) entrepreneurship during their education.

Finally, an important finding to also consider is the frequency entrepreneurs emphasized their previous business and/or managerial experience they accumulated after completing their formal education. In fact, the results show a relatively strong positive correlation between the founder's previous managerial experience and overall profit. Furthermore, throughout the qualitative data collection entrepreneur's more often specified the benefit of their practical experiences within the work place in equipping them for the challenges of running and sustaining a business. This form of experience was frequently highlighted more by the entrepreneurs than their formal educational background. The emphasis placed on this by the entrepreneur's themselves suggests that above access to education, these experiences equip entrepreneurs with the tools for enterprise success. However, as the knowledge based view suggests, learning is a dynamic, path-dependent process and while real-life experience can provide more practical and relevant experience for running a business than what one might receive in a classroom, the value of that practical experience cannot be completely separated from their prior education, as it is built and shaped by their time in the classroom. Based on the results, this dynamic interplay between a high level of education and prior business and managerial experience seems to offer an even stronger entrepreneurial skill set necessary for the success of SdEs, particularly with regard to a business's economic sustainability. This coupled with greater exposure to all three pillars of SdE would make for the greatest knowledge and skill base for engaging in SdE.

5.3 Networks

When looking closely at the significance of an entrepreneur's network on an enterprise's socio-cultural success, Sharir & Lerner (2006, 11) are correct in stating that an entrepreneur's social network is one of the venture's "most important resources". The results of the second success people model suggest that the use of formal networks is the strongest predictor of an enterprise's socio-cultural impact. Therefore, those entrepreneurs that engage in (Sd) entrepreneurial networks and industry specific organizations; attend targeted conferences, workshops and competitions; as well as trade shows and sales events are more likely to establish a business that better impacts the people both within their organization and in the surrounding community. This is not surprising considering that networking is one of the key capabilities mentioned in both the resource based view (RBV) and capabilities lifecycle approach (CLC) that contributes to a companies competitive advantage, since it can help entrepreneurs "gain skills, knowledge, and support necessary for not only breaking into a new industry, but for starting and running a new company" (Wernerfelt 1984). This strong role of networks in facilitating social impact validates at least half of **H3:** access to *formal* and informal networks stimulates success of sustainability driven entrepreneurship.

Considering that there appeared to be an equal split between the use of formal and informal networking methods, it is interesting that the use of informal methods did not yield any

significant relationship to success. One explanation for this is the fact that the use of informal networks are actually negatively correlated with the size of an enterprise and the founder's previous managerial experience, both of which show some positive relationship to profit. In addition, the use of more formalized networks such as industry conferences could better inform entrepreneurs of best practices and other steps being taken within the industry to address issues like work place equality. When thinking about the process of networking, however, it is difficult to completely separate the use of informal networks, such as previous contacts, online research, and social media platforms from the involvement with formal networking organizations and events, since it would appear that informal networking methods could facilitate the engagement with more formalized ones and vice versa. Logically then **H3:** access to formal *and* informal networks stimulates success of sustainability driven entrepreneurship.

That being said, what is really interesting about the significance of formal networking is the positive impact it has on the socio-cultural success of a company versus the negative impact that higher levels of education appears to have. The implications of this being that networking through formal methods better equips entrepreneurs with the tools and know-how to operate their business in a way that positively impacts society than obtaining higher levels of education. Thus, networks can compensate in areas where traditional education is lacking. This finding does cause some consideration for the final hypothesis of this research **H4:** that access to finance plays a larger role in stimulating success than access to formal education and informal and formal networks. Although the statistical findings only implicate networks as a stronger predictor of success than education, the idea that networks can compensate for a lack in other resources leads one to believe that in an environment where access to formal finance is hindered by multiple barriers, networks may play a larger role in stimulating success. This is also reiterated in the literature on networks, where they are hailed for their ability to assist entrepreneurs in obtaining both market and non-market resources, such as capital, labor, and reputation (Witt 2004; Sharir & Lerner 2006). Furthermore, the empirical study conducted by Aldrich, Rosen, and Woodward (1987) showed a positive correlation between a business' profitability and their access to networks (Witt 2004).

Although access to formal finance does still play a critical role, as discussed above, entrepreneurs are still finding a way to operate even when formal financing options are not available or ineffective. They are accomplishing this through the use of personal savings, bootstrapping, and by accessing a particular network: family and friends. Although there are some economic limitations to the use of informal financing, the fact that almost half of the sample (48%), where 90% of the enterprises are at least breaking even, did not seek out any form of formal suggests that entrepreneurs are able to compensate for the lack of formal financing through the use of other avenues, such as networking. Furthermore, an established network, particularly of similar enterprises, may also better facilitate access to critical formal finance at later stages in an enterprise's development. Based on this reasoning and the statistical evidence for education, the original **H4:** access to finance plays a larger role in stimulating success than access to formal education and informal and formal networks is invalid. It should instead state that access to formal and informal networks play a larger role in stimulating success than access to formal finance and education.

Unfortunately for the entrepreneurs within the Western Cape, however, the formal networking sphere, while improving, still appears to be drastically underdeveloped. Although clearly some of the SdEs are engaging in formal networking through industry-specific organizations, NGOs, and to some degree specific SdE networks, most cited that their networking activities are very minimal. This is supported by the fact that over one third of the sample indicated that their network

consisted of less than ten contacts. Furthermore, while a number of entrepreneurs communicated that they would like to engage more in networks, they also expressed frustration with the isolated and fragmented nature of industries, making it difficult to connect with other like-minded enterprises. Although there are more networking initiatives starting to develop, such as ASEN, only a very small percentage of the entrepreneurs interviewed indicated any knowledge of its existence. Given the role formal networking can play in success, initiatives such as ASEN and HubSpace not only need to be fostered and duplicated, but also need to expand their reach to include a broader range of SdEs.

5.4 Final Conclusions

As explained in the capabilities lifecycle approach, there is not just one factor that is necessary for the overall success of SdEs. It is instead a combination of resources and capabilities that interact and build off one another to lead to success. It is clear, however, that some factors can play a larger role in facilitating this success than others. With regard to the SdEs in the Western Cape, the concept of and role of SdE is definitely still in its infancy and this is clearly reflected in the resources currently available to them. While strides are being made, such as the introduction of a social entrepreneurship incubation lab at UCT Business School and the recent launch of ASEN, there are still many barriers that the Western Cape needs to overcome with regard to providing access to the necessary resources for successful SdE. The priority of these issue areas should first be given to the facilitation and promotion of both industry and entrepreneurial networks as these provide a more direct and immediate solution to helping entrepreneurs work with and overcome the limitations of the existing resources. Secondly, formal financing institutes need to provide more tailored solutions for SMMEs, improve their awareness and understanding of sustainable development trends and SdEs, and take steps to minimize the temporal demands of applying for financial support. Finally, the concepts of all three the pillars of sustainable development – people, planet, and profit – need to be better incorporated into the curriculums of tertiary education programs, as well as more hands-on practical entrepreneurial courses that better mimic and prepare for the challenges of running a business. The following section outlines recommendations for implementing each of the issue areas.

6. Discussion

6.1 Recommendations

6.1.1 Access to formal finance

It appears that there is currently a disconnect between the entrepreneurs and the formal financial institutions themselves. Peter Schrimpton of Heart Capital (Interview 21/5/2012) puts it the most clearly when he explains that "investors don't understand and entrepreneurs don't have the time [to make them]." It is clear the formal financial institutions most commonly being sought out by SdEs do not properly cater to their needs, nor do they completely understand the role that these enterprises play in society. Furthermore, the drastic difference between the number of finance resources highlighted by the ILO (2011) and what are actually being utilized by the entrepreneurs show that those institutions are not reaching and/or assisting a key pool of applicants. In order to help bridge this disconnect, two recommendations are proposed. First of all, the existing financial institutions and organizations targeting SdEs and SMMEs need to make information regarding their offerings – who they are for, what they require, when they are available, and what do they entail – more transparent and available. Perhaps it is with regard to this that the developing entrepreneurial networking scene (e.g. ASEN and HubSpace) can play a role in, as they would provide a communal platform where discussions and offerings could be made available for the exact target market. Secondly, intermediaries and other support structures need to be put in place to better assist both the entrepreneurs and investors in getting money to the right people and places. Again, as entrepreneurs already have multiple roles to play beyond being a fulltime fundraiser, these intermediaries would be able to streamline the process of connecting available funds with those in need, relieving a large part of the burden for the entrepreneur, as well as investors in both the pubic and private sectors. An example of this type of intermediary is Peter Schrimpton's Heart Capital (Interview 21/5/2012), which seeks to connect philanthropic capital and impact investments with high impact social enterprises.

Furthermore, in addition to the steps taken above, another method of improved financial support for SdEs could be the implementation of government support mechanisms to help in both the promotion of SdEs and the reduction in the high daily operation costs of running an SMME. An example of such support would be to better encourage the engagement of corporations with SdEs for both procurement and financial support, as it is clear that the ED and SED programs are not effectively assisting SdEs. Other examples include, addressing the limitations of the rigorous labor laws in order to both facilitate more job creation within the SdE community, as well as reduce financial burdens of inefficient employees; providing rebates, subsidies or more competitive pricing for the current high communication costs; or by facilitating the provision of specialized loan packages with overall lower rates. As explained by Tom Shutte of UnLtd. SA (Interview 15/5/2012), "if you are supporting society, then you should get support from society." Many of these forms of financial support do not come with any strings attached, do not require debt or risk, and do not involve other players interfering with the goals and objectives of the business, which are just a few of the concerns SdEs expressed when engaging with formal financing. A short-term solution would be to direct these benefits towards SMMEs, as many SdEs are already formally registered within this sector. However, a more long-term and beneficial solution would be to define and allow the legal registration and regulation of social enterprises, a step that is already happening in many parts of the Western World. With this registration, larger businesses

could more easily be incentivized to seek out SdEs for procurement purposes and other initiatives, such as those discussed above, directly targeting SdEs could more easily be developed and implemented.

6.1.2 Access to formal education

Based on both the qualitative and quantitative results of this research, it is clear that there is a gap in many school's curriculums with regard to education specifically *about* entrepreneurship, education motivating for entrepreneurship, as well as education conveying the concepts and benefits of sustainability driven entrepreneurship. Since very few of the entrepreneurs within this sphere are seeking out additional educational training programs, it is important that formal entrepreneurial training programs are initiated within school curriculums themselves. Within the short-term, programs should be implemented at the tertiary level, since it appears that currently those member of society engaging in this form of entrepreneurship are already seeking out higher levels of education. Furthermore, students are more focused during the tertiary levels of school on their career paths than at earlier stages. As a long-term goal, however, targeted entrepreneurial training programs that instill skills and encourage entrepreneurship, as well as the concepts of sustainable development and the value of SdE, should be implemented at earlier stages of education to further foster a culture of (sustainability driven) entrepreneurship in the Western Cape and South Africa. Furthermore, by integrating these ideals at lower levels of education, entrepreneurial activity can better be encouraged for all members of the South African society and not just those with access to higher education.

In establishing the tertiary education programs, as well as future primary and secondary school programs, it is important to consider the role of previous business and/or managerial experience as a component for successful SdE. The emphasis on these experiences by entrepreneurs, suggests that the most valuable education tool for (Sd)E success would be to incorporate more hands-on, practical experiences within the classroom. This could include increased partnerships and/or projects with existing SdEs, such as assisting in the development of a business or marketing plan, having guest lectures from the founders of SdEs, or short-term internship opportunities. A primary example of a step in this direction is the practical innovation lab for social entrepreneurship that will be offered to MBA students at UCT Business School this fall. This program seeks to offer a multi-disciplinary approach to the role of social entrepreneurship, coupling theory with engagement with experts and field time to encourage learning by doing[31].

6.1.3 Access to formal and informal networks

The issue of improving access to formal and informal networks is challenging considering the concept of networking is still not fully understood by many SdEs in the Western Cape. Furthermore, many of the entrepreneurs expressed that they have very little time to engage in networking activities. While the generation of more formal networking platforms such as ASEN and other SdE and SMME targeted networking is definitely a step forward in facilitating better access to formal networks, a more pro-active approach must also be taken by initiatives to involve entrepreneurs. Entrepreneurs do express drive to engage with like-minded individuals, they just are unsure where or how to find them. As a short-term solution, the targeted SdE networks should focus on attending and/or collaborating with other industry-specific alliances and organizations with whom SdEs appear to be most frequently engaging with. Furthermore, government should make stronger effort to organize events, seminars, and focus groups within

[31] http://www.gsb.uct.ac.za/s.asp?p=389 viewed on August 8th, 2012.

the SdE space to allow for more opportunities for entrepreneurs in this space to engage with one another, as well as with public and private entities.

Moreover, when looking at long-term solutions, the lack of understanding and knowledge of the value of networking reflects another potential gap in the education system. As access to a strong network is a key factor for success for both tradition entrepreneurship and SdEs, school curriculums need to facilitate greater awareness of the value of building one's network. In addition, knowledge should be provided about the different tools available for networking and the methods for engaging in and maintaining existing networks.

6.2 Limitations and challenges

As with all research, there were some challenges and limitations encountered throughout this research process. The greatest limitation encountered within this research was that of sample size, as a small sample size can limit generalizability and the overall validity of regression analyses. Unfortunately due to factors such as time, low participation rates in the questionnaire, as well as inappropriate interpretation of questions within the questionnaire, a larger sample size was unable to be obtained. In order to facilitate more concrete empirical analysis into this field, future researchers are advised to focus more rigorously on the completion of the quantitative data across a larger sample size and be advised that entrepreneurs in this field are more inclined to engage with you directly than through a questionnaire.

Furthermore, a second major challenge of this research was the task to reduce the real-life complexity of the societal goals associated with entrepreneurship's role in sustainable development into concrete measureable indicators for impact, a task that was deemed incredibly difficult, if not impossible by multiple authors (Mair & Martí 2006; Dees 2007). This challenge was complicated by the fact that there has been very little consensus in this field of study of what yields success and how it should be measured (Hall et al. 2010; Sharir & Lerner 2006; Short et al. 2009; Seelos & Mair 2005; Mair & Martí 2006; Cohen et al. 2008), thus providing very few examples of potential success measurements. Due to thise, there is a recognized need and recurrent call for more concrete quantitative analyses of the impact of SdEs on society (Mair & Martí 2006; Herrington et al. 2009; Hall et al. 2010; Peels et al. 2009; Dees 2007; Cupido 2002). In order to fill this scientific gap, a model was designed for this research that sought to overcome many of the limitations of previous studies and to provide a new method of impact measurement.

First of all, the use of the triple bottom line as an indicator of success was adopted to extend the impact measure beyond the more common and limited measure of profit (Parish 2010; Cohen et al. 2008; Hall et al. 2010). This was not an easy task in its self, as the concept of the triple bottom line traverses many different issue areas within each of its founding pillars. Due to the time and scope of this research only four to six indicators were chosen as units of measure for each of the variables: *socio-cultural success, economic prosperity, and environmental success*. Of course many more could be added to future research to provide a stronger overall indication of an enterprise's impact. Furthermore, it is recommended for future research to avoid the use of policy questions pertaining to the socio-cultural impact of an SdE, as those are ill-suited for the low levels of employment in many of these start-ups. Questions regarding internal skills support of their employees, the existence of incentive programs, and fair and equal labor practices would provide better indicators of the internal socio-cultural success of these enterprises.

The second step to overcome limitations to previous research was the use of both internal and external indicators of impact, in order to include the impact of an SdE beyond the enterprise level. This is particularly valuable, as a large part of the recognized value of SdEs is their broader impact on both society and the environment (Gibbs 2009; S. Schaltegger 2002; Alvord et al. 2004; Seelos & Mair 2005). Regardless of these efforts, this was still exploratory research and it is possible that the particular indicators chosen may not be those best suited to capturing total impact. That being said, the hope is that this model can at least serve as a stepping-stone to the future generation of stronger impact measurement models for the success of SdEs.

6.3 Proposals for future research

First of all, while this research sought to encompass the broad range of SdEs that can emerge in multiple sectors of society as a way to better capture and understand the overall role of SdEs in the Western Cape, there is value in taking a narrower view. Different industries can face different barriers and may require access to different resources, such as seen in very different experiences encountered in accessing finance for the more traditional industries versus small niche SdEs. Therefore, valuable insight could be gained from continuing this line of research with an industry-specific focus.

Along a similar line, another stream of valuable future research would be one that took a narrower approach with regard to the specific impact of either social or environmental entrepreneurship. As was seen in the literature review, there are a number of distinguishing features between the goals and motivations of entrepreneurs operating in those two spaces, particularly with regard to societal impact as being a means or an end. Similar characteristics to Schaltegger and Wagner's (2011), entrepreneurial typologies (Figure 2.1) were seen throughout the empirical research process. Just as these enterprises express different characteristics, it also became clear, particularly through the qualitative aspect of this research, that they at times require access to different resources and/or face different barriers in obtaining them. While ideally the goals of sustainable development would simultaneously be adopted by all enterprise's, there is a powerful role for both social entrepreneurs and environmental entrepreneurs as instruments of change and further research into the specific needs of each of these forms of entrepreneurship would better serve to facilitate their development, success, and impact.

Furthermore, based on this research and other research into the field of SdEs within the Western Cape (e.g. Steinman 2010), it is clear that members of the first economy particularly dominate the SdE space. Furthermore, the fact that this research focused solely on registered, formal SdEs, may have further influenced this finding. According to Ralph Hamann and Francois Bonnici (Interview 30/2/2012), the formal economy is working very well for those who have access to it. Based on the social struggles of South Africa to overcome major unemployment rates and further empower those members of society that were previously disadvantaged, it would be of further value to research the existence of informal social and sustainability driven enterprises or initiatives within the second economy. Particularly of interest, would be what the driving forces are behind these initiatives – whether they are started from within the community or initiated by an outside member of first economy. Furthermore, as many of the recent government initiatives have been designed to target the empowerment and economic stimulation of members of this economy, it would be of particular interest to measure the overall impact of these efforts in order to facilitate greater support of SdE and entrepreneurship as a whole within this level of the economy.

Finally, although most of the participating entrepreneurs have not received any formal entrepreneurship training themselves, many of them dedicate both their entrepreneurial efforts as well as independent efforts specifically to the promotion of education as a means to encourage sustainability and to empower people. Examples of this include the more socially oriented enterprises that seek to further educate people either through a mentor to employee model within the organization or sponsorship for employees to receive outside training courses. Furthermore, multiple entrepreneurs also expressed that they worked closely with academia, as well as other private organizations and events, and frequently volunteered their time to either give a guest lecture or even teach a course. Based on these efforts an interesting, targeted study of SdEs would be to analyze their overall impact on the educational development of specific communities.

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APPENDIX 1 | Sample selection of joint database for success factors for SdEs

NOTE: while the table only shows literature relevant to SA and Africa, we did also look at international articles in order still maintain a broad and inclusive overview, however, as this research is based in SA a greater emphasis was put on research conducted there or in other relevant nations.

Author(s)	Focus Area of Research	Success Factors	Conclusions
Ras & Vermeulen (2009)	The export potential of the table grape industry in SA and the influence of business-to-business interaction on the industry (SSCGS).	Entrepreneurial characteristics that influence environmental performance and profitability: 1. Innovativeness 2. Responsiveness 3. Adequate management 4. Business networking 5. Market timing	1. Environmental performance is driven by: innovativeness and responsiveness to the dynamic market, together with network participation and responding to the market dynamics. 2. Economic performance driven by: internal management skills and market timing 3. SSCGS has positive effect on performance, but more research is needed.
Visser (2011)	Overview of the social entrepreneurship in SA – what is it, why does it happen, typology, the significance of the GEM report, and features four case studies	Stimulating Factors: 1. High industrialization and productivity, with growth opportunities for small entrepreneurs 2. Financial Capital 3. Increase in economic activity based on economies of scale 4. (indirectly mentioned) endorsement by government Inhibiting factors: 1. cultural: narrow-minded and isolated attitude in SA, the role of social entrepreneurship is not recognized or rewarded 2. Not incorporated in education system (universities)	Social entrepreneurs act as socially and economically stabilizing forces in the communities they serve, however, thus far they have received inadequate attention. Areas that need addressing are: fostering the awareness of social enterprises, integrating social entrepreneurship into the education/university system, and entertaining similar government endorsements as have been seen in Europe and the UK.
Sriram (2010)	Stimulating entrepreneurship in Africa – factors that contribute to (1) the start-up and (2) success of new business ventures in Africa	1. Capital 2. Personality factors (i.e. individual drive and competency) 3. Availability of resources 4. Effective policy 5. Facility in preferred location 6. Competition/market 7. Having a business plan 8. Focusing on customer service/customer relations	Highlight that in order for successful entrepreneurship, the right business climate is needed, education and training are a must, and through policy the gender gap must be reduced. Government should also play a role via 'incubators' to assist start-ups.

APPENDIX 2 | List of participants

Organization	Interviewee	Position	Date of interview	Questionnaire
Sustainability Driven Enterprises:				
BottleCraft SA	Jo Kearny	Founder	13 March 2012	Yes
Blue North	David Farrell	Co-founder and Partner	15 March 2012	Yes
The Green Cab	Amiene van der Merwe	Co-founder and Marketing Director	15 March 2012	No
Malcolm Worby Design + HAPPI	Malcolm Worby	Consultant and Founder	17 March 2012	No
Derrick	Myles Hoppe	Co-founder and 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 Hattingh	Founder	29 March 2012	Yes
Atlantic Plastic Recycling	Steven Cheetham	Founder and Manager	02 April 2012	Yes
GreenEdge	Hugh Tyrell	Founder and Director	03 April 2012	Yes
Scarecrow Organics	Irene de Beer	Co-Founder and Owner	04 April 2012	Yes
Khayelitsha Cookies	Adri Williams	Sales & Marketing Manager	05 April 2012	Yes
Oude Molen Eco-Village	John Holmes	Member of managing committee	03 April 2012	No
Incite Sustainability	Jonathan Hanks	Founder and Director	04 April 2012	Yes
Spier	Gerhard de Kock	Finance Director	16 April 2012	Yes
Green Life Store (Vegware SA)	Natashia Fox	Owner and Founder	18 April 2012	Yes
Reyneke Wines	Johan Reyneke	Owner and Founder	19 April 2012	No
Proudly Macassar Pottery	Johan de Meyer	Founder and Manager	23 April 2012	Yes
Living Green	Sam Adams	Founder, Owner and Director	24 April 2012	Yes
Thandi Wines	Vernon Henn	General Manager	25 April 2012	Yes
Original T-Bag Designs	Jill Heyes	Founder and Director	25 April 2012	No
Food Shed	Liz Metcalfe	Founder	26 April 2012	Yes
ProNature	Bernhard Lembeck	Founder	02 May 2012	Yes
Icologie	Andy le May	Founder and Managing Director	03 May 2012	Yes
Green Renaissance	Michael Raimondo	Founder and Director	03 May 2012	Yes
Turqle Trading	Rain Morgan & Pieter Swart	Founders	13 May 2012	Yes
Green-Diesel	Craig Waterman	Founder, Owner, and General Manager	09 May 2012	Yes
Burchells Foods	Debbie Alcock	Founder and Managing Director	14 May 2012	Yes
Lutzville Training Center	Johan Muller	Founder and member of the board of directors	15 May 2012	Yes

Carbon Calculated	Alex Hetherington	Co-founder and Consultant	15 May 2012	Yes
CocoaFair	Antonino Allegra	Co-Owner and founder	16 May 2012	Yes
Hemporium	Tony Budden	Co-founder	22 May 2012	Yes
RLabs	Clinton Liederman	PR & Communications Manager	30 May 2012	Yes
She's the Geek	Monique Ross	Co-Founder	30 May 2012	Yes
African Shark Eco Charter	-	-	-	Yes
greenOFFICE	-	-	-	Yes
Greenpop	-	-	-	Yes
Industry Experts:				
Business Partners	Jeremy Lang	Area manager	03 April 2012	No
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