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INYUVESI YAKWAZULU-NATALI

Towards a rural entrepreneurial ecosystem:

A study in Butterworth, Eastern Cape, South Africa.

by

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DECLARATION FORM

I, Liju Mathew Joykutty, declare that:

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Signature Date

DEDICATION

To my Creator, the Father, who gave His only Son for me

To my Friend and Faithful Guide and, above all, my Lord & Saviour Jesus Christ, in whom all wisdom resides

To my Comforter who leads me into all Truth

To a humble but exemplary visionary whose wisdom still guides me today, my father Mathai Joykutty, who went to sleep but whom I long to see at the resurrection morning!

To my dearest mother Elizabeth Joykutty, whose courageous, unconventional and bold spirit empowers me.

To my dear father-in-law Jacob Jayarajan, thank you for the daughter you gave me, I long to walk with you by the crystal river and have our heart-to-heart chats.

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ABSTRACT

The emerging phenomenon of entrepreneurial ecosystems holds promise as an effective solution to addressing the challenge of high unemployment and improving the economic climate, especially in rural areas such as the province of the Eastern Cape. The Eastern Cape province has one of the highest unemployment rates in the country. It is especially high amongst the youth. The entrepreneurial ecosystem approach aims to create a vibrant entrepreneurial climate that fosters productive entrepreneurship. This qualitative study explores the entrepreneurial ecosystem context in Butterworth, a small rural town in the Eastern Cape, South Africa. The town of Butterworth was a thriving industrial town under the apartheid regime. However, post-apartheid, Butterworth experienced an exodus of large manufacturing firms, including South African Breweries and PEP textiles. Using semi-structured interviews, local entrepreneurs in Butterworth were approached as a basis for exploring the entrepreneurial ecosystem construct unique to the town of Butterworth. Data analysis was guided by the entrepreneurial ecosystem conceptual frameworks of Isenberg (2011), Stam (2015), Spiegel and Harrison (2018), Cao and Shi (2020) and finally, Aguilar (2021). The study provides empirical evidence of an entrepreneurial ecosystem construct of a typical rural town, with insights as to the weaknesses that impede a strong and well-functioning entrepreneurial ecosystem. The findings reveal that the Butterworth entrepreneurial ecosystem is at a nascent stage achieving weak entrepreneurial activity. The primary reasons for this are the poor interactions within its ecosystem actors and elements, restricted access to financial resources and lack of effective leadership in coordinating key stakeholders' actions. The findings draw attention to areas of focus that require immediate attention by policymakers and entrepreneurship custodians. It challenges the current mindset and invites an entrepreneurial ecosystem approach to be embedded in all forms of planning at all levels of government and key stakeholders whose mandate is economic development and enterprise development. An emerging insight is the possible prevalence of political entrepreneurship and corruption as a key impediment in the Butterworth entrepreneurial ecosystem. The insights and recommendations provide policymakers and entrepreneurship stakeholders at the national, provincial and municipal levels with empirical data to implement an entrepreneurial ecosystem approach that will contribute to higher levels of entrepreneurial activity and achieve the government's stated goal of an "inclusive economy."

Keywords: Rural entrepreneurial ecosystem, political entrepreneurship, interactive logic, resource logic, governance logic

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1. INTRODUCTION & BACKGROUND

South Africa has one of the highest gini-coefficients (Statistics South Africa [Stats SA], 2022) and unemployment in the world (Stats SA, 2023). Isenberg's (2010) "entrepreneurial revolution" is an urgent need in South Africa, especially in the country's rural regions. This study explores an entrepreneurial ecosystem in a rural town in South Africa and uncovers insights and proposes recommendations for moving towards a vibrant rural entrepreneurial ecosystem.

Small, medium and micro enterprises (SMMEs) are seen as the engines of economic growth and hence the policy driver for job creation. It is no secret that in addition to the high unemployment rate of 31,9 % (Stats SA, 2023), South Africa is also one the most unequal societies in the world – a huge gap between the "haves" and the "have nots" – represented by equally a high gini-coefficient of 63,7% (Stats SA, 2022, 2023; Bowmaker-Falconer & Meyer, 2022).

Much has been posited and attempted through various government policies and interventions to accelerate new venture creation. The need for a more enabling environment has been talked about, and consequently, entrepreneurial ecosystems have, for this very reason, drawn much attention in the last decade.

Entrepreneurial activity in South Africa, especially in the rural regions, should increase to have a positive impact positively impact economic growth. Entrepreneurship is a key driver of economic growth (Acs, 2006; Acs, Audretsch, Braunerhjelm & Carlsson, 2012; Content, Bosma, Jordaan & Sanders, 2020) and forms an anchor stone to economic development in Africa (Sheriff & Muffato, 2015; SAB, Gray & Orbis, 2017). There is a better appreciation of the relationship and interconnectedness between economic development and entrepreneurship (Toma, Grigore, Marinescu, & Finance, 2014).

Entrepreneurial ecosystems are an emerging view of revolutionising a community's entrepreneurial activity (Isenberg, 2011; Mason & Brown, 2014; Neck, Meyer, Cohen & Corbett, 2004). The entrepreneurial ecosystems approach has emerged as the fashion fad in approaching regional economic development (Spigel & Harrison, 2018). The positive impact of a vibrant and healthy entrepreneurial ecosystem includes job creation, improved household

incomes, igniting economic growth, reversal of social decline and, believe it or not, reduced crime rates (Atiase, Mahmood, Wang, & Botchie, 2018; Roundy, 2017; Asongu & Tchamyou, 2016; Welter, Trettin & Neuman, 2008).

The entrepreneurial ecosystem approach has become a universal concept and the bedrock or benchmark for the development of entrepreneurship policy in most countries around the world (Sheriff et al., 2015). The entrepreneurial ecosystem approach as a new economic development strategy has been endorsed by the World Economic Forum (WEF), the Organization of Economic Co-operation and Development (OECD) and the Kauffman Foundation (Nicotra, Romano, Del Giudice, & Schillaci, 2018; Spigel & Harrison, 2018).

The national entrepreneurial ecosystem of South Africa is currently quite weak as evidenced by a recent ranking of 50 countries, where South Africa ranked a very poor 45th (Bowmaker-Falconer & Meyer, 2022). The Global Entrepreneurship Monitor South Africa (GEM SA) uses a National Entrepreneurial Context Index (NECI) as a metric to express the "average state and quality of the entrepreneurial ecosystem in any one country and compare it to other countries" (Bowmaker-Falconer & Meyer, 2022, page 6). South Africa's national NECI scored a low 3,7 out of 10 (Bowmaker-Falconer & Meyer, 2022). This provides an overall glimpse of the state of the South African entrepreneurial ecosystem.

However, of more significant importance is entrepreneurship in the rural context. Studies have shown that entrepreneurship in rural areas is a catalyst for rural development and improves the living standards of those in a rural context (Ngorora & Mago, 2018). The study, therefore, advocates the need for an entrepreneurial ecosystem approach and to incorporate rural regions and their context within this broad emerging framework approach to economic development. The aim of this study is to explore the entrepreneurial ecosystem through the "lived experience" of entrepreneurs in the town of Butterworth, which is located in the rural context of the Eastern Cape. The study highlights the reasons and contextual dynamics for the struggles of entrepreneurs in a rural town like Butterworth.

1.1. Background to the Study

As stated earlier, South Africa has one of the highest gini-coefficient (Stats SA, 2022) and unemployment in the world (Stats SA, 2023). The COVID -19 pandemic exacerbated the situation. The rural areas of South Africa are especially characterised by lower economic activity than its urban counterparts. This is especially more prevalent in the former Transkei region (the former homeland of the apartheid government) of the Eastern Cape province (Eastern Cape Planning Commission, 2014). While the national unemployment of South Africa was 31,9%, the Eastern Cape recorded an unemployment rate of 38,8% (Eastern Cape Socio-Economic Consultative Council [ECSECC],2023). The youth unemployment rate in the Eastern Cape was 49.2 % (ECSECC,2023). The Eastern Cape unemployment was the highest of all the provinces in the third quarter of 2023 (ECSECC,2023).

1.2. Context of the town of Butterworth

The town of Butterworth is located within the Mnquma Local Municipality and the broader Amathole District Municipality. The Mnquma Local Municipality is a Category B municipality (Area: 3 270km^2) located in the southeastern part of the Eastern Cape Province. Other towns in Mnquma Local Municipality are Kentani and Ngqamakhwe. The dominant economic sectors in this area are community (government) services, wholesale and retail trade, and manufacturing (ECSECC,2017).

However, the area is characterised by the triple challenge of poverty, inequality and unemployment and is reflected in the 44,2% unemployment rate and youth unemployment of 55,7% (Stats SA, n.d) compared with the national unemployment rate of 31,9 % (ECSECC,2023).

Butterworth in the apartheid era was a thriving industrial town of the former Transkei homeland. Post 1994, the homeland systems were disbanded and incorporated into the "new South Africa." With the disbandment, a number of economic incentives were removed, resulting in a massive exodus of manufacturing firms and skills. This resulted in a rise in unemployment and poor economic activity in Butterworth. A physical tour of the town will reveal the massive manufacturing infrastructure that remains unused, while some are deteriorating and some dilapidated.

While entrepreneurial activity is observable in and around Butterworth, there is very little productive entrepreneurship (Stam, 2015; Baumol, 1990). Productive entrepreneurship results in high-growth and innovative businesses that in turn create jobs and wealth (Spigel & Harrsion, 2018). Post-1994, the exodus of manufacturing firms resulted in more survivalist and service type businesses eg hawkers, hairdressers, motor mechanics, cell phone repair shops.

The GEM SA reports do not provide NECIs at a district municipality level for the provinces neither at a town level. Therefore, one can only deduce that within a rural context, the entrepreneurial ecosystem may be worse off than at a national level. However, it is interesting to note that according to the Eastern Cape Planning Commission (2014) Butterworth (locally known as Gcuwa) is a potential growth node for light manufacturing industries, with capacity to regenerate brown-field industry using infrastructure inherited from the old Transkei.

Well-established entrepreneurial ecosystems have shown to have positive effects on the economy in terms of job creation, household incomes, and economic growth (Atiase et al., 2018). These should be seen as a strategic tool in achieving the goals stated above at a national, provincial, and local level.

Rural areas are in need of an "entrepreneurial explosion" despite the various constraining factors that exist, such as corruption, ease of doing business, and access to markets.

1.3. Problem statement

In light of the high unemployment in Butterworth and low economic activity despite the existing manufacturing infrastructure, an unhealthy or non-existent entrepreneurial ecosystem is inferred. A vibrant and strong entrepreneurial ecosystem adapted to the rural context would significantly assist in generating entrepreneurial activity in Butterworth. Applying Stam's (2015) definition of an entrepreneurial ecosystem to the Butterworth context, there seems to be a disconnect and poor coordination or lack thereof in the "interdependency relationships" between the entrepreneurs and the various actors of the ecosystem at ground level. This, in turn, does not enable "productive entrepreneurship."

1.4. Aims and objectives of the study

The overall aim of the study is to understand the entrepreneurial ecosystem of Butterworth. The study then aims to evaluate and describe the entrepreneurial ecosystem unique to the Butterworth geographical area and discover insights that may enable policymakers and relevant stakeholders how to strengthen the current ecosystem to enhance positive entrepreneurial activity or productive entrepreneurship.

The primary objective of the study is:

To understand why rural entrepreneurs, struggle to succeed by exploring the entrepreneurial ecosystem unique to the rural town of Butterworth located in Mnquma Local Municipality of the Eastern Cape province of South Africa

The secondary objectives are:

1.4.1. To investigate which elements identified in literature as key domains or criteria of a vibrant entrepreneurial ecosystem are present or not in the rural town of Butterworth.

1.4.2. To evaluate the interactive, resource, and governance logics of the entrepreneurial ecosystem unique to the rural town of Butterworth.

The objective of this study is simpler and more focused on investigating which identified elements in literature as key domains or criteria of a vibrant entrepreneurial ecosystem are present or not present in the rural town of Butterworth.

The study then aims to evaluate and describe the entrepreneurial ecosystem unique to the Butterworth geographical area and discover insights that may enable policymakers and relevant stakeholders how to strengthen the current ecosystem to enhance positive entrepreneurial activity or productive entrepreneurship.

1.5. Research question

Why do entrepreneurs in rural areas struggle to succeed?

This research question may be expressed or expanded as:

1.5.1 What are the key elements or domains of a vibrant entrepreneurial ecosystem that are or are not present in the entrepreneurial ecosystem of the rural town of Butterworth?

1.5.2 What is the interactive logic, resource logic and governance logic unique to the

entrepreneurial ecosystem of the rural town of Butterworth?

1.6. Significance and contribution of the study

Most of the extant literature on entrepreneurial ecosystems is conceptual, with only a few empirical studies (Kansheba & Wald, 2020). In addition to the limited empirical studies, there are few studies on entrepreneurial ecosystems within a *rural* context (Aguilar, 2021). This study, therefore, rather than being an empirical study exclusively, also contributes to the body of knowledge of entrepreneurial ecosystems within a *rural* context.

The study's findings will enable a final evaluation and description of the entrepreneurial ecosystem unique to the Butterworth geographical area. This study will provide insights that may enable policy makers and relevant stakeholders to strengthen the current ecosystem to enhance positive entrepreneurial activity or achieve productive entrepreneurship.

This study may also then be considered by policymakers or stakeholders at the national, provincial, or local municipality level in the country on how to integrate an ecosystem approach in such a way that economic development includes those in the rural reaches.

Entrepreneurial ecosystems is an important emerging phenomenon which has seen a dramatic increase in scholarly articles in the last decade and more so in the last 5 years (Cao & Shi, 2020; Johnson, Hemmatian, Lanahan, & Joshi, 2022; Kansheb & Wald, 2020). Of the 51 articles studied by Kansheba and Wald (2020), they observed that the most dominant form of research was at the conceptual level (16 articles), while qualitative studies were 6 articles and 19 using case studies. It also notes that only 4 articles were within the African context and extant research is predominantly representative of developed economies rather than emerging economies (Cao & Shi, 2020).

The authors, in addition, noted that there was a need for more empirical research. (Aguilar, 2021) Aguilar (2021) argues that research on entrepreneurial ecosystems in rural areas has been neglected, resulting in entrepreneurial ecosystem models assuming their applicability in all locations irrespective of whether rural or urban. This study will confirm whether specific characteristics within the rural context confirm or need consideration in the relevance of current entrepreneurial ecosystem models proposed in the literature.

This study contributes to such empirical research and uniquely explores the experience of entrepreneurs within a rural context and an African perspective. While the government seeks to create an "enabling environment" for entrepreneurs to succeed, very little progress has been made in rural areas. Policy makers at a national, provincial, and local level, as well as researchers, can benefit from this research in designing rural entrepreneurial ecosystems to generate successful entrepreneurial activity, which will result in increased jobs and greater economic activity in the rural areas. The few instances in which rural areas cited adequate resources for things such as micro-enterprise development programs suggest that the rural component of the entrepreneurial ecosystem is *ripe for further* study and *perhaps at a fine scale*. (Cowell, Lyon-Hill, Tate, & Economy, 2018).

The premise is that every ecosystem is unique and idiosyncratic (Isenberg, 2010; Sheriff et al., 2015) makes this study all the more necessary. Examining the entrepreneurial ecosystem of Butterworth will provide unique insights as to the makeup of the various elements constituting *a rural* ecosystem. This will enable the development of a more accurate map of the prevailing entrepreneurial activities that are inhibiters or facilitators of productive entrepreneurship.

1.7. Delimitations (Scope) of the Study

The measurement of the Butterworth entrepreneurial ecosystem by determining an Entrepreneurial Ecosystem Index is beyond the scope of this study, as it is more complex and requires a more detailed analysis. This study, in addition, limited itself to the perspective of local entrepreneurs as a basis for exploring the dynamics of the entrepreneurial ecosystem of Butterworth. The researcher opted to utilise solely the lived experience of the entrepreneurs as a litmus test of the vibrancy of the Butterworth entrepreneurial ecosystem.

1.8. Assumptions

The assumption is that the entrepreneur's lived experience in the Butterworth entrepreneurial ecosystem is factual and trustworthy. The perceptions of the entrepreneurs can be corroborated and substantiated. The assumption is that the entrepreneur's lived experience is comprehensive enough to explore the entrepreneurial ecosystem of Butterworth.

1.9. Limitations of the Study

The sample size was limited to 8 entrepreneurs. The study did not attempt to perform due diligence on the statements made or the lived experience of the entrepreneurs. It also did not investigate other stakeholders or relevant institution's roles in the Butterworth entrepreneurial

ecosystem, such as the Eastern Cape Development Corporation, the local municipality and the local university, due to time constraints.

1.10. Summary/Organisation of the study

This study consists of 5 chapters, which are as follows:

Chapter 1: Introduction and Background

The chapter introduces the context and background within which the study was conducted. It highlights the context of the town of Butterworth and the need for economic revival. It then sets out the problem statement, the research objectives and the benefits of this study.

Chapter 2: Literature Review

In this chapter, the concept of entrepreneurial ecosystems is explained, as its relevance to the current South African context of epidemic high unemployment and poor entrepreneurial activity, especially in the rural regions of the country. Butterworth is an example. With under theorization of entrepreneurial ecosystems it discusses foundational entrepreneurial ecosystem frameworks to form an overall conceptual understanding of what characterises a vibrant entrepreneurial ecosystem. Nuances with respect to literature on rural entrepreneurial ecosystem are also examined.

Chapter 3: Research Methodology and Research Design

In order to understand the entrepreneurial ecosystem of Butterworth, the lived experience of local entrepreneurs was considered useful and appropriate, as the key actors of an entrepreneurial ecosystem are the entrepreneurs. This study is premised on a qualitative research paradigm, and the chapter sets out the research design and why semi-structured interviews were used as a data collection tool.

Chapter 4: Data Presentation and Data Analysis

This chapter presents the data collected and the findings arising from the data analysis. The conceptual frameworks used in the data analysis are set out. The data analysis paints the emerging picture of the entrepreneurial ecosystem unique to the town of Butterworth. Insights into the Butterworth entrepreneurial ecosystem are captured and analysed.

Chapter 5: Summary, Conclusions and Recommendations

The findings from Chapter 4 are then synthesised and presented as conclusions in this chapter. Arising from these conclusions, the chapter sets out recommendations that may be considered by policymakers and stakeholders at a national, provincial and local level as a basis for achieving productive entrepreneurship or vibrant entrepreneurial activity, especially in the rural regions of the country.

In the next chapter, the conceptual construct of entrepreneurial ecosystems is discussed with respect to extant literature and highlights why the entrepreneurial ecosystem approach holds promise as a solution to the South African context of high unemployment and poor entrepreneurial activity. It widens the scope to include nuances with respect to entrepreneurial ecosystems within a *rural* context.

2 LITERATURE REVIEW

2.1 Introduction

The objective of this chapter is to unpack the entrepreneurial ecosystem concept with reference to extant literature. Entrepreneurial ecosystems has elicited huge interest in the last decade to those in practice, policymakers and scholars (Cao & Shi, 2020). The study of entrepreneurial ecosystems is a global phenomenon (Bruton, Ahlstrom, & Obloj, 2008; Cao & Shi, 2020) Since the entrepreneurial ecosystem concept is relatively new, no unanimous definition exists and the chapter first attempts to analyse the key characteristics of the various entrepreneurial ecosystem definitions and attempts to find consensus.

Dan Isenberg and Brad Feld popularised the term "entrepreneurial ecosystem" (Spigel, 2016; Cowell et al., 2018)). Isenberg (2010) in his *Harvard Business Review* article "How to Start an Entrepreneurial Revolution" and Brad Feld's book "Startup Communities" basically posit that an enterprise embedded in an ecosystem enjoys higher chances of success (Jha, 2018).

As the concept of entrepreneurial ecosystems is under-theorised, the conceptual frameworks underpinning the concept are examined and analysed. The key characteristics of a vibrant entrepreneurial ecosystem are then identified. How entrepreneurial ecosystems are relevant and beneficial to the South African context and especially the rural context is explored. The overwhelming extant research however has its focus on developed economies or urban geographical areas which excludes emerging economies or rural contexts (Roundy, 2017;Cao & Shi, 2020;Aguilar, 2021) . Therefore, the literature review includes a highlight on unique insights into emerging economies and rural entrepreneurial ecosystems.

But before the entrepreneurial ecosystem construct is explored, the next section sets out how the researcher embarked on collecting the body of knowledge necessary for this study. The chapter begins by laying out the body of knowledge surveyed using a systematic literature review approach. It then proceeds to examine definition of an entrepreneurial ecosystem addressing also the aspect of "rurality". Central to this study are the conceptual frameworks and models that are unpacked in this chapter highlighting the key features and elements of a strong entrepreneurial ecosystem. The chapter also cites the benefits arising out of a strong entrepreneurial ecosystem evident from extant literature. It then ends with suggestions based on extant literature on building thriving rural entrepreneurial ecosystems.

2.2 Systematic Literature Review (SLR)

A SLR was conducted in surveying the body of knowledge with respect to entrepreneurial ecosystems. Since this study is exploratory in nature and follows a qualitative research design, it was essential that an in-depth study of available research be conducted. SLRs are more exhaustive and scientific in nature and enhance quality, validity and replicability of the literature review.(Cook, Mulrow, & Haynes, 1997; Xiao, Watson, & Research, 2019). Entrepreneurial ecosystem researchers have used a SLR approach in studying literature on entrepreneurial ecosystems and modelled their review on the Tranfield, Denyer and Smart (2003) approach (Aguilar, 2021; Cao & Shi, 2020; Kansheba et al., 2020). The SLR was also conducted in a two-stage process. Firstly, to explore entrepreneurial ecosystems in a broader and universal manner and then secondly, in more narrow manner with a focus on entrepreneurship and ecosystems within *a rural context.* The literature search was conducted using the following three comprehensive data bases: Web of Science, Google Scholar and EBSCOhost. Google Scholar's search power was used for the initial scan of the entrepreneurial ecosystem landscape and identify articles aligned with specifically "rural entrepreneurial ecosystems. The Web of Science and EBSCOhost databases where then used for completeness and include gray literature, dissertations or books not found in Google Scholar. The Web of Science is one of the most comprehensive databases for academic research (Cao & Shi,2020) and since EBSCOhost searches multiple databases the search was therefore limited to these three data bases. The key papers considered were (Isenberg, 2010; Stam, 2015; Stam & Van de Ven, 2021) to understand entrepreneurial ecosystems at a universal level and (Aguilar, 2021; Miles & Morrison, 2018; Roundy, 2017) to provide a backdrop for entrepreneurial ecosystems within a rural and small town context.

The purpose of the literature review is to use extant literature as basis of exploring and developing learning points that can be applied to *a rural* entrepreneurial ecosystem. These insights in turn can inform policy makers, practitioners and scholars in their quest to create and develop a more enabling and supportive ecosystem for entrepreneurs in the rural context.

2.3 Definition of an Entrepreneurial Ecosystem

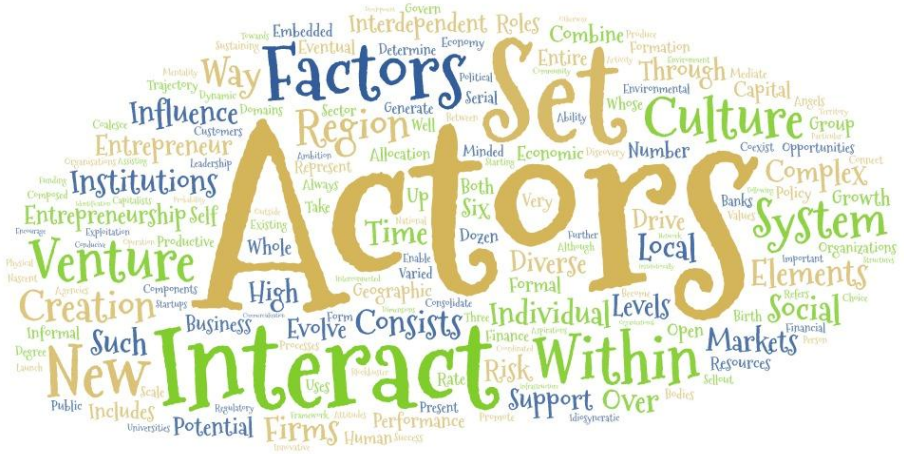
Despite the avalanche of research in the last decade on entrepreneurial ecosystems, there is no consensus on or a widely used shared definition of "entrepreneurial ecosystems" amongst academics and practitioners (Kansheba & Wald, 2020; Stam & Van de Ven, 2021; Miles &

Morrison, 2018; Stam,2015). Isenberg (2011) was the first to propose an entrepreneurial ecosystem model (Theodoraki, Dana, & Caputo, 2022). Isenberg (2010, p. 3) referred to entrepreneurial ecosystem as "a set of interconnected elements such as leadership, culture, capital, markets, human skills and support that foster entrepreneurial development."

Stam (2015, p. 1765) defines the concept of the entrepreneurial ecosystem as 'a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship'. The overlapping theme of the two definitions is the "interdependency or interconnectedness" of the "actors" (entrepreneur) to "factors" (providers of capital, funding agencies, support systems universities, professional services).

The OECD defines an entrepreneurial ecosystem as:
"a set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organizations (e.g. firms, venture capitalists), institutions (universities, public sector, financial bodies) and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms, number of serial entrepreneurs, degree of sellout mentality within firms) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment (Mason and Brown, 2014; (Cowell et al., 2018).

Cao and Shi (2020, page 101), in Appendix 2 of their study, list various definitions of the entrepreneurial ecosystem of various authors. Using Word Art, a word cloud was developed by the researcher, which is shown in Figure 1 below:


Actors
Interact
Factors
Set
Culture
System
Venture
Creation
Entrepreneurship
Institutions
Entrepreneur
Influence
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Registry
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Choice
Resources
Sellout
Bodies
Idiosyncratic

Some key words arising in the word cloud from these various definitions are "actors", "interact" and "factors". In essence, scholars tend to agree that an ecosystem has actors, factors or elements. Interactions between the actors and the elements or factors then produce entrepreneurship. Actors include entrepreneurs or enterprises, institutions such as funders, financial institutions, higher education institutions, enterprise development support agencies and incubators.

Entrepreneurial ecosystems are not to be confused with regional innovation systems (RIS) and clusters (Spigel & Harrison, 2018). Clusters are arranged or grouped together to support a specific industry, whereas an ecosystem includes multiple industries (Auerswald & Dani, 2017; Theodoraki, Dana & Caputo, 2022). Stam and Van de Ven (2021) attempt to define the term by focusing on the two components "entrepreneurial" and then "ecosystem." As the focus is on "*Rural* entrepreneurial ecosystem" the term "rural" is also defined and used in this context in its application when developing the model. The definition will now be examined in more detail under each of the following subheadings: entrepreneurial, ecosystem and rural.

a) Entrepreneurial

Entrepreneurial refers to entrepreneurship, which is a process of identifying opportunities for creating new goods and services that are explored, evaluated and exploited (Schumpeter 1934; Shane & Venkataraman,2000). Entrepreneurship is carried out by entrepreneurs. Schumpeter (1965) defined "entrepreneurs as individuals who exploit market opportunity through technical and/or organizational innovation." Sarasvathy and Venkataraman (2011) see entrepreneurs as "some people [who] are able to (are even born to) see opportunities while others are not".

Sarasvathy and Venkataraman (2011) also argue that entrepreneurship should be seen as a *method* in a way that scientific *methods* exist, entrepreneurship *methods* also exist. By extension they imply that anyone can become "entrepreneurs" if they learn the entrepreneurship *method.* This especially has huge relevance within a rural context. The context of much research with respect to the outcomes of entrepreneurial ecosystems has been with reference to "high-growth start-ups" which Stam (2015) believes is too narrow. Within the rural context, micro-enterprises and small/medium enterprises are the norm. Research has shown that if healthy entrepreneurial ecosystems exist "gazelles" (high growth firms) and "unicorns" ($billion enterprise) can be resultant outcomes. There is a stereotypical thinking that "rural" implies agribusiness ventures and cooperatives only. While agricultural enterprises

will be the main outcome of a "rural entrepreneurial ecosystem", the forms of enterprises and types will be determined by the extent and vibrancy of the "rural entrepreneurial ecosystem." A healthy ecosystem is able to attract big firms into it which in turn will strengthen the ecosystem (Auerswald & Dani, 2017; Spigel & Harrison, 2018; Stam & Van de Ven, 2021).

A key assumption is that the output of a vibrant entrepreneurial ecosystem is productive entrepreneurship (Schumpeter,1934) which leads to innovation and betterment of society (Stam, 2015). Yet, not all entrepreneurship leads to economic growth and not all entrepreneurship is productive in nature (Baumol, 1990). Baumol (1990) identified three types of entrepreneurships: productive entrepreneurship, unproductive entrepreneurship and destructive entrepreneurship. He argues that the motive for "entrepreneurship" is not necessarily "innovation" but can be purely to make money. The pursuit to "make money" may involve unproductive or unhealthy methods. He also referred to some entrepreneurs as "parasitical", in that through their nearness to the state are able to exploit these relationships to their advantage. His study further referred to this type of entrepreneurship as "rent-seeking" behaviour. He also identified organised crime as a form of entrepreneurship but of a destructive type.

Within our own South African paradigm, the state capture process seems to imply and confirm Baumol's unproductive form of entrepreneurship at play. In South Africa, this phenomenon is sarcastically referred to as "tender-preneurship". The ecosystem model discourages such entrepreneurship and seeks the "productive type".

b) Ecosystem

The ecosystem represents an "environment" (Dubini, 1989) that acknowledges that the entrepreneur is not the sole actor but that there are various role-players and elements that in "combination" (Spigel, 2017; Stam, 2015; Isenberg, 2010) through "interactions" and "interdependencies" (Stam & Van de Ven, 2021) create conditions favourable for entrepreneurship to thrive. This conducive environment or ecosystem is characterised by the presence of early-stage customers or markets; providers of capital or finance; professional service providers such as lawyers, accountants, and engineers; universities that can provide intellectual capital and human capital; and trained and skilled employees. Isenberg (2010) mapped the ecosystem into six domains which are:

1) culture (societal attitude towards entrepreneurship, societal attitude towards willingness to take risk and stigma associated with failure),
2) policy (government policy regulations towards enterprise creation and support),
3) finance (access to appropriate finance and capital),
4) support (infrastructure support, professional services, incubators)
5) human capital (entrepreneurial talent and employee skills)
6) markets (customers and networks)

c) Rural

Pato and Teixeira (2016, page 6) define rural areas as follows:

"…rural spaces extend over regions and areas presenting a variety of activities and landscapes that comprise natural countryside, farmland, villages, small towns, regional centres and industrialized rural areas and incorporate a wide range of activities like farming, commerce, services and small and medium industries."

The Eastern Cape Planning Commission (2014, page 59) in the Provincial Development Plan captures "rurality" as follows:

This racially differentiated expression of rurality is reflected in our approach to rural development. In the day-to-day consciousness of many, "rural" and "people in rural areas" refers not to the "white, commercially developed rural areas", but to the "black, poor, underprivileged and remote former homelands".

Since Butterworth is located in the former homeland of Transkei, which now is Eastern Cape, the Eastern Cape Planning Commission's concept of "rurality" is adopted as the lens through which the rural entrepreneurial ecosystem is studied.

2.4 Models, Conceptual Frameworks and Theoretical underpinnings

Theoretically, entrepreneurial ecosystems have been under-theorized (Cao & Shi, 2020; Cho, Ryan & Buciuni, 2022; Fubah & Moos, 2021) and the concept is still very new (Kansheba & Wald, 2020). As stated earlier no unanimous definition exists on entrepreneurial ecosystems (Stam, 2015) and no single conceptual framework has been developed (Fubah & Moos,2021). Most research has been descriptive and conceptual in nature.

Consequently, attempts in trying to ascertain causative dynamics between various elements in an entrepreneurial ecosystem have been lacking. There is currently no entrepreneurial

ecosystem theory that can be applied to varying contexts (Fubah & Moos, 2021) especially the rural context (Aguilar, 2021). Spigel (2017) attempted to describe entrepreneurial ecosystems from a process theory perspective while Stam and Van de Ven (2021) used a systems approach. Due to the very complex and dynamic dimensions to an entrepreneurial ecosystem, Fubah and Moos (2021) proposed mapping relevant theories in accordance with the key characteristics of an entrepreneurial ecosystem. They posit that as an entrepreneurial ecosystem mimics a biological ecosystem, the ecosystem maybe viewed from a systems theory perspective.

Further they posit, as complex interactions, interdependencies and relationships arise between the entrepreneur and the various elements of the entrepreneurial ecosystem, the following theories are relevant in explaining or understanding entrepreneurial ecosystems: network theory, social capital theory, stakeholder theory, knowledge spillover theory and resource dependence theory.

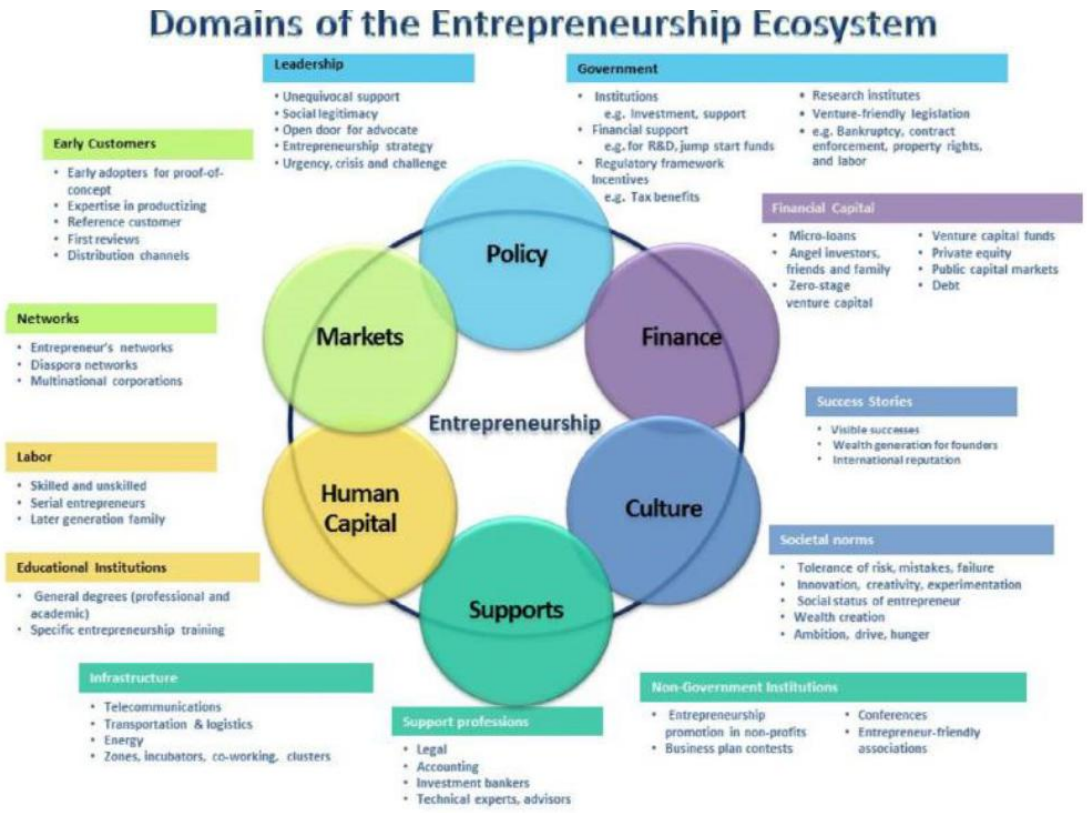
However, since currently the field of entrepreneurial ecosystems is yet to develop on the theoretical front, it is important to examine principles arising from various conceptual frameworks or models. For the purpose of this study, the word "models" or phrase "conceptual frameworks" are used interchangeably.

2.4.1 Basic ingredients of a vibrant entrepreneurial ecosystem

An internationally recognised, popular and prominent model for building a thriving or vibrant entrepreneurial ecosystem was developed by Daniel Isenberg. Daniel Isenberg, Professor of Entrepreneurship Practice at Babson Executive Education and founder of the Babson Entrepreneurship Ecosystem Project (BEEP) is author of the popular Harvard Business Review article *"How to start an entrepreneurial revolution"* (Isenberg, 2010).

Kansheba and Wald (2020) note that his framework has become the foundation for a number of academic studies (Kim, Cho & Rhee, 2020; Mack & Mayer,2015; Stam,2015). It also noteworthy that Kansheba and Wald (2020) used Isenberg (2010) as a guide in their data analysis. Isenberg (2010) model argues that the presence of six domains – availability of finance, human capital, supportive policies and culture, market demand and professional business support services – results in positive entrepreneurship.

However, Isenberg (2010) framework is considered to be static (Jafarov& Szakos,2022) and does not demonstrate causative links to how productive entrepreneurship results. The key domains as per Isenberg (2010) framework is depicted in figure 2 below:



Source: Isenberg and Onyemah (2016, p. 62).

Figure 2: Isenberg (2010,2011) entrepreneurial ecosystem model

2.4.2 Structure of an integrative entrepreneurial ecosystem

Stam (2015) model on the other hand, reclassified the six domains into four ontological layers – framework conditions, systemic conditions, outputs and outcomes. The framework conditions and systemic conditions layers of Stam (2015) model capture the six domains of Isenberg (2010) and can be said to be the primary drivers as a collective whole that result in entrepreneurial activity or Baumol (1990) productive entrepreneurship. But Stam (2015) model adds the output layer being productive entrepreneurship which is in essence the creation of high-growth firms. The last layer of Stam (2015) model is the outcomes of productive entrepreneurship which is jobs, new products, innovation and creation of wealth.

Stam (2015) model helps us therefore to analyse the entrepreneurial ecosystem construct more holistically. Stam (2015) model has gone through some slight evolution to the current model (Stam & Van de Ven, 2021). The model is depicted visually in figure 3 below.

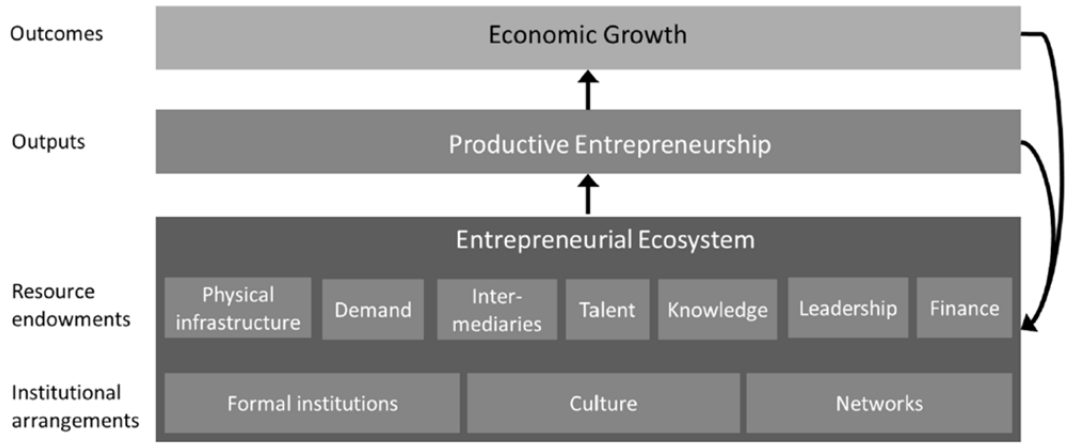


Figure 3: Four ontological layers of Stam's model (Leenderste, Schrivers, Stam 2022; Stam, 2015; Stam Van de Ven, 2021)

Both the Stam (2015) model and Stam and Van de Ven (2021) model set out the first ontological layer which are foundational prerequisites for entrepreneurship – the framework conditions (Stam, 2015) or institutional arrangements (Stam & Van de Ven, 2021). Three framework or institutional arrangements have been identified as critical for entrepreneurship. Firstly, the need for strong, supportive and effective institutions and a regulatory framework that enhances entrepreneurship. For example, strong and effective financial institutions, support organisations and government agencies. In addition, there is a need for policies or a regulatory framework that promotes and encourages entrepreneurial activity.

Secondly, the model then identifies the need for a strong supportive culture towards entrepreneurship status and entrepreneurship risk. This cultural requirement is considered a very important element (Spigel & Harrison, 2018) in order for entrepreneurship to thrive. The fear of failure and the status of entrepreneurs in society is a driving factor of whether entrepreneurship flourishes or is inhibited.

Lastly Stam and Van de Ven (2021) stress the importance of strong networks as a critical factor for creating an enabling environment for entrepreneurship. Without entrepreneurs connecting with various important stakeholders in the ecosystem, like funders, professional services and

other entrepreneurs, entrepreneurship is hindered. Poor networking and networks impede the opportunity of learning and being informed of entrepreneurial opportunities. Strong networks are what contributes to information flow. Strong networks are critical for entrepreneurial resources to flow through the ecosystem thereby resulting in entrepreneurship activity (Stam,2015; Spigel & Harrison, 2018).

The second ontological layer which Stam (2015) referred to as "systemic conditions" is the "heart of the ecosystem" (Stam, 2015, page 1766). These systemic conditions were then in the Stam and Van de Ven (2021) model referred to as "resource endowments". They are similar to Isenberg (2010) six domains. However, they second layer implies upward causation from the foundational prerequisites referred to earlier as framework conditions of institutional arrangements (Stam, 2015; Stam & Van de Ven, 2021). These resources that are considered the "heart of the ecosystem" are: market demand, leadership, finance, talent, knowledge, physical infrastructure and support services. Currently, the model by Stam and Van de Ven (2021) is considered the most developed and of a sound structure (Jafarov & Szakos, 2022).
One of the key features of the Stam (2015) model is the output of an entrepreneurial ecosystem being Baumol's (1990) productive entrepreneurship.

2.4.3 Evaluating entrepreneurial ecosystems strength and functionality

Considering the under-theorisation and lack of empirical studies (Kansheba & Wald, 2020; Stam, *2015;* Spigel & Harrison, 2018) the call made by Stam (2015) to a single unified theory that underpins the entrepreneurial ecosystem construct led Ben Spigel and Richard Harrison to conceptualize and theorize entrepreneurial ecosystems from a process perspective (Spigel & Harrison, 2018). Their interesting and valuable contribution enables a more informed approach of evaluating the strength and effective functioning of an entrepreneurial ecosystem. Their argument is in essence that the *presence* of entrepreneurial resources is not itself the most important feature of a strong entrepreneurial ecosystem but the *flow* of these resources *through* the entrepreneurial ecosystem is equally important.

In other words, they argue that without proper *flow* of resources through the entrepreneurial ecosystem, the functioning of the entrepreneurial ecosystem will be ineffective or will not lead to increased entrepreneurial activity. The *flow* of resources was achieved by how strong *the network density* (Bell-Masterson & Stangler, 2015) was in the entrepreneurial ecosystem. Spigel and Harrison (2018) argue that resources are created through processes and

entrepreneurial ecosystems can be characterized by rich resources (munificent entrepreneurial ecosystems) or by poor resources (scarce entrepreneurial ecosystems).

Their conclusion is that where dense networks exist in a resource-rich entrepreneurial ecosystem, strong flow of resources is expected, and the result is a strong well-functioning entrepreneurial ecosystem. Spigel and Harrison (2018) go on to identify 4 specific types of entrepreneurial ecosystems. Strong well-functioning entrepreneurial ecosystem – characterized by rich resource endowments and dense networks. Arid entrepreneurial ecosystem - characterized by dense networks but poor rich resource endowments. Irrigated entrepreneurial ecosystem - characterized by rich resources endowments but poor network structure and lastly poor weak-functioning entrepreneurial ecosystem - characterized by poor resources and poor network density.

Spigel and Harrison (2018) go further to identify that entrepreneurial ecosystems do not remain static. But rather, there is an evolution that entrepreneurial ecosystems may undergo. Where entrepreneurial ecosystems are still "young" and have sparse entrepreneurial resources and poor connectivity between various entrepreneurial actors and factors within an entrepreneurial ecosystem, they identify such entrepreneurial ecosystems as being in their "nascent" stage. However, as the entrepreneurial ecosystem through certain processes attracts more resources and results in a high-growth firm which in turn will attract further resources. This iterative process of entrepreneurial activity begins to lead to a "strengthening" ecosystem which in turn can be transformed to a "resilient entrepreneurial ecosystem".

If a shock to the environment such as exodus of high-growth firms to another geographic location occurs. This may lead to a leakage of resources resulting in a "weakening" entrepreneurial ecosystem. The Spigel and Harrison model (2018) is depicted in figure 4.

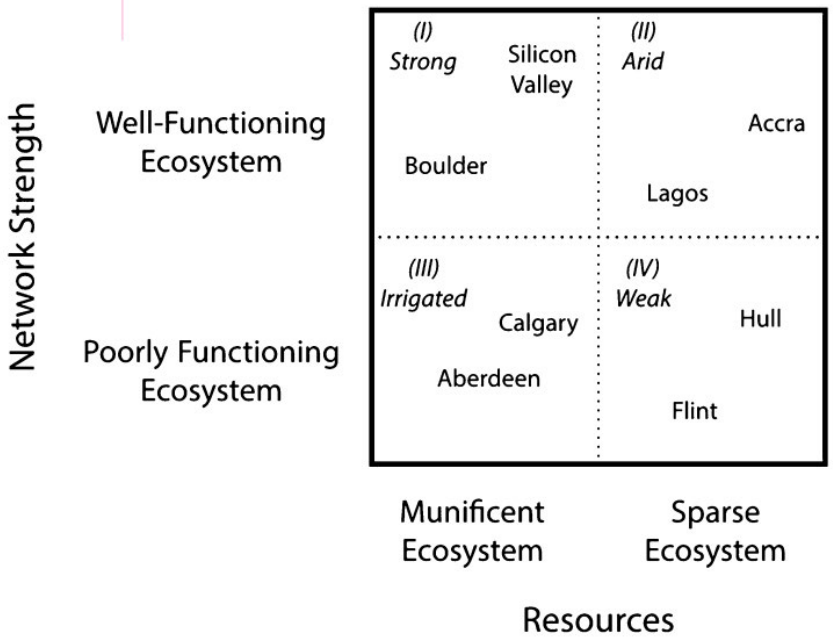


Figure 4: Spigel and Harrison model (2018)

2.4.4 Small town, emerging economies and rural entrepreneurial ecosystems

Most of the conceptual frameworks that have been developed have an urbanised (Roundy, 2017) or advanced economy premise (Cao & Shi, 2020). Aguilar (2021, page 102) refers to these approaches as "over-exclusive" in that the models currently advanced may not take into account peculiar factors found in a *rural* or *developing economy* context. South Africa is considered a developing economy, and the population of the Eastern Cape is predominately rural. Therefore, the conceptual models by Roundy (2017) on small town entrepreneurial ecosystems, and Cao & Shi (2020) on emerging economy entrepreneurial ecosystems and Aguilar (2021) – rural entrepreneurial ecosystems is of particular importance in this study.

Cao and Shi (2020) postulate that there are three specific logics that are unique and important to entrepreneurial ecosystems: interactive, resource and governance logics.

Interactive logic

As presented in the word cloud (refer to figure 1 above), the word "interact" stands out as a common feature in most of the definitions. The principle is that entrepreneurs and

interdependent elements should interact which each other to create entrepreneurship. Hence a systems (Stam & Van de Ven, 2021) and network theory view (Fubah & Moos, 2021; Isenberg, 2010) helps understand the need for strong interactions between interdependent elements of the ecosystem and the entrepreneur. Without strong interactions in the system or network, one can conclude that there will be very poor or little flow of resources – knowledge, labour and financial capital (Spigel & Harrison, 2018; Stam & Van de Ven, 2021). Strong networks imply strong interactions. The lack of strong interactions between interdependent elements constrains entrepreneurship. The existence of a strong physical infrastructure becomes important for such interaction to be facilitated (Stam &Van de Ven (2021).

Resource logic

Arising from Spigel and Harrison (2018) model and all other conceptual frameworks, the assumption is very clear that lack of entrepreneurial resources in an ecosystem, will inhibit entrepreneurship. In Cao and Shi (2020) model entrepreneurial resources are financial – sources of funding; human capital – skilled and unskilled labour; knowledge – of opportunities, processes, networks; and physical infrastructure – such as office space, incubation facilities, factory space. These resources are supplied into the entrepreneurial ecosystem by various stakeholders (Cao & Shi, 2020). Funding or finance by venture capitalists, entrepreneurs own private capital, state funding, subsidies and grants. Human capital is supplied by educational institutions, and knowledge through various social networks, educational institutions, and media.

The "resource logic "argument by Cao and Shi (2020) is that the entrepreneurial ecosystem is as a "resource allocation" system (Cao & Shi, 2020, page 81; Acs, Autio & Szerb, 2014). In other words, entrepreneurs not only seek resources (funds, human, knowledge, physical infrastructure like office space) but also recycle these resources back into the entrepreneurial ecosystem – they re-invest their own funds into other ventures, share their own experience, knowledge, and talent.

Therefore, they argue that entrepreneurial ecosystems must be an effective, efficient or a productive (Autio & Levie, 2017) "resource allocation" system. They posit the following are key principles that will enable entrepreneurial ecosystems to be productive resource allocation systems. Firstly, there must a sufficient supply of resources into the entrepreneurial ecosystem – "ample provision" (Cao & Shi, 2020, page 81). Secondly, the entrepreneurial ecosystem

should facilitate “easy access” to these resources. Thirdly, is the ability for entrepreneurs to mobilise or effectively use the available resources in the entrepreneurial ecosystem to achieve their entrepreneurial aspirations – known as “resource mobilisation” (Cao & Shi, 2020, page 81).

Governance logic

The last of key features of successful and high-performance entrepreneurial ecosystem is how leadership and management of the entrepreneurial ecosystem is executed (Autio & Levie, 2017; Miles & Morrison, 2018). Cao and Shi (2020) argue that for the resources in an entrepreneurial ecosystem to be productively allocated, effective governance of an entrepreneurial ecosystem is necessary. Understanding that various stakeholders (funders, educational institutions, government agencies, incubators, support organisations, professional advisors and consultants) contribute to an efficient and effective entrepreneurial ecosystem, Autio and Levie (2017) propose that there is a need for active stakeholder consultation and promotion of stakeholder participation in the management or governance of entrepreneurial ecosystems. The role of effectual leadership in developing entrepreneurial ecosystems is especially considered important from a rural perspective (Miles & Morrison, 2018). Miles and Morrison (2018) in their study identified that for effective entrepreneurial ecosystems to be developed a champion or champions was required. Generally, without a champion or champions, the role of coordinating the various institutions and stakeholders will be non-existent. The governance role of the entrepreneurial ecosystem should not be led by the state but rather by entrepreneurs themselves (Stam, 2015; Miles & Morrison, 2018). The key governance goal is to achieve effective coordination between stakeholders to achieve the entrepreneurial ecosystem system outcomes. The chief outcome being productive entrepreneurship.

2.5 Key features of entrepreneurial ecosystems

The following section summarises the key or important characteristics of a strong or well-functioning entrepreneurial ecosystem based on extant literature. It can be argued that these key characteristics are necessary when building or designing entrepreneurial ecosystems. Aguilar (2021) argues these same key features are necessary for strong rural entrepreneurial ecosystems.

2.5.1 Interaction or interactivity between entrepreneurs, environmental factors, resources and actors (interactive logic)

Fubah and Moos (2021) posited the following as key characteristics of an entrepreneurial ecosystem: interactions, interdependencies, relationships, processes. Within a biological ecosystem, a seed on its own is it itself unable to germinate and grow into a tree or a plant. The seed begins its fruitful journey of life only once it has been embedded into its ecosystem. Once the seed is embedded in its ecosystem, through its *interaction* with its ecosystem, life is initiated and the strength of the plant's growth is *interdependent* on the various elements of its biological ecosystem (soil, sun, water, nutrients). The key feature of *interaction* or *interdependency* in entrepreneurship is captured in the majority of definitions by various scholars (Cohen, 2006; Isenberg, 2011; Acs et al., 2014; Audretsch & Belitski, 2017) and as referred to in the word cloud illustrated in Figure 1 discussed earlier. Cao and Shi (2020) refer to this important feature as the *interactive logic*.

While the entrepreneur is the focal point of the ecosystem, it is the entrepreneur's interactions and interdependency with the actors (e.g finance institutions or funders, universities, support organisations and professional support services) and various resources (skills, networks and technology) that enable a conducive environment for successful entrepreneurship. Feld (2020) points out the importance of interactions within successful entrepreneurial ecosystems.

These relationships can be seen as symbiotic (Sheriff & Muffato, 2015). While the role of institutions is vital in an entrepreneurial ecosystem, so too the connectivity between them is just as vital (Brown & Mason, 2017). Roundy (2017) posits that within the context of a network the density and strength of ties have critical implications for functioning and strategies of an entrepreneurial ecosystem. The lack of interaction between universities and entrepreneurs was identified as a key inhibitor in the Brazilian ecosystem (Junior, Autio, Morini, Gimenez, & Dionisio, 2016).

2.5.2 Productive entrepreneurship (entrepreneurial focus)

The result or output of an entrepreneurial ecosystem are new ventures or enterprises and innovation (Schumpeterian entrepreneurs (Schumpeter,1934))which is the objective that entrepreneurial ecosystems promise to deliver (Stam, 2015; Isenberg,2010; Mason & Brown, 2014). The resulting impact of the creation of new enterprises or high-growth firms is overall economic growth, creation of jobs and societal benefits (Mason & Brown, 2014). Such benefits

include use of new technologies and access to new or better products and services. Stam (2015) includes "productive entrepreneurship" in his definition of an entrepreneurial ecosystem as the output of a vibrant and healthy entrepreneurial ecosystem. This is aligned to the Schumpeterian view of entrepreneurship. However, it is important to repeat that Baumol (1990) argued that entrepreneurship is not only confined to the "good" type of entrepreneurship – where innovation and legit enterprises are created, but rather there is also "destructive entrepreneurship" (such as organised crime) and "unproductive entrepreneurship" (rent-producing type – example what is colloquially referred to as tender-preneurship in South Africa). Within a rural context, the need to achieve productive entrepreneurship is vital for giving rise to a vibrant economy.

It is important to acknowledge that productive entrepreneurship may look different depending on the context within which the entrepreneurial ecosystem operates. For example, the output expected from entrepreneurial ecosystems in advanced economies are high-growth firms (Cao & Shi, 2020; Stam, 2015). However, small medium enterprises comprise the majority of businesses and contribute the most jobs in Africa (Atiase et al., 2018). Its therefore necessary when designing entrepreneurial ecosystems to be mindful of the type of enterprises that exist and are expected as outputs and that require nurturing. The size and type of enterprises require different levels of support (Cowell et al., 2018).

Morris, Neumeyer, Jang & Kuratko (2018, page 458) identifies the following type of enterprises:

- *Survival ventures*

  These provide "basic subsistence for the entrepreneur and his/her family", do not hold many assets, hardly operate from formal premises and may or may not be formally registered. In South Africa, they would appropriately be referred to as hawkers. They rely on personal savings or micro-loans/micro-credit for financing their ventures.

- *Lifestyle ventures*

  Lifestyles ventures are more formalised, have a "workable business model" and formalised premises from which they operate. They have a set limited number of employees and does not seek or is unable to secure expansion or growth. These enterprises tend to confine themselves to the same product offering with little innovation taking place. These could be your hairdressers, mechanics, or plumbing type

enterprises. Very little re-investment or plough-back of earnings takes place. This would be also referred to as a micro to small enterprise. Personal savings or family and friends are approached for loans or finance to start ventures. Where credit requirements are met, then local finance agencies are approached for funding.

- *Managed growth ventures*

  These enterprises are characterised by innovation breakthroughs, through the launch of new products or new markets and therefore experience growth in the number of stores and employees, have a regional presence, and a recognised brand. They could be categorised as true Schumpeterian enterprises. Due to enjoyed growth, these enterprises are known to reinvest or plough-back its earnings into expansion operations. From a job creation and economic development perspective they are very valuable to a geographical area and its own ecosystem. These would be classified as a small to medium enterprise (SME) and its markets are locally confined to a set geographical region within a province's or country's borders. These types of enterprises generally would qualify for funding from banks or similar agencies. Examples would be a typical furniture chain store, or franchise outlets.

- *Aggressive growth ventures*

  These enterprises are also referred to as innovation driven enterprises or gazelles (Cowell et al., 2018). They typically are companies marked by a strong presence of continuous innovation and high-skilled employees. Their markets are not country-bound but international and even global. Uber, Google and Tesla are but a few examples. These rely on venture and equity capital.

Within the rural context, due to a lack of high-skill density, poor or weak entrepreneurial ecosystem factors or weak or non-existent network systems, rural areas are dominated by survivalist or SMMEs. Its therefore necessary when designing a rural entrepreneurial ecosystem to be aware of the kind of enterprises requiring support and ensure the entrepreneurial ecosystem is equipped and designed to meet the needs of such enterprises. In the same breath, it must not be assumed that gazelles cannot arise within such a rural context. Rather, while the ecosystem *at a local* level may cater for SMMEs this ecosystem can easily be linked to *national* and *international* entrepreneurial ecosystems, especially through digitalisation.

Aggressive growth ventures are similar to high-growth firms (Mason & Brown, 2014) or unicorns ($1 billion start-up firms) (Acs, Stam, Audretsch, & O'Connor, 2017) is what is expected to contribute to welfare outcomes of job creation, economic growth and better quality of life for society (Stam, 2015). Stam (2015) argues that high-growth firms may be a long-term goal and too narrow and exclusive to define productive entrepreneurship from a rural or small-town context.

Therefore, within this context and understanding that entrepreneurial ecosystems undergo an evolution (Spigel & Harrison, 2018), productive entrepreneurship may also be equated with entrepreneurial activity (Stam, 2015) which may not necessarily be high-growth firms (Roundy, 2017).

2.5.3 System of factors or elements (supportive environment)

In a biological ecosystem it is common knowledge that the presence of basic but essential elements such as the sun, water, oxygen and nutrient rich soil are necessary for the support of plant and animal life. As in a biological system, entrepreneurial ecosystem literature has identified the presence of specific elements as essential or crucial for the creation, nurturing and support of entrepreneurial activity within a specific geographical space (Woolley, 2017). Sadly, as there has been no common definition and established theory to define and explain entrepreneurial ecosystems, these key elements have been expressed or classified differently. In addition, there is no unified exhaustive list of "magic" elements. The importance is not so much *which* elements are responsible for entrepreneurship but rather whether the elements *as a collective* are yielding high-growth entrepreneurship or entrepreneurial activity (Isenberg & Onyemah, 2016; Stam 2015).

Isenberg (2011) classifies all the elements or factors into six domains, which are policy, finance, human capital, culture, support and markets. Stam (2015) draws his inspiration from Van de Ven (1993) and refers to 4 ontological layers as institutional arrangements, systemic factors, productive entrepreneurship and entrepreneurial outcomes. The two layers – institutional arrangements and systemic conditions embrace the elements or factors that are the enabling factors in the entrepreneurial ecosystem. Spigel (2017) chooses to classify them into three main types of attributes: cultural, social and technological. The World Economic Forum

(WEF) refers to these factors or elements as “enablers” and categorises these enablers into , financial, personal, environmental and business (Nicotra et al., 2018).

Other forms of expressions of these elements have been “actors” and “resources”. “Actors” being the entrepreneurs, funders, institutions, and customers. “Resources” being investment capital, human capital, and physical infrastructure (Stam, 2015; Cao & Shi, 2020). Each domain in turn constitutes further elements that interact in “highly complex and idiosyncratic ways” (Mason & Brown, 2014). While each of these domains is important, access to markets, finance and quality human capital have been found to be the most important factors (Kansheba & Wald, 2020). Further, these domains are not independent of one another.

The understanding is that for the effective functioning of the entrepreneurial ecosystem, the presence or existence of these elements is critical and must be interactive (Woolley,2017;Stam & Van de Ven, 2021). In addition, the elements as a collective and an interactive system cooperate to produce an invisible climate of positive entrepreneurship. The visible output being high-growth enterprises and thereby new jobs, products and innovation also referred to as productive entrepreneurship (Stam,2015). These factors or elements in essence are the essential contributing “inherent force” or “lifeblood” (Nicotra et al., 2018) that conceives or gives birth to new firms. They enable the “accumulation of capital”(Nicotra et al., 2018) within the ecosystem that breeds new firms.

From a rural entrepreneurial ecosystem perspective, Aguilar (2021) notes that there is no unique structure relevant or different from the generic model and that the elements remain the same. It is important to understand the role of these various elements and their contribution to the overall ecosystem dynamics. Each element as is further analysed in the section 2.6 below highlighting the key principles from literature, but also in what are the learning points as far as it relates to rural entrepreneurial ecosystems.

2.5.4 Key Actors (Co-evolving stakeholders)

Each entrepreneurial ecosystem comprises key actors (Spigel, 2017). These key actors can also be referred to as entrepreneurial institutions (Kansheba & Wald, 2020). The importance of institutional support to the success of entrepreneurship is well established (North,1990; Atiase et al, 2018). All these entrepreneurial institutions will interact with the entrepreneur and each other to foster an enabling environment for entrepreneurship to flourish. These institutions can

be providing financial or non-financial support (Mack & Mayer, 2015). In essence they can be classified into the following: financial institutions, research and development institutions, educational institutions, non-governmental organisations, incubators and accelerators.

2.5.5 Hierarchical and geographical view of entrepreneurial ecosystems

In studying entrepreneurial ecosystems, extant literature has shown that entrepreneurial ecosystems have unique differences that are influenced by its *geographic* location - urban versus rural, *its size* - large city versus small town, or its *economy* - developed versus developing (Roundy, 2017; Roundy, 2019; Cao & Shi, 2020; Aguilar, 2021). The context of whether the entrepreneurial ecosystem is studied at a country, region, city, or university level is also instrumental in the architecture of an entrepreneurial ecosystem, especially *a rural* entrepreneurial ecosystem (Aguilar, 2021). This understanding of differences becomes important for policy makers at the provincial and district level in realising that policies should be uniquely designed to be aligned to the special socio-economic conditions of the rural area (Fortunato, 2014).

Studies have shown that there is an important correlation between the context of the geographical location and the level of entrepreneurial performance reflected in the levels of entrepreneurship or new ventures created (Roundy, 2017; Song & Winkler, 2014).

2.6 Entrepreneurial Ecosystem elements

In the previous section, the importance of the presence of specific elements that contributes as whole to entrepreneurship was discussed as one of the key features of an effective and well-functioning entrepreneurial ecosystem. In this section, these specific elements are unpacked to understand how each element contributes to entrepreneurship. It is important to understand that the presence of an individual element does not guarantee entrepreneurship in themselves but rather are an important ingredient when they work as a collective whole as part of an ecosystem (Isenberg, 2010,2011; Stam and Van De Ven, 2021; Mason & Brown, 2014). The individual elements that comprise an entrepreneurial ecosystem are entrepreneurs, leadership, talent, knowledge or information, support services, institutions, culture, demand, networks, finance, higher education institutions (HEIs) and finally physical infrastructure. These are now discussed in detail below.

2.6.1 Entrepreneurs

While entrepreneurial activity and productive entrepreneurship are *outcomes* of an entrepreneurial ecosystem (Stam & Van De Ven, 2021), entrepreneurs are the focal point and also important role-players for a thriving entrepreneurial ecosystem (Feld, 2020; Stam, 2015; Van Weele, Van Rijnsoever, Eveleens, Steinz, Van Stijn, & Groen, 2018; Kansheba & Wald, 2020). The importance of entrepreneurs is that they take ownership, and they lead in the development of the entrepreneurial ecosystem as opposed to other concepts such as clusters and regional innovation systems (RIS) where the state plays the lead role (Spigel & Harrison, 2018). Entrepreneurs are seen as the key actors that identify challenges and instrumental for recommending how these challenges can be overcome (Spigel & Harrison, 2018). The type of entrepreneurs, such as survivalist, lifestyle, growth as mentioned in section 2.5.2 above may weaken or contribute to the strength of an entrepreneurial ecosystem (Mason & Brown, 2014; Stam, 2015; lsenberg, 2010).

Aggressive growth entrepreneurs (Neumeyer, Santos, & Morris, 2019), ambitious entrepreneurship (Stam, 2015), unicorns or high-growth firms (Mason & Brown, 2014) are the type of entrepreneurship that strengthens entrepreneurial ecosystems and achieves the welfare outcomes such as economic growth, increased jobs, and better societal outcomes (Isenberg, 2010; Stam, 2015; Xie, Wang, Xie, & Duan, 2021). Successful entrepreneurs become an important source of inspiration and a driver in inviting newcomers to the world of entrepreneurship (Kansheba & Wald, 2020). Stories of successful entrepreneurs in turn foster a strong culture of promoting entrepreneurship (Isenberg, 2011).

From a rural perspective, the predominant type of entrepreneurship will be survivalist, and or SMMEs (Atiase et al., 2018). While most literature is from a developed economy perspective (Cao & Shi, 2020; Aguilar, 2021) and hence emphasis on high-growth firms. In African countries SMMEs contribute to a significant portion of the gross domestic product of a country and rate of employment (Atiase et al., 2018). Therefore, the importance of SMMEs cannot be ignored and can be seen as productive entrepreneurship.

2.6.2 Leadership

A champion who will coordinate various important stakeholders in an entrepreneurial ecosystem to support entrepreneurship is an important factor (Miles & Morrison, 2018). This

is important to ensure that roles and actions of various stakeholders are harmonious and cohesive in achieving entrepreneurship rather than isolated actions (Cao & Shi, 2020).

2.6.3 Talent

The availability of relevant, experienced, and talented human capital is a very important feature of any vibrant entrepreneurial ecosystem (Cao & Shi, 2020). This especially is important if high-growth or aggressive growth ventures are needed. However, in a rural ecosystem, SMMEs may not need a high-level of available talent to support entrepreneurial activity.

Universities play a critical role in the supply of talent and entrepreneurial skills (Isenberg, 2010; Kansheba & Wald, 2020; Stam 2015).

2.6.4 Knowledge or Information

Knowledge and sharing of knowledge are considered a key driver of entrepreneurship within an entrepreneurial ecosystem (Cao & Shi, 2020). Within an entrepreneurial ecosystem, knowledge of business processes (Spigel & Harrison, 2018) entrepreneurial opportunities, how to exploit opportunities and entrepreneurial resources are the starting point or the trigger to drive entrepreneurship (Cao & Shi, 2020). Spigel and Harrison (2018) argue that, while market and technical knowledge are important for entrepreneurship, knowledge of entrepreneurial processes is especially important from an entrepreneurial ecosystem perspective. Knowledge about how to identify opportunities, business planning and wooing or selling the value proposition of the business to potential investors is important (Spigel & Harrison, 2018). The role of entrepreneurial training programmes or support organisations like incubators or educational institutions are therefore important in providing such knowledge (Isenberg, 2010; Spigel & Harrison, 2018). Educational institutions especially within a rural context are relied upon as the key provider and source of entrepreneurial knowledge (Miles & Morrison, 2018). Equally important are social networks as entrepreneurial knowledge flow and entrepreneurial knowledge access is possible through such social networks (Stam, 2015; Spigel & Harrison, 2018). Understanding that rural or small-town environments may have less dense social networks (Roundy, 2017), these can be overcome by exploiting usual hang-out areas for strengthening such networks – such as information sessions at church gatherings, gym, or local municipal functions.

2.6.5 Support services

A strong entrepreneurial ecosystem will comprise of access to professional support services such as lawyers, accountants, taxation and business advisors which are found to be a necessary ingredient in advancing entrepreneurial activity (Isenberg, 2010; Atiase et al, 2018; Cohen, 2006; Kansheba & Wald, 2020). Stam (2015) classifies these support services as one of the "systemic conditions" necessary to achieve productive entrepreneurship.

While availability of these professional services is a priority, affordability (Roundy,2017; Spigel, 2017) of these services and the ability of these professionals to empathise and understand entrepreneurship challenges were important (Kansheba & Wald, 2020; Subrahmanya, 2017).

Of the support services, incubation services have emerged as a key instrument in promoting and accelerating entrepreneurship development. Many entrepreneurs lack resources financial and non-financial in the early stages of the start-up journey (Atiase et al, 2018)– whether it be cash liquidity, access to internet, transportation, business plan preparation- in order to even reach the stage of preparing funding applications. In this respect business incubators play a vital role in bridging this important gap.

Incubation in South Africa is very strong, and government has provided strong support for incubation facilities. However, access to such incubation facilities in the rural areas is still a struggle while very much needed. While incubators have proven success, there are mixed feelings that incubators in themselves are an effective solution for advancing entrepreneurial development (Isenberg, 2010).

2.6.6 Institutions or Policy

Within an entrepreneurial ecosystem it is inevitable that the entrepreneur interacts with various types of institutions.

This element describes the rules ("rules of the game", Stam & Van de Ven, 2021 page 815) in which all entrepreneurs and stakeholders of an ecosystem subscribe to. This may also be referred to as the regulatory environment. This is normally administered by the state or government. In South Africa, one may attribute this role firstly at a national level, then provincial, and lastly a local or municipal level. While excellent policies may exist at national

level, this may not translate to benefits at the provincial or municipal level. Furthermore, government may use various parastatal organisations to implement such a mandate. The effective governance of these organisations directly impacts on the implementation of national policies and therefore the entrepreneurial ecosystem at a local geographical or town level. Without efficient and quality formal institutions, entrepreneurship will be crippled (Stam & Van de Ven, 2021).

ECDC is the Eastern Cape's government economic development agency. It seeks to promote entrepreneurship and economic development at the provincial level. It has a footprint in 6 towns across the Eastern Cape with its head office located in East London. As stated ECDC is the primary institution in Butterworth that has a mandate for supporting entrepreneurial activity. ECDC mission is "To promote and coordinate inclusive economic development through innovative finance and investment solutions" while it sees itself as "A leader in facilitating inclusive sustainable economic growth" (ECDC n.d). ECDC has a bouquet of funding available for various categories of enterprises including cooperatives. Is also provides business support services.

As per ECDC's strategic plan (ECDC Corporate plan 2023/2024, 2023), ECDC embarked on a renewal strategy to enable it to be "fit for purpose" (ECDC Corporate plan 2023/2024, 2023 page 5). From an organisational and strategic management perspective, ECDC seems to have transformed itself to deliver on its mandate and is positioning itself to achieve higher levels of economic development and entrepreneurial activity.

Johnson et al. (2022) identifies how government and policy can contribute to strengthening entrepreneurial ecosystems through four important roles as catalyst, coordinator, certifier, and lastly customer. Spigel and Harrison (2018) argue that rather than the state or policies focusing on investing funds and resources in increasing number of new ventures, it should rather invest in strengthening the ecosystem, so that the ecosystem itself will generate new ventures or achieve productive entrepreneurship. Therefore, they argue, the state should rather through its policies focus on increasing the number of incubators, entrepreneurial training programs and establish funding sources such as public venture capital funds.

From a rural entrepreneurial ecosystem perspective, the challenge is that even though these policies may exist, they are biased towards *urban* geographical regions and *not rural*

geographical regions. Therefore, from a policy perspective, while in South Africa, a government department of "Rural Development and Land Reform (DRDLR)" was established the focus of this department was agrarian in nature, and resources to fund incubators was housed in the "Department of Trade and Industry (DTI)." The result of this is that there are more incubators located in the metros and urban areas of South Africa than in rural areas of South Africa.

However, in the recent past it is encouraging to observe an increase in incubators in township and rural geographical areas. But much more needs to be done especially in provinces like the Eastern Cape, which, is predominately rural, and the unemployment is acutely high (ECSECC,2023).

In South Africa, Broad-based black empowerment legislation (BB-BEE) has significantly impacted the national entrepreneurial ecosystem mainly from a transformative agenda of striving to achieve black participation in the main economy. However, from an entrepreneurial ecosystem approach, criticisms (Mbeki, 2009; Kruger,2011) of BB-BEE legislation indicate that such policies have not contributed to strengthening the South African entrepreneurial ecosystem but instead contributed to political entrepreneurship (Isenberg, 2010).

Mbeki (2009, page 61) argues that "*it [BB-BEE] strikes the fatal blow against the emergence of black entrepreneurship by creating a small class of unproductive but wealthy black crony capitalists made up of ANC politicians, some retired and others not, who have become strong allies of the economic oligarchy".*

Political entrepreneurship is a corrupt practice that arises when certain entrepreneurs who are close to the state seek benefits and have access to resources in lieu of their close relationship that the average person would not have (Belitski, Grigore & Bratu, 2021; Belitski & Grigore, 2022). Belitski et al. (2021, page 1981) note that political entrepreneurship is particularly unique to "transitional and developing economies". They continue to note that the degree of political entrepreneurship may vary from a bribe to access to contracts and resources.

In South Africa, the State Capture Commission which was held in public by the Deputy Justice of the Constitutional Court revealed the degree and wide-spread existence of political entrepreneurship in the country (PARI,2022). Belitski and Grigore (2022) indicate that this

form of entrepreneurship is the counter of productive entrepreneurship and amounts to Baumol's (1990) unproductive or destructive entrepreneurship. In essence, the existence of political entrepreneurship weakens and hinders the development of a strong or well-functioning entrepreneurial ecosystem (Stam & Van de Ven, 2021; Spigel & Harrison, 2018)

2.6.7 Culture

Entrepreneurial culture may be referred to as the "entrepreneurial spirit" (Kansheba & Wald, 2020) or the "entrepreneurial attitude" of a society. The entrepreneurial culture of a society – how society feels about business – is an important ingredient that determines the success of an entrepreneurial ecosystem. Their aversion towards risk and the risk of failure impacts on the level of entrepreneurial activity in an ecosystem. This element refers to the acceptance of entrepreneurship and entrepreneurs by the community or society at large.

The strong culture primarily amongst entrepreneurs towards risk-taking, sharing of knowledge, trust and networking are considered critical ingredients for supporting a strong and well-functioning entrepreneurial ecosystem (Argote & Miron-Spektor, 2011; Spigel & Harrison, 2018).

While it may seem that entrepreneurial culture is deeply entrenched in a society and maybe difficult to change, experiences in Ireland and Chile show that a cultural mindset can change in one generation (Isenberg, 2010). In Ireland, the existence of about 30,000-euro millionaires in 2008, led to a change in mindset from "treating a business failure as a learning opportunity instead of a personal failure or stigma" (Kshetri, 2014, page 341). This mindset change is influenced by the media or the publicity of success stories of entrepreneurs.

In South Africa, a study conducted by Stellenbosch University and GEM SA (Bowmaker-Falconer & Meyer, 2022) revealed the following societal and perceptions in 2021: About 82% of the adult population viewed entrepreneurship as a good career choice compared with only 48% in 2003. About 82% of the adult population considered that a high status was afforded to successful entrepreneurs compared with only 48% in 2003. These results were significantly higher than the global average in 2021 of 68,7% (good career choice) and 75,2 % (high status). While these findings of the study indicate a significant increase in a positive societal perception towards entrepreneurship the same study found that about 53% of the adult population in South Africa who saw good opportunities would not start a business due to the fear of failure.

However, the fear of failure in general still is one of the primary impediments globally as per the GEM (2023) Report. Therefore, a supportive entrepreneurial culture is a very important factor (Mack & Mayer, 2015) for successful entrepreneurial ecosystems (Mack & Mayer, 2015) and more so within a rural context. Stam's (2015) model, and later the updated Stam and Van de Ven (2021) model classifies the "culture" element as a framework condition and therefore a very important condition for vibrant entrepreneurial activity.

2.6.8 Demand

Entrepreneurship cannot thrive without a clear market for products and services. There must be customers who have the financial means to purchase goods and services that are offered by entrepreneurs (Stam & Van de Ven, 2021; Isenberg, 2010). Ideally the presence of a concentration of organisations, large customers or large firms provides opportunities for start-up and "entrepreneurial spillovers" that lead to the formation of new ventures (Roundy, 2017; Xie et al., 2021). However, with the advent of digitalisation, access to distant or foreign markets is now possible for rural entrepreneurs (Lloyd & Vengrouskie, 2019).

Aguilar (2021) argues that from a rural perspective, the natural resources available in a rural area provide unique entrepreneurial opportunities. Examples of such opportunities include herbal plants, farming, mining of minerals, fruits orchards, and horticulture (Aguilar, 2021). While market size may be less dense than in urban cities, there are advantages in a smaller town such as more loyal customers, and less competition (Roundy, 2017).

2.6.9 Networks

The importance of strong social networks is considered a foundational requirement for the proper functioning of entrepreneurial ecosystems. So much so that Stam's (2015) model was reconfigured to include networks as a key institutional requirement for entrepreneurship in the Stam and Van de Ven (2021) model. The presence of strong networks is what allows for interaction and connections between entrepreneurs and various actors in the entrepreneurial ecosystem. Access to the flow of entrepreneurial knowledge, finance, and entrepreneurial support is restricted without such interaction through such social networks (Spigel & Harrison, 2018). Networking can be facilitated through public support and achieved by holding information workshops, business plan competitions, and university community outreach events. Local chamber of commerce organisations are very useful in this regard.

2.6.10 Finance

Access to finance has always been identified as a necessary pillar for entrepreneurship support (Isenberg, 2010; Cao & Shi, 2020). In Africa since survivalist and SMMEs are the predominant type of entrepreneurship (Atiase et al., 2018; Sheriff & Muffato, 2015), it follows that the predominant type of finance necessary is microfinance. In their Botswana study, Sheriff and Muffato (2015) identified that lack of adequate financial schemes inhibited entrepreneurship. Therefore, availability of financial capital is not the only requisite for strong entrepreneurial activity but access to such resources (Atiase et al., 2018; Spigel & Harrison, 2018; Cao & Shi, 2020; Aguilar, 2021). Access to resources maybe restricted due to various conditions including corruption or political entrepreneurship (Belitski & Grigore, 2022).

2.6.11 Role of HEIs

The importance of universities and further education and training colleges in their contribution to entrepreneurial ecosystems has been recognised by many authors and global organizations (Isenberg, 2010; WEF, 2013; Spigel, 2017). Higher education institutions (HEIs) are an important element of an entrepreneurial ecosystem and a source of human capital, entrepreneurial knowledge and entrepreneurial training (Wadee & Padayachee, 2017, Isenberg, 2010; Kansheba & Wald., 2020). HEIs are important in that they supply human capital to the entrepreneurial ecosystem (Isenberg, 2010); they are a source of experts and entrepreneurial education (Sambo, 2018); and can be the trigger or "starting point" for the development of entrepreneurial ecosystems (Wadee & Padayachee, 2017). HEIs are seen as a hub for economic development (Hoskinson & Kuratko, 2014; Sambo, 2018). The knowledge (science, technology, commerce) and resources (infrastructure, experts, networks) embedded in universities enables them to play a vital anchor role in an entrepreneurial ecosystem if HEIs are entrepreneurial thinking in their DNA (Lehmann et al., 2020).

2.6.12 Physical infrastructure

The importance of physical infrastructure such as roads, transport networks, and telecommunications has been cited to connect with customers, suppliers, funders and various stakeholders in an entrepreneurial ecosystem (Isenberg, 2010; Stam, 2015). In a study on the importance of electricity as an input in the production process within an African context, the study showed how access to energy or reliable electricity supply was an important factor for economic growth (Atiase, 2018). Good physical infrastructure plays a role in "pooling people" together and enhancing interconnectedness and thereby fostering strong networks (Kansheba

& Wald., 2020). Within a rural context specifically, access to digital infrastructure is very advantageous to mitigate the certain limitations characterized by a rural context (Lloyd & Vengrouskie, 2019; Sussan & Acs, 2017)

2.7 Measurement of entrepreneurial ecosystems

The need for measuring the quality of an entrepreneurial ecosystem has been argued for in academic circles (Stam 2018; Nicotra et al, 2018; Leendertse, Schrijvers & Stam, 2021; Johnson, Hemmatian, Lanahan & Joshi, 2022). In the attempt to measure the quality of an entrepreneurial ecosystem, various measurement models have been advanced by academic scholars. For a while in entrepreneurial ecosystem literature, there has been no metric or empirical measure that existed or had been developed as a representative of the quality of an entrepreneurial ecosystem. Entrepreneurial ecosystems were at best being measured as "strong" or "weak" (Isenberg 2010). Rather, words or phrases such as "entrepreneurial vibrancy" (Bell-Masterson & Stangler, 2015), "strong well-functioning" entrepreneurial ecosystem (Spigel & Harrison,2018) and "ecosystem health" (Johnson et al, 2022) have been used to describe the strength or performance of an entrepreneurial ecosystem. Stam (2015) further reminds us that the health of an ecosystem should be measured with respect to whether productive entrepreneurship (high growth & innovative enterprises) is being achieved. Different authors have attempted to provide different indicators to evaluate the strength of an entrepreneurial ecosystem. Bell-Masterson & Stangler (2015) posit 4 indicators – density, fluidity, connectivity and diversity – are possible measures to evaluate the effectiveness of an entrepreneurial ecosystem to produce entrepreneurship.

Within the Spigel and Harrison (2018) model as mentioned earlier, measurement of the entrepreneurial ecosystem can be addressed from the perspective of two drivers – the *richness* of resources (munificence) in the entrepreneurial ecosystem and how well these resources *flow* through the entrepreneurial ecosystem. They argue that for resources to flow freely within the entrepreneurial ecosystem, the density of the network structure of entrepreneurial ecosystem matters. Therefore, the more "resource rich" and "denser the networks" the better the entrepreneurial ecosystem functions and is referred to as a "strong well-functioning" entrepreneurial ecosystem. The other end of the spectrum is entrepreneurial ecosystem where the network structure is sparse and resources in the entrepreneurial ecosystem are far less. This is referred to as a "weak poorly-functioning" entrepreneurial ecosystem.

Therefore, the following 4 types of entrepreneurial ecosystems can be reclassified in order of measurement strength – strongest and most vibrant to weakest and poorly functioning. Where strongest and vibrant is the best outcome to achieve Baumol's (1990) and Stam' (2015) productive entrepreneurship. Spigel and Harrison's (2018) model can therefore be presented in measurement strength from strongest to weakest as follows:

- *Type 1:* Strong well-functioning entrepreneurial ecosystem (Ideal entrepreneurial ecosystem to positioned to achieve Baumol's (1990) productive entrepreneurship)
- *Type 2:* Arid entrepreneurial ecosystem (strong network – therefore capable of strong flow, but poor in resources
- *Type 3:* Irrigated entrepreneurial ecosystem (Resource rich, but poor network density, therefore poor flow)
- *Type 4:* Weak poorly functioning entrepreneurial ecosystem

Spigel and Harrison (2018) further posit that entrepreneurial ecosystems evolves over time from a nascent stage to either strengthening entrepreneurial ecosystems or weakening entrepreneurial ecosystems. With the ideal being a resilient entrepreneurial ecosystem.

2.8 Benefits of an entrepreneurial ecosystem

The entrepreneurial ecosystem concept has experienced exponential growth in literature in the last few years (Kansheba & Wald., 2020) for a reason. One of the key benefits of a healthy entrepreneurial ecosystems promise is the positive impact on the economy through increased jobs, household incomes and economic growth (Atiase et al., 2018).

The output expected of an entrepreneurial ecosystem is high-growth firms or entrepreneurial activity (Stam, 2015). Empirical evidence indicates that strong or high-quality entrepreneurial ecosystems have a positive impact on entrepreneurial activity and growth (Content at al., 2020). The importance of entrepreneurial ecosystems is even more marked from an African perspective. Studies in Africa show that SMMEs contribute to GDP, poverty alleviation, and job creation (Atiase et al., 2018). Examples are given, that in Ghana, SMMEs comprise 92% of the businesses, contribute 85% of the jobs, and 70% of the country's GDP. In South Africa, SMMEs comprise 91% of businesses, provide 61% of the jobs, and generate 52% -57% of its GDP (Atiase et al., 2018). Isenberg (2010) cites Rwanda's quadrupling GDP per capita and meteoric jump from 143 to 67 on the World Bank's list of "ease of doing business" due to the entrepreneurship climate it created.

These benefits are especially important within a rural context. As stated earlier the Eastern Cape had the highest unemployment rate in the third quarter of 2023 (ECSECC, 2023) and is also predominantly rural. Benefits of a flourishing economy (Acs et al., 2012) increased job creation (Roundy, 2017), innovation (Schumpeter, 1934), wealth generation, and knowledge spillover (Mair & Marti, 2006) are especially important to a province like the Eastern Cape. Vibrant entrepreneurial ecosystems improve unemployment and decrease crime rates (Asongu & Tchamyou, 2016; Welter et al, 2008). But all these economic benefits have other spin-off benefits as well.

The Eastern Cape is characterised by huge outflows of migrants to the Western Cape and Gauteng (Mlambo, 2018). The predominant reason for this is the quest for better employment opportunities and quality of life (Mlambo, 2018). It is also important to note that post 1994, Butterworth witnessed a mass exodus of firms from Butterworth, especially manufacturing firms including South African Breweries (SAB) and PEP textiles. This led to massive job losses resulting in a migration surge. However, of more significance is the loss of technically and professional skills from engineers, artisans, teachers, and medical doctors.

The positive impact therefore of a vibrant and healthy entrepreneurial ecosystem such as increased job creation, improved household incomes, igniting economic growth, reversal of social decline, and reduced crime rates (Atiase et al, 2018; Roundy, 2017; Asongu & Tchamyou, 2016; Welter et al., 2008) should reverse such rural-urban migration having significant socio-economic benefits for all provinces affected. In fact, a strong healthy entrepreneurial ecosystem has the possibility of inviting resources such as new entrepreneurs, large enterprises and new financial capital into a province like the Eastern Cape.

Within a rural context rural development has become one of the focus areas of the South African government (National Planning Commission, 2012). Rural areas and small towns are characterised by social decline, unemployment, and poor living conditions. Establishing entrepreneurial ecosystems in these conditions have been found to impact positively (Asongu and Tchamyou, 2016; Welter et al., 2008; Roundy, 2017). Entrepreneurial ecosystems have also been recognised as effective rural development strategies (Acs & Malecki, 2003; Fortunato, 2014). Therefore, adopting an entrepreneurial ecosystem approach to economic

development becomes a key policy decision at a macro and micro level. In the next section we will examine the factors to consider in the building of a rural entrepreneurial ecosystem.

2.9 Building a Thriving Rural Entrepreneurial Ecosystem

Using extant literature this section sets out the key elements or unique eco-factors and principles that should be considered in the architecture of *rural* entrepreneurial ecosystems. This can be considered a suggested framework for building *rural* ecosystems within the South African context. In setting out this framework the following key pervasive principles arising out of extant literature is acknowledged:

- It is misguided and incorrect to "plug and play" best practices of another ecosystem to a certain locality or geographic location as there is no "universalist" approach – (Aguilar, 2021; Isenberg, 2010, Roundy, 2017, page 253). Isenberg (2010) "stop emulating Silicon Valley" principle. The same applies with respect to building rural entrepreneurial ecosystems. Each entrepreneurial ecosystem must be responsive to its unique context and needs. And no rural entrepreneurial ecosystem can be replicated in another location, without understanding the conditions and circumstances unique to that geographical context.
- It is important to acknowledge that ecosystem attributes in an emerging economy varies from ecosystems in an advanced and developed economy (Cao & Shi, 2020). Therefore, when considering rural entrepreneurial ecosystems, lessons emanating from emerging economies, especially from an African context, is considered more appropriate. However, the overall eco-factors are referred to in designing a rural entrepreneurial ecosystem as there is "no specific structure of rural ecosystems." (Aguilar, 2021, page 109).
- The needs of entrepreneurs in the rural context are unique compared to their urban counterparts (Cowell et al., 2018)
- The size and type of the enterprises (survivalist, SMMEs versus unicorns or innovation-driven enterprises (gazelles or unicorns) lifestyle, managed growth, aggressive (Cowell et al., 2018; Morris et al., 2018) also influences the type of eco-factors that need to be present in the ecosystem being designed. Irrespective of the geographical context, the following cardinal principles must be adhered to in order to achieve a thriving rural entrepreneurial ecosystem:
    i. Instructiveness and flow within the ecosystem elements, actors and resources (Cao & Shi, 2020; Spigel & Harrison, 2018)

ii. Effective leadership and governance (Miles & Harrison, 2018)
iii. Access to and flow of resources (Spigel & Harrison,2018)

- Aguilar (2021) posits four specificities unique to a rural context:
  i. Rural poverty- this affects two elements in the general ecosystem framework: access to finance, and market demand.
  ii. Natural resource endowment – agglomeration is at lower levels resulting in inaccessibility to certain resource endowments which are generally available in the urban areas.
  iii. Peripheral location – this lends to lead policy makers and local authorities to be biased towards poverty alleviation rather than productive entrepreneurship.
  iv. Rural cultural values – gender dynamics and motivation for entrepreneurship has a counter effect in rural areas.

2.10 Chapter Summary

The chapter examines the various definitions of an entrepreneurial ecosystem and identifies key and recurring features of the definitions. It then discusses the various conceptual frameworks and key characteristics that result in strong or vibrant entrepreneurial ecosystems. The ingredients or elements of what comprises an entrepreneurial ecosystem is then unpacked and explained. The chapter ends with measuring entrepreneurial ecosystems, benefits arising and factors to consider in building a thriving rural entrepreneurial ecosystem.

As this chapter proves the significant advantages of a vibrant entrepreneurial ecosystem and within the context of the challenges characterising the town of Butterworth as set out in chapter 1, an exploration of the Butterworth entrepreneurial ecosystem may commence.

The primary focus of the exploration is to seek answers to the question as to why entrepreneurs in the rural town of Butterworth struggle which in turn raises the two research questions as stated in chapter 1 above which are:

1. What are the key elements or domains of a vibrant entrepreneurial ecosystem that are or are not present in the entrepreneurial ecosystem of the rural town of Butterworth?
2. What is the interactive logic, resource logic and governance logic unique to the entrepreneurial ecosystem of the rural town of Butterworth?

3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the research strategy, which is qualitative in nature and accordingly the research design that underpins a qualitative study. Within the context of the problem statement of poor enterprise activity in the Butterworth area and the struggle that entrepreneurs undergo in a rural context, the chapter argues for the justification of a qualitative research strategy, sets out the research strategy and the steps taken to strengthen the credibility or trustworthiness of the study.

3.2 Qualitative Research

This study is exploratory in nature and seeks to discover the experience of entrepreneurial actors who interact within an entrepreneurial ecosystem located in Butterworth, a rural region of South Africa. The study aims to understand the "everyday lives"(Yin, 2016) of rural entrepreneurs and how they "cope in their real-world setting" (Yin, 2016). The study seeks a "contextual richness" (Yin, 2016;Yasseen, 2019) bearing in mind that circumstances within a rural context differ from that of an urban one (Roundy, 2017). Qualitative studies achieve these aims (Yin, 2016).

A qualitative research paradigm assists the reader to "feel" and "experience" the challenges that entrepreneurs face and give a first-hand account especially in areas such as corruption and difficulties in accessing finance.

Another factor considered in choosing a qualitative research strategy for this study is the issue of *relevance*, especially in connection with entrepreneurship research. For entrepreneurship research to be of impact and respected, there is a requirement for scientific rigour and *real-world relevance* (Lévesque, Obschonka, Nambisan, & Practice, 2020). To achieve this real-world relevance in entrepreneurship research is "a grand challenge"(Lévesque et al., 2020; Wiklund, Wright, Zahra, & Practice, 2019). Wiklund et al (2019) argue that while research rigor is a key requirement for quality research, it has been sacrificed at the expense of research relevance. In addition, Wiklund et al (2019) note that a lack of interaction with entrepreneurs inhibits relevance of entrepreneurship research.

The alternative to the qualitative research study is a quantitative research study. Each strategy has its own ontological and epistemological assumptions. Simplistically, quantitative research

holds a single reality and therefore objectivism as its ontological position and therefore adopts a positivist paradigm as its epistemological position (Yasseen, 2019).

Qualitative research on the other hand adopts as its ontological position constructivism and consequently the interpretivism paradigm as its epistemological position. Critics of positivism believe that this paradigm "has led to ossification and sterility" of research and that it does not enable any in-depth understanding and explanation of what is observed (i.e. it does not enable "why?" and "how?" questions to be answered) (Major & Finanças, 2017; Yin, 2016)
A qualitative research approach within an interpretivist paradigm is considered appropriate and more reflective of the "lived experience" of an entrepreneur especially within a *rural based* entrepreneurial ecosystem. The interactive experience between an entrepreneur and its ecosystem is less valuable, expressed quantitatively than when it is expressed "experientially."

In motivating for the stronger use of qualitative research in entrepreneurship, Gartner and Birley (2002) argue: "Some questions simply do not get asked, or cannot be asked, when undertaking quantitative studies. It is this conundrum (What is missing?) that qualitative research might be better suited for. How then can these ''missing'' questions be asked?". Perren and Ram (2004) have noted that qualitative methods have been gaining acceptance in the small business and entrepreneurship research community.

3.3 Research strategy

It is accepted that no generic or generalised entrepreneurial ecosystem exists, but rather every entrepreneurial ecosystem is unique to the specific circumstances and geographical area (Isenberg, 2010; Roundy, 2017; Aguilar, 2021). There is also "no specific structure of rural ecosystems for entrepreneurship" (Aguilar, 2021 page 109).

The main theme in the literature within the entrepreneurial ecosystem thinking is that the results or outcome of a vibrant and strong entrepreneurial ecosystem are a flourishing or thriving entrepreneurial activity visible in the creation of successful new ventures and increase in innovation and innovative products. As stated earlier, this is referred to a productive entrepreneurship (Baumol, 1990; Stam, 2015).
Therefore, the research question of "Why do entrepreneurs in a rural area struggle to succeed?" is couched within this established paradigm by literature that a well-established entrepreneurial ecosystem is a huge determinant in producing successful enterprises and therefore successful

entrepreneurs. It assumes the "entrepreneur's struggle" to succeed is far more probable in a "weak or nascent" entrepreneurial ecosystem (Spigel & Harrison, 2018).

In order to empirically answer the research question, it therefore first requires an exploration of what the entrepreneurial ecosystem unique to Butterworth looks like. Since no empirical study exists that describes the Butterworth entrepreneurial ecosystem, the data analysis should provide insights and pieces of the puzzle on an inductive basis. Anchored on current frameworks extant in entrepreneurial ecosystem literature the researcher opted for a four phase approach in the pursuit of exploring the entrepreneurial ecosystem unique to the Butterworth geographical space.

The research design therefore has been set out so as to explore the quality of the entrepreneurial ecosystem in existence in Butterworth using Isenberg's six domains (Isenberg, 2010) and Stam's model (Stam, 2015) as the key lens to achieve this. However further conceptual frameworks such as Spigel and Harrison (2018), Cao and Shi (2020) and Aguilar (2021) enable the construction of a more complete picture of the Butterworth entrepreneurial ecosystem. Each of the conceptual frameworks provide different perspectives which collectively assist in describing the Butterworth entrepreneurial ecosystem and providing answers and insights to the research question. The research is designed so that there are four phases in which the study will be analysed. The analysis of the four phases will then enable the construction of the Butterworth entrepreneurial ecosystem.

The four phases of construction were conducted as follows:

Data analysis: Phase 1 → Isenberg (2011) → 1st emerging picture of entrepreneurial ecosystem – What key elements are or are not present in the Butterworth entrepreneurial ecosystem?

Data analysis: Phase 2 → Stam's (2015) → 2nd emerging picture of entrepreneurial ecosystem – How does the Butterworth entrepreneurial ecosystem comply with the four ontological layers?

Data analysis: Phase 3 → Spigel & Harrison (2018) → 3rd emerging picture of entrepreneurial ecosystem – What is the strength of and is the Butterworth entrepreneurial ecosystem functioning effectively?

Data analysis: Phase 4 → Cao & Shi (2020) & Aguilar (2021) → 4th Rural entrepreneurial ecosystem peculiarities – Summary of the Butterworth entrepreneurial ecosystem.

The four phases of analysis are designed to respond to the 2 research questions of chapter 1. As a reminder the two research questions are as follows:

1. What are the key elements or domains of a vibrant entrepreneurial ecosystem that are or are not present in the entrepreneurial ecosystem of the rural town of Butterworth?
2. What is the interactive logic, resource logic and governance logic unique to the entrepreneurial ecosystem of the rural town of Butterworth?

The first research question requires investigating which key elements or domains of a strong or vibrant entrepreneurial ecosystem are present or not present in the Butterworth entrepreneurial ecosystem. The first research question therefore has two parts – the *presence* of necessary elements or domains and the *vibrancy or strength* of the entrepreneurial ecosystem. Phase 1 using the Isenberg (2011) model assists in evaluating the domains or elements *present* or *not present* in the Butterworth entrepreneurial ecosystem. Phase 2 using Stam's (2015) model is useful in not only identifying the elements or domains not present but add the benefit of also evaluating the *effectiveness or strength* of the Butterworth entrepreneurial ecosystem. Stam (2015) model however measures strength or vibrancy from the interaction between the four ontological laters. Phase 3 utilising Spigel and Harrison's (2018) framework focuses also on the vibrancy and effectiveness of an entrepreneurial ecosystem, however from the perspective of the *flow* of resources and *network density* within the ecosystem. Phases 1, 2 and 3 therefore will provide the necessary data to respond to research question 1. However, it must be noted phases 1, 2 and 3 are useful and build towards then responding more clearly to research question 2. In other words, data analysed under phases 1, 2 and 3 will provide evidence in evaluating the interactive, resource and governance logics in phase 4 using Cao and Shi (2020) model.

The Cao and Shi (2020) model can be seen as a final summary of phases 1, 2 and 3 and assist in then constructing a final picture of the Butterworth entrepreneurial ecosystem. The link between the research questions and the research design is depicted in figure 5.

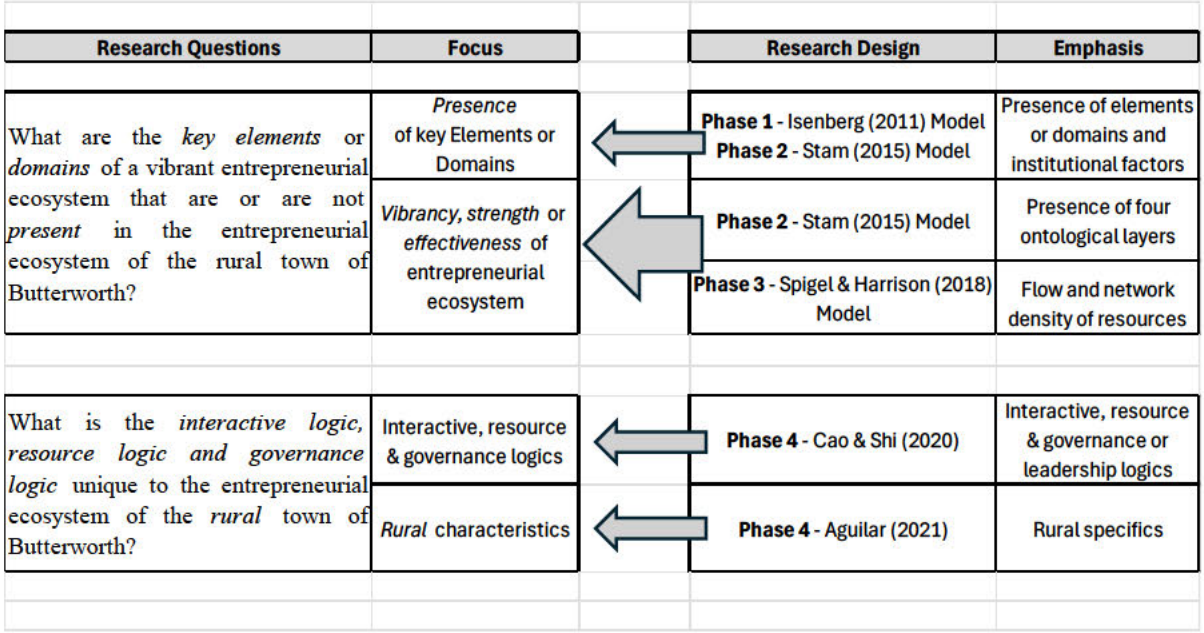


Figure 5: Link between research questions and research design phases of data analysis.

It not uncommon for the six domains of Isenberg and Stam's model to be used in various studies and applications related to the field of entrepreneurial ecosystems. Stam's model is the corner stone for the development of the Global Entrepreneurship Model (GEM) ESI index model. This index is utilised to measure the national ecosystems of countries.

For the purposes of this study, Isenberg's six domains were used as predetermined themes (deductive codes) under which data would be collected and analysed. The data collected from the semi-structured interviews were then analysed to identify inductive codes or unique insights within the each of the six domains.

This approach assists the researcher to then evaluate the key characteristics of the entrepreneurial ecosystem of Butterworth, which is a rural town. The data thus collected would contribute to painting or describing the Butterworth entrepreneurial ecosystem. It would provide empirical evidence as to which ecosystem elements arise as hindrances to a vibrant entrepreneurial ecosystem.

The data analysis was conducted in a four-phase approach to distil and extract the relevant entrepreneurial ecosystem data and finally explore the final portrait of the entrepreneurial ecosystem unique to the Butterworth geographical space (Aguilar, 2021; Roundy, 2017).
Once the empirical "portrait" of the entrepreneurial ecosystem unique to the Butterworth geographical space emerges, it will then facilitate an evaluation of the entrepreneurial ecosystem that will define the weaknesses and strengths so as to evaluate key factors and reasons for "why entrepreneurs struggle in a rural area"?

3.3.1 Thematic analysis

Thematic analysis is a "widely used" method for "identifying, analysing, and reporting patterns or themes within data" (Braun & Clarke, 2006, page 79).

The qualitative approach provides the researcher the ability to obtain an in-depth understanding and holistic view of the phenomenon being studied. A thematic analysis aids the discovery of a deeper and richer understanding of the data generated in a qualitative analysis (Braun & Clarke, 2006). Braun and Clarke (2006) propose a six-step approach in their thematic analysis framework as follows:

1. Study and familiarise yourself with the data
2. Generate initial codes
3. Search for or identify themes
4. Review themes
5. Define and name themes
6. Produce the report

Braun and Clarke (2006, page 83) identify two ways in which a thematic analysis can be conducted: A bottom-up way referred to as an "inductive approach" or a top-down way referred to as a "deductive or theoretical approach". The deductive or theoretical approach is anchored in theory and the theoretical framework becomes the background within which the data is analysed. This theoretical approach to a thematic analysis has been used in entrepreneurial ecosystem studies (Fubah & Moos, 2022; Kansheba & Wald 2020). Both studies (Fubah & Moos, 2022; Kansheba & Wald 2020) used Isenberg's (2010,2011) model as the theoretical framework to conduct their thematical analysis.

Isenberg's (2011) ecosystem model comprises six main domains – finance, culture, markets, policy, human capital, and supports. While the theoretical framework is used deductively, data collected from semi-structured interviews is analysed under the various domains inductively. Themes and patterns in the data are then inductively identified and analysed within each domain using the Atlas Ti version 9 software

3.3.2 Phase 1 analysis: Identifying the presence or absence of important Entrepreneurial Ecosystem Elements (Using Isenberg (2010) model)

Roundy (2017) concedes that certain components or elements of an urban entrepreneurial ecosystem may be missing in a small-town entrepreneurial ecosystem. For an entrepreneurial ecosystem to be effective or result in productive entrepreneurship there is consensus that basic elements should be present in an entrepreneurial ecosystem (Isenberg, 2010; Stam & Spigel, 2016; Stam & Van de Ven, 2021). Stam (2015, page 1766) states it as follows:

"The presence of these elements and the interaction between them predominantly determine the success of the ecosystem."

Roundy (2017) very importantly posits that while these elements are important in creating an enabling environment to enhance entrepreneurship, he argues that not *all* the elements are *necessary* for achieving positive entrepreneurship. However, for the initial stages of exploration, the focus is not on which elements are necessary but rather which elements are present or absent in the Butterworth entrepreneurial ecosystem.

These basic elements are expressed differently by different authors. They are referred to as domains (Isenberg, 2011); actors, processes and institutions (Brown & Mason, 2017) or attributes (Spigel, 2017; WEF, 2013). While presence of the elements is important, it is the collective synergy of the elements and the interaction between the elements that sparks the pistons to generate productive entrepreneurship or new venture creation (Stam, 2018)

In order to identify which elements are present in the Butterworth entrepreneurial ecosystem which is the primary goal of the Phase 1 analysis, Isenberg (2010, 2011) entrepreneurial ecosystem framework of six domains is utilised. Kansheba and Wald (2020) state that Isenberg's (2010, 2011) framework has been the basis of a number of studies (Mack & Mayer, 2015; Stam, 2015). Isenberg's (2010, 2011) framework is simplistic yet insightful and avoids complexities found in the other frameworks and therefore satisfies the exploratory process in Phase 1. Kansheba and Wald (2020) in their data analysis anchored their first order themes

according to Isenberg (2010) framework. The framework's six domains are policy, finance, human capital, support, culture, and markets which are used as the broad themes within which sub-themes are inductively analysed. This analysis at a basic level will help determine which domains or attributes of an ideal entrepreneurial ecosystem are present and which ones are absent and the unique attributes or sub-themes emanating that are unique to Butterworth. The findings of this Phase 1 analysis will then prepare for the Phase 2 data analysis, which follows.

3.3.3 Phase 2 analysis: Reflecting on phase 1 and evaluating the framework, systemic conditions and output with respect to productive entrepreneurship (Using Stam's (2015) model)

This analysis, using Stam's (2015) model delves deeper in the exploration of the entrepreneurial ecosystem unique to Butterworth. The objective of the phase 2 analysis is to explore the Butterworth's entrepreneurial ecosystem "infrastructure of entrepreneurship" (Van de Ven, 1993) which comprises 4 layers -framework conditions, systemic conditions, outcomes, and outputs. The analysis will reveal new information specific to the four layers and thereby provide insights into the Butterworth entrepreneurial ecosystem from an effective and performance level. This Phase 2 analysis comprises 3 steps.

Step 1: Evaluate whether the framework conditions exist. The framework conditions or institutional arrangements will provide insight as to whether the basic foundation or climate exists to incentivise entrepreneurship in the Butterworth geographical area.

Step 2: Evaluate whether the systemic conditions exist taking into account phase 1 findings. The determination as to whether the systemic conditions or "the heart of the ecosystem" (Stam, 2015, page 1766) exist will provide further insight into identifying answers to the research question, as to why entrepreneurs are struggling to succeed in the Butterworth ecosystem.

Step 3: Evaluate the type of entrepreneurship that exists in the Butterworth area.

Step 4: Evaluate the welfare outcomes in the Butterworth area.

Once data has been analysed arising out of phase 2, the picture will begin to emerge of the Butterworth entrepreneurial ecosystem sufficient to then analyse its flow and performance. The flow and performance will be analysed in phase 3.

3.3.4 Phase 3 analysis: Evaluating the flow and performance of the Butterworth entrepreneurial ecosystem– Spigel & Harrison (2018)

To evaluate the performance or quality of the Butterworth entrepreneurial ecosystem, Spigel and Harrison's (2018) model will assist in empirically concluding which category the Butterworth entrepreneurial ecosystem. Whether it is one of the following:

1. Strong well-functioning entrepreneurial ecosystem
2. Arid entrepreneurial ecosystem
3. Irrigated entrepreneurial ecosystem.
4. Weak poor-functioning entrepreneurial ecosystem

It will also assist in evaluating the stage in the evolution of the entrepreneurial ecosystem, whether its characteristic of one of the following stages:

1. Nascent
2. Strengthening
3. Weakening
4. Resilient

Phase 3 will assist in evaluating the type of entrepreneurial ecosystem existing in Butterworth as to whether it is at a nascent stage, trending upwards or downwards or whether it is resilient enough to continue growing. After this analysis a deeper understanding of the effectiveness of the Butterworth entrepreneurial ecosystem will emerge enabling the ability to identify the resource, interactive and governance logics in the phase 4 analysis.

3.2.5 Phase 4 analysis: Evaluate Rural dynamics: Synthesising all three phases and evaluating data using Aguilar (2021) and Cao and Shi (2020)

This final phase is a synthesis of all the above three phases and helps to diagnose the factors that either contribute to the strength or weakness of the Butterworth entrepreneurial ecosystem. It specifically considers Cao and Shi (2020) three entrepreneurial ecosystem dynamics:

1. Resource logic
2. Interactive logic
3. Governance logic

Aguilar (2021) is a model that specifically focuses on a rural entrepreneurial ecosystem. This model will be used in the final analysis for performing a synthesis and analysing which specific characteristics unique to a rural entrepreneurial ecosystem is in play with respect to the Butterworth entrepreneurial ecosystem. Specifically, the analysis will focus on Aguilar (2021) contextual factors in evaluating their impact on the Butterworth entrepreneurial ecosystem. The contextual factors are:

1. Rural poverty
2. Peripheral location
3. Rural cultural values
4. Natural resource endowments

3.4 Data collection through semi-structured interviews

The aim of the researcher within the qualitative research paradigm was to ensure "contextual richness" of the data collected. The "contextual richness" of the data would facilitate the exploratory nature of the study into the entrepreneurial ecosystem of Butterworth.

Accordingly, data was collected through the use of semi-structured interviews with selected local entrepreneurs. Semi-structured interviews were appropriate as a data collection tool as it provided flexibility and latitude to the entrepreneurs to freely share their views and experiences. It thus provides an "exploratory advantage" compared to structured or unstructured interviews (Yasseen, 2019 page 118).

This in addition allowed the "richness" of the data not to be curtailed. Semi-structured interviews were undertaken in a casual atmosphere with the objective of allowing the interviewee to open up and share deep insights and their lived experience. The questions were carefully designed based on the six domains of Isenberg (2011) i.e. finance, human capital, markets, support, policy, and culture. The Babson Entrepreneurship Ecosystem Project (BEEP) framework in Isenberg (2010, page 5) Harvard Business Review paper provides guidelines on how to gauge the strength of an ecosystem. These guidelines were carefully adapted to the South African and local Butterworth context in the development of the semi-structured interview.

While questions focused on specific areas (six domains of Isenberg (2011), the interviewee had a lot of leeway on how to reply. The questions did not follow any necessary order and follow-

up questions not on the questionnaire were asked to probe more information from the interviewee with respect to certain unique insights experienced by the entrepreneur.
Transcripts from the interviews and notes from document analysis have been content analysed. Responses were coded according to the themes developed from the literature review, grouped, analysed and assessed for patterns and trends. Data was displayed in tabular formats and graphs for some quantitative data. Frequency of themes was tabulated and categorised.

Ethical clearance with protocol number HSSREC/00003889/2022 was fully approved on 3 June 2022. The interviews were conducted either face-to-face or via Microsoft Teams before the expiry date of 3 June 2023. Face-to-face interviews were captured on a phone recorder and then transcribed verbatim with the assistance of google-text. Transcriptions were then reread while listening to the audio recordings to ensure accuracy of the transcriptions. Latitude was allowed to capture entrepreneurs' language difficulties but in no way impacted significantly on the understanding of the content or on the data collected.

3.5 Sampling technique

As the study is qualitative in nature, the objective is to obtain an in-depth understanding of the "lived experience" of an entrepreneur's journey without limiting the study to a few variables. For this reason, a sample of 8 entrepreneurs from Butterworth were selected for the study. This, especially within a rural context. The study tries to answer the research question:

Why do entrepreneurs in a rural based area struggle to succeed?
Within the entrepreneurial ecosystem approach, the primary actor is the "entrepreneurial individual", and the "entrepreneur" is the "focal point" (Stam, 2015, page 1761). Stam (2015) further goes on to say that in an entrepreneurial ecosystem approach the entrepreneur is the "central player in the creation of the entrepreneurial ecosystem and in keeping the system healthy" (Stam, 2015, page 1761).

The entrepreneur who is a central actor in an entrepreneurial ecosystem as a unit of analysis has been the focus of a number of studies (Kansheba & Wald, 2020) and is useful and important therefore in exploring an entrepreneurial ecosystem.

Therefore, the researcher opted to select local entrepreneurs residing in Butterworth, who, either own enterprises in Butterworth or intend to establish an enterprise in Butterworth. The

intention is to use their lived experience to attempt to explore the entrepreneurial ecosystem unique to Butterworth.

This perspective of the entrepreneurs at Butterworth will provide a first-hand glimpse and unique insights into the entrepreneurial ecosystem prevalent in this geographical space. The research population therefore comprises entrepreneurs who are physically residing in Butterworth or considering a start-up business that will be physically located in Butterworth. No limitation is drawn with respect to the enterprise size (micro, small, medium, or large) or profile of the entrepreneur (education, experience, start-up or existing). As stated in section 3.2 above this being a qualitative study, the objective is not to make a generalisation of the population, but rather to explore the interactive experience of entrepreneurs with the Butterworth entrepreneurial ecosystem to gain insights not of the *entrepreneurs* but of the *experience* within the Butterworth *entrepreneurial ecosystem*.

The selection criteria are straight forward. It is any entrepreneur (irrespective of size) located in Butterworth or from its surrounds who is running an existing enterprise. Unlike in quantitative research, large samples are therefore not required. This is because statistical generalisations are not required to arrive at the findings of the study. Therefore, a non-probability sampling technique and purposive sampling are utilised.

3.6 Sample size

In attempting to answer the research questions, the journey or "lived experience" of 8 entrepreneurs in Butterworth will be studied. Their journey will provide data as to the nature of entrepreneurial ecosystem that exists in Butterworth which is in rural part of the Eastern Cape. Accordingly, since the social and personal context of the entrepreneurs is of fundamental importance in obtaining an understanding of the entrepreneurial ecosystem in which they are embedded in, an exploratory approach using semi-structured interviews analysed thematically will be utilised. It provides an opportunity to obtain a more comprehensive understanding of the nature and complexity of the phenomena under study.

Since the answers to the above questions will generate various variables, there is need for a more in-depth understanding to understand the reality of the entrepreneur. The researcher needs a closer view and needs to interact with the evidence not from afar (Major, 2017). Accordingly, unlike in quantitative research, large samples are therefore not required.

3.7 Profile of entrepreneurs

The entrepreneurs selected vary in experience from those who are part of a start-up to those who have been entrepreneurs for more than 20 years. The age is also equally spread from the youngest being 30 to a veteran who is 70. There is also youth and women representation. However, they are all located in Butterworth or have their business in Butterworth.

The type of enterprises includes manufacturing, retail and service types. Table 1 provides a summary of the profile of participants in the study and the type of enterprise they are involved in.

Table 1 Profile of sampled Butterworths entrepreneurs

	Type of Business	***Gender***	***Education***	***Age***
P1	*Brickyard/Fruit & Veg*	*Male*	*Grade 12*	*55*
P2	*Spares/Car wash*	*Male*	*Degree*	*35*
P3	*Roof tile manufacturer*	*Male*	*Diploma*	*55*
P4	*Roof tile manufacturer*	*Female*	*Diploma*	*40*
P5	*Chemical manufacturer*	*Female*	*Adv Diploma*	*30*
P6	*Chemical manufacturer*	*Male*	*Certificate*	*70*
P7	*Pots manufacturer*	*Male*	*Adv Diploma*	*32*
P8	*Clothing manufacturer*	*Female*	*Diploma*	*56*

3.8 Trustworthiness of the study

In order to achieve a degree of confidence in the data analysis, qualitative researchers have developed criteria that are used to evaluate the trustworthiness of qualitative data (Braun &

Clarke, 2006; Guba & Lincoln, 1994). The following criteria are applied in this study: credibility, transferability, dependability and confirmability.

3.8.1 Credibility

As cited by Yasseen (2019), Lincoln and Guba (1985) postulate that there are measures that can be adopted to improve credibility of qualitative research. These measures include the length of time the researcher is acquainted with the subject of the study, depth and persistency of observation, triangulation, and peer debriefing. The researcher has over 10 years' experience in the area of entrepreneurship, especially in the Butterworth area and is currently providing assistance to entrepreneurs who are pursuing new start-ups. The researcher served also as a director of a one-stop business support centre housed in the then former Eastern Cape Technikon, now Walter Sisulu University, Butterworth Campus. The centre was funded by the European Union, and part of the training included exposure to various incubators and one-stop business centres in the UK and Ireland. During his tenure as director, the researcher has advised and consulted with more than 100 enterprises. The knowledge and experience gained at ground level especially in a rural context has provided tremendous insight to the researcher of the challenges and struggles faced by entrepreneurs in Butterworth. The researcher is also a professional accountant. This has enhanced his understanding of the various challenges entrepreneurs face and has also shared in the "lived experience" of some of the entrepreneurs. With the assistance of his supervisor who has also rich experience with small to medium enterprises, the study will be subject to peer scrutiny at various stages of the study. Interviews will be conducted and transcribed by the researcher himself, which will contribute to a more in-depth and qualitative understanding of the data being analysed.

3.8.2 Transferability

One of the benefits of the study is to be able to project the results of the entrepreneurial ecosystem in Butterworth to other towns which are of a similar context. Shenton (2004) refers the degree to which qualitative results can be transferred to other contexts as transferability. The context about the fieldwork sites should be detailed enough to enable a transfer (Guba & Lincoln, 1994). Geographic, historical, and economic context of Butterworth has been provided. Detailed profiles of the entrepreneurs are also given. The details of the semi-structured interview will also provide additional information to achieve transferability.

3.8.3 Dependability

A robust, well-articulated and systematic research process elicits the characteristic of dependability. Data collected can be corroborated with various actors within the ecosystem such as local, financial institutions, and government parastatals involved in the entrepreneurship space. There is also a local university and TVET college in Butterworth that may have data that can corroborate data collected. The local economic development (LED) unit of the local municipality and district municipality can be another source of data that can provide a form of triangulation.

3.8.4 Confirmability

Collins and Hussey (2009) explain confirmability by whether the findings can be empirically supported by the data and not one's "own predispositions" (Shenton, 2004; Yaseen, 2019). It also requires a detailed explanation of the research process. Confirmability is the qualitative/interpretivist paradigm opposite of objectivity in the quantitative/positivist paradigm. The use of triangulation is useful to remove the researcher's own bias (Shenton, 2004). Shenton (2004) also advocates the maintenance of a clear audit trail. Through the maintenance of a database with all supporting research instruments such as the interview records, recordings and corroborating data captured under the various domains of Isenberg (2011) model will ensure that a proper audit trail exists.

3.9 Data recording

The semi-structured interviews were recorded using an inbuilt recorder app on the researcher's phone while in other instances they were recorded via the Microsoft Teams app. All recordings were saved as MP4 files on Microsoft Teams. The audio recordings were then carefully transcribed using google-text software. Each transcription was then carefully reviewed while listening to the audio recording and corrected where necessary. Reference to participants names were removed and replaced with their initials.

3.10 Data analysis

It is not uncommon for entrepreneurial ecosystem models or frameworks to be used in data analysis or as a conceptual guideline. Aguilar (2021) used the Stam & Van de Ven (2019) model to identify specific peculiarities necessary for the effective functioning of rural entrepreneurial ecosystems. The global entrepreneurship monitor (GEM) developed an Entrepreneurial Ecosystem Quality Composite Index (ESI) which is a diagnostic tool to

measure the quality of entrepreneurial ecosystems. This diagnostic tool is premised on Stam's (2015) model. Roundy (2017) acknowledges that Isenberg's (2010) framework is useful in examining and comparing different entrepreneurial ecosystems. Sheriff and Muffato (2015) used Isenberg (2010, 2011) model as a benchmark to study entrepreneurial ecosystems of Ghana, Uganda, Botswana and Egypt because the Isenberg (2010, 2011) model has been "applied in different regions of the world" (Sheriff & Muffato, 2015, page 25).

As stated earlier a thematic analysis will be employed in the analysis of data collected through semi-structured interviews. The data will be coded using the Atlas ti software. This section should be read in conjunction with 3.3.1 above to understand how the conceptual frameworks are central to the research design of the thematic analysis.

3.11 Ethical considerations

Ethical clearance with protocol number HSSREC/00003889/2022 was fully approved on 3 June 2022.

Ethical consideration has been made of Diener and Crandall (1978) four areas: whether there is harm to participants; whether there is a lack of informed consent; whether there is an invasion of privacy, whether deception is involved. To achieve these ethical aims, the following steps were taken:

- Ethical clearance as required by the University of Kwazulu-Natal was sought before the study commenced and all ethical requirements met.
- An ethical clearance number was provided to participants to enable them to contact the university or the researcher's supervisor with any concerns or in the event of any ethical breach on the researcher's part.
- The researcher ensured that the informed consent of participants was obtained as per Appendix A.

3.12 Chapter summary

This chapter sets out the research strategy within a qualitative research paradigm. It defends the use of a qualitative approach and then proceeds to discuss the research design under four phases. Each of the four phases of analysis is anchored on well-developed conceptual frameworks. The research design is geared towards responding to the two research questions and exploring the entrepreneurial ecosystem unique to the town of Butterworth. The use of a thematic analysis is employed to inductively identify patterns or themes in the data within the

broader elements anchored in the conceptual frameworks. The sampling technique and sample is justified within the context of a qualitative and interpretivist paradigm. The chapter then discusses factors enhancing the credibility and trustworthiness of the study and ends with steps taken to comply with the university's ethical requirements.

4 RESEARCH FINDINGS

4.1. Introduction

This chapter sets out the findings arising from the data analysis performed using a four-phase approach as set out in chapter 3. The findings provide insights into the entrepreneurial ecosystem unique to the town of Butterworth and respond to the two research questions. The findings of the four phases of data analysis are first presented, with a further analysis under the

Framework Themes (Deductive) Isenberg (2011) Domains	Sub-Themes Emerging (Inductively)
Finance	Professionalism - Not honoring appointments/lack of subordinate
	Ease of Access to Finance
	Type of Finance required
	Competence in filling application forms for funding
	Corruption - Nepotism - Political Entrepreneurship
	Access to Information/Flow of information
	Funder's lack of business acumen
	Institutional weaknesses
	Pre-1994 vs Post-1994
Human Capital	
	Alcoholism
	Laziness
	Unionisation
	Skills set
Policy	Crime
	Funders - Lack of capacity in analysing business
	Eskom loadshedding & water shortages
	Talk shop vs delivering on promises on the ground
	Corruption -political entrepreneurship
	BB-BEE policies
Culture - Attitudes	Crime
	Information flow
	Impact of foreigners
	Entrepreneurial talent
	Innovative enterprises
Market/Demand	Buying power
	Impact of COVID-19
	Market opportunities
	Support
Support	Flow of information
	Ability to fill applications for funding
	Length of time to start a business
	Need for dedicated mentors
	Institutional weakness

Table 2: Summary of main themes arising from data analysis

various elements of an entrepreneurial ecosystem. The main themes arising from the data analysis performed using Atlas.ti are summarised in Table 2.

4.2. Phase 1 Isenberg (2010, 2011) model's findings

These findings discuss the contextual presence of the six domains in the Butterworth entrepreneurial ecosystem as well as unique sub-themes emerging within each of the Isenberg (2010) domains unique to the Butterworth entrepreneurial ecosystem.

4.2.1. Finance

4.2.1.1. Context, availability and sources of funding

As stated earlier, Butterworth is part of the Eastern Cape Province within the Amathole District municipality and part of the Mnquma local municipality. Based on participants responses and researchers own experience funding at the Butterworth town level is restricted to the local parastatal which is the Eastern Cape Development Corporation (ECDC). The ECDC's head office is situated in East London which is 100 km in distance from Butterworth. ECDC is the key source of funding and the primary go-to with respect to enterprise development funding. The 4 big banks, Standard Bank, Amalgamated Banks of South Africa (ABSA), Nedbank and First National Bank (FNB) also have a presence in Butterworth. The banks have products that cater for business at a commercial level based on commercial terms. The National Empowerment Fund (NEF), Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), National Youth Development Agency (NYDA) and the Industrial Development Corporation (IDC) do not have physical branches in Butterworth but work with ECDC in marketing their products and services. They all have their branches and physical presence in East London and Mthatha (120 km from Butterworth). Funding is also available from the Local Economic Development (LED) department of the Mnquma municipality. However, the funding is very limited and earmarked for in the integrated development plan (IDP) of the municipality.

Therefore, availability of funding is not a restriction, and varying sources of funding do exist in the Butterworth entrepreneurial ecosystem.

4.2.1.2. Type of funding and institutions

Most of the traditional funding methods were prevalent in this Butterworth entrepreneurial ecosystem from personal, family and friends *("…my grandmother provided a personal guarantee…"* -P3) to the more commercial and traditional funding such as the big four banks.

One of the entrepreneurs started his first enterprise through the personal guarantee of his grandmother.

The type of funding accessed in the Butterworth entrepreneurial ecosystem, vary from traditional funding from banks, such as overdraft facilities (*"…the banks were very easy to give an overdraft facility so that helped a hell of a lot in the long-term…"* – P1) to government funding available through its various agencies.

4.2.1.3. Access and ease of access to funding

While availability of funds and multiple funding sources do exist, access and ease of access was a common challenge. One common complaint is that the application forms of the state-owned funding institutions are tedious and difficult in completing requiring the services of a qualified accountant. This hampers access to funds and is in itself a discouraging factor to an entrepreneur.

> *"I think it was somewhere in UK because you can see [from] the structure of the documents [LRED funding application form] that the requirements are tedious." – P7*
>
> *"But working through that [LRED funding application forms] I had to get Chartered Accountants to do the finances [financial calculations and cash flow projections]. I had to get business advisors..." – P7.*
>
> "*Researcher: Alright, OK. So, the application process itself is a challenge in itself for...*
>
> *P3: Lot of red tape – it's a challenge." – P3*

From a private sector or banking perspective, the finding is that banks have applied stricter requirements thereby narrowing the opportunities for "easy finance".

> *"…a lot also the banks were very easy to give an overdraft facility so that helped a hell of a lot in the long-term… But now things have tightened up, the banks have tightened up is not easy to open an account. Now they want collateral, they want to know all of that type of stuff you know it's not easy and even to open a bank account [you need] to get collateral.." – P1*
>
> *"I know the banks give you a tough time, even…the government. It's as if sometimes it's just a talk shop because nothing moves speedily there…" – P3.*

4.2.1.4. Funding Amount

The amount of funding or capital required to commence a business provides vital evidence as to the type and size of enterprises unique to the Butterworth entrepreneurial ecosystem. While the sample size is not adequate to provide such data accurately, it still provides empirical data as to the range with respect to the 8 entrepreneurs selected. It also will assist in evaluating the level or potential for productive entrepreneurship. The level of funding requested ranged from an amount of R12,000 to R50 million. This indicates that while survivalist or micro-enterprises dominate the spectrum, there is appetite for small-medium enterprises in the current ecosystem of Butterworth which has the potential to achieve welfare outcomes as per Stam (2015) and positive value creation (Stam & Spigel, 2016)

4.2.1.5. Awareness of funding sources

Level of awareness with respect to funding sources was mixed.

> *"I only discovered the NEF after. I know I wasn't aware of NEF" – P4*

Some participants were partly aware of funding sources but not aware of the specific funding products. Generally, participants were aware of the various the various sources of funding via social media and their own personal networks. Others were introduced to funders via information sessions held at the local ECDC. Some have been personally to the offices in search of funding:

> *I've been to[the] Department of Trade and Industry, NYDA, SEDA. What's this thing? IDC in Berea IDC. Uh NEF? – P7*

Awareness of various funding agencies and current developments takes place via local business forums and social media:

> *I'm in a business forum here in East London. So, we do share things on a WhatsApp group at the same time I knew about NEF, I knew about the NYDA -P3*

Awareness seems to depend on the entrepreneur's education level and location. The more urban and more educated the more networked entrepreneurs are and the stronger the information flow and therefore the more informed they are of the funding agencies.

> *You feel maybe a lay person doesn't have access to information unless you're connected – P4.*

However, there is still a knowledge deficit with respect to understanding the various funding products that exist and how to present applications that meet the funder's requirements.

4.2.1.6. Negative perceptions, corruptions and political entrepreneurship

The perception of ECDC, and related funding institutions from some of the participants indicates a negativity towards approaching these institutions for the support they are mandated to provide in the entrepreneurship space.

> *I do not know how many times I've sat in their offices, and I think out of all of them ECDC is probably the worst when it comes to helping entrepreneurs, that is an unreserved comment. – P7*
>
> *It's as if sometimes it's just a talk shop because nothing moves speedily there. Some they even can steal your idea. You'll take that, make you give the proposal there. They will just throw it there and use it with somebody else or what. – P3*
>
> *You can't get in, buy in easily or you must have connections or what or what you know – P3.*
>
> *I think the problem because these people, they need like we have to have connections. If you don't have connections, then it's a problem. – P4*
>
> *You feel maybe a lay person doesn't have access to information unless you're connected – P4.*
>
> *Unless you have connections because they knew this government employees, they want you to have connections. So, if then you are not connected then you not gonna win in this business -P4.*
>
> *Because they're not supplying this information, they're not super supplying this information. – P4*

These perceptions indicate that, there seems to be a need to "have connections" (P3) and the attitude of the employees at the operational level of ECDC and related institutions towards entrepreneurs is not one that acknowledges the importance of entrepreneurship and entrepreneurs (Cao & Shi, 2020). The fear of "business ideas" being stolen is concerning. This could indicate a wider symptom of political entrepreneurship (Belitski et al.,2021).

4.2.1.7. Conclusion

Based on the responses of the participants and own knowledge and experience of the researcher, funding for enterprises is available. Therefore, this element exists as one of the important domains of the Isenberg (2010, 2011) framework.

However, the primary hindrance is institutional failure, difficulty in the completion of *application forms, perception of corruption, political entrepreneurship and lack of* awareness of funding products that exist. These obstacles inhibit entrepreneurship and therefore weaken the Butterworth ecosystem.

4.2.2. Human capital

> *"No, I don't need highly skilled workers - Maybe people in grade 12. Yes, we [will] train them. [Also], because remember that the people that are selling us [factory machinery], they mentioned they will provide us training" – P4.*
>
> *Researcher:" ...so what am I asking now then you don't need highly qualified labour what type of qualification do you need for your labour? "*
>
> *Participant: ".... even if it is grade 10 or 11, I can train them for even car wash how to do even sewing…" P2.*
>
> *"In other words, what I'm saying is, it's not like you cannot find people in Butterworth. The training of the machines, your supplier will help you with that, but once you employ those people, you're not employing graduates to be trained to use your machines." – P3*

Within the context that the entrepreneurial activity in Butterworth is limited to survivalist and small to medium enterprises, it follows those employees with high skills are not necessary at this stage of the Butterworth entrepreneurial ecosystem life cycle. The current employee skill set required for entrepreneurial activity varies from unskilled (high school education: grade 10-12 education) to semi-skilled like a machine operator whose training will be provided by the supplier of the machines.

Skills cited as necessary which required a post-high school qualification where in the area of office management, general management or administration.

> *"…it's mainly to manage the office that you need someone with maybe a post school qualification." – P3*
>
> *"I need to have someone who's doing my admin, I'm just making an example because I'm running around, I have to do my admin as I walk, and I need someone in my office I need someone who manages my office. Number 2 I need someone who's going to manage my workshop, do you get what I am saying?" – P8*

What did emerge as worrying however was the work ethic amongst South Africans:

"So, I have to look for maybe even Zimbabweans, because our people are lazy here in South Africa. Some get drunk during working hours." – P3

"They are very slow they don't want to learn you know it's very difficult they are said they take business to light you running a business you employ these people they have a certain kind of skill, but they don't understand how to relate to you as their boss. So, I wish the government could close the gap and take these employees and show them how to behave when they are at work you know the… like the work ethics kind of thing "– P8.

'…in my experience people don't want to work—-they need money only—- they are lazy-- - other people they're just sitting [around] [eating] food while there's like 15 cars waiting to be finished [instead], they are sitting eating lunch." – P2

The work ethic, laziness and alcoholism seem to hamper the quality of labour. Therefore, many of these employees tend to be casuals and not permanent employees. However, qualified foreigners who have a different work ethic are available in the Butterworth entrepreneurial ecosystem and therefore this is the positive aspect of legal migration by foreigners into the country.

While this is not sufficient to support high-growth firms, it indicates that the labor supply to support entrepreneurial activity is available in Butterworth. It also encouraging that should the entrepreneurial ecosystem be fully functional; opportunity exists for job opportunities even for the unemployed youth due to the low job requirement threshold.

"Oh, that there are a lot of unemployed youths there in Butterworth, in the former Transkei."-P3.

4.2.2.1.Conclusion

Skill shortages can constrain business growth in a rural entrepreneurial ecosystem (Miles & Morrison, 2018) and availability of highly skilled labour whether at a technical or managerial level is essential to support strong and growing entrepreneurial ecosystems (Spigel, 2017; Spigel & Harrison, 2018). However, for the SMME sector the skill set required is available in the Butterworth entrepreneurial ecosystem. Skills required were as low as a grade 8 to grade 12. The need for graduates was more for technical related skills such as machine operator or accountant. The big issue arising was the work-ethic of locally sourced labour. Lack of motivation, laziness and alcoholism impact on the dependability of labour which in turn has a negative impact on the enterprise. The availability of foreign nationals such as Zimbabweans

assists SMMEs owners, and a perception exists that such foreign nationals are more dependable than local employees. However, this should not be seen as pervasive but is important to note.

4.2.3. Policy or Institution: Institutional failure

As stated earlier, ECDC is the apex institution in the Butterworth entrepreneurial ecosystem mandated by law at a provincial level to address economic development in Butterworth. It not only is a source of finance but also of business support. In addition, it is also the first point of contact in seeking business premises in light of the industrial properties it owns. The ECDC also plays an important coordinating role with other funding institutions like the IDC, SEFA and SEDA. Therefore, the Butterworth entrepreneurial ecosystem has the presence of an important institution that supports the finance, physical infrastructure, and business support domains.

4.2.3.1. The ECDC

ECDC is the Eastern Cape's government economic development agency. It seeks to promote entrepreneurship and economic development at the provincial level. It has a footprint in 6 towns across the Eastern Cape with its head office located in East London. As stated ECDC is the primary institution in Butterworth that has a mandate for supporting entrepreneurial activity. ECDC mission is "To promote and coordinate inclusive economic development through innovative finance and investment solutions" while it sees itself as "A leader in facilitating inclusive sustainable economic growth" (ECDC, 2023). ECDC has a bouquet of funding available for various categories of enterprises including cooperatives. Is also provides business support services.

As per ECDC's strategic plan (ECDC Corporate plan 2023/2024, 2023), ECDC embarked on a renewal strategy to enable it to be "fit for purpose" (ECDC Corporate plan 2023/2024, 2023 page 5). From an organisational and strategic management perspective, ECDC seems to have transformed itself to deliver on its mandate and is positioning itself to achieve higher levels of economic development and entrepreneurial activity.

However, the following is an experience of a research participant:

> *"ECDC is one of the places where I've knocked many times, I'm not sure whether it's the one in Butterworth, it's the people employed there, but their way of approaching*

entrepreneurs is, they are a business, they are not a developmental corporation. I think they should change their name.

I do not know how many times I've sat in their offices, and I think about all of them [funding institutions], ECDC is probably the worst when it comes to helping entrepreneurs, that is an unreserved comment.

When I approached the ECDC structures they claim, they got, they said that they different fundings there. But when you physically knock on their door, they can't help you.

As a result, for half of the things you just need to see ECDC in East London [head office,100km from Butterworth] and when I go to East London, the ECDC in East London sends me back to Butterworth, so it was like back and forth."- P7.

From the above statement by an entrepreneur in Butterworth which is who is in the youth category, a deduction can be made that at a regional level (i.e. ECDC's Butterworth regional office), there is a disconnect between its hierarchical levels. In this case, a disconnect between ECDC's strategic level and its regional level in Butterworth. But at the entrepreneurial level, interaction and interface is with ECDC mainly at its regional level. This disconnect contributes to institutional failure. In fact, the failure at the regional level is so frustrating that it results in entrepreneurs seeking help from the head-office in East London which is 100 km from Butterworth.

'...for half of the things you just need to see ECDC in East London." – P7

The sad part is that after an entrepreneur is frustrated and travels at his own cost to East London (head office) seeking assistance then:

"*ECDC in East London sends me back to Butterworth, so it was like back and forth." – P7*

Frustration expressed by another participant confirming the disconnect between the strategic and operational levels:

"I don't know most of the time there are many people who need help but they [ECDC] are not good to help so the money for ECDC it was gone to the consultants, most of the money, so we didn't[don't] have my working capital. We are still suffering even now" – P6.

4.2.3.2.The NEF

National Empowerment Fund is also a government-controlled agency with a national footprint. Its mission is to be "a catalyst for BB-BBEE in South Africa" and to "… promote, enable, implement, and develop innovative investment and transformation solutions to advance sustainable black economic participation in the economy" (NEF, n.d.). Through its available funds it acts "as a facilitator of the Codes of Good Practice of the Broad-Based Black Economic Empowerment Act (the Codes), supports the pillars of black enterprise by providing financial and non-financial solutions across a range of sectors to black-owned and managed businesses, for start-up, expansion and equity transformation purposes" (NEF, n.d.). NEF has attempted to improve its geographical footprint in the country and accordingly established a regional office on East London.

The following are experiences of two of the research participants who are seeking funding from NEF:

> *"Me, I don't know what the problem is there. Because when I've tried NEF, that guy doesn't show enthusiasm into this thing. He's got stories. He doesn't keep appointment(s). Other time he is sick. You can't get hold of him, so you don't know what is happening, but I'm still going to push him." -P3*
>
> *"Uh, so I think NEF is cooperating, but they're taking they're very slow because there's some point, they required some documents from us which after we sent our application, they were good. They requested some 2 documents, then we forwarded it to them. [to treatment that we're saying that I need like they are standing up to date]. They're taking forever now and then when you go there, the only story is that the boss is not here" – P4.*

Hereto, there seems to be organisational flaws that contribute to frustration. Either the entrepreneur should be informed that there is no funding appetite for his or her business idea or his/her business plan should at the minimum be evaluated and a response provided timeously. But "having stories" or not "honouring appointments" as per P-3, falls into the category of institutional failure.

It also talks to the cultural attitude towards entrepreneurs. If the province or the country seeks higher employment, and small, micro, and medium enterprises are seen as the engine of the

economy, there is a serious need especially in these funding institutions to drastically change the cultural attitude towards entrepreneurs.

4.2.3.3.Other institutions

There are many things Mathew to say about government. One [example] is the training, they always give us trainings but there's no successful things. They are not giving us money. They are busy training us, busy training us. I can mention them. DEDEA [Department of Economic Development & Environmental Affairs], SEDA [Small Enterprise Development Agency], ECDC even Mnquma municipality and also SEFA [Small Enterprise Finance Agency], there are many people who always come and do trainings with us here but there's no income [no financing], there's nothing happening. We're just doing trainings after year after year we're doing trainings, there are no successful things – P6.

Higher-education institutions are an important element of an entrepreneurial ecosystem and a source of human capital, entrepreneurial knowledge and entrepreneurial training (Wadee & Padayachee, 2017, Isenberg, 2010; Kansheba & Wald., 2020). Butterworth has two higher-educational institutions – Walter Sisulu University and King Hintsa college of further education and training. Both institutions provide entrepreneurial support and have courses in entrepreneurship.

However, the close collaboration and high degree of interaction required with other stakeholders (Wadee & Padayachee, 2017) within the Butterworth entrepreneurial ecosystem seems to be a lacking. This removes much needed resources (mentoring, business support, enterprise development services) that could be available to entrepreneurs in Butterworth. In addition, Walter Sisulu University can also play a much-needed supportive leadership role (Cao & Shi, 2020; Miles & Morrison, 2018) in the Butterworth entrepreneurial ecosystem which it is not at present. This is evident from the phase 4 findings below.

4.2.3.4.Conclusion

In summary following institutional agencies were cited as being approached for funding and other support:

- ECDC – Eastern Cape Development Corporation
- LRED fund – Local, Regional and Economic Development fund, which is managed by the provincial government department: Economic Development, Environmental Affairs & Tourism

- NYDA – National Youth Development Agency
- IDC – Industrial Development Corporation
- NEF – National Empowerment Fund
- SEDA – Small Enterprise Development Agency

As noted earlier, only ECDC, has a physical presence in Butterworth. It's important to note that all the above agencies are parastatals and ultimately state controlled. Each of the above agencies target a specific sector or type of enterprise from small to medium (SEDA), large (IDC), medium (NEF), youth (NYDA).

All other agencies try to collaborate and market themselves through ECDC through information workshops held once in a semester.

From a policy perspective, strong policies at national and provincial level exists for positive entrepreneurship. At national level the National Development Plan (2030) and at provincial level the Provincial Development Plan both articulate the clear need for small and medium enterprise support. However, the challenge is in the implementation of these policies. Institutional void, political entrepreneurship, and corruption seem to be the key obstacles to seeing the positive fruits of these strong policies. While relevant institutions exist, there is no proper institutional arrangement in the Butterworth entrepreneurial ecosystem which is necessary to stimulate entrepreneurial activity (Kansheba & Wald., 2020; Stam & Van de Ven, 2021; Isenberg, 2010)

4.2.4. Support

Access to strong business support, such as accountants, lawyer and business mentors, is factor that emerged as a critical success factor especially for the entrepreneurial ecosystem in Butterworth. As per Stam (2015) model, it is confirmed as a systemic condition in the Butterworth entrepreneurial ecosystem.

"I've been struggling for a long time. In 1990s I suggested to start my own business because of financial constraint. I didn't meet the requirements to start my business. I first organise another guy to help me about finance, but I didn't succeed then. Between 2012 and 2013, so I also start to talk to him about that. I [was] struggling to get my own business because of finance everything of mine, even the banks now. It's not good, everything is not good" – P6.

It can be deduced from the above that one of the challenges is understanding the requirements to obtaining funding. The appetite to establish a business was there, but inability to access finance and therefore support of a professional to access such finance led to a long struggle.

"He helped me Mathew, he has done and tried to get me a business plan" – P6.

After receiving support in the preparation of a bankable business plan, funding was received to assist participant 6 with establishing a small factory in Butterworth.

Certain participants relied on family or friends within the community to obtain non-financial support:
Community members who are not even family friends, but who happened to know what we are doing, and they offered non-financial support, - P9.

For high-growth or innovative firms an intellectual capital protection service is required. Participant 9 however had to go outside Butterworth to access such services:
"We asked our consultants, we are also one of the companies that we have received assistance from is automotive investment holdings which is one of the largest automotive consultants in the world and we have been working with them, they also drafted a feasibility starter. So, we asked them to recommend, and so they recommended the company which happened to be in their block in Pretoria so then we reached out to Adams and Adams." – P9

Therefore, although certain high-level or specialist services are not available in Butterworth, through proper networking with other ecosystems, access to such services is feasible.
The need for professional accounting services or finance professionals (Isenberg, 2010) especially in a small-town context (Roundy, 2017) is confirmed in the Butterworth ecosystem:
"But working through that I had to get charted accountants to do the finances. I had to get business advisors, but we finished the whole business plan and requirements of that. And when we were questioned, we answered everything correctly." – P7

A strong support of entrepreneurial friendly professionals seems to be lacking in the Butterworth entrepreneurial ecosystem causing entrepreneurs not to know where to go or whom to seek assistance from:

"Their business is surviving, so surely, they're doing something right, but they probably do not know where to go. How to handle funding requirements like I was, at the end of the day I didn't get what I needed for the business, and I eventually closed shop. So, I think one, one of the most important instruments is having someone or something to close that gap, that huge gap between the entrepreneurs and that the structures of funding that a government or a NGO's claim to have. [If] I have this business and then this is the kind of support that I would require or assistance that I would need, then it will be a different story, but we do not get that in a small town in Butterworth. There's a huge gap, unless they do have maybe a business hub or business incubator…" – P7.

There is no business hub or accelerator in Butterworth. While Walter Sisulu University has an accelerator in Mthatha it is considering the establishment of an accelerator in Butterworth. Knowledge of entrepreneurial processes is very important in an entrepreneurial ecosystem (Spigel & Harrison, 2018). Mentoring and business validation play a key role in supporting successful entrepreneurs and these professional services should be affordable (Roundy, 2017; Kansheba & Wald., 2020).

"But you do need uhm…you see there on that side you need somebody to mentor you and you know somebody that like you, who understands how these things work and who can validate your… your plan. Umm How to open a co… a company? How to do CSD? How to how to get tax clearance but for free? Because these things are for free. But people charge people exorbitant amounts just to do that." – P3

The findings show that taking into account the level of education of entrepreneurs and access to knowledge is limited, mentoring and professional business support such accounting, legal, and business advisory services are very important to entrepreneurs in the Butterworth entrepreneurial ecosystem.

"Without mentoring, I think it [entrepreneur's journey and success] wouldn't work." – P4

The participant was more specific:
"Someone like you like [who] you gave us the bigger picture…. You opened [our eyes] to this business opportunity…You're the one that they gave us the light. Like if then, like in terms of…

showing us exactly like knowing like our markets and if we do [succeed with securing financing], we have the market for the business…" – P4.

4.2.4.1.Conclusion

The findings confirm that professional business support is a critical success factor (Miles & Morrison, 2018; Kansheba & Wald ,2020) and key element that is non-existent or lacking in the Butterworth entrepreneurial ecosystem. The assistance in filling funding application forms, the understanding of funders requirements, the preparation of bankable business plans, the structuring of an enterprise with necessary business systems, and 24/7 access to a skilled and experienced mentor are types of business support services lacking in the Butterworth entrepreneurial ecosystem.

4.2.5. Culture

Most of the participants never indicated hesitation or fear of taking the risk in commencing an enterprise. Even if the struggle has been long (P6) and difficult many showed persistence.

However, funding frustrations owing to lack of knowledge, political entrepreneurship and corruption have negatively influenced certain participants:

> *"ECDC is one of the places where I've knocked many times… the environment is not a supportive of an ethical culture" – P7.*
>
> *"Some they even can steal your idea. You'll take that, make you give the proposal there. They will just throw it there and use it with somebody else or what. You can't get in, buy in easily or you must have connections or what or what you know. That's some of the things which impact the development." – P3*

4.2.5.1.Conclusion

Societally the culture to support entrepreneurship exists which is a very important element of any entrepreneurial ecosystem (Isenberg, 2010; Feld, 2020; Spigel,2017), however cultural attitudes at institutional level of organisations that are key stakeholders seems to dampen the spirit of entrepreneurship.

4.2.6. Market Demand

The findings with respect to this domain indicated that neither market demand, nor market potential nor access to the market where any real challenges in Butterworth. This domain was actually quite positive. Participants had the following comments:

> *"It's [access to market] not a challenge. We saw that we have the market for the business."- P4.*
>
> *There is still a lot of open[business] opportunities. Butterworth has a lot to offer in a sense of there's a lot of stuff you can't get in Butterworth. Like I say if you got a franchise you'll do very well – P1.*
>
> *For somebody who's an entrepreneur wants to start, if you want big, there's opportunities there. - P3*

Specifically with respect to actual market demand for their products the following comments were interesting:

> *"The demand for the pots, it's, till this day it's I don't know how to put it. People just do not find pots. So, there's always something happening that people want pots, and then the nice thing about my innovation with the part I was able to engrave the names [on] the pots.*
>
> *NgesiXhosa [in Xhosa] kuthiwa [there are] they are ImiGidi, circumcisional ceremonies, weddings, funerals. You might think that it's a once off product, but it actually sells* ***like toilet paper****, but besides it being a seasonal business because during May and June, November-December, that's where you have all these, I'm gonna call it, events or ceremonies."-P7.*

The market opportunities seem to arise due to availability of cheaper labour and cheaper infrastructure and energy costs. Butterworth is also located in the previous homeland of Transkei, and it seems that since the market has not developed many gaps in the market exist and most of these needs are met through goods being carted into Butterworth from other towns:

> *"No, no, we won't have competition. There's no competition". P4*
>
> *"...you can get cheap labour. [East London] ... it's more expensive that side— electricity, water and the— even the labour— people you know they're very expensive they need more money that's side..." – P2.*
>
> *"There is still a lot of open opportunities. Butterworth has a lot to offer in a sense of there's a lot of stuff you can't get in Butterworth. No major stores that like a*

McDonald's there's nothing. Like I say if you got a franchise you'll do very well." – P1

"There are people who buy ordinary bricks, paving. Uh, uh. Roof tiles from East London. These things are carted[transported] from East London to Umtata as far as Umtata from a company called Dukathole. No, actually I under cut my competitors because one they've got this distance problem from East London to former Transkei." – P3

The market was still young and under-developed, a number of opportunities existed. It was interesting to note that pricing was also not that market sensitive.

No, I'm just charging it, no it's not a big problem but I'm not I'm charging how the other people charge because I don't want to charge more - I don't want to kill the business – P2.

No, it's not a big deal pricing. – P3

The general feedback from participants is that there is a strong market in Butterworth and that numerous business opportunities and market demand exist in this entrepreneurial ecosystem. However, a challenge that exists is the impact the foreigners or immigrants are having. There seems to be a perception that foreigners do not comply with laws and regulations and that enforcement of laws is weak as a result of corruption.

". that you've got so many different nationalities that have mushrooms that have infiltrated the market. open up a small business especially in these areas is not easy because you got a lot of foreigners that you've got to compete with . I wouldn't want to open another supermarket because it would be too competitive to compete against, that's one of the reasons why I sold my shop in 2019 as well because there's too many little shops opening up around us. foreign illegal, immigration issue which does dilute the market unfairly. "– P1

The participant raised the issue of foreigners not being subject to the laws and compliance requirements as a normal abiding South African citizen. From compliance with labour laws to income tax the compliance environment is still very demanding on the small business. The perception is that foreigners, especially illegal foreigners are outside this net making it easier for them to run their businesses and avoid compliance. The participant alluded to bribes being paid by foreigners to law enforcement agencies whether it be labour inspectors or home affairs

officials to the police. This corruption in turn allows illegal or legal foreigners to run their businesses outside the compliance net.

Immigration or influx of foreigners need not however be negative in building a vibrant ecosystem. (Bell-Masterson & Stangler, 2015). Bell-Masterson and Stangler actually posit that attracting immigrants strengthens the vibrancy of an entrepreneurial ecosystem in that "immigrants have a very high entrepreneurial propensity and start businesses twice the rate of native-born Americans." (Bell-Masterson & Stangler, 2015 page 6). This phenomenon is clearly visible in the Butterworth area. However, for this aspect of immigration to be a positive contribution to the Butterworth entrepreneurial ecosystem, law enforcement is critical to equalize the playing field.

4.2.7. Phase 1 conclusion

Phase 1 findings reveal that all the domains necessary for productive entrepreneurship are available in the Butterworth entrepreneurial ecosystem. However, certain domains were considered weak due to certain negative factors. The domains that were found to be relatively strong were in the areas of culture, market demand, and human capital.

The domains that were considered weak are the lack of business support and ineffective and weak institutions that point to problems in the policy domain. The weak and ineffective institutions include financing or funding agencies such as ECDC.

This in turn makes access to finance more difficult and therefore a key contributor to weak entrepreneurial activity in the Butterworth entrepreneurial ecosystem. Table 3 below summarises the findings of the phase 1 analysis.

Table 3: Summary of Phase 1 analysis - Isenberg (2010)

Findings - Phase 1 Analysis - Isenberg (2010)				
Elements/Domains	**Present in Butterworth Entrepreneurial Ecosystem**	**Butterworth Entrepreneurial Ecosystem**	**Factors negatively impacting on Domain**	**Factors positively impacting on Domain**
Support	Yes	Poor	Lack of mentoring services, professonal business consulting, enterprise development	Workshops held by ECDC to share information
Finance	Yes	Satisfactory	Ease of access, difficult application process, lack of matching funding, political entrepreneurship, isomophism,legitimacy theory, institutional void	Availability of ECDC, and funding products, access through ECDC to another funding sources such as NEF, IDC, DTI and SEFA
Policy	Yes	Poor	Negative attitudes, Corruption,Weak institutional processes, lack of presence for agencies such as SEFA, SEDA, NEF, IDC.	BEE legislation and procurement supportive of black entrepreneurs
Culture	Yes	Strong	Entrepreneurs are not given the importance they deserve by intermediaries	Entrepreneurs are not scared of failure and have a good standing by society. Many are pushed into entrepreneurship due to high unemployment
Market	Yes	Strong	Illegal immigrants, lack of enforcement of laws to level the playing field	Market access is not difficult and quite strong
Human Capital	Yes	Strong	Laziness, alchohol consumption. Highly skilled personel not available for high growth firms	High skills not necessary for small-medium enterprises

4.3. Phase 2 Stam (2015) model's findings

Phase 2 findings using Stam (2015) model to understand the causative factors for entrepreneurship in the Butterworth entrepreneurial ecosystem. These findings are more detailed analysis following Phase 1 findings. Since Phase 1 findings cover most of the elements as per Isenberg (2010), the focus of the analysis is specifically focused on the four ontological layers of the model i.e. the framework conditions, systemic conditions or resource

endowments, outputs i.e. productive entrepreneurship and finally the outcomes as to the value created by the entrepreneurial ecosystem.

4.3.1. Framework conditions

In terms of Stam (2015) model, the framework conditions are the foundational requirements for human interaction to be feasible which then form the bedrock for the broader elements that all together create vibrant entrepreneurial activity. As stated previously, the foundational pillars are strong institutions, supportive culture, accessible demand and strong physical infrastructure.

The findings arising from the Phase 1 analysis indicate that due to dysfunctionality in the funding agencies or enterprise development agencies there is a weakness with respect to the institutional condition. It follows from that due to this institutional weakness the other systemic conditions in the model will be negatively impacted due to a weakness at the framework condition layer.

While supportive culture, market demand and physical infrastructure are relatively fair, the failure at an institutional level is a key inhibitor in the Butterworth Entrepreneurial Ecosystem. The institutional void results in a poor flow of funding and therefore makes access to finance the big negative factor in the Butterworth entrepreneurial ecosystem.

4.3.2. Systemic conditions

The Phase 1 analysis indicates that most of the systemic conditions also referred to as resource endowments are present. However, access to finance and professional service and business consulting services (support or intermediaries) was lacking. The need for a one-stop business hub was advocated by some of the participants as a bridge to filling this gap.

4.3.3. Productive entrepreneurship

As stated earlier, the output expected out of a vibrant entrepreneurial ecosystem is productive entrepreneurship. Most literature refer to productive entrepreneurship as the creation of high-growth firms (Stam, 2015; Brown & Mason, 2017). It is clear that the Butterworth entrepreneurial ecosystem is not positioned to generate high-growth or innovative firms arising from the institutional void of key organisations as well as lack of leadership with respect to the entrepreneurial ecosystem approach.

This is not due to a lack of potential entrepreneurs who are innovative or who are pursuing innovative ventures. For example. One of the local entrepreneurs who participated in this study, was pursuing the development of a hyper-car with a very unique and innovative gearbox using an electric motor. Since the Butterworth entrepreneurial ecosystem, even with a local university with an engineering faculty, could not support him in the development of a prototype he had to seek the services in Cape Town. Due to struggles in validation and developing a prototype of the hyper-car, he sought to develop the electric motor further and seek funding to produce a battery pack as an energy source and moved away from the development of the hyper-car.

The key finding is that, if there is effective leadership (Miles & Morrison,2018) in the governance of the Butterworth entrepreneurial ecosystem, there is empirical evidence that the establishment of high-growth firms in a rural town like Butterworth is highly possible. This in turn will result in recycling and feedback into the entrepreneurial ecosystem thereby strengthening it and evolving into a strong entrepreneurial ecosystem over time (Spigel & Harrison, 2018).

It is also worth mentioning, the institutional void in organisations like ECDC at a regional and operational level, results in entrepreneur fatigue. Simply put, after expending a lot of energy, costs and time with no concrete response – either a rejection or update from the relevant institution – the entrepreneur gives up out of frustration. While entrepreneurship by nature requires resilience, the entrepreneurial ecosystem influences the extent of the struggle. Currently one of the participants has a proven-business concept which requires about R60 million and will create about 100 jobs in Butterworth. However, the institutional void at provincial level, never-mind at the Butterworth level, has led to the entrepreneur losing hope in securing funding from the relevant funding institutions. He has approached ECDC, NEF and IDC but to no avail.

Due to the poor entrepreneurial ecosystem, the type of enterprises is therefore more survivalist or small to medium enterprises. Many of these enterprises also take the form of co-operatives. However, due to lack of support such as professional mentoring and entrepreneurial education, many of these enterprises have a very limited life span.

Conclusion: Evidence of productive entrepreneurship is lacking in the Butterworth entrepreneurial ecosystem. However, there is strong empirical evidence for the *potential* for productive entrepreneurship. In other words, there is potential for the establishment of high-growth firms in Butterworth. This is dependent on effective leadership on implementing an entrepreneurial ecosystem approach and fixing the institutional void that currently exists in the institutions responsible for contributing to entrepreneurship.

4.3.4. Welfare outcomes

The welfare outcomes expected from vibrant entrepreneurial activity are not evident in Butterworth. The unemployment rate is high, new graduates from the local university and technical college are seeking employment outside Butterworth. There is no innovation and no attraction to ambitious entrepreneurs to Butterworth.

Conclusion: The weaknesses found at a foundational level (framework condition), institutional void, lack of support, and thereby poor access to finance results in a poorly functioning entrepreneurial ecosystem.

This in turn explains the poor welfare outcomes such as high unemployment and poor entrepreneurial activity.

4.3.5. Conclusion

Stam (2015) model demonstrates that, due to institutional void in Butterworth, the foundational requirements of the Butterworth entrepreneurial ecosystem are very weak resulting in poor upward causation that supports entrepreneurial activity. It is encouraging that most of the systemic conditions for a vibrant ecosystem are present except for access to finance.

Also missing is the leadership in implementing an entrepreneurial ecosystem approach. The summary of the analysis is illustrated in Table 4.

Table 4: Summary of phase 2 analysis - Stam (2015) model

Ontological Layers	Elements	Butterworth entrepreneurial ecosystem	Overall comments
Framework conditions	Institutional arrangements	Weak	Framework conditions weak due to institutional void, political entrepreneurship, corruption
	Culture	Strong	
	Networks	Satisfactory	
Resource endowments	Finance	Available	Generally Butterworth entrepreneurial ecosystem has resource endowments and has systemic conditions present but access to finance, poor ecosystem leadership and poor or lack of professional support is a challenge
	Market Demand	Strong	
	Physical Infrastructure	Strong	
	Talent	Available	
	Knowledge	Limited but available	
	Leadership	Weak	
	Intermediaries	Weak	
Outputs - Productive entrepreneurship	High Growth Firms	Non-existent , but strong potential for high-growth firms	High-growth and innovative businesses are lacking. But potential exists.
	Innovative startups	Non-existent , but strong potential for innovative firms	
	Entrepreneurial Employees		
Outcome - Value creation	Productivity	Low	Due to weak framework conditons and access to finance is resulting in poor entrepreneurial activity
	Jobs	High unemployment	
	Income	Low	
	Well being	Mixed	

4.4. Phase 3 Spigel and Harrison (2018) model's findings

This model is useful in analysing the functionality of the Butterworth entrepreneurial ecosystem by evaluating the strength of the flow of resources through the ecosystem.

4.4.1. Resource richness

Entrepreneurial knowledge, financial capital, successful mentors, and skilled workers are recognised as key entrepreneurial resources for successful entrepreneurship (Spigel & Harrison, 2018; Isenberg, 2010; Stam, 2015). In addition, Spigel and Harrison (2018) posit that the existence of high-growth or innovative firms attract resources and through recycling

also contribute to a strengthening entrepreneurial ecosystem. They also posit that resources can leak from an ecosystem due to certain protracted shocks.
Arising from the phase 1 and phase 2 analysis, it is evident that other than successful mentors most of the key resources needed for entrepreneurial activity are available and present in the Butterworth entrepreneurial ecosystem.

However, while *presence* of entrepreneurial resources is critical, presence alone is not sufficient for fostering productive entrepreneurship or entrepreneurial activity (Audretsch, Grilo, & Thurik, 2007; Spigel & Harrison, 2018).

Within the Butterworth entrepreneurial ecosystem, *access* to the entrepreneurial resources specifically *financial capital* seems to be a serious challenge. Availability of funds is not an issue, but rather the process and cultural attitude of staff at the institutional level seems to negate the positive aspect of availability. ECDC being one specifically cited by participants. The roles and effectiveness of the higher education institutions such Walter Sisulu University and the King Hintsa college in the Butterworth entrepreneurial ecosystem is also in question.
It is also important to note the historical context of Butterworth and its relationship to the current status quo of the Butterworth entrepreneurial ecosystem. Post 1994, Butterworth experienced a huge exodus of manufacturing firms including a PEP manufacturing plant and South African Breweries (SAB) brewing plant. These manufacturing firms may be considered as high-growth firms and have a national and international footprint. This exodus of firms posts -1994 equates to Spigel and Harrison's (2018) "leakage of resources" or "protracted shock" to the Butterworth entrepreneurial ecosystem.

4.4.2. Strength of flow

The key argument that Spigel and Harrison (2018) bring to the entrepreneurial ecosystem body of knowledge is that key entrepreneurial resources should *flow* through the ecosystem to achieve functionality. *Flow* is dependent on the strength of connectivity or inter activeness within the network of actors in the ecosystem. Arising for the Phase 1 analysis, it is evident that allegations of political entrepreneurship, and corruption are key factors preventing access to and thereby *flow* of especially financial resources. Difficult application processes and time-delays are also factors that inhibit access to funds.

There is no empirical evidence to conclude that the social networks in Butterworth are weak. Participants have access to important information or knowledge and for them to have that awareness indicates that knowledge is flowing through the existing social networks especially through social media platforms like WhatsApp groups and Facebook.

ECDC also holds workshops wherein information is provided and through these events, knowledge is circulated. There is no restriction to a labour pool especially in light of the fact that even labor with a basic grade 8 or grade 12 certificate is sufficient for the type of businesses that exist in Butterworth.

Therefore, the findings indicate that, of the key resources necessary for a vibrant entrepreneurial ecosystem, the Butterworth entrepreneurial ecosystem has impediments against the free flowing of financial resources. If financial resources that *are available* were to be *flowing* in the Butterworth entrepreneurial ecosystem, there would be a higher level of entrepreneurial activity which in turn over time would evolve into a strengthening ecosystem (Spigel & Harrison, 2018) that could generate high-growth or innovative type firms.

Therefore, Spigel and Harrison's (2018) assertion that for resources to be useful, they must be accessible and utilised does not hold true in the Butterworth entrepreneurial ecosystem.

4.4.3. Conclusion

For a strong and well-function entrepreneurial ecosystem to exist, the ecosystem should *have available* resources, and these resources should *flow* through its network structure for the benefit of the entrepreneurs.

Spigel and Harrison (2018) posit that the functionality of an entrepreneurial ecosystem is directly linked to the ability of entrepreneurs to *access* the resources available. In conjunction with the Phase 1 and Phase 2 analysis, the findings indicate that in general entrepreneurial resources exist and are available with the Butterworth entrepreneurial ecosystem to foster strong entrepreneurial activity. These resources may not be sufficient to create high-growth or innovative firms but is more than sufficient to trigger strong entrepreneurial activity.

The findings indicate that a specific weakness in accessing available *financial resources* in the Butterworth entrepreneurial ecosystem exists and needs to be corrected.

In addition, the exodus of high-growth firms like PEP manufacturing and SAB Brewing plant post 1994 resulted in the leakage of resources. The lack of connectivity and weak interactions between key role players in the Butterworth entrepreneurial ecosystem has resulted in aggregate to the weakening of the Butterworth ecosystem into a *nascent* entrepreneurial ecosystem as defined by Spigel and Harrison (2018).

4.5. Phase 4 Cao and Shi (2020) / Aguilar (2021) models' findings:

4.5.1. Resource logic

The Butterworth entrepreneurial ecosystem fails to be a productive resource allocation system. The primary reason for this is institutional failure and the lack of leadership in adopting an entrepreneurial ecosystem approach. As per phase 2 analysis findings, at a foundational level there is an institutional void in the key stakeholder organisations leading to poor resource access that prevents the Butterworth entrepreneurial ecosystem from being a productive resource allocation system.

4.5.2. Interactive logic

Within the Butterworth entrepreneurial ecosystem, the following key role-players exist:

- Funding and business support, enterprise development: ECDC
- Funders: ECDC, LED fund – local municipality
- Educational institutions: Walter Sisulu University and King Hintsa College
- Access via to ECDC to other funders: SEFA, SEDA, NEF, IDC and DTI.
- High Schools

There is evidence of weak interactions at an operational level between ECDC and other funders as well as between higher education institutions and ECDC and funders. ECDC has business advisors at their head office in East London who at times do not liase with regional ECDC office.

Enterprises that receive funding from a funder, for instance, IDC do not interact with the local university and municipality to provide support to the entrepreneur. IDC in turn does not have business mentors that are available locally to support entrepreneurs in Butterworth.

All this points to poor interaction within the independent but interdependent actors. Hence the entrepreneurial ecosystem is incapable of producing positive entrepreneurship. This very

important characteristic of interaction between various elements (Feld, 2012; Spigel, 2017; Isenberg, 2010; Stam, 2015; Autio, 2016) amongst other factors is at the heart of why the Butterworth entrepreneurial ecosystem is weak and not achieving as an output positive and high entrepreneurial activity.

4.5.3. Governance logic

The key requirement of "multipolar coordination" to achieve a unified, cohesive and "concerted" action rather than "isolated" independent actions (Cao & Shi, 2020, page 83) is a primary cause for poor interaction and resource provision in the Butterworth entrepreneurial ecosystem.

There is no evidence of an effectual leader (Miles & Morrison, 2018) championing an entrepreneurial ecosystem approach in Butterworth which results in poor if not non-existent stakeholder coordination for the benefit of positive entrepreneurial activity.

4.5.4. Rural poverty

Aguilar (2021) argues that within a rural context, poverty may impact purchasing power and therefore in turn negatively impact on consumption or market demand.

The exodus of major manufacturing firms in Butterworth, like South African Breweries and PEP textiles post-apartheid did result in major job losses. The high unemployment in Butterworth that is especially acute in the youth (ECSECC,2023) definitely has an impact on consumption. However, the government grants available to South African citizens has a mitigating effect.

It is also interesting to note that the number of households with no income reduced significantly between 2001 and 2011 from 40% to 15% (Mnquma local municipality,2022). The findings under the Phase 1 analysis also provided data that opportunities for business was not an issue. Refer 4.2.6 above.

While rural poverty remains a reality it does not seem to affect market demand to critically impact entrepreneurial activity within the Butterworth context.

4.5.5. Peripheral location

The town of Butterworth is located on the N2 which is one of the key national roads in South Africa that connects Cape Town in the Western Cape to Ermelo in Mpumalanga. It is not as isolated as the villages of the deep rural areas of the Eastern Cape. Therefore, the location of Butterworth is a positive attribute within an entrepreneurial ecosystem thinking. In fact, it could be argued that its location on the N2, its nearness to the coast and equidistance to Mthatha and East London (which is designated as an Industrial Development Zone) is very strategic for Butterworth especially from an entrepreneurial ecosystem perspective.

4.5.6. Rural cultural values

In South Africa the largest segment of self-employed people are Black African women (Witbooi & Ukpere, 2011; Nambiar, Sutherland & Scheepers, 2020). However, most of them are necessity-based entrepreneurs rather than opportunity based (Radebe & Smith, 2023). The same phenomenon is observed in Butterworth. While culturally women in the Eastern Cape are very enterprising, few are opportunity driven entrepreneurs and a large sector are hawkers or involved in survivalist type of enterprises. But culturally there is no hindrance for black women to be entrepreneurs in the Butterworth area.

4.5.7. Natural resource endowments

Butterworth and its surrounds are located geographically in an area that is near the coast line which is a source for tourism. It also has the following natural resource endowments: heritage sites, cultural skills in arts and crafts specifically beautiful beadwork, mining opportunities in granite and titanium and access to indigenous forests (Mnquma local municipality (2022). There is also a local dam which has tourist, fishing and recreational opportunities. All these naturally available resource endowments can contribute to a strong Butterworth entrepreneurial ecosystem (Aguilar, 2021).

4.5.8.Conclusion

Butterworth has sufficient entrepreneurial resources such as availability of funding, educational institutions, local municipality, local branches of different ministries, and a local ECDC branch. These institutions and resources if managed and coordinated effectively would lead to positive entrepreneurial activity in Butterworth. The “rural specificities” of Aguilar (2021) are more positive than negative within the Butterworth entrepreneurial ecosystem construct.

4.6. Discussion of findings

4.6.1. Introduction

This chapter discusses the findings emerging out of the four phases of data analysis with the overall objective of exploring the entrepreneurial ecosystem of Butterworth.

4.6.2. Phase 1 findings

Premised on the Isenberg (2010) framework, it is evident that of the six domains, the finance and support domains (Roundy,2017) are the key elements that are hindering positive entrepreneurship in Butterworth. It is encouraging that all other elements are present and sufficient to support positive entrepreneurship.

The local university and college can play a vital leadership and supportive role in implementing and strengthening the local entrepreneurial ecosystem (Sambo,2018). The local university and college can also play a leadership role in providing legal, accounting and more importantly enterprise development services to the local entrepreneurs (Sambo, 2018; Kansheba & Wald, 2020).

It is worrying that the general perception that local labour is lazy and unreliable does have a negative impact but not enough to hinder entrepreneurial activity. The impact of foreigners on the Butterworth entrepreneurial ecosystem is considered to be very significant, however, in a more negative way. The perception that foreigners, especially illegal foreigners are able to run businesses without compliance to tax legislation and other regulatory requirements is a serious concern for the Butterworth entrepreneurial ecosystem.

Therefore, the impact on the ecosystem, is that the market becomes diluted and captured by the foreigners whose entry costs and barriers to entry are far more less than a South African who wants to be legally compliant. However, this element seems to have an impact at the micro level of business and not at the small to medium and large enterprise level. At an aggregate level the impact of foreign owned businesses is negligible to the whole entrepreneurial ecosystem.

Of a more significant matter was the findings with respect to the finance domain. The weaknesses arising in this domain is also linked to poor and weak institutional arrangements in the Butterworth entrepreneurial ecosystem. This limits access to the financial resources that

are available in the Butterworth entrepreneurial ecosystem. There is empirical evidence that points to political entrepreneurship and corruption as factors contributing to institutional void especially at mandated funding institutions such as ECDC. Competency of funding institution staff, difficult application processes and delayed responses to applications for funding were also cited by participants. The above collective weaknesses and response delays in the finance domain results in entrepreneur fatigue and thereby poor new venture creation.

4.6.3. Phase 2 findings

Phase 2 findings helped to view the Butterworth entrepreneurial ecosystem from Stam (2015) four ontological layers. This view is more comprehensive and more informative of the causative factors and outputs of the necessary elements within the Butterworth entrepreneurial ecosystem. Emerging out of this were the following key insights:

- At the foundational and important ontological layer that sets an enabling environment for positive entrepreneurship, there is a dysfunction at an institutional level, especially with respect to the funding and support agencies (Cao & Shi,2020).
- This institutional dysfunction contributes to lack of access to finance which is an important "systemic" condition that together with other important elements result in productive entrepreneurship.
- The other element that seems very weak or even non-existent is the professional support element (Roundy,2017). The lack of mentoring services and limited professional legal and accounting services in Butterworth that are entrepreneurial friendly inhibits entrepreneurs (Roundy, 2017) from understanding the entrepreneurial process and fulfilling the requirements from idea stage to funding application stage. Post funding, many entrepreneurs require mentoring with respect to implementing financial, governance and control systems. These services are expensive and hard to access in Butterworth. The lack of a one-stop business hub or accelerators is a key draw-back in the Butterworth entrepreneurial ecosystem.
- Due to a lack of adopting an entrepreneurial ecosystem approach to development, there is leadership vacuum resulting in various stakeholders pursuing actions independently of each other and there is no multipolar coordination (Miles & Morrison, 2018).
- The combined effects of the weak institutions, lack of coordination between various ecosystem stakeholders and access to finance is key in understanding the lack of productive entrepreneurship as an outcome. It explains one of the reasons why entrepreneurs in Butterworth struggle to succeed.

4.6.4. Phase 3 findings

In the Phase 3 findings, a deeper analysis of the Butterworth entrepreneurial ecosystem is conducted. The insights gained indicate that the Butterworth entrepreneurial ecosystem has sufficient entrepreneurial resources to sustain productive entrepreneurship, however due to institutional voids (Cao & Shi, 2020) these resources are not flowing through the system (Spigel & Harrison, 2018). The lack of flow is attributable to a lack of interactivity between various stakeholders.

In addition, due to the dismantling of the Bantu homeland system, post 1994, the exodus of large or high-growth manufacturing firms out of Butterworth, resulted in leakage of resources thereby reducing the Butterworth entrepreneurial ecosystem to a *nascent* entrepreneurial ecosystem. Butterworth has not attracted flow of investment or entrepreneurial talent since then that would see new large high-growth firms established.

4.6.5. Phase 4 findings

The lack of leadership (governance logic) by an individual or organisation in Butterworth in coordinating the various stakeholders – multipolar coordination (Cao & Shi, 2020) – is resulting in poor network connections and therefore poor interactivity between various actors and elements in the Butterworth entrepreneurial ecosystem (interactive logic). This poor interaction and governance in turn results in the Butterworth entrepreneurial ecosystem not achieving the status as a productive resource allocation system. The necessary entrepreneurial resources for achieving entrepreneurial activity are available in the Butterworth entrepreneurial ecosystem, yet sadly not mobilized effectively to achieve positive entrepreneurial activity (resource logic).

The key impediment to a well-functioning entrepreneurial ecosystem in Butterworth is institutional failure at the funding level. All other key elements, available and relevant institutions, culture, networking, availability of finance, knowledge of opportunities, human capital, and supportive policies are sufficient for positive entrepreneurial activity. The Butterworth entrepreneurial ecosystem may not be ready to produce high-growth firms, but it has good potential and ability to have sufficient entrepreneurial activity to evolve into a strong well-functioning entrepreneurial ecosystem.

4.7. Chapter Summary

Using a thematic analysis and the four-phase approach set out in the previous chapter, the findings provide valuable insights into the entrepreneurial ecosystem existing in the town of Butterworth. The findings identify the specific elements or ingredients in the Butterworth entrepreneurial ecosystem that inhibit productive entrepreneurship.

The phase 1 analysis using Isenberg (2010) model indicates that all the key six domains are present in the Butterworth entrepreneurial ecosystem. There is no lack of enthusiasm or negative attitude with respect to entrepreneurs - generally speaking entrepreneurs are quite respected and encouraged. Market opportunities exist and market buying power is not curtailed but rather strong. The skill set to meet the needs of SMMEs is available in the Butterworth entrepreneurial ecosystem, however where high-tech skills are required then the rurality of Butterworth is a slight impediment which can be overcome through digitalisation. While finance exists to support entrepreneurs, institutional weaknesses in these finance institutions weakens access or ease to finance. Political entrepreneurship is a key impediment for a thriving entrepreneurial ecosystem.

The phase 2 analysis using Stam (2015) model indicates that at a systemic level, institutional dysfunction is one of the key impediments to a vibrant entrepreneurial ecosystem in Butterworth. The institutional dysfunction also inhibits the provision of a strong business support system which is critical to an entrepreneurial ecosystem especially within a rural context. The institutional dysfunction prevents a flow of resources within the Butterworth ecosystem which is necessary in a strong ecosystem as per Spigel and Harrison (2018). The lack of coordination of the various stakeholders in the entrepreneurial ecosystem becomes evident from the findings thereby pointing to a weak or nascent entrepreneurial ecosystem in Butterworth. This lack of coordination (governance logic) prevents interaction within the important stakeholders (interactive logic) and therefore poor resource flow (resource logic).

5. SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.1 Introduction

This chapter synthesizes the study by responding to the research objectives and research question identified in 1.4 and 1.5 respectively of chapter 1. It sets out the conclusions and recommendations arising from the study and advises on suggestions for future studies.

5.2 Summary and Conclusions

The main research objective of this qualitative study was to explore the entrepreneurial ecosystem unique to the rural town of Butterworth located in the Mutuma local municipality of the Eastern Cape province of South Africa. This exploration was conducted as a basis for identifying the context of why entrepreneurs struggle to succeed in town like Butterworth. The context specifically being that Butterworth is a rural town and is characterised with a high unemployment and low productive entrepreneurship.

A qualitative study using semi-structured interviews was conducted to obtain a first-hand knowledge from 8 entrepreneurs in Butterworth. The profile of the entrepreneurs represented youth, women, different business sizes, industries and seasoned entrepreneurs. The qualitative study enabled a richer context and better appreciation of the emotions and intimate experience of these entrepreneurs on their difficult journeys as entrepreneurs in the Butterworth ecosystem. The data collected from these entrepreneurs was then analysed in four phases using well-known conceptual frameworks in entrepreneurial ecosystem literature. The popular Isenberg (2010) model was used to analyse the data into the basic domains to identify which were the primary domains that manifested itself in the Butterworth ecosystem and which domains were lacking. Stam's (2015) model was used as a basis of analysing the Butterworth ecosystem from the perspective of the four ontological layers being framework conditions, systemic, productive entrepreneurship, and welfare outcomes.

Spigel and Harrison (2018) enabled a more refined description of the Butterworth ecosystem by attempting to identify where in the spectrum the Butterworth entrepreneurial ecosystem could be placed. From whether it was a "rich and well-functioning" on the one end of the spectrum to a "weak and poorly-functioning" entrepreneurial ecosystem on the other end of the spectrum.

The final analysis incorporated Aguilar (2021) rural dynamics and Cao and Shi (2020), interactive logic, resource logic, and governance logic to arrive at empirical conclusions with respect to the entrepreneurial ecosystem unique to the rural town of Butterworth.
The following conclusions are now summarised in response to the objectives of this study and the research questions arising thereof.

Why do entrepreneurs struggle to succeed in a rural area?
The encouraging insights arising from the study are that the Butterworth entrepreneurial ecosystem indicates that most of the strong elements that hold promise for a vibrant ecosystem do exist. However, institutional void at the local level is a primary contributor to the struggle of entrepreneurs in the Butterworth entrepreneurial ecosystem. This institutional void hinders access to financial resources that are available.

What are the key elements or domains of a vibrant entrepreneurial ecosystem that are or are not present in the entrepreneurial ecosystem of the rural town of Butterworth.
While financial resources are available through key state-owned agencies such as ECDC, SEFA, SEDA and IDC, *access to them* is the key problem. The findings also indicate that the availability of professional support including a one-stop business hub is lacking in the Butterworth entrepreneurial ecosystem. The need for such a one-stop business hub especially within a rural context is another contributing factor for the struggles that entrepreneurs endure in their journey.

Furthermore, lack of adopting an entrepreneurial ecosystem approach to economic development has resulted in no champion to play a coordinating role. That all important stakeholders in the Butterworth entrepreneurial ecosystem work in symphonic harmony for the benefit of enhanced entrepreneurial activity.

What is the interactive logic, resource logic and governance logic unique to the entrepreneurial ecosystem of the rural town of Butterworth?
The Butterworth entrepreneurial ecosystem can be defined to be in a nascent stage due to poor interactions between important actors and resource elements (*interactive logic*), non-existent leadership (*governance logic*) over the entrepreneurial ecosystem and inability to provide access to financial resources. While sufficient entrepreneurial resources exist in the

Butterworth entrepreneurial ecosystem, the lack of flow especially with respect to financial resources handicap the effective functioning of the ecosystem (*resource logic*).

This manifests itself in "necessity-driven" entrepreneurs rather than "opportunity or innovation" driven entrepreneurs. There is a lack of high-growth firms that could result in value creation such as increased jobs and attracting further financial and human capital. Potential however exists, for a vibrant entrepreneurial ecosystem that can generate high-growth firms due to the existence of critical entrepreneurial resources such as available funding, a university and a college. It also has the ECDC that can be a catalyst and champion to trigger an "entrepreneurial revolution" in Butterworth.

5.3 Recommendations

To achieve a more enabling environment that will mitigate the current struggles of an entrepreneur in the Butterworth entrepreneurial ecosystem the following are the recommendations:

i. ECDC should adopt an entrepreneurial ecosystem approach to development and take ownership and provide leadership in this process at provincial level (*Leadership or governance logic*).
ii. ECDC should address the institutional void that current exists especially at the operational or regional level (*Key framework condition*).
iii. Interactions between the various elements of the entrepreneurial ecosystem should be activated to ensure strong network flow of entrepreneurial knowledge, talent and financial capital (*Strong networks or interactive logic*).
iv. Appropriate or professional business support and enterprise development services should be provided at a subsidised cost by *entrepreneurially minded* professionals. (*Access to professional support*).
v. Local university and college should re-examine their roles within the entrepreneurial ecosystem framework and logic to identify the talents and skills needed to support positive entrepreneurial activity in the town and surrounding areas (*Network or interactive logic*).
vi. At a national level, deliberate policy direction should be developed incorporating an entrepreneurial ecosystem approach that specifically incorporates rural geographical areas. This entrepreneurial ecosystem "thinking" should then be

cascaded to provinces and embedded in provincial development plans (*Entrepreneurial ecosystem approach as a policy*).

vii. Since local municipalities are the direct interface with entrepreneurs on the ground, it would be strongly recommended that provincial Integrated Development Plans of district and local municipalities incorporate as a local economic development (LED) strategy an entrepreneurial ecosystem approach. This will empower more effective planning and better utilisation of limited resources in achieving higher entrepreneurial activities in their respective regions (*Resource logic*).

viii. By investing resources in better functioning entrepreneurial ecosystem, the entrepreneurial activity yield or return on investment will be more evident over a period of time rather than advancing resources to potential entrepreneurs directly (*Resource logic*).

5.4 Suggestions for future study

It is suggested that studies that describe or evaluate the entrepreneurial ecosystem especially in the Eastern Cape at a district or even a local municipality level be conducted to equip provincial stakeholders in developing effective strategies to accelerate entrepreneurial activity which is much needed to address the huge unemployment and low economic activity in the region.

As no or few empirical studies exist that describe the entrepreneurial ecosystems at a district municipality or even local municipal level especially of those located in the rural areas of the country, this would be a very useful study especially for the various stakeholders in the entrepreneurial ecosystem of the country.

Digitalisation should be embedded into a rural entrepreneurial ecosystem to ensure its linked to *national* and *international* entrepreneurial ecosystems. This will enable access to growth opportunities for rural enterprises.

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APPENDICES

APPENDIX 1: LETTER OF INFORMED CONSENT



Information Sheet and Consent to Participate in Research

Date:

Dear Sir/Madam

My name is Liju Mathew Joykutty. I am a Masters student at the University of Kwa-Zulu Natal (UKZN). I am registered for the Master of Accountancy in the School of Accounting, Economics and Finance within the College of Law and Management Studies. I can be contacted as follows:

Cell : [redacted]

Land : [redacted]

Email : [redacted].za cc [redacted]

You are being invited to consider participating in a study that involves research in the area of entrepreneurial ecosystems within a rural context. The aim and purpose of this research is to explore the entrepreneurial ecosystem in Butterworth, Eastern Cape so as to assist policy makers, government, business practitioners and agencies in the enterprise development space to work towards an entrepreneurial ecosystem that will support and accelerate entrepreneurship especially in the rural or underdeveloped areas of South Africa.

The study is expected to enrol a total of 8 entrepreneurs from the Butterworth or Mnquma district municipality jurisdiction. It will involve a semi-structured interview via Zoom or Microsoft Teams of less than 90 min. The duration of your participation if you choose to enrol and remain in the study is expected to be limited to the duration of the interview and possible follow-up enquiries should the need arise.

The study has no risks and costs attached to it. Please note that there are no financial incentives for participation in the study, however we hope that the study will provide information to stakeholders in the enterprise development space in Butterworth as to how

enterprises and the economy of Butterworth can benefit from a vibrant entrepreneurial ecosystem. I will also share a copy of the final dissertation with yourself.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number_____).
In the event of any problems or concerns/questions you may contact me at the contact details provided above. You may also contact the UKZN Humanities & Social Sciences Research Ethics Committee, as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION
Research Office, Westville Campus
Govan Mbeki Building
Private Bag X 54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557- Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

Your participation in this research is voluntary and you may withdraw your participation at any point during the study. Please note that in the event of refusal/withdrawal of participation, you will not incur any penalty or loss of treatment or any other benefit to which you are entitled. Should you wish to withdraw from the study please inform me in writing via my personal email provided above. There are neither reputational nor personal consequences to you as a potential participant resulting from the withdrawal of the study. Your name or personal information will not be divulged to ensure privacy and confidentiality. Where reference is made to you, a number or letters will be used in the study to protect your identity.

There are no costs to be incurred by you should you wish to participate in this study. The data collected will be kept securely under the custody of the researcher for a period of 5 years.

CONSENT

I _____ have been informed about the study entitled “Towards a *rural* entrepreneurial ecosystem: A study in Butterworth, Eastern Cape” by Mr Liju Mathew Joykutty.

I understand the purpose and procedures of the study.

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

I have been informed about that there will be no financial compensation or any personal risks to me as a result of my participation in this study.

If I have any further questions/concerns or queries related to the study, I understand that I may contact the researcher on his cell number: [redacted] or his email address at [redacted].

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

Additional consent, where applicable

I hereby provide consent to:

Audio-record my interview YES / NO

_____ _____

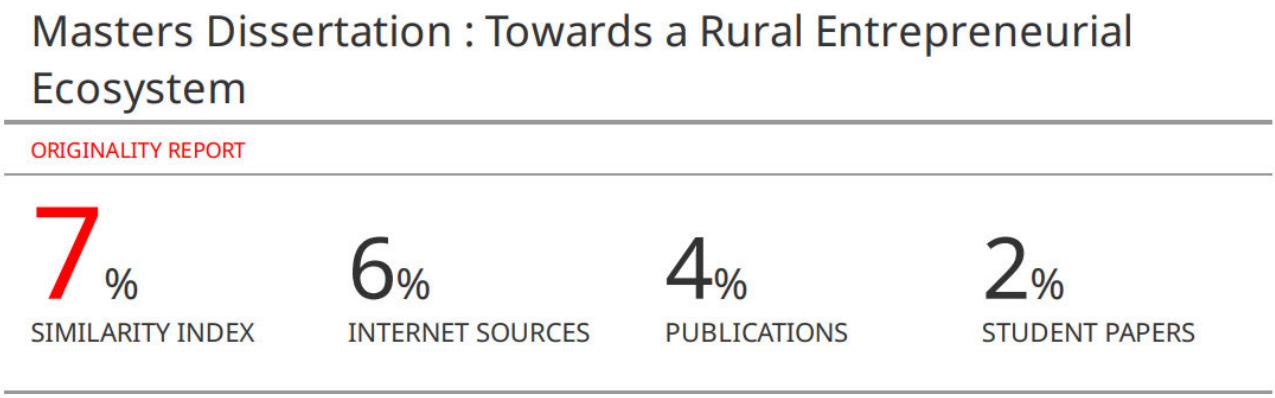
Signature of Participant **Date**

_____ _____

Signature of Witness **Date**

(Where applicable)

APPENDIX 2: TURNITIN REPORT



APPENDIX 3: SEMI-INSTRUCTURED INTERVIEW

CORE AGENDA FOR PARTICIPANTS INTRODUCTION

- Note of appreciation for participants.
- Obtain brief demographical statistics and number of years of experience as an entrepreneur.
- Brief discussion of the study and signing of consent form.
- Obtain permission to record or transcribe any information off the record.

The following questions are constructed as the semi-structured interview process unfolds to prompt additional responses from interviewees during the course of the interview. These points will not be provided to the interviewee prior to the interview and will allow it to unfold as a means to encourage an in-depth conversation so that the research questions were addressed. The language used will be simple conversational and casual in order to avoid ambiguities from emerging. Feedback questions will also be asked to ensure that question is understood and to avoid ambiguities due to language barrier. Where the English language is noted to be a challenge, interpretation into Xhosa will be requested.

Section A: Demographics

1. First & Surname
2. Physical residence
3. Race
4. Number of Years in Business
5. Educational Qualification
6. CV
7. Age

Section B: Policy & Regulation

1. Are you aware of the following government policies:
    a. BEE policy Yes/No
    b. Procurement policy as it benefits small business Yes/No
    c. Youth incentives Yes/No
    d. Women incentives Yes/No
2. How do you get information about new funding opportunities?
3. What do you think government should do to support you as an entrepreneur?
4. How do feel government is failing you?
5. How do you think government is supporting you?

Section C: Skills & Talents

1. What do you feel are your talents that support you in your business?
2. What skills did you obtain to support your business?
3. Do you have formal business training?
4. Have you attended any workshops on entrepreneurship?
5. Where the workshops valuable to you?

Section D: Access to Markets

1. Who are your main customers in Butterworth/outside Butterworth?
2. What challenges are you experiencing to secure customers in Butterworth/outside Butterworth?
3. What type of assistance would help you to get more customers in Butterworth/outside Butterworth?
4. How do you rate the quality of your products?
5. How do ensure you are price efficient?
6. What are your customers most important requirements? good packaging? good price? good quality?
7. What challenges do you face in accessing markets?
8. What assistance would make it easier for you to access markets?
9. What is your biggest challenge with respect to securing customers?

Section E: Access to Finance

1. Are you aware of the different types of funders and funds available for your business?
2. Who have you approached for funding in Butterworth/outside Butterworth?
3. How do your secure funds for your business?
4. Are you able to fill relevant application forms for funding?
5. How do you obtain information about different funding opportunities?
6. Did you obtain COVID-19 funding?
7. What is the most critical funding you require?
8. What is your experience in trying to secure funding?

Section F: Mind-set/Culture

1. What motivated you to start a business?
2. Are you afraid of the risk of failure?
3. Did you have the support of family or friends when deciding to start a business?
4. Does the community respect you as a businessman?

Section G: Business Support

1. What type of business support have you received?
2. What crucial support did you receive to start your business?
3. How do feel the support is in Butterworth?
4. What type of business support do you feel is most important? At idea stage? Start-up stage?

   Growth stage?
5. Who have you approached in Butterworth for assistance and support?
6. Who are the agencies or institutions you have received help from to support your business in Butterworth?
7. Have you received support from local businesses?
8. Is a one stop business support centre required in Butterworth?

Section H: Your Journey

Please detail your experience as an entrepreneur in Butterworth

APPENDIX 4: ETHICAL CLEARANCE

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

07 February 2025

Liju Mathew Joykutty (8933299)
School Of Acc Economics & Fin
Westville Campus

Dear LM Joykutty,

Protocol reference number: HSSREC/00003889/2022
Project title: Towards a rural entrepreneurial ecosystem:A study in Butterworth, Eastern Cape.
Amended title: Towards a rural entrepreneurial ecosystem: A study in Butterworth, Eastern Cape, South Africa.
Degree: Masters

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 04 February 2025 has now been approved as follows:

- Change in title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

HSSREC is registered with the South African National Health Research Ethics Council (REC-040414-040).

Best wishes for the successful completion of your research protocol.

Yours faithfully

[redacted]

.....
Professor Dipane Hlalele (Chair)

/nng